



Environment and  
Climate Change Canada

Environnement et  
Changement climatique Canada

# DEPARTMENTAL FINANCIAL STATEMENTS (unaudited)

2021-2022



Canada 



## Statement of Management Responsibility Including Internal Control over Financial Reporting 2021-22

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2022, and all information contained in these financial statements rests with the management of Environment and Climate Change Canada. These financial statements have been prepared by management using the Government of Canada's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of Environment and Climate Change Canada's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada and included in the Environment and Climate Change Canada's *Departmental Results Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable 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 Environment and Climate Change Canada and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2022, 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 Environment and Climate Change Canada's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Environment and Climate Change Canada's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which reviews and provides advice on the financial statements to the Deputy Minister.

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

(Original signed by)

**T. Christine Hogan**  
Deputy Minister

Gatineau, Canada  
Date:

(Original signed by)

**Linda Drainville**, CPA, CFF, CFE  
Chief Financial Officer

Gatineau, Canada  
Date:



## Statement of Financial Position (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

As at March 31

(in thousands of dollars)

	2022	2021
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	\$643,132	\$652,946
Vacation pay and compensatory leave	60,649	66,652
Deferred revenue (Note 6)	45,880	42,990
Lease obligation for tangible capital assets (Note 7)	5,532	6,467
Employee future benefits (Note 8)	20,764	23,839
Environmental liabilities (Note 5)	178,441	199,631
Provision for contingent liabilities (Note 13)	22,592	22,379
Other liabilities	9,830	1,444
<b>Total liabilities</b>	<b>986,820</b>	<b>1,016,348</b>
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	623,022	626,037
Accounts receivable and advances (Note 9)	38,575	226,357
<b>Total gross financial assets</b>	<b>661,597</b>	<b>852,394</b>
<b>Financial assets held on behalf of Government</b>		
Accounts receivable and advances (Note 9)	(17,743)	(217,284)
<b>Total net financial assets</b>	<b>643,854</b>	<b>635,110</b>
<b>DEPARTMENTAL NET DEBT</b>	<b>342,966</b>	<b>381,238</b>
<b>Non-financial assets</b>		
Prepaid expenses	20,553	18,640
Inventory (Note 10)	25,309	23,962
Tangible capital assets (Note 11)	566,477	516,195
<b>Total non-financial assets</b>	<b>612,339</b>	<b>558,797</b>
<b>DEPARTMENTAL NET FINANCIAL POSITION</b>	<b>\$269,373</b>	<b>\$177,559</b>

Contractual obligations and contractual rights (Note 12)

Contingent liabilities and contingent assets (Note 13)

The accompanying notes form an integral part of these financial statements

(Original signed by)

*T. Christine Hogan*

Deputy Minister

Gatineau, Canada

Date:

(Original signed by)

*Linda Drainville*, CPA, CFF, CFE

Chief Financial Officer

Gatineau, Canada

Date:

## Statement of Operations and Departmental Net Financial Position (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

#### For the year ended March 31

(in thousands of dollars)

	<b>Planned results</b> (Note 2a)		
	<b>2022</b>	<b>2022</b>	2021
<b>Expenses</b>			
Taking Action on Clean Growth and Climate Change	\$542,902	\$367,841	\$503,027
Preventing and Managing Pollution	396,192	425,471	418,641
Conserving Nature	343,900	428,274	384,382
Predicting Weather and Environmental Conditions	292,087	298,444	289,095
Internal services	236,455	281,890	290,089
<b>Total expenses</b>	<b>1,811,536</b>	<b>1,801,920</b>	1,885,234
<b>Revenues</b>			
Sales of goods and services	74,117	68,758	64,160
Other revenues	28,589	265,175	238,201
Revenues earned on behalf of Government	(10,705)	(244,726)	(170,376)
<b>Total revenues</b>	<b>92,001</b>	<b>89,207</b>	131,985
<b>Net cost of operations before government funding and transfers</b>	<b>1,719,535</b>	<b>1,712,713</b>	1,753,249
<b>Government funding and transfers</b>			
Net cash provided by Government		1,691,353	1,476,643
Change in due from Consolidated Revenue Fund		(3,015)	194,228
Services provided without charge by other government departments (Note 14)		116,196	111,534
Transfer of tangible capital assets from (to) other government departments (Note 15)		(298)	-
Transfer of salary overpayments and emergency salary advances from (to) other government departments (Note 15)		291	(103)
<b>Net cost of operations after government funding and transfers</b>		<b>(91,814)</b>	(29,047)
<b>Departmental net financial position - Beginning of year</b>		<b>177,559</b>	148,512
<b>Departmental net financial position - End of year</b>		<b>\$269,373</b>	\$177,559

Segmented information (Note 16)

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

## Statement of Change in Departmental Net Debt (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

For the year ended March 31

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
<b>Net cost of operations after government funding and transfers</b>	<b>(\$91,814)</b>	<b>(\$29,047)</b>
<b>Change due to tangible capital assets</b>		
Acquisition of tangible capital assets (Note 11)	<b>93,207</b>	77,130
Amortization of tangible capital assets (Note 11)	<b>(39,989)</b>	(37,350)
Proceeds from disposal of tangible capital assets	<b>(834)</b>	(416)
Net loss on disposals, write-off and adjustments to tangible capital assets	<b>(1,804)</b>	(4,665)
Transfer from (to) other government departments (Note 15)	<b>(298)</b>	-
<b>Total change due to tangible capital assets</b>	<b>50,282</b>	34,699
<b>Change due to inventories (Note 10)</b>	<b>1,347</b>	(275)
<b>Change due to prepaid expenses</b>	<b>1,913</b>	17,910
<b>Net increase (decrease) in departmental net debt</b>	<b>(38,272)</b>	23,287
<b>Departmental net debt - Beginning of year</b>	<b>381,238</b>	357,951
<b>Departmental net debt - End of year</b>	<b>\$342,966</b>	\$381,238

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

## Statement of Cash Flows (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

#### For the year ended March 31

(in thousands of dollars)

	2022	2021
<b>OPERATING ACTIVITIES</b>		
<b>Net cost of operations before government funding and transfers</b>	<b>\$1,712,713</b>	<b>\$1,753,249</b>
<b>Non-cash items:</b>		
Services provided without charge by other government departments (Note 14)	(116,196)	(111,534)
Amortization of tangible capital assets (Note 11)	(39,989)	(37,350)
Net loss on disposals, write-off and adjustments to tangible capital assets	(1,804)	(4,665)
<b>Variations in Statement of Financial Position:</b>		
Decrease (increase) in accounts payable and accrued liabilities (Note 4)	9,814	(198,594)
Decrease (increase) in vacation pay and compensatory leave	6,003	(15,299)
Decrease (increase) in deferred revenue (Note 6)	(2,890)	(7,517)
Decrease (increase) in employee future benefits (Note 8)	3,075	3,427
Decrease (increase) in environmental liabilities (Note 5)	21,190	6,391
Decrease (increase) in provision for contingent liabilities (Note 13)	(213)	(86)
Decrease (increase) in other liabilities	(8,386)	(1,373)
Increase (decrease) in accounts receivable and advances (Note 9)	11,759	(5,350)
Increase (decrease) in prepaid expenses	1,913	17,910
Increase (decrease) in inventory (Note 10)	1,347	(275)
Transfer of salary overpayments and emergency salary advances (from) to other government departments (Note 15)	(291)	103
<b>Cash used in operating activities</b>	<b>1,598,045</b>	<b>1,399,043</b>
<b>CAPITAL INVESTING ACTIVITIES</b>		
Acquisition of tangible capital assets (Note 11)	93,207	77,130
Proceeds from disposal of tangible capital assets	(834)	(416)
<b>Cash used in capital investing activities</b>	<b>92,373</b>	<b>76,714</b>
<b>FINANCING ACTIVITIES</b>		
Lease payments for tangible capital assets	935	886
<b>Cash used in financing activities</b>	<b>935</b>	<b>886</b>
<b>NET CASH PROVIDED BY GOVERNMENT OF CANADA</b>	<b>\$1,691,353</b>	<b>\$1,476,643</b>

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



## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 1. Authority and objectives

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

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

Environment and Climate Change Canada delivers its mandate by promoting the four (4) following Core Responsibilities:

- ✓ **Taking Action on Clean Growth and Climate Change**

Through engagement with other federal departments and agencies, provinces, territories, Indigenous Peoples, and other stakeholders, and external experts, the Department will support and coordinate the implementation of the Pan-Canadian Framework on Clean Growth and Climate Change (PCF); work to reduce Canadian greenhouse gas (GHG) emissions; drive clean growth; develop regulatory instruments; support businesses and Canadians to adapt and become more resilient to climate change; and contribute to international climate change actions to increase global benefits.

- ✓ **Preventing and Managing Pollution**

Collaborate with provinces, territories, Indigenous peoples and others to develop and administer environmental standards, guidelines, regulations and other risk management instruments to reduce releases and monitor levels of contaminants in air, water and soil; and promote and enforce compliance with environmental laws and regulations.

- ✓ **Conserving Nature**

Protect and recover species at risk and their critical habitat; conserve and protect healthy populations of migratory birds; engage and enable provinces and territories, Indigenous Peoples, stakeholders, and the public to increase protected areas and contribute to conservation and stewardship activities; expand and manage the Department's protected areas; and collaborate with domestic and international partners to advance the conservation of biodiversity and sustainable development.

- ✓ **Predicting Weather and Environmental Conditions**

Monitor weather, water, air quality and climate conditions; provide forecasts, information and warnings to the Canadian public and targeted sectors through a range of service delivery options; conduct research; develop and maintain computer-based models for predicting weather and other environmental conditions; and collaborate and exchange data with other national meteorological services and with international organizations.

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

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

- ✓ *Antarctic Environmental Protection Act*
- ✓ *Arctic Waters Pollution Prevention Act*
- ✓ *Bridge to Strengthen Trade Act*
- ✓ *Canada Emission Reduction Incentives Agency Act*
- ✓ *Canada Foundation for Sustainable Development Technology Act*
- ✓ *Canada Net-Zero Emissions Accountability Act*

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 1. Authority and objectives (continued)

- ✓ *Canada-Newfoundland and Labrador Atlantic Accord Implementation Act*
- ✓ *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act*
- ✓ *Canada Oil and Gas Operations Act*
- ✓ *Canada Water Act*
- ✓ *Canada Wildlife Act*
- ✓ *Canadian Environment Week Act*
- ✓ *Canadian Environmental Protection Act, 1999*
- ✓ *Department of the Environment Act*
- ✓ *Emergency Management Act*
- ✓ *Energy Supplies Emergency Act*
- ✓ *Environmental Enforcement Act*
- ✓ *Environmental Violations Administrative Monetary Penalties Act*
- ✓ *Federal Sustainable Development Act*
- ✓ *Fisheries Act (Sections 36-42)*
- ✓ *Greenhouse Gas Pollution Pricing Act*
- ✓ *Impact Assessment Act*
- ✓ *Income Tax Act*
- ✓ *International River Improvements Act*
- ✓ *Lac Seul Conservation Act, 1928*
- ✓ *Lake of the Woods Control Board Act, 1921*
- ✓ *Manganese-Based Fuel Additives Act*
- ✓ *Marine Liability Act*
- ✓ *Migratory Birds Convention Act, 1994*
- ✓ *National Strategy for Safe and Environmentally Sound Disposal of Lamps Containing Mercury Act*
- ✓ *National Wildlife Week Act*
- ✓ *Nunavut Planning and Project Assessment Act*
- ✓ *Perfluorooctane Sulfonate Virtual Elimination Act*
- ✓ *Resources and Technical Surveys Act*
- ✓ *Species at Risk Act*
- ✓ *Weather Modification Information Act*
- ✓ *Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act*
- ✓ *Yukon Environmental and Socio-economic Assessment Act*

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 2. Summary of significant accounting policies

These financial statements are prepared using the department's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

#### (a) Parliamentary authorities

Environment and Climate Change Canada is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to Environment and Climate Change Canada do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-Oriented Statement of Operations included in the 2021-22 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 2021-22 Departmental Plan.

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

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

#### (c) Amount Due from or to the Consolidated Revenue Fund (CRF)

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that Environment and Climate Change Canada is entitled to draw from the CRF without further authorities to discharge its liabilities.

#### (d) Revenues

- ✓ Revenues from regulatory fees are recognized based on the services provided in the year.
- ✓ Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue and the 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.
- ✓ The compensation for excess emissions provided for under the *Greenhouse Gas Pollution Pricing Act* are recognized upon confirmation by the registered facility that the compensation is to be provided.
- ✓ Other revenues are recognized in the period the event giving rise to the revenues occurred.
- ✓ Revenues that are non-responsible are not available to discharge Environment and Climate Change Canada's liabilities. While the Deputy Head is expected to maintain accounting control, he has no authority regarding the disposition of non-responsible revenues. As a result, non-responsible revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues.

#### (e) Expenses

- ✓ Transfer payments are recorded as an expense in the year the transfer is authorized and 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.

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

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

### (f) Employee future benefits

- ✓ Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. Environment and Climate Change Canada's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Environment and Climate Change Canada's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
- ✓ Severance benefits: 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 receivable

Accounts receivable are initially recorded at cost and when necessary, an allowance for valuation is recorded to reduce the carrying value of accounts receivable to amounts that approximate their net recoverable value.

### (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 11. 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 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 and supplies 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.

### (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.

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

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

### (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.

### (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.

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 3. Parliamentary authorities

Environment and Climate Change Canada receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, Environment and Climate Change Canada has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

### (a) Reconciliation of net cost of operations to current year authorities used:

(in thousands of dollars)

	2022	2021
<b>Net cost of operations before government funding and transfers</b>	<b>\$1,712,713</b>	<b>\$1,753,249</b>
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets (Note 11)	(39,989)	(37,350)
Net loss on disposals, write-off and adjustments to tangible capital assets	(1,804)	(4,665)
Common services provided without charge by other government departments (Note 14)	(116,196)	(111,534)
Refunds/adjustments to previous years' expenses	21,071	5,793
Timing differences between revenues earned and collected	3,779	(3,494)
Decrease (increase) in accrued liabilities not charged to authorities	3,753	51,551
Decrease (increase) in vacation pay and compensatory leave	6,003	(15,299)
Decrease (increase) in employee future benefits (Note 8)	3,075	3,427
Decrease (increase) in environmental liabilities (Note 5)	21,190	6,391
Decrease (increase) in provision for contingent liabilities (Note 13)	(213)	(86)
Other	7	715
Total items affecting net cost of operations but not affecting authorities	<b>(99,324)</b>	<b>(104,551)</b>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets (Note 11)	93,207	77,130
Transition payments for implementing salary payments in arrear	-	6
Increase (decrease) in inventory (Note 10)	1,347	(275)
Increase (decrease) in prepaid expenses	1,913	17,910
Salary overpayments	2,059	2,348
Other loans and advances to employees	39	84
Lease payments for tangible capital assets	935	886
Total items not affecting net cost of operations but affecting authorities	<b>99,500</b>	<b>98,089</b>
<b>Current year authorities used</b>	<b>\$1,712,889</b>	<b>\$1,746,787</b>

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 3. Parliamentary authorities (continued)

### (b) Authorities provided and used:

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
<b>Authorities provided</b>		
Vote 1 - Operating expenditures	\$1,011,253	\$928,441
Vote 5 - Capital expenditures	128,427	104,909
Vote 10 - Grants & Contributions	785,575	878,014
Statutory amounts	<u>102,664</u>	<u>209,794</u>
	<u>2,027,919</u>	<u>2,121,158</u>
<b>Less:</b>		
Authorities available for future years	(972)	(441)
Lapsed authorities	<u>(314,058)</u>	<u>(373,930)</u>
	<u>(315,030)</u>	<u>(374,371)</u>
<b>Current year authorities used</b>	<u><u>\$1,712,889</u></u>	<u><u>\$1,746,787</u></u>

## 4. Accounts payable and accrued liabilities

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

(in thousands of dollars)	<u>2022</u>	<u>2021</u>
Accounts payable - Other government departments and agencies	\$21,232	\$31,409
Accounts payable - External parties	<u>166,550</u>	<u>169,419</u>
Total accounts payable	<u>187,782</u>	<u>200,828</u>
Accrued liabilities	455,350	452,118
<b>Total accounts payable and accrued liabilities</b>	<u><u>\$643,132</u></u>	<u><u>\$652,946</u></u>

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 5. Environmental liabilities

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.

Environment and Climate Change Canada has identified approximately 253 sites (263 sites in 2020-21) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the Department has identified approximately 72 sites (64 sites in 2020-21) where action is required and for which a gross liability of \$163,650 thousand (\$185,753 thousand in 2020-21) 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 40 unassessed sites (37 sites in 2020-21) where a liability estimate of \$1,218 thousand (\$827 thousand in 2020-21) has been recorded using this model.

Moreover, there is 1 site that has not been assessed by environmental experts (1 site in 2020-21) for which the department has estimated and recorded a liability of \$13,573 thousand (\$13,051 thousand in 2020-21).

These three estimates combined, totalling \$178,441 thousand (\$199,631 thousand in 2020-21), represents management's best estimate of the costs required to remediate sites to the current minimum standard for its use prior to contamination, based on information available at the financial statement date.

For the remaining 140 sites (161 sites in 2020-21), 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, Environment and Climate Change Canada 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, 2022, and March 31, 2021. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast (CPI) rate of 2.0% (2.0% in 2020-21). 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 2022 rates range from 2.24% (0.24% in 2021) for 2 year term to 2.38% (2.02% in 2021) for a 30 or greater year term.



## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 5. Environmental liabilities (continued)

Nature and Source (in thousands of dollars)	2022					2021				
	Number of Sites	Number of sites with a liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Estimated Recoveries	Number of Sites	Number of sites with a liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Estimated Recoveries
Military and Former Military Sites <sup>(1)</sup>	1	-	-	-	-	1	-	-	-	-
Fuel Related Practices <sup>(2)</sup>	20	9	64,079	68,015	-	20	9	68,181	70,159	-
Marine Facilities / Aquatic Sites <sup>(3)</sup>	194	94	109,952	119,000	-	198	84	128,737	133,853	-
Parks and Protected Areas <sup>(4)</sup>	26	7	1,305	1,343	-	29	7	718	728	-
Office / commercial / industrial operations <sup>(5)</sup>	12	3	3,105	3,247	-	15	2	1,995	2,037	-
<b>Totals</b>	<b>253</b>	<b>113</b>	<b>\$178,441</b>	<b>\$191,605</b>	<b>-</b>	<b>263</b>	<b>102</b>	<b>\$199,631</b>	<b>\$206,777</b>	<b>-</b>

<sup>(1)</sup> Contamination associated with the operations of military and former military sites where activities such as fuel handling and storage activities, waste sites, metals/PCB-based paint used on buildings resulted in former or accidental contamination, e.g. petroleum hydrocarbons, PCBs, heavy metals. Sites often have multiple sources of contamination.

<sup>(2)</sup> 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).

<sup>(3)</sup> 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.

<sup>(4)</sup> Contamination associated with the operations and maintenance of parks and protected areas where activities such as fuel storage/handling, waste sites and use of metal based paint resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, PCBs and other organic contaminants. Sites often have multiple sources of contamination.

<sup>(5)</sup> Contamination associated with the operations of the office/commercial/industrial facilities where activities such as fuel storage/handling, waste sites and use of metal-based paint resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc. Sites often have multiple sources of contamination.

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

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 6. Deferred revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received from external parties that are restricted in order to fund the expenditures related to specific 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)	2022	2021
<b>Opening balance</b>	<b>\$42,990</b>	\$35,473
Amounts received		
Donations	1	1
Cost sharing project deposits	11,563	15,448
Disposal at sea permit fees	82	353
Revenue recognized	(8,756)	(8,285)
<b>Closing balance</b>	<b>\$45,880</b>	\$42,990

## 7. Lease obligation for tangible capital assets

Environment and Climate Change Canada has entered into agreements to lease certain equipment under capital leases with a cost of \$18,199 thousand and accumulated amortization of \$14,558 thousand as at March 31, 2022 (\$18,199 thousand of cost and \$13,831 thousand in accumulated amortization respectively as at March 31, 2021). The obligations related to the upcoming years include Carleton University for which, on October 13, 2000, Environment and Climate Change Canada entered into an agreement to rent office laboratory space for the National Wildlife Research Centre (NWRC), at an annual cost of \$1,300 thousand under a capital lease which expires in 2027.

(in thousands of dollars)	2022
<b>Maturing year</b>	
2023	\$1,300
2024	1,300
2025	1,300
2026	1,300
2027	1,300
Total future minimum lease payments	6,500
Less: imputed interest ( 5.63% )	968
<b>Balance of obligation under leased tangible capital assets</b>	<b>\$5,532</b>

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 8. Employee future benefits

### (a) Pension benefits

Environment and Climate Change Canada's employees participate in the Public Service Pension Plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and the Department contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to *Economic Action Plan 2012*, employee contributors have been divided into two groups - Group 1 related 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 2021-22 expense amounts to \$68,344 thousand (\$69,982 thousand in 2020-21). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2020-21) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2020-21) the employee contributions.

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

### (b) Severance benefits

Severance benefits provided to the Environment and Climate Change Canada's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2022, 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)	2022	2021
Accrued benefit obligation, beginning of year	\$23,839	\$27,266
Adjustment for the year	(354)	(559)
Benefits paid during the year	(2,721)	(2,868)
<b>Accrued benefit obligation, end of year</b>	<b>\$20,764</b>	<b>\$23,839</b>

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 9. Accounts receivable and advances

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

(in thousands of dollars)	2022	2021
Receivables - Other government departments and agencies	\$5,141	\$2,984
Receivables - External parties	33,272	223,089
Employee advances	492	485
Subtotal	38,905	226,558
Allowance for doubtful accounts on receivables from external parties	(330)	(201)
<b>Gross accounts receivable</b>	<b>38,575</b>	<b>226,357</b>
Accounts receivable held on behalf of Government	(17,743)	(217,284)
<b>Net accounts receivable</b>	<b>\$20,832</b>	<b>\$9,073</b>

## 10. Inventory

The following table presents details of the inventory:

(in thousands of dollars)	2022	2021
Printed material, books, maps and forms	\$18	\$18
Stationery and office paper supplies	196	194
Meteorological supplies	17,456	16,570
Electric lighting	44	42
Compressed gases and acetylene	3	6
Chemicals and related products	6	5
Scientific & technical equipment	889	859
Radar Equipment	4,229	3,659
General purpose machinery and equipment	4	15
Computer equipment	60	61
Laboratory materials and supplies	315	341
Test vehicles	2,089	2,192
<b>Total inventory</b>	<b>\$25,309</b>	<b>\$23,962</b>

Inventory is valued using the moving average price.

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 11. 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:

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

Assets under construction are recorded in the applicable asset class in the year they are put into service and are not amortized until they are put into service.

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 11. Tangible capital assets (continued)

### Cost

(in thousands of dollars)

	2021	Acquisitions	Adjustments <sup>(3)</sup>	Disposals and Write-offs	2022
Land	\$25,733	(\$1)	\$2	-	\$25,734
Buildings	268,983	-	5,584	-	274,567
Works and infrastructure	44,504	(1)	1,238	13	45,728
Machinery and equipment	499,325	10,597	86,132	8,318	587,736
Vehicles <sup>(2)</sup>	45,186	3,275	40	1,304	47,197
Leasehold improvements	16,915	-	3,944	-	20,859
Assets under construction <sup>(1)</sup>	253,104	79,337	(96,853)	93	235,495
Leased tangible capital asset - building	18,199	-	-	-	18,199
	\$1,171,949	\$93,207	\$87	\$9,728	\$1,255,515

### Accumulated amortization

(in thousands of dollars)

	2021	Amortization	Adjustments <sup>(3)</sup>	Disposals and Write-offs	2022
Buildings	\$169,733	\$7,235	-	-	\$176,968
Works and infrastructure	17,854	2,118	(53)	2	19,917
Machinery and equipment	405,159	27,576	313	5,697	427,351
Vehicles <sup>(2)</sup>	32,895	2,152	30	1,296	33,781
Leasehold improvements	16,282	181	-	-	16,463
Leased tangible capital asset - building	13,831	727	-	-	14,558
	\$655,754	\$39,989	\$290	\$6,995	\$689,038

### Net book value

(in thousands of dollars)

	2021	2022
Land	\$25,733	\$25,734
Buildings	99,250	97,599
Works and infrastructure	26,650	25,811
Machinery and equipment	94,166	160,385
Vehicles <sup>(2)</sup>	12,291	13,416
Leasehold improvements	633	4,396
Assets under construction <sup>(1)</sup>	253,104	235,495
Leased tangible capital asset - building	4,368	3,641
<b>Net Book Value</b>	<b>\$516,195</b>	<b>\$566,477</b>

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

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

<sup>(3)</sup> Adjustments include assets under constructions of (\$96,970) thousand that were transferred to the other categories upon completion of the assets, post-capitalization and write-offs for a net book value of (\$203) thousand.

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 12. Contractual obligations and contractual rights

### a) Contractual obligations

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

(in thousands of dollars)	Operating leases	Transfer payments	Capital Assets	Other	Total
2023	\$18,000	\$398,677	\$17,637	\$2,773	\$437,087
2024	18,000	157,541	6,775	2,773	185,089
2025	18,000	8,497	-	2,936	29,433
2026	18,000	5,609	-	2,936	26,545
2027	18,000	-	-	-	18,000
2028 and subsequent	306,000	-	-	-	306,000
<b>Total</b>	<b>\$396,000</b>	<b>\$570,324</b>	<b>\$24,412</b>	<b>\$11,418</b>	<b>\$1,002,154</b>

### b) Contractual rights

The activities of the department sometimes involve the negotiation of contracts or agreements with outside parties that result in the department having rights to both assets and revenues in the future. They principally involve leases of property, royalties, and sales of goods and services. Major contractual rights that will generate revenues in future years and that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	Leases of property	Royalties	Sales of goods and services	Other	Total
2023	-	-	\$13,001	-	\$13,001
2024	-	-	13,222	-	13,222
2025	-	-	13,448	-	13,448
2026	-	-	13,676	-	13,676
2027	-	-	11,567	-	11,567
2028 and subsequent	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>\$64,914</b>	<b>-</b>	<b>\$64,914</b>

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 13. Contingent liabilities and contingent assets

### a) Contingent liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into two categories as follows:

#### Claims and litigation

Claims have been made against Environment and Climate Change Canada in the normal course of operations. These claims include items with pleading amounts and other for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. Environment and Climate Change Canada has recorded an allowance for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management remain nil at March 31, 2022.

### b) Contingent assets

Environment and Climate Change Canada has entered into an Agreement in Principle in 2018-19 to negotiate a settlement related to the remediation of a leased land. While the amount claimed in this action is significant, the outcome is not determinable.



## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 14. Related party transactions

Environment and Climate Change Canada is related as a result of common ownership to all government departments, agencies, and Crown corporations. 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.

Environment and Climate Change Canada 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, Environment and Climate Change 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 the Department's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2022	2021
Accommodation	\$46,797	\$47,889
Employer's contribution to the health and dental insurance plans	67,884	62,081
Workers' compensation	704	759
Legal services	811	805
<b>Total</b>	<b>\$116,196</b>	<b>\$111,534</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 the Department's Statement of Operations and Departmental Net Financial Position.

### (b) Other transactions with other government departments and agencies :

(in thousands of dollars)	2022	2021
Accounts receivable	\$5,141	\$2,984
Accounts payable	21,232	31,409
Expenses	216,066	234,936
Revenues	28,803	23,414

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

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 15. Transfers from/to other government departments

During the year, Environment and Climate Change Canada transferred tangible capital assets with Parks Canada Agency, Departments of Natural Resources, Health and Canadian Heritage, as well as Canadian High Arctic Research Station with a net effect of \$298,268 (\$3 in 2020-21) on the departmental net financial position affecting categories under vehicles and machinery and equipment. Environment and Climate Change Canada also transferred salary overpayments and emergency salary advances with a net effect of -\$290,622 (\$103,280 in 2020-21).

(in thousands of dollars)

#### Assets:

	<u>2022</u>
Tangible capital assets (Note 11)	\$298
Salary overpayments and emergency salary advances	<u>(291)</u>
<b>Total assets transferred</b>	<b>8</b>
<b>Adjustment to Environment and Climate Change Canada net financial position</b>	<b><u><u>\$8</u></u></b>

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 16. Segmented information

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

(in thousands of dollars)	Taking Action on Clean Growth and Climate Change	Preventing and Managing Pollution	Conserving Nature	Predicting Weather and Environmental Conditions	Internal Services	2022	2021
<b>Operations and administration</b>							
Salaries and employee benefits	\$89,738	\$256,172	\$151,506	\$204,172	\$188,348	<b>\$889,936</b>	\$892,443
Professional and special services	10,714	46,966	21,340	15,255	28,009	<b>122,284</b>	112,564
Accommodation	4,907	16,429	8,250	13,065	10,836	<b>53,487</b>	54,573
Amortization of tangible capital assets	716	16,281	3,205	14,992	4,795	<b>39,989</b>	37,350
Other contracted services	943	4,978	3,417	7,736	8,331	<b>25,405</b>	20,983
Materials and supplies	471	6,948	3,466	4,505	576	<b>15,966</b>	14,880
Rentals	573	1,208	3,324	7,007	22,359	<b>34,471</b>	36,574
Travel	821	1,538	1,565	4,347	377	<b>8,648</b>	3,946
Machinery & equipment	404	3,888	3,696	3,581	5,230	<b>16,799</b>	21,103
Net loss on disposals, write-off and adjustments to tangible capital assets	47	515	161	774	307	<b>1,804</b>	4,665
Environmental liability adjustments	-	(21,190)	-	-	-	<b>(21,190)</b>	(6,391)
Equipment repair and maintenance	71	4,103	911	4,441	992	<b>10,518</b>	13,842
Postage	100	875	953	935	445	<b>3,308</b>	2,671
Information services – communications	590	1,760	1,772	410	7,534	<b>12,066</b>	6,231
Telecommunications	35	522	623	986	3,476	<b>5,642</b>	5,971
Earmarked fees and levies	-	18,028	-	-	-	<b>18,028</b>	3,709
Contingent liabilities	-	-	-	-	214	<b>214</b>	86
Other	(39)	2,014	1,260	7,688	61	<b>10,984</b>	8,451
<b>Total Operations and administration</b>	<b>110,091</b>	<b>361,035</b>	<b>205,449</b>	<b>289,894</b>	<b>281,890</b>	<b>1,248,359</b>	<b>1,233,651</b>
<b>Transfer payments</b>							
Non-profit organizations	26,761	60,990	193,165	1,905	-	<b>282,821</b>	172,529
Other countries and international organization	16,343	522	1,357	6,584	-	<b>24,806</b>	24,966
Other levels of governments within Canada	207,696	2,156	27,372	38	-	<b>237,262</b>	298,871
Other to individuals	5	-	273	23	-	<b>301</b>	228
Industry	6,945	768	658	-	-	<b>8,371</b>	154,989
<b>Total Transfer payments</b>	<b>257,750</b>	<b>64,436</b>	<b>222,825</b>	<b>8,550</b>	<b>-</b>	<b>553,561</b>	<b>651,583</b>
<b>Total Expenses</b>	<b>367,841</b>	<b>425,471</b>	<b>428,274</b>	<b>298,444</b>	<b>281,890</b>	<b>1,801,920</b>	<b>1,885,234</b>
<b>Revenues</b>							
Sales of goods and services	-	12,666	4,462	50,496	1,134	<b>68,758</b>	64,160
Other revenues	235,228	20,919	466	8,104	458	<b>265,175</b>	238,201
Revenues earned on behalf of Government	(235,225)	(1,566)	(1,590)	(5,687)	(658)	<b>(244,726)</b>	(170,376)
<b>Total Revenues</b>	<b>3</b>	<b>32,019</b>	<b>3,338</b>	<b>52,913</b>	<b>934</b>	<b>89,207</b>	<b>131,985</b>
<b>Net cost of operations</b>	<b>\$367,838</b>	<b>\$393,452</b>	<b>\$424,936</b>	<b>\$245,531</b>	<b>\$280,956</b>	<b>\$1,712,713</b>	<b>\$1,753,249</b>

## Notes to the Financial Statements (Unaudited)

### ENVIRONMENT AND CLIMATE CHANGE CANADA

## 17. Comparative information

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



**Environment and Climate Change Canada**

**Annex to the  
Statement of Management Responsibility  
Including Internal Control Over  
Financial Reporting 2021-22**

**Environment and Climate Change Canada**

**Annex to the Statement of Management Responsibility Including  
Internal Control Over Financial Reporting 2021-22**

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# Annex to the Statement of Management Responsibility

## 1. Introduction

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

Detailed information on ECCC's authority, mandate and program activities can be found in the last [Departmental Results Report](#) and the current [Departmental Plan](#).

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

### 2.1 Internal Control Management

ECCC 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 departmental managers for control management in their areas of responsibility;
- Values and ethics code;
- Ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control;
- An internal financial attestation process in support of certification by the Deputy Minister and the Chief Financial Officer, whereby senior departmental managers who report to the Deputy Minister attest that they have implemented and maintained a risk-based system of internal control over financial management in their areas of responsibility;
- A Fraud Risk Management program that is designed to protect the departments' resources from fraud, waste and abuse through a prevention and detection framework; and
- Semi-annual 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 senior departmental 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.

### 2.2 Service Arrangements Relevant to Financial Statements

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

#### Common Service Arrangements

- Public Services and Procurement Canada (PSPC) provides accommodation services and administers the procurement of goods and services, and the payments of salaries in accordance with ECCC's delegation of authorities. PSPC also administers the Receiver General Central Systems used to issue cheques on behalf of the department. ECCC relies on the effectiveness of the PSPC Phoenix pay system and related activities and practices;
- Shared Services Canada (SSC) provides information technology (IT) infrastructure services to ECCC in the areas of data centre and network services. The scope and responsibilities are addressed in the interdepartmental arrangement between SSC and ECCC;
- The Department of Justice provides legal services to ECCC;
- The Public Prosecution Service of Canada provides prosecution services to ECCC; and
- The Treasury Board of Canada Secretariat provides services related to public sector insurance for ECCC employees and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans on behalf of ECCC.

#### Specific Arrangements

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

Readers of this Annex may refer to the Statement of Management Responsibility (SOMR) Annexes of the above-noted organizations for a greater understanding of the systems of ICFR related to these specific services.



### 3. Departmental Assessment Results During Fiscal Year 2021-22

The following table summarizes the status of the ongoing monitoring activities according to the previous fiscal year’s rotational plan.

Progress during the 2021-22 fiscal year	
Previous year’s rotational ongoing monitoring plan for current year	Status
IT General Controls (ICFR)	In progress, on track
Planning, Budgeting and Forecasting (ICFM)	In progress, on track
Delegation of Spending and Financial Authorities (ICFR)	Completed as planned; remedial actions started
Purchasing, Payments and Payables (ICFR)	In progress, on track
Monitoring of MAP on ICFM, including ICFR	In progress, on track

ECCC continued to evolve its main ICFM business processes to reach the “ongoing monitoring” stage by 2023-24, as per Management Accountability Framework (MAF) expectations. The key findings and significant adjustments required from the current year’s assessment activities are summarized below.

#### 3.1 New or significantly amended key controls

As the situation related to the pandemic has evolved, ECCC has revised its strategies in Financial Management with a focus on resuming normal activities while keeping a modernized and strengthened delivery model and effective financial services. There are risks inherent in this approach and ECCC accepted a measure of risk to continue to use some established methods after the pandemic.

As part of its risk mitigation strategy and as a best practice, ECCC continued assessing its risks and adjusted its key controls, as the impacts of the COVID-19 pandemic on the control environment continued to evolve, by:

- Evaluating changes in governance, risk management and internal controls, including those related to resource allocation and financial management in times of budgetary uncertainty, to delegation of authority and to reporting structure;
- Reviewing the adequacy of oversight procedures established over the impacted areas for enhanced monitoring. As such, ECCC applied its ICFM Framework including an update to the ICFR framework, in alignment with ECCC Integrated Risk Management Framework, the Treasury Board *Policy on Financial Management* and in with other government departments practices;
- Remaining vigilant of the potential financial fraud vulnerabilities during the pandemic, including relaxation of monetary limits, remote access to financial systems and potential threats for cybervulnerabilities; and
- Documenting and communicating the results of the assessment of processes and controls and supporting business process owners and senior management in addressing them. A key control enhancement is illustrated by having ECCC deployed an SAP tool-application called Invoice to Payment (I2P) to ensure business process improvements related to the receipt, processing and payment of invoices for the entire Department. The I2P project is leveraging various technology components including imaging, automated workflow, electronic authorization as well as enhanced reporting capabilities.

#### 3.2 Ongoing Monitoring Program

In 2021-22, ECCC followed its rotational ongoing monitoring plan of ICFM and performed an assessment of the following business processes: Delegation of Spending and Financial Authorities, Purchasing, Payables and Payments, Planning, Budgeting and Forecasting, Costing and IT General Controls.

##### Delegation of Spending and Financial Authorities

The ongoing monitoring assessment served as an update of the design assessed in 2014-15 to ensure alignment with the Directive on Delegation of Spending and Financial Authorities (DSFA) and departmental practices.

A plan was developed to strengthen the establishment, communication and monitoring of Roles and Responsibilities in the ECCC DSFA and related supporting documentation as well as the activation process and monitoring of the validity of Specimen Signature Records used to delegate financial authority.

#### **Purchasing, Payables and Payments**

The ongoing monitoring assessment served as an update of the design originally assessed in 2015-16 to ensure alignment with the Directive on Delegation of Spending and Financial Authorities (DSFA) and departmental practices.

The ongoing monitoring assessment has been completed and the results were communicated to the responsible area. A plan will be developed in early 2022-23 to ensure compliance with the Directive on Delegation of Spending and Financial Authorities.

#### **Planning, Budgeting and Forecasting**

The design effectiveness testing has been completed and the results were communicated to the responsible area. A plan will be developed in early 2022-23 to ensure compliance to the Policy on Financial Management.

The operational effectiveness testing on key controls will be performed later in 2022-23.

#### **Costing**

Assessment of the Costing process is underway to reach the ongoing monitoring stage by 2023-24, as per MAF expectations. The Treasury Board Submissions and Costing Unit has retained consulting firm to conduct a review of the costing function within ECCC's management and governance processes and gather information and documentation on the various costing components and functions across the Department. This will help to advance the documentation and design effectiveness assessment of the Costing process as part of the ICFM assessment.

#### **IT General Controls**

An integration between Internal Controls and Financial systems functions, as supported by the Office of the Comptroller General through the Internal Control Working Group, has occurred to enhance controls over system changes and implementation of new financial systems to ensure that all ITGCs are designed and operating effectively to support departmental ICFM, including ICFR.

### **4. Departmental action plan for the next fiscal year and subsequent years**

In 2016 and as validated through MAF assessment results, ECCC reached the ongoing monitoring status on all processes related to ICFR. Since then, ECCC implemented a risk-based ongoing monitoring program and conducted an annual risk-based assessment to monitor the effectiveness of its ICFR. In 2018, the scope of this monitoring was extended to include its ICFM and ECCC is planning to reach ongoing monitoring by 2024, as per Treasury Board Secretariat expectations.

Ongoing monitoring involves:

- Using a risk-based approach;
- Assessing the design and operating effectiveness of internal controls regularly in accordance with the monitoring plan; and
- Determining whether any actions need to be taken to address weaknesses.

Ongoing monitoring of internal controls begins after completion of initial control assessment. The control assessment involves:

- Documenting the controls;
- Testing for design effectiveness and operating effectiveness; and
- Developing a management action plan to correct gaps or weaknesses.

ECCC's five-year risk-based ongoing monitoring plan is rotational and is based on the 2021-22 risk assessment results of ICFM processes (including ICFR processes), departmental priorities, available resources and workload, and other considerations, such as the COVID-19 pandemic context, that have an impact on the plan.

In summary, this fiscal year's risk-based assessment resulted in continuing to consider most components related to expenditure management processes as being at higher risk due to the interim measures and processes implemented during the COVID-19 pandemic. The Department will continue to prioritize and realign its ICFM assessments to assist the organization in effectively navigating through the next normal.

<b>Rotational ongoing monitoring plan</b>					
<b>Key control areas</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
Entity Level Controls (ICFR)	Yes	Yes	No	No	No
IT General Controls (ICFR)	Yes	Yes	Yes	Yes	Yes
Pay Administration (ICFM)	No	No	No	Yes	No
Purchasing, Payables and Payments (ICFR)	No	No	No	No	Yes
Capital Assets and Real Property (ICFR)	No	Yes	No	No	No
Transfer Payments (ICFR)	No	No	Yes	Yes	No
Public Money and Receivables (ICFR)	No	No	Yes	Yes	No
Planning, Budgeting and Forecasting (ICFM)	Yes	No	No	No	Yes
Costing (ICFM)	Yes	Yes	No	No	No
Investment Planning (ICFM)	No	Yes	No	No	No
Inventory and Equipment (ICFR)	Yes	No	No	No	No
Project Management (ICFM)	No	Yes	No	No	No
Delegation of Spending and Financial Authorities (ICFR)	No	No	No	No	Yes
CFO Attestation for Cabinet Submissions (ICFM)	No	No	Yes	No	No
Financial Close and Reporting (ICFR)	No	No	Yes	No	No
Environmental Liabilities (ICFR)	No	No	No	Yes	No
Monitoring of MAP on ICFM, including (ICFR)	Yes	Yes	Yes	Yes	Yes