

CANADIAN NUCLEAR SAFETY COMMISSION

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, 2020, and all information contained in these statements rests with the management of the Canadian Nuclear Safety Commission (CNSC). 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 CNSC's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the CNSC'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* as well as all relevant CNSC policies, authorities and statutory requirements, including the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations*.

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 CNSC; 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, 2020 was completed in accordance with the Treasury Board *Policy on Financial Management*, and the results and action plans are summarized in the annex.

The effectiveness and adequacy of the CNSC's system of ICFR is reviewed by the internal control staff, who conduct periodic monitoring assessments, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and recommends the financial statements to the president.

The Office of the Auditor General, the independent auditor for the Government of Canada, has expressed an opinion on the fair presentation of the financial statements of the CNSC which does not include an audit opinion on the annual assessment of the effectiveness of the CNSC's internal controls over financial reporting. At the CNSC's request, the Office of the Auditor General also audited and expressed an opinion on its compliance with the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations*.

Rumina Velshi

President and
Chief Executive Officer

Stéphane Cyr

Vice-President, Corporate Services Branch and
Chief Financial Officer

Ottawa, Canada

July 27, 2020

CANADIAN NUCLEAR SAFETY COMMISSION

Statement of Financial Position

As at March 31

(in thousands of dollars)	2020	2019
Liabilities		
Accounts payable and accrued liabilities (note 4)	31,822	26,797
Vacation pay and compensatory leave	11,519	10,610
Deferred revenue (note 5)	4,251	3,956
Employee future benefits (note 6b)	3,328	3,608
Asset retirement obligation (note 7)	362	351
Total liabilities	51,282	45,322
Financial assets		
Due from the Consolidated Revenue Fund	31,959	26,933
Accounts receivable (note 8)	2,250	1,567
Total financial assets	34,209	28,500
Net debt	17,073	16,822
Non-financial assets		
Tangible capital assets (note 9)	13,225	16,370
Prepaid expenses	243	446
Total non-financial assets	13,468	16,816
Net financial position	(3,605)	(6)

Contractual obligations (note 12) and contingent liabilities (note 13)

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

Rumina Velshi

President and
Chief Executive Officer

Ottawa, Canada
July 27, 2020

Stéphane Cyr

Vice-President, Corporate Services Branch and
Chief Financial Officer

CANADIAN NUCLEAR SAFETY COMMISSION

Statement of Operations and Net Financial Position

For the year ended March 31

(in thousands of dollars)	Planned results*		
	2020	2020	2019
Expenses			
Salaries and employee benefits	125,379	118,841	119,256
Professional and special services	21,752	19,887	19,535
Accommodation	9,504	9,561	9,615
Travel and relocation	5,800	4,475	5,319
Amortization	5,483	5,552	4,315
Furniture, repairs and rentals	2,632	3,694	3,137
Grants and contributions	2,889	3,152	2,584
Communication and information	1,350	1,080	1,186
Utilities, materials and supplies	625	504	504
Other	100	777	81
Total expenses (note 10)	175,514	167,523	165,532
Revenues			
Licence fees	121,750	115,252	114,422
Special projects	3,746	3,221	2,451
Other	-	35	217
Total revenues (note 10)	125,496	118,508	117,090
Net cost of operations before government funding and transfers	50,018	49,015	48,442
Government funding and transfers			
Net cash provided by Government of Canada	31,635	21,893	31,440
Services provided without charge by other government departments (note 11a)	17,255	18,497	17,615
Change in due from Consolidated Revenue Fund	(649)	5,026	820
Net cost (revenue) of operations after government funding and transfers	1,777	3,599	(1,433)
Net financial position - Beginning of year	1,391	(6)	(1,439)
Net financial position - End of year	(386)	(3,605)	(6)

Segmented information (note 10)

*Planned results amounts in the “Expenses” and “Revenues” sections as reported in the Future-Oriented Statement of Operations included in the 2019–20 Departmental Plan. The planned results amounts in the “Government funding and transfers” section have not been previously published.

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

CANADIAN NUCLEAR SAFETY COMMISSION

Statement of Change in Net Debt

For the year ended March 31

(in thousands of dollars)	Planned results*	2020	2019
Net cost (revenue) of operations after government funding and transfers	1,777	3,599	(1,433)
Change due to tangible capital assets			
Acquisition of tangible capital assets (note 9)	4,645	2,938	7,860
Amortization of tangible capital assets (note 9)	(5,483)	(5,552)	(4,315)
Proceeds from disposal of tangible capital assets	-	-	(185)
(Loss) gain on disposal of tangible capital assets including adjustments	-	(531)	174
Total change due to tangible capital assets	(838)	(3,145)	3,534
Change due to prepaid expenses	25	(203)	(331)
Net increase in net debt	964	251	1,770
Net debt - Beginning of year	12,520	16,822	15,052
Net debt - End of year	13,484	17,073	16,822

*Planned results amounts have not been previously published.

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

CANADIAN NUCLEAR SAFETY COMMISSION

Statement of Cash Flows

For the year ended March 31

(in thousands of dollars)	2020	2019
Operating activities		
Net cost of operations before government funding and transfers	49,015	48,442
Non-cash items:		
Amortization of tangible capital assets (note 9)	(5,552)	(4,315)
(Loss) gain on disposal of tangible capital assets including adjustments	(531)	174
Services provided without charge by other government departments (note 11a)	(18,497)	(17,615)
Variations in Statement of Financial Position:		
Increase in accounts receivable	683	215
Decrease in prepaid expenses	(203)	(331)
(Increase) decrease in accounts payable and accrued liabilities	(3,385)	223
Increase in vacation pay and compensatory leave	(909)	(2,074)
Increase in deferred revenue	(295)	(433)
Decrease in employee future benefits	280	375
Increase in asset retirement obligation	(11)	(12)
Cash used in operating activities	20,595	24,649
Capital investing activities		
Acquisitions of tangible capital assets (note 9)	1,298	6,976
Proceeds from disposal of tangible capital assets	-	(185)
Cash used in capital investing activities	1,298	6,791
Net cash provided by Government of Canada	21,893	31,440

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

1. Authority and objectives

The Canadian Nuclear Safety Commission (CNSC) was established in 1946 by the *Atomic Energy Control Act*. It was known as the Atomic Energy Control Board until May 31, 2000, when the *Nuclear Safety and Control Act* (NSCA) came into effect. The CNSC is a departmental corporation listed in Schedule II of the *Financial Administration Act* and reports to Parliament through the Minister of Natural Resources.

To protect the health, safety and security of people and the environment, the NSCA provides comprehensive powers to the CNSC to establish and enforce national standards on the use of nuclear energy and materials. As part of this mandate, the CNSC is responsible for disseminating objective scientific, technical and regulatory information to the public. The NSCA establishes a basis for implementing Canadian nuclear policy and fulfilling Canada's international commitments on the peaceful use of nuclear energy. It also empowers the CNSC to require financial guarantees, order remedial action in hazardous situations, and require responsible parties to bear the costs of decontamination and other remedial measures.

Under the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations (CRFR)* (2003), the CNSC recovers costs related to its regulatory activities from users licensed under the NSCA. These activities include conducting technical assessments of licence applications, performing compliance inspections and developing licensing standards.

2. Summary of significant accounting policies

These financial statements are prepared using the CNSC'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 and revenue spending authority

The CNSC is financed by the Government of Canada through Parliamentary and statutory authorities. Included in the statutory appropriation is a revenue-spending authority, which allows the CNSC to spend licence fee revenue. Financial reporting of authorities provided to the CNSC 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 CNSC Statement of Operations and 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 CNSC Statement of Operations and Net Financial Position are the amounts reported in the Future-Oriented Statement of Operations included in the *2019–20 Departmental Plan*. The planned results amounts in the "Government funding and transfers" section of the CNSC Statement of Operations and Net Financial Position and in the CNSC Statement of Change in Net Debt were prepared for internal management purposes and have not been previously published.

(b) Net cash provided by Government of Canada

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

(c) Amounts due from or to the Consolidated Revenue Fund

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 the CNSC 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. Revenue is recognized in the period in which the underlying transaction or event that gave rise to the revenue takes place. Licence fee revenue is recognized on a straight-line basis over the period to which the fee payment pertains (normally three months or one year). Licence fees received for future year licence periods are recorded as deferred revenue.

2. Summary of significant accounting policies (continued)

(d) Revenues (continued)

Certain educational institutions, not-for-profit research institutions wholly owned by educational institutions, publicly funded healthcare institutions, not-for-profit emergency response organizations and federal government departments and agencies are not subject to the CNSC's CRFR. The CNSC provides licences to these organizations free of charge. The value of licences provided free of charge is calculated on the same basis as licence fees for organizations subject to the CRFR. The CNSC does not include the foregone revenue associated with these licences in the Statement of Operations and Net Financial Position.

(e) Accounts payable and accrued liabilities

- ✓ Accounts payable and accrued liabilities are measured at cost and represent obligations of the CNSC for salary and wages, for material and supply purchases and for the cost of services rendered to the CNSC.
- ✓ Salary-related accrued liabilities are determined using the employees' salary levels at year-end.

(f) Expenses

Expenses are recorded on an accrual basis. The cost of goods and services are expensed as they are incurred.

The CNSC provides grants and contributions to enable the development and management of activities of its Research and Support Program and the Canadian Safeguards Support Program. Grants are recognized in the year in which the conditions for payment are met. Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, provided that the transfer is authorized and a reasonable estimate can be made.

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 are recorded as operating expenses at their carrying amount. These include accommodation provided by Public Services and Procurement Canada, contributions covering the employer's share of employees' insurance premiums and other costs paid by the Treasury Board Secretariat, services provided by Shared Services Canada, audit services provided by the Office of the Auditor General, workers' compensation benefits provided by Employment and Social Development, and the costs of legal services provided by Justice Canada.

(g) Related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount. Related parties include individuals who are members of key management personnel (KMP) or close family members of those individuals, and entities controlled by, or under shared control of, a member of KMP or a close family member of that individual. The CNSC has defined its KMP to be the president, the vice-presidents, the commission secretary and the senior general counsel.

Inter-entity transactions are transactions between commonly controlled entities which includes all government departments, agencies, and Crown corporations. Inter-entity transactions that are undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded on a gross basis and are measured at the exchange amount, with the exception of services received without charge between commonly controlled entities used in the normal course of the operations, which have been recorded as expenses at the carrying amount.

(h) Employee future benefits

- ✓ **Pension benefits:** Eligible employees participate in the Public Service Pension Plan (the Plan), a multi-employer pension plan administered by the Government. The CNSC's contributions to the Plan are charged to expenses in the year incurred and represent the total CNSC obligation to the Plan. The CNSC'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 CNSC estimates the obligation using employee-specific data to determine the amount that will be due to employees upon departure from the public service.
- ✓ **Maternity/parental leave:** Employees are entitled to maternity/parental leave benefits as provided for under labour contracts and conditions of employment. The benefits earned are event driven, meaning the CNSC's obligation for the cost of the entire benefit arises upon occurrence of a specific event being the commencement of the maternity/parental leave. Management has determined the accrued benefit obligation and benefit expenses based on its best estimates. The unpaid portions of maternity/parental leave at year-end are expected to be paid from future parliamentary authorities.

2. Summary of significant accounting policies (continued)

(i) Accounts receivable

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

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The CNSC is not exposed to significant credit risk as all debtors require CNSC licences for their continued operation. The maximum exposure the CNSC has to credit risk is equal to the carrying value of its accounts receivable.

(j) Contingent liabilities

Contingent liabilities are potential liabilities that 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 if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(k) Tangible capital assets

The costs of acquiring equipment and other capital property are capitalized as tangible capital assets and are amortized to expense over the estimated useful lives of the assets. All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Internally developed and externally purchased software are capitalized as tangible capital assets. The cost of internally developed software consists of directly attributable costs necessary to create, produce, and prepare the software to be capable of operating in the manner intended by the CNSC.

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
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement
Betterment	Over the useful life of the asset or useful life of the betterment, if shorter
Motor vehicles	7 years
Equipment & Special Machinery	5 to 20 years
Furniture	5 to 10 years
Informatics equipment and software	2 to 10 years

(l) Asset retirement obligation

The CNSC provides for its legal obligation, under a lease agreement, to return the premises to their original state. The asset retirement obligation is recognized in the year in which the associated leasehold improvement capital asset is put into use. The obligation is recorded at the net present value of the estimated future cost of retiring the capital asset at the expiry of the lease period. The estimated cost of retirement is added to the carrying amount and amortized over the related assets' useful life. The cost estimate is subject to periodic review, and any material changes in the estimated amount or timing of the underlying future cash flow are recorded as an adjustment to the provision. Upon settlement of the liability, a gain or loss will be recorded. The estimated future cash flows are adjusted for inflation using a rate that is derived on the basis of consensus forecasts and Bank of Canada historical and target inflation rates. The discount rate is a weighted average rate reflecting the Government of Canada's cost of borrowing on initial recognition and on subsequent changes to expected cash flows, which is most closely associated with the period to settlement of the obligation. Change to the liability recognized due to discounting is recognized as accretion expense on the Statement of Operations and Net Financial Position. Details of the liability are provided in note 7 of these financial statements.

(m) 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. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the likelihood of occurrence for contingent 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.

3. Parliamentary authorities

The CNSC receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and 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, the CNSC 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)	2020	2019
Net cost of operations before government funding and transfers	49,015	48,442
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	(5,552)	(4,315)
Decrease (increase) in vacation pay, compensatory leave and accrued liabilities	1,220	(3,375)
Services provided without charge by other government departments (note 11a)	(18,497)	(17,615)
Revenues pursuant to paragraph 21(3) of the <i>Nuclear Safety and Control Act</i>	118,473	116,873
Decrease in employee future benefits	280	375
Refund of prior years' expenditures	676	553
(Loss) gain on disposal of tangible capital assets including adjustments	(531)	174
Other	43	193
	96,112	92,863
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Acquisitions of tangible capital assets (note 9)	2,938	7,860
Salary overpayments	103	89
Decrease in prepaid expenses	(203)	(331)
	2,838	7,618
Current year authorities used	147,965	148,923

(b) Authorities approved and used

(in thousands of dollars)	2020	2019
AUTHORITIES APPROVED:		
Vote 1 – Program expenditures	42,219	42,006
STATUTORY:		
Spending of revenues pursuant to section 21(3) of the <i>Nuclear Safety and Control Act</i>	97,310	97,463
Spending of proceeds from the disposal of surplus assets	9	45
Contributions to employee benefit plans	13,927	13,946
	153,465	153,460
LESS:		
Authorities available for use in the subsequent year	4,207	3,899
Lapsed Vote 1 – Program expenditures	1,293	638
Current year authorities used	147,965	148,923

4. Accounts payable and accrued liabilities

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

(in thousands of dollars)	2020	2019
Other government departments and agencies	10,952	10,603
External parties	13,936	14,818
Licenses*	6,934	1,376
Total accounts payable and accrued liabilities	31,822	26,797

*Payable to licensees represents the calculation of the excess of collection of fees charged over the actual fees earned as at year-end.

5. Deferred revenue

Deferred revenue represents the balance at year-end of unearned revenues from amounts received from licensees for fees charged prior to services being performed. Revenue is recognized in the period in which these expenditures are incurred or in which service is performed. Details of the transactions related to this account are as follows:

(in thousands of dollars)	2020	2019
Balance, beginning of year	3,956	3,523
Licence fee revenue recognized during the year	(3,912)	(3,466)
Licence fee received for future years	4,207	3,899
Balance, end of year	4,251	3,956

6. Employee future benefits

(a) Pension benefits

CNSC 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% 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 CNSC 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 consists of existing plan members as of December 31, 2012; and Group 2 consists of members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2019–20 expense amounts to \$9,648,730 (\$9,725,747 in 2018–19). For Group 1 members, the expenses represent approximately 1.01 times (1.01 times in 2018–19) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2018–19) the employee contributions.

The CNSC'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 and parental leave benefits

The CNSC previously provided severance benefits to its employees based on eligibility, years of service and salary at termination of employment.

The accumulation of severance benefits for voluntary departures ceased for all employees in 2013–14. Employees were given the option to be immediately paid the full or partial value of benefits earned to date, or collect the full or remaining value of benefits upon departure from the public service. The remaining balance represents the estimated obligation due to employees as at the reporting date. These severance benefits are not pre-funded, and consequently the outstanding obligation will be paid from future authorities.

6. Employee future benefits (continued)

The CNSC provides maternity/parental leave benefits as provided for under labour contracts and conditions of employment. Management determined the accrued benefit obligation and benefit expenses based on the difference between 93% of the employee's weekly rate of pay and the maternity/parental leave benefit they are entitled to receive under the Employment Insurance or the Québec Parental Insurance Plan.

Information about the future benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2020	2019
Accrued severance benefit obligation, beginning of year	3,252	3,748
Increase in severance benefits	192	105
Severance benefits paid during the year	(405)	(601)
Accrued severance benefit obligation, end of year	3,039	3,252
Maternity/Parental leave benefits	289	356
Accrued benefit obligation, end of year	3,328	3,608

7. Asset retirement obligation

The asset retirement obligation is based on the current cost estimate of \$338,150 (\$338,150 in 2018–19) of the site restoration plan. The estimate has been indexed for inflation using the forecasted Consumer Price Index rate of 2.00% to reflect the estimated future cost of the site restoration plan. The CNSC recognizes the net present value, using the actual zero-coupon yield curve for Government of Canada bonds of 0.61% (1.55% in 2018–19), of the estimated future cost of \$373,345 (\$385,314 in 2018–19), of restoring the leased premises at the expiry of the lease on March 31, 2025. As of March 31, 2020, the CNSC has an asset retirement obligation that can be reasonably estimated as follows:

(in thousands of dollars)	2020	2019
Balance, beginning of year	351	339
Revision in estimate	-	-
Accretion expense	11	12
Balance, end of year	362	351

8. Accounts receivable

The following table presents details of the CNSC's accounts receivable:

(in thousands of dollars)	2020	2019
Receivables – Licence fees	2,435	1,323
Receivables – Other government departments and agencies	128	87
Receivables – Others	-	359
	2,563	1,769
Allowance for doubtful accounts on receivables	(313)	(202)
Net accounts receivable	2,250	1,567

9. Tangible capital assets

Cost (in thousands of dollars)	Opening balance	Acquisitions	Adjustments	Disposals / Write-offs	Work in progress transfers	Closing balance
Furniture and equipment	7,193	203	-	-	-	7,396
Informatics equipment and software	15,237	17	-	(27)	5,767	20,994
Leasehold improvements	16,635	-	-	-	508	17,143
Motor vehicles	834	67	-	-	-	901
Other vehicles	77	-	-	-	-	77
Work-in-progress – software	6,104	292	-	(530)	(5,767)	99
Work-in-progress – construction	287	2,359	-	-	(508)	2,138
Total	46,367	2,938	-	(557)		48,748

Accumulated amortization (in thousands of dollars)	Opening balance	Amortization	Adjustments	Disposals / Write-offs	Closing balance
Furniture and equipment	5,058	409	-	1	5,468
Informatics equipment and software	10,230	3,818	-	(26)	14,022
Leasehold improvements	14,314	1,215	-	(1)	15,528
Motor vehicles	364	106	-	-	470
Other vehicles	31	4	-	-	35
Total	29,997	5,552	-	(26)	35,523

Net book value (in thousands of dollars)	2019	2020
Furniture and equipment	2,135	1,928
Informatics equipment and software	5,007	6,972
Leasehold improvements	2,321	1,615
Motor vehicles	470	431
Other vehicles	46	42
Work-in-progress – software	6,104	99
Work-in-progress – construction	287	2,138
Total	16,370	13,225

The capital costs associated with the in-house development of software and improvements to leased accommodations are recorded as work-in-progress until they are completed and put into use. During the year ended March 31, 2020, \$6,274,652 work-in-progress was completed and put into use.

The acquisition of tangible capital assets and the increase in accounts payables and accrued liabilities presented in the Statement of Cash Flows excludes an amount of \$1,640,250 (\$883,731 in 2018–19) in relation to the acquisition of tangible capital assets, as the amount relates to capital investing activities in 2019–20 that remain to be paid as at March 31, 2020.

10. Summary of segmented expenditures and revenues by cost recovery fee category

Presentation by segment and method used to allocate costs is based on the CNSC's CRFR. The presentation by segment is also based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for groupings of the CNSC's main regulatory activities related to the four CRFR fee categories: Regulatory Activity Plans, Formula Fees, Fixed Fees and Special Projects.

(in thousands of dollars)	Revenue	Licences provided free of charge (note 11(b) and note 14)	2020 total value of licences and other revenue	2019 total value of licences and other revenue	2020 cost of operations	2019 cost of operations
LICENCE FEES						
Power reactors	74,738	-	74,738	71,173	74,738	71,173
Non-power reactors	-	1,048	1,048	927	1,048	927
Nuclear research and test establishments	11,290	-	11,290	14,653	11,290	14,653
Particle accelerators	-	487	487	679	487	679
Uranium processing facilities	4,624	-	4,624	4,230	4,624	4,230
Nuclear substance processing facilities	2,346	-	2,346	1,026	2,346	1,026
Radioactive waste facilities	5,415	-	5,415	6,194	5,415	6,194
Uranium mines and mills	6,043	-	6,043	7,241	6,043	7,241
Waste nuclear substance	829	3,222	4,051	4,222	4,051	4,222
Total regulatory activity plan fees	105,285	4,757	110,042	110,345	110,042	110,345
Nuclear substances and Class II nuclear facilities						
Academic and research	166	1,928	2,094	2,070	1,767	1,755
Commercial	1,218	607	1,825	1,862	2,710	3,440
Industrial radiography	7,239	186	7,425	6,439	11,283	10,541
Medical	667	4,971	5,638	5,341	5,752	5,744
Dosimetry services	287	16	303	297	369	510
Total formula fees	9,577	7,708	17,285	16,009	21,881	21,990
Transport licences and transport package certificates	209	-	209	263	444	669
Radiation device and prescribed equipment certificates	72	-	72	151	1,086	1,987
Exposure device operator certificates	109	-	109	103	1,097	1,201
Total fixed fees	390	-	390	517	2,627	3,857
TOTAL LICENCE FEES	115,252	12,465	127,717	126,871	134,550	136,192
NON-LICENCE FEES						
Other non-licence fees	35	-	35	217	29,933	27,096
Special projects and related expenses	3,221	-	3,221	2,451	3,040	2,244
TOTAL NON-LICENCE FEES	3,256	-	3,256	2,668	32,973	29,340
TOTAL	118,508	12,465	130,973	129,539	167,523	165,532

11. Related party transactions

The CNSC had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements.

(a) Common services provided without charge by other government departments

During the year, the CNSC received services without charge from certain common service organizations. These services provided without charge have been recorded at the carrying value in the CNSC's Statement of Operations and Net Financial Position as follows:

(in thousands of dollars)	2020	2019*
Accommodation provided by Public Services and Procurement Canada	6,013	5,926
Contributions for employer's share of employee benefits provided by the Treasury Board Secretariat	8,823	8,135
Salary and associated costs of services provided by Shared Services Canada	3,098	2,966
Other	563	588
Total	18,497	17,615

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

The Government of Canada has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and the 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.

(b) Licences provided without charge to other federal government departments and agencies

The CNSC provided licences free of charge to other federal government departments and agencies in the amount of \$734,504 (\$772,707 in 2018-19*). The forgone revenue is not included in the Statement of Operations and Net Financial Position.

*Foregone revenue related to the licences issued to a private-sector contractor for the decontamination of government owned sites had been disclosed in 2018-19. As the private-sector contractor is not a related party, the foregone fees disclosed have been restated to exclude \$1,940,862, with this amount now included in the comparative figure disclosed in Note 14.

(c) Other transactions with related parties

The CNSC enters into transactions with these entities in the normal course of business and on normal trade terms. These transactions are measured at the exchange amount.

(in thousands of dollars)	2020	2019*
Accounts receivable – Other government departments and agencies	128	87
Accounts payable – Other government departments, agencies and Crown corporations	10,952	10,603
Expenses – Other government departments and agencies	27,704	28,653

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

* Fees invoiced to a private-sector contractor responsible for operating government owned sites had been disclosed in 2019 as "Revenues – Other government departments and agencies" and "Accounts Payable – Other government departments and agencies". As the private-sector contractor is not a related party, these fees should not have been disclosed as related party revenues and payable. The amount disclosed for 2019 has been adjusted to exclude \$17,897 of revenues and \$233 of payables, in thousands of dollars.

12. Contractual obligations

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

(in thousands of dollars)	2021	2022	2023	2024 and subsequent	Total
Acquisitions of goods and services	5,781	916	417	816	7,930
Transfer payments	2,359	943	-	-	3,302
Operating leases	3,469	201	47	47	3,764
Total	11,609	2,060	464	863	14,996

The CNSC has multi-year contracts with related parties in the amount of \$5,977,419.

13. Contingent liabilities

Claims have been made against the CNSC in the normal course of operations. These claims include items with pleading amounts other for which no amount is specified. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$40,000 (\$841,500 in 2018-2019) at March 31, 2020.

14. Other licences provided free of charge by the CNSC

The CNSC provides licences free of charge to educational institutions, not-for-profit research institutions wholly owned by educational institutions, publicly funded healthcare institutions, not-for-profit emergency response organizations and other organizations granted exemption from paying fees under the NSCA. The total value of these licences amounted to \$11,730,847 (\$11,676,691 in 2018-19*). The foregone revenue is not included in the Statement of Operations and Net Financial Position.

*Refer to Note 11(b).



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Canadian Nuclear Safety Commission and the Minister of Natural Resources

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Canadian Nuclear Safety Commission (the CNSC), which comprise the statement of financial position as at 31 March 2020, and the statement of operations and net financial position, statement of change in net debt and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CNSC as at 31 March 2020, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the CNSC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be

materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the CNSC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the CNSC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the CNSC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CNSC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CNSC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the CNSC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Canadian Nuclear Safety Commission coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the Canadian Nuclear Safety Commission Cost Recovery Fees Regulations pursuant to *the Nuclear Safety and Control Act*.

In our opinion, the transactions of the Canadian Nuclear Safety Commission that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Canadian Nuclear Safety Commission's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Canadian Nuclear Safety Commission to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Firyal Awada, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
27 July 2020

Annex to the statement of management responsibility including internal control over financial reporting 2019-20

1. Introduction

This document provides summary information on the measures taken by the Canadian Nuclear Safety Commission (CNSC) 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 CNSC's authority, mandate and program activities can be found in the most recent [Departmental Results Report](#)¹ and [Departmental Plan](#).² The [CNSC 2019–20 audited financial statements](#)³ are available on the CNSC website.

2. System of internal control over financial reporting

2.1 Internal control management

The CNSC has a well-established governance and accountability structure to support efforts to evaluate and monitor its internal control system. An internal control management framework, approved by the president, 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
- an Office of Audit and Ethics that manages values and ethics programs, internal disclosure, the *Public Servants Disclosure Protection Act*, and conflict of interest and post-employment policies
- ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control
- monitoring of and regular updates on internal control management, as well as the provision of related assessment results and action plans to the president and, as applicable, the Audit Committee

The Audit Committee provides advice to the president on the adequacy and functioning of the CNSC's risk management, control and governance frameworks and processes.

2.2 Service arrangements relevant to financial statements

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

¹ tbs-sct.gc.ca/dpr-rmr/index-eng.asp

² <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/reports-plans-priorities.html>

³ nuclearsafety.gc.ca/eng/resources/publications/reports/annual-reports/index.cfm

Common arrangements

- Public Services and Procurement Canada centrally administers the payments of salaries and the procurement of goods and services in accordance with the CNSC’s delegation of authority, and provides accommodation services.
- The Treasury Board of Canada Secretariat provides services related to public sector insurance for CNSC employees and centrally administers payment of the employer’s share of contributions toward statutory employee benefit plans (i.e., the Public Service Pension Plan, Employment Insurance Plan, Canada Pension Plan, Quebec Pension Plan and Public Service Supplementary Death Benefit Plan) on behalf of the CNSC.
- Shared Services Canada is responsible for managing and maintaining the CNSC’s information technology infrastructure.

Specific arrangement

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

Readers of this annex may refer to the annexes of the above-noted organizations for a greater understanding of the systems of internal control over financial reporting related to these specific services.

3. Departmental action plan

3.1 Progress during fiscal year 2019-20

The CNSC continued to conduct its ongoing monitoring according to the established rotational plan, as shown in the following table.

Progress during fiscal year 2019-20

Key control areas	Status
Entity-level controls	Completed as planned; remedial actions started (see section 3.2 for additional information)
IT general controls (under management of the CNSC)	Completed as planned; remedial actions started (see section 3.2 for additional information)
SAP access controls ⁴	Completed as planned; remedial actions started (see section 3.2 for additional information)
Impact of SAP on financial business processes ⁴	Completed as planned; no remediation actions identified
Capital assets	Not completed, deferred to fiscal year 2020-21

⁴ As of April 1, 2019, the CNSC has replaced its financial system with a SAP solution hosted by Agriculture and Agri-Food Canada. In 2019–20, the CNSC assessed a new set of SAP accesses to ensure appropriate employee access to the SAP system, and assessed a number of sub-processes from payroll, purchase to payment and revenue that were expected to change. These were non-recurring assessments.

3.2 Assessment results for fiscal year 2019–20

New or significantly amended key controls: In the current year, there were no significantly amended key controls in existing processes that required reassessment.

Ongoing monitoring program: As part of its rotational ongoing monitoring plan, the department completed its reassessment of the Entity-level Controls, IT general controls, SAP access controls and Impact of SAP on financial business processes. For the most part, the key controls that were tested performed as intended. The CNSC noted a need for improvement as follows:

Key Business Process Controls

- The formalization of segregation of duties requirements within SAP

Entity Level Controls

- The finalization of the updated CNSC Code of Ethics
- The update and review, as required, of procedures around key ELC controls, including for example, finance position descriptions and hiring practices.

IT General Controls

- The completion of threat risk assessments

Management is aware of the recommendations for improvement and actions are being taken to address them.

3.3 Progress against fiscal year 2018–19 items

In addition to the progress made in ongoing monitoring, the department conducted a follow-up of the outstanding 2018–19 action items:

- Review and refine processes and procedures to ensure the most efficient implementation of controls in Purchase to Payment, Payroll and Year-end financial close and statement preparation processes notably, controls relating to the account verification process and the monitoring of acquisition cards require attention (medium risk).
- Enhance the requirements for obtaining delegation to authorize payments by ensuring that delegates complete the appropriate training before authorizing payments in the purchase to payment and payroll business processes (medium risk).

All items were remediated as planned, except the account verification for post payment low-risk items. This remaining item is scheduled for completion in 2020–21.

3.4 Monitoring plan for fiscal year 2020-21 and subsequent years

The CNSC'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	Fiscal year 2020–21	Fiscal year 2021–22	Fiscal year 2022–23
Entity-level controls	No	No	Yes
IT general controls (under management of the CNSC)	Yes ⁵	No	Yes
Capital assets ⁶	Yes	No	No
Purchase to payment	No	Yes	No
Payroll	No	Yes	No
Revenue	Yes	No	No
Year-end financial close and statement preparation	Yes	No	No

⁵ ITGC assessment of TM1, an IBM/Cognos Commercial Off-The-Shelf product that supports both the corporate planning cycle and costing, was not part of the ITGC assessment completed during 2019/20 and is planned for fiscal year 2020-21

⁶ Capital asset assessment has been deferred from 2019-20
