
**Employment and Social
Development Canada**

**Emploi et Développement
social Canada**

Employment and Social Development Canada

**Consolidated Financial Statements (*Unaudited*)
for the year ended March 31, 2021**

Consolidated Financial Statements (Unaudited) for the year ended March 31, 2021.

It is available upon request in multiple formats (large print, MP3, braille, e-text, DAISY), by contacting 1 800 O-Canada (1-800-622-6232). By teletypewriter (TTY), call 1-800-926-9105.

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Employment and Social Development Canada

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements for the year ended March 31, 2021, and all information contained in these statements rests with the management of Employment and Social Development Canada (ESDC). These consolidated 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 consolidated financial statements. Some of the information in the consolidated 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 ESDC's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in ESDC's *Departmental Results Report (DRR)*, is consistent with these consolidated 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 consolidated 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 ESDC 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, 2021 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 ESDC's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of ESDC's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Minister.

The consolidated financial statements of ESDC have not been audited.

Original signed by

Karen Robertson, CPA, CMA
Chief Financial Officer
Employment and Social Development Canada

Gatineau, Canada
August 30, 2021

Original signed by

Graham Flack
Deputy Minister
Employment and Social Development Canada

Employment and Social Development Canada
Consolidated Statement of Financial Position (*Unaudited*)
As at March 31

	2021	2020
	(in thousands of dollars)	
Financial assets		
Due from Consolidated Revenue Fund	3,164,822	4,119,071
Accounts receivable and advances (note 4)	9,671,526	4,677,040
Loans receivable (note 5)	19,077,384	17,993,061
Total gross financial assets	31,913,732	26,789,172
Financial assets held on behalf of Government		
Loans receivable (note 5)	(141,917)	(170,904)
Total net financial assets	31,771,815	26,618,268
Liabilities		
Due to Canada Pension Plan (note 6)	139,334	278,626
Accounts payable and accrued liabilities (note 7)	7,494,146	8,746,998
Vacation pay and compensatory leave	150,578	99,252
Designated Amount Fund - Trust Account (note 8)	1,957	15,368
Government Annuities Account (note 9)	97,799	114,761
Employee future benefits (note 10)	79,359	78,965
Total net liabilities	7,963,173	9,333,970
Departmental net financial asset	23,808,642	17,284,298
Non-financial assets		
Prepaid expenses	32,160	10,490
Tangible capital assets (note 11)	369,798	290,566
Total non-financial assets	401,958	301,056
Departmental net financial position (note 12)	24,210,600	17,585,354

Contractual obligations and contractual rights (note 14)

Contingent liabilities (note 15)

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

Original signed by

 Karen Robertson, CPA, CMA
 Chief Financial Officer
 Employment and Social Development Canada

Gatineau, Canada
 August 30, 2021

Original signed by

 Graham Flack
 Deputy Minister
 Employment and Social Development Canada

Employment and Social Development Canada
Consolidated Statement of Operations and Departmental Net
Financial Position (*Unaudited*)
For the year ended March 31

		2021	2020
	Planned Results	(in thousands of dollars)	
Expenses			
Learning, Skills Development and Employment	29,635,116	129,837,053	34,553,235
Pensions and Benefits	60,964,875	62,237,470	57,346,352
Social Development	974,872	2,581,101	931,956
Internal Services	889,096	1,314,241	981,220
Information Delivery and Services for Other Departments	262,949	251,070	241,224
Working Conditions and Workplace Relations	177,049	122,495	170,839
Expenses incurred on behalf of the Government	(46,781)	(20,478)	(41,531)
Total expenses	92,857,176	196,322,952	94,183,295
Revenues			
Employment Insurance (note 12)	23,358,000	22,896,548	22,713,657
Recovery of CPP administration costs	410,381	523,461	423,306
Recovery of Other Government Department service delivery costs	246,507	208,536	196,749
Interest on loans receivable	579,324	170,618	762,184
Other	60,799	58,110	70,579
Revenues earned on behalf of Government	(722,597)	(484,583)	(1,061,460)
Total revenues	23,932,414	23,372,690	23,105,015
Net cost of operations before government funding and transfers	68,924,762	172,950,262	71,078,280
Government funding and transfers			
Net cash provided by Government		180,454,063	64,279,776
Change in due from the Consolidated Revenue Fund		(954,249)	4,758,296
Services provided without charge by other government departments (note 16)		77,228	75,664
Transfer of the transition payments for implementing salary payments in arrears		(7)	(11)
Transfer of assets to other government departments		(1,527)	(933)
Net (cost) revenue of operations after government funding and transfers		6,625,246	(1,965,488)
Departmental net financial position - beginning of year		17,585,354	19,550,842
Departmental net financial position - end of year		24,210,600	17,585,354

Segmented information (note 17)

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

Employment and Social Development Canada
Consolidated Statement of Change in Departmental Net Financial
Assets (*Unaudited*)
For the year ended March 31

	2021	2020
	(in thousands of dollars)	
Net revenue (cost) of operations after government funding and transfers	6,625,246	(1,965,488)
Change due to tangible capital assets		
Acquisition of tangible capital assets	(118,933)	(98,366)
Amortization of tangible capital assets	37,282	53,435
Proceeds from disposal of tangible capital assets	86	40
Net loss on disposal of tangible capital assets	2,424	798
Adjustments to tangible capital assets (note 11)	(74)	-
Transfer from other government departments	(17)	(44)
Total change due to tangible capital assets	(79,232)	(44,137)
Change due to prepaid expenses	(21,670)	(2,478)
Net increase (decrease) in departmental net financial assets	6,524,344	(2,012,103)
Departmental net financial assets - beginning of year	17,284,298	19,296,401
Departmental net financial assets - end of year	23,808,642	17,284,298

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

Employment and Social Development Canada
Consolidated Statement of Cash Flows (*Unaudited*)
For the year ended March 31

	2021	2020
	(in thousands of dollars)	
Operating activities		
Net cost of operations before government funding and transfers	172,950,262	71,078,280
Non-cash items:		
Amortization of tangible capital assets (note 11)	(37,282)	(53,435)
Loss on disposal of tangible capital assets	(2,424)	(798)
Adjustments to tangible capital assets (note 11)	74	-
Services provided without charge by other government departments (note 16)	(77,228)	(75,664)
Transition payments for implementing salary payments in arrears	7	11
Transfer of net financial assets and liabilities to or from other government departments	1,544	977
Variations in Consolidated Statement of Financial Position		
Increase (decrease) in accounts receivable and advances	4,994,486	(728,340)
Increase in loans receivable	1,113,310	639,340
Increase in prepaid expenses	21,670	2,478
Decrease (increase) in due to Canada Pension Plan	139,292	(115,389)
Decrease (increase) in accounts payable and accrued liabilities	1,252,852	(6,547,885)
Increase in vacation pay and compensatory leave	(51,326)	(23,356)
Decrease in the Designated Amount Fund - Trust Account	13,411	3,069
Decrease in Government Annuities Account	16,962	8,182
Increase in employee future benefits	(394)	(6,020)
Cash used in operating activities	180,335,216	64,181,450
Capital investing activities		
Acquisitions of tangible capital assets (note 11)	118,933	98,366
Proceeds from disposal of tangible capital assets	(86)	(40)
Cash used in capital investing activities	118,847	98,326
Net cash provided by Government of Canada	180,454,063	64,279,776

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

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

1. Authority and objectives

Employment and Social Development Canada (ESDC) is a Department in the core public administration. ESDC is a department named in Schedule I of the Financial Administration Act and reports to Parliament through the Ministers responsible for Employment and Social Development (ESD).

The legislative mandate of ESDC is to improve the standard of living and quality of life of all Canadians by promoting a highly skilled and mobile workforce and an efficient and inclusive labour market, as well as to promote social well-being and income security.

Acts and Regulations for which ESDC Ministers are responsible include the: *Department of Employment and Social Development Act, Old Age Security Act, Employment Insurance Act, Canada Pension Plan, Canada Student Financial Assistance Act, Canada Student Loans Act, Universal Child Care Benefit Act, Canada Disability Savings Act, Canada Education Savings Act, Labour Adjustment Benefits Act, Government Annuities Act, Government Annuities Improvement Act, Civil Service Insurance Act, Public Pensions Reporting Act, Apprentice Loans Act, Federal-Provincial Fiscal Arrangements Act, Canada Labour Code, Government Employees Compensation Act, Canada Emergency Response Benefit Act, Canada Emergency Student Benefit Act, Canada Recovery Benefits Act* and, where applicable, related Regulations.

Employment and Social Development Canada achieves its objectives through the following departmental core responsibilities:

Social Development

To increase inclusion and opportunities for Canadians to participate in their communities.

Pensions and Benefits

Assist Canadians in maintaining income for retirement, and provide financial benefits to survivors, people with disabilities and their families.

Learning, Skills Development and Employment

Help Canadians access post-secondary education and get the skills and training they need to participate in a changing labour market, as well as provide support to those who are temporarily unemployed.

Working Conditions and Workplace Relations

Promotes safe, healthy, fair and inclusive work conditions and cooperative workplace relations.

Information Delivery and Services for Other Departments

Provides information to the public on the programs of the Government of Canada, and provides services on behalf of government departments and other partners.

Internal Services

Internal Services are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the 10 distinct services that support program delivery in the organization, regardless of the internal services delivery model in a department. These services are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Management Services; Materiel Management Services; and Acquisition Management Services.

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

2. Summary of significant accounting policies

These consolidated financial statements have been prepared using ESDC'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

ESDC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to ESDC 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 Consolidated Statement of Operations and Departmental Net Financial Position and in the Consolidated 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 Consolidated Statement of Operations and Departmental Net Financial Position are the amounts reported in the Consolidated Future-oriented Statement of Operations included in the *2020-2021 Departmental Plan*. Planned results are not presented in the "Government funding and transfers" section of the Consolidated Statement of Operations and Departmental Net Financial Position and in the Consolidated Statement of Change in Departmental Net Financial Asset because these amounts were not included in the *2020-2021 Departmental Plan*.

(b) Consolidation

These consolidated financial statements include the transactions of the Employment Insurance Operating (EIO) Account, a consolidated specified purpose account which includes revenues credited and expenses charged under the *Employment Insurance Act* and for which the Deputy Minister as Chairperson of the Canada Employment Insurance Commission is accountable. The accounts of the EIO Account have been consolidated with those of ESDC, and all inter-organizational balances and transactions have been eliminated.

The Canada Pension Plan (CPP) is excluded from ESDC's reporting entity because changes to the CPP require the agreement of two thirds of the provinces and it is therefore not controlled by the Deputy Minister.

ESDC has received dividends on behalf of the Government of Canada from the Canada Mortgage and Housing Corporation (CMHC). As per the Government of Canada Accounting Handbook, these dividends are not recorded in ESDC's consolidated financial statements as they do not relate to ESDC's activities. ESDC is simply acting as a flow-through mechanism for administrative purposes in order to enable the Government of Canada to receive the dividends.

(c) Net cash provided by Government

ESDC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by ESDC is deposited to the CRF, and all cash disbursements made by ESDC 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.

(d) Amounts due to or from CRF

These amounts 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 ESDC is entitled to draw from the CRF without further authorities to discharge its liabilities.

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

(e) Revenues

Revenues are recorded on an accrual basis of accounting:

- Employment Insurance (EI) premiums are recognized as revenue in the period in which they are earned, when workers, through their employment, generate these premiums and the related employer's contribution. Premiums earned in the period are measured from amounts assessed by the Canada Revenue Agency (CRA) and from estimates of amounts not assessed. Premium revenue also includes adjustments between actual and estimated premiums of previous years.
- Interest revenues on loans receivable are recognized in the year they are earned. Interest revenues are not recorded on impaired loans.
- Recoveries of CPP administration costs are recognized based on the services provided during the year.
- Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.
- Revenues that are non-respondable are not available to discharge ESDC's liabilities. While the Deputy Minister is expected to maintain accounting control, he has no authority regarding the disposition of non-respondable revenues. As a result, non-respondable 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.

(f) Expenses

Expenses are recorded on an accrual basis of accounting:

- Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.
- Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- Services provided without charge by other government departments for employer contributions to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.
- The expenses incurred on behalf of Government are linked to the assets held on behalf of Government. As a result, these expenses are considered to be incurred on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross expenses.

(g) Employee future benefits

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

(h) Accounts receivable and advances

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

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

(i) Loans receivable

Canada Student Loans (CSL) and Canada Apprentice Loans (CAL) are recorded at original cost less reimbursements, forgiveness, write-offs and valuation allowances. The allowances for bad debts and Repayment Assistance Plan (RAP) for direct loans of CSL and for CAL are calculated based on rates determined according to an actuarial estimate and as per historical collection rates for guaranteed and risk-shared loans of CSL.

(j) Contingent liabilities

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

(k) Tangible capital assets

All tangible capital assets having an initial cost of \$10,000 or more are recorded at their acquisition cost. ESDC does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, museum collections, and immovable assets located on reserves as defined in the *Indian Act*.

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

Asset Class	Amortization period
Machinery and equipment	5 years
Computer hardware	5 years
Computer software	3 years - Purchased 5 years - Developed in-house
Other equipment and furniture	5 years
Vehicles	5 years
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement 10 years - Service delivery space 15 years - Office space

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

(l) 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:

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

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

(m) Measurement uncertainty

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the consolidated financial statements and accompanying notes. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect management's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are the determination of part of the EI premiums, the allowances for doubtful accounts, the OAS and EI benefit repayments, the liability for employee future benefits, the recovery of CPP administration costs, the accrued liabilities, the useful life of tangible capital assets, the liability of the Government Annuities Account, the estimated overpayments and underpayments of benefits disclosed in note 13 and the contingent liabilities. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the consolidated financial statements in the year they become known.

3. Parliamentary authorities

ESDC receives most of its funding through annual parliamentary authorities. Items recognized in the Consolidated Statement of Operations and Departmental Net Financial Position and the Consolidated Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Furthermore, as a consolidated specified purpose account, the EI Operating Account expenses and revenues recognized in ESDC's Consolidated Statement of Operations and Departmental Net Financial Position do not affect parliamentary authorities. Accordingly, ESDC 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:

Employment and Social Development Canada
Notes to the Consolidated Financial Statements (*Unaudited*)
For the year ended March 31

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

	2021	2020
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	172,950,262	71,078,280
Adjustments for items affecting net cost of operations but not affecting authorities:		
Bad debt expense (excluding EI)	(536,034)	(463,214)
Amortization of tangible capital assets (note 11)	(37,282)	(53,435)
Services provided without charge by other government departments (note 16)	(77,228)	(75,664)
Increase in employee future benefits	(394)	(6,020)
Increase in vacation and compensatory leave	(51,326)	(23,356)
Refund of programs and prior years' expenditures	1,983,810	250,377
Loss on disposal of tangible capital assets	(2,424)	(798)
Allowance expense for the Repayment Assistance Plan program of Canada Student Loans and Canada Apprentice Loans	(278,463)	(213,392)
Net EIO Account transactions (note 12)	(11,610,348)	(1,011,120)
Increase in accounts payable and accrued liabilities not charged to authorities	(147,957)	(64,446)
Other adjustments	4,352	(6,462)
Total items affecting net cost of operations but not affecting authorities	(10,753,294)	(1,667,530)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Net Canada Student Loans disbursed	1,392,981	933,967
Net Canada Apprentice Loans disbursed	9,455	33,520
Canada Student Loans and Canada Apprentice Loans debt write-offs	185,536	179,127
Acquisition of tangible capital assets (note 11)	118,933	98,366
Canada Student Loans and Canada Apprentice Loans forgiveness	93,401	117,900
Transition payments for implementing salary payments in arrears	7	11
Increase in prepaid expenses	21,670	2,478
Other adjustments	20,292	20,132
Total items not affecting net cost of operations but affecting authorities	1,842,275	1,385,501
Current year authorities used	164,039,243	70,796,251

Employment and Social Development Canada
Notes to the Consolidated Financial Statements (*Unaudited*)
For the year ended March 31

(b) Authorities provided and used

	2021	2020
	(in thousands of dollars)	
Authorities provided:		
Vote 1 - Operating expenditures	972,688	951,276
Vote 5 - Grants and contributions	3,277,783	3,045,652
Debt write-offs	188,124	180,432
Statutory amounts	159,898,209	66,729,126
Less:		
Authorities available for future years	(995)	(1,026)
Lapsed authorities:		
Operating expenditures	(53,600)	(42,500)
Grants and contributions	(240,115)	(65,383)
Debt write-offs	(2,563)	(1,305)
Statutory amounts	(288)	(21)
Current year authorities used	164,039,243	70,796,251

Employment and Social Development Canada
Notes to the Consolidated Financial Statements (*Unaudited*)
For the year ended March 31

4. Accounts receivable and advances

The following table presents details of ESDC's accounts receivable and advances balances:

	2021	2020
	(in thousands of dollars)	
Receivables - Other government departments and agencies		
EI premiums receivable from CRA	2,125,550	1,341,830
EI and OAS benefit repayments receivable from CRA	2,428,996	2,263,765
Other	335,775	118,127
	4,890,321	3,723,722
Receivables and advances - External parties		
EI and OAS overpayments and penalties to be recovered	1,440,264	1,336,681
Emergency care and support benefit overpayments to be recovered	4,731,353	-
Other	562,155	410,593
	6,733,772	1,747,274
Subtotal accounts receivable and advances	11,624,093	5,470,996
Allowance for doubtful accounts on receivables from external parties	(1,952,567)	(793,956)
Net accounts receivable and advances	9,671,526	4,677,040

Employment and Social Development Canada
Notes to the Consolidated Financial Statements (*Unaudited*)
For the year ended March 31

5. Loans receivable

	Student Loans	Apprentice Loans	2021 Total	2020 Total
	(in thousands of dollars)			
Loans receivable				
Gross loans - beginning of year	22,080,827	270,776	22,351,603	21,401,130
New loans and repurchases	3,822,200	29,921	3,852,121	3,676,417
Reimbursements	(2,145,925)	(20,037)	(2,165,962)	(2,412,543)
Loan write-offs and forgiveness	(284,254)	(429)	(284,683)	(313,401)
Gross loans - end of year	23,472,848	280,231	23,753,079	22,351,603
Unamortized discount	(30,384)	-	(30,384)	(33,247)
Allowance for bad debts	(4,745,267)	(31,631)	(4,776,898)	(4,492,690)
Net loans	18,697,197	248,600	18,945,797	17,825,666
Accrued interest				
Gross accrued interest - beginning of year	481,353	1,549	482,902	513,117
New interest	168,631	1,430	170,061	655,797
Reimbursements	(131,220)	(1,469)	(132,689)	(422,671)
Interest write-offs and forgiveness	(96,584)	(28)	(96,612)	(263,341)
Gross accrued interest - end of year	422,180	1,482	423,662	482,902
Unamortized discount	(11,170)	-	(11,170)	(13,685)
Allowance for bad debts	(280,532)	(373)	(280,905)	(301,822)
Net accrued interest	130,478	1,109	131,587	167,395
Total net loans and net accrued interest	18,827,675	249,709	19,077,384	17,993,061
Loans and accrued interest held on behalf of Government	(140,808)	(1,109)	(141,917)	(170,904)
Total Loans receivable	18,686,867	248,600	18,935,467	17,822,157

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

Canada Student Loans

The Canada Student loans consist of three different types of loans, Direct Loans, Guaranteed Loans and Risk-Shared Loans. Since August 1, 2000, Canada Student Loans are issued under the Direct Loan Regime. Before this date, the loans were issued under the Guaranteed Loan Regime (1964-1995) or under the Risk-Shared Loan Regime (1995-2000). Direct loans issued on or after August 1, 2000 are administered under the authority of section 6.1 of the *Canada Student Financial Assistance Act*, which authorizes the Minister of Employment, Workforce Development and Disability Inclusion to enter into loan agreements directly with any qualifying students. Guaranteed loans provided by financial institutions between 1964 and August 1995, under the *Canada Student Loans Act*, are fully guaranteed by ESDC to the lenders. Risk-shared loans issued prior to August 1, 2000 and on or after August 1, 1995 are amounts related to student loans subrogated to the Crown under the authority of the *Canada Student Financial Assistance Act*.

An allowance is recorded to provide for bad debts and Repayment Assistance Plan (RAP) for Canada Student Loans. The allowance for direct loans is determined according to an actuarial estimate provided by the Office of the Superintendent of Financial Institutions (Chief Actuary). Based on projected defaulted loans and recovery rates, the Chief Actuary establishes the allowance rates to be applied to the outstanding balances of the portfolio according to the status of the loans. For the year ended March 31, 2021, the bad debt and RAP allowance rates on direct loans were established as follows:

Status of the loans	Allowance rate as at March 31, 2021	Allowance rate as at March 31, 2020
Bad debt allowance		
Loans in-study	7.0%	6.8%
Loans in-repayment	5.1%	4.6%
Loans in-default	77.4%	77.5%
RAP allowance		
Loans in-study	5.5%	5.3%
Loans in-repayment	1.4%	1.4%
Loans in RAP	28.8%	27.8%

Source: Actuarial Report on the Canada Student Loans Program, as at July 31, 2020.

The total amount of direct loans issued under the authority of the *Canada Student Financial Assistance Act* and outstanding risk-shared loans bought-back by ESDC may not exceed \$34 billion. The total amount of direct loans and outstanding risk-shared loans as at March 31, 2021 amounted to \$23.4 billion (\$22.0 billion in 2020).

Canada Apprenticeship Loans

Canada Apprenticeship Loans (CAL) are administered under the authority of section 4 of the *Apprenticeship Loans Act* which came into effect on January 2, 2015. The Minister of Employment, Workforce Development and Disability Inclusion is authorized to enter into a loan agreement directly with any eligible apprentice.

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An allowance is recorded to provide for CAL bad debts and Repayment Assistance Plan (RAP). The allowance is determined according to an actuarial estimate provided by the Chief Actuary. Based on projected defaulted loans and recovery rates, the Chief Actuary establishes the allowance rates to be applied to the outstanding balances of the portfolio according to the status of the loans. For the year ended March 31, 2021, the bad debt and RAP allowance rates on CAL were established as follows:

Status of the loans	Allowance rate as at March 31, 2021	Allowance rate as at March 31, 2020
Bad debt allowance		
Loans in-training	5.6%	5.4%
Loans in-repayment	4.1%	3.7%
Loans in-default	77.4%	N/A
RAP allowance		
Loans in-training	3.6%	3.4%
Loans in-repayment	0.9%	0.9%
Loans in RAP	28.8%	18.1%

Source: Actuarial Report on the Canada Apprentice Loan, as at March 31, 2021.

The total amount of CAL issued under the authority of *Apprentice Loans Act* may not exceed \$1.5 billion. The total amount of outstanding apprentice loans as at March 31, 2021 amounted to \$280.2 million (\$270.8 million in 2020).

Interest and repayment terms

Under these two programs, no security is received from the borrowers and the loans bear interest at either a variable rate (prime rate) or a fixed rate (prime rate + 2.0%). Borrowers are not required to pay interest on their loans while they are still studying, enrolled in their apprentice program or during the 6-month grace period after completing their studies or apprentice program.

Borrowers having difficulty repaying their loans may be eligible for assistance under the Repayment Assistance Plan. The typical repayment period is 10 years, with a maximum period of 15 years for borrowers that are eligible if their affordable payment, which is based on family income and family size, is less than their required monthly payment. Depending on their regime, borrowers may also benefit from another type of loan forgiveness program in the event of severe permanent disability or death.

When ESDC no longer has reasonable assurance of recovering the full amount of a loan at the expected date, the loan becomes impaired. Interest revenue is not recorded on impaired loans. Loans that are considered impaired are eventually subject to the write-off process. Subsequent recoveries on these loans are recorded as a reduction of the expense in the consolidated statement of operations and departmental net financial position. For the year ended March 31, 2021, the total bad debt expense on loans receivable amounted to \$265.0 million (\$408.2 million in 2020).

To support borrowers during the COVID-19 pandemic the Government of Canada suspended repayments of Canada Student Loans and Canada Apprentice Loans for the period of March 30, 2020 to September 30, 2020. During this time, no interest was accrued on these loans. In addition, no interest will be accrued and no interest payments required for the upcoming fiscal year 2022.

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6. Due to Canada Pension Plan

The Canada Pension Plan (CPP) is a federal/provincial plan established by an Act of Parliament in 1965. The CPP is administered by the Government of Canada and the provinces; therefore, it is excluded from ESDC's reporting entity.

In accordance with the *Canada Pension Plan*, the financial activities of the CPP are recorded in the CPP Account and the Additional CPP Account, collectively referred to as the CPP Accounts. CPP's revenues and expenses, such as contributions, interests, investment income or loss from the CPP Investment Board, pension benefits and operating expenses, are reported as increases and decreases to the liability and are reported separately in the CPP consolidated financial statements. The CPP Accounts also record the amounts transferred to or received from the CPP Investment Board.

	2021	2020
	(in thousands of dollars)	
Due to Canada Pension Plan - Beginning of year	278,626	163,237
Receipts and other credits	90,246,355	89,387,170
Payments and other charges	(90,385,647)	(89,271,781)
Due to Canada Pension Plan - End of year	139,334	278,626

Employment and Social Development Canada
Notes to the Consolidated Financial Statements (*Unaudited*)
For the year ended March 31

7. Accounts payable and accrued liabilities

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

	2021	2020
	(in thousands of dollars)	
Accounts payable - Other government departments and agencies		
Income taxes payable to CRA	10,112	35,426
Universal Child Care Benefits payable to CRA	80,802	88,266
Other	513,778	452,239
	604,692	575,931
Accounts payable - External parties		
EI benefits payable to individuals	1,426,079	2,509,903
OAS and Guaranteed Income Supplement benefits payable to individuals	34,109	47,210
Emergency care and support benefits payable to individuals	4,291,412	4,739,209
Other	410,203	251,808
	6,161,803	7,548,130
Accrued liabilities	204,535	239,896
Allowance for alternative payments for non-participating provinces to Canada Student and Apprentice Loans	523,116	383,041
Total accounts payable and accrued liabilities	7,494,146	8,746,998

8. Designated Amount Fund - Trust Account

This account was established pursuant to section 21 of the *Financial Administration Act*, to record amounts received and paid under Article 5 of the Indian Residential Schools Settlement Agreement. It was established on September 19, 2007, and provides for the payments referred to as Common Experience Payments (CEP) to eligible former students of recognized Indian Residential Schools and personal credits for educational programs and services to CEP recipients or to certain family members. The account is credited with interest, pursuant to section 21(2) of the *Financial Administration Act*. The Designated Amount Fund is co-administered by the Trustee, the Government of Canada, represented jointly by the Minister of Families, Children and Social Development and the Minister of Crown-Indigenous Relations.

	2021	2020
	(in thousands of dollars)	
Designated Amount Fund - beginning of year	15,368	18,437
Interest credited to the Trust account	16	234
Payments and other charges	(13,427)	(3,303)
Designated Amount Fund - end of year	1,957	15,368

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Notes to the Consolidated Financial Statements (*Unaudited*)
For the year ended March 31

9. Government Annuities Account

ESDC administers the Government Annuities Account. This account was established by the *Government Annuities Act*, and modified by the *Government Annuities Improvement Act*, which discontinued sales of annuities in 1975.

The purpose of the *Government Annuities Act* was to assist Canadians to provide for their later years through the purchase of Government annuities.

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for previously untraceable annuitants, earned interest and any transfer needed to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, as well as actuarial surpluses and unclaimed annuities. The amounts of unclaimed annuities related to untraceable annuitants are transferred to non-tax revenues.

The Government Annuities Account is valued on an actuarial basis each year, using prescribed mortality and interest rates, with the deficit or surplus charged or credited to the Consolidated Revenue Fund. Any adjustments required under the Government's accounting policies are recorded through an allowance adjustment account. The allowance account reflects the adjustment to the liability due to the differential between prescribed rates and best estimates of experience-adjusted mortality tables and discount rates. The discount rates used to measure the present value of accrued benefits is based on the Government's cost of borrowing derived from the yields on the actual zero-coupon yield curve for Government of Canada bonds which reflect the timing of the expected future cash flows.

	2021	2020
	(in thousands of dollars)	
Government Annuities Account - beginning of year	85,407	96,302
Receipts and other credits	5,471	6,174
Payments and other charges	(15,123)	(17,069)
Government Annuities Account - Subtotal	75,755	85,407
Allowance for pension adjustment - beginning of year	29,354	26,641
Allowance for pension adjustment - for the year	(7,310)	2,713
Allowance for pension adjustment - end of year	22,044	29,354
Government Annuities Account - end of year	97,799	114,761

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Notes to the Consolidated Financial Statements (*Unaudited*)

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10. Employee future benefits

(a) Pension benefits

ESDC'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 Plans benefits and they are indexed to inflation.

Both the employees and ESDC contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to *the Economic Action Plan 2012*, employee contributors have been divided into two groups - Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2021 expense amounts to \$240.4 million (\$184.6 million in 2020). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2020) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2020) the employee contributions.

ESDC'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 ESDC'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, 2021, 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:

	2021	2020
	(in thousands of dollars)	
Accrued benefit obligation - beginning of year	78,965	72,945
Expense for the year	6,653	12,202
Benefits paid during the year	(6,259)	(6,182)
Accrued benefit obligation - end of year	79,359	78,965

Employment and Social Development Canada
Notes to the Consolidated Financial Statements (Unaudited)
For the year ended March 31

11. Tangible capital assets

The following table presents a summary of the transactions and balances for the main categories of tangible capital assets:
(in thousands of dollars)

Class	Cost					Accumulated amortization					Net book value	
	Opening balance	Acquisitions	Adjustments (1)	Disposals and write-offs	Closing balance	Opening balance	Amortization	Adjustments (1)	Disposals and write-offs	Closing balance	2021	2020
Machinery and equipment	930	57	48	(103)	932	906	23	7	(103)	833	99	24
Computer hardware	380	16	44	(16)	424	70	82	9	-	161	263	310
Computer software	477,512	-	14,575	(21,429)	470,658	441,731	24,749	-	(21,420)	445,060	25,598	35,781
Other equipment and furniture	3,765	187	-	(1,645)	2,307	3,466	76	-	(1,601)	1,941	366	299
Vehicles	2,586	394	30	(232)	2,778	1,714	299	14	(190)	1,837	941	872
Assets under construction	221,497	118,279	(44,334)	(2,400)	293,042	-	-	-	-	-	293,042	221,497
Leasehold improvements	321,295	-	29,759	-	351,054	289,512	12,053	-	-	301,565	49,489	31,783
Total	1,027,965	118,933	122	(25,825)	1,121,195	737,399	37,282	30	(23,314)	751,397	369,798	290,566

(1) Adjustments include: assets under construction of \$44.3 million that were transferred to the other categories upon completion of the assets; transfers of tangible capital assets from other government departments with a net book value of \$16,678 (\$30,456 of cost less \$13,778 of accumulated amortization); and found assets with a net book value of \$74,427 (\$91,068 of cost less \$16,641 of accumulated amortization).

Employment and Social Development Canada
Notes to the Consolidated Financial Statements (*Unaudited*)
For the year ended March 31

12. Departmental net financial position

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

The Employment Insurance Operating (EIO) Account was established in the accounts of Canada by the *Employment Insurance Act* (the Act). All amounts received under the Act are deposited in the Consolidated Revenue Fund (CRF) and credited to the EIO Account. The benefits and the costs of administration of the Act are paid out of the CRF and charged to the EIO Account.

	2021	2020
	(in thousands of dollars)	
EIO Account - restricted		
Balance - beginning of year - restricted	3,904,527	4,915,647
Revenues		
EI premiums	22,880,905	22,636,570
Penalties and interest on EI receivables	15,643	77,087
	22,896,548	22,713,657
Expenses		
Benefits and support measures		
Income benefits	(31,538,505)	(17,749,940)
EI Emergency Response Benefit	(24,644,279)	(1,761,404)
Transfers to provinces and territories related to Labour Market Development Agreements	(2,300,000)	(2,329,238)
Support measures	(143,419)	(146,934)
Benefit repayments from higher income claimants	269,848	237,048
Administration costs	(2,547,673)	(1,909,035)
Bad debts	(934,300)	(65,274)
	(61,838,328)	(23,724,777)
Net EIO Account transactions before government funding	(38,941,780)	(1,011,120)
Funding from the Government of Canada - EI Emergency Response Benefit	27,331,432	-
Net EIO Account transactions	(11,610,348)	(1,011,120)
Balance - end of year - restricted	(7,705,821)	3,904,527
Unrestricted	31,916,421	13,680,827
Departmental net financial position - end of year	24,210,600	17,585,354

Pursuant to section 153.111 of the Act, the EIO Account shall be credited for an amount determined by the Minister of Finance that corresponds to the total cost of the Employment Insurance Emergency Response Benefit under this Act, including all costs related to the benefit and its administration. For 2021 this amount is \$27.3 billion (nil for 2020).

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

13. Estimated overpayments and underpayments of benefits

Given the large volume of EI claims and OAS related applications (OAS, Guaranteed Income Supplement and Allowance) and the need for prompt service, ESDC applies a risk-based approach to its control procedures. The verification of EI claims and OAS related applications is conducted both prior and after the payment of benefits, using a combination of up-front and automated control measures and post-payment verification activities.

In order to measure the accuracy of EI and OAS related benefit payments, respective programs were put in place to establish an annual payment accuracy rate and estimate, through statistical extrapolation, the most likely value of incorrect benefit payments. For benefits paid during the twelve months ended March 31, 2021, these undetected overpayments and underpayments are estimated to be \$1,235.4 million (\$862.6 million in 2020) and \$149.4 million (\$193.2 million in 2020) respectively for EI claims and \$1,669.8 million (\$856.6 million in 2020) and \$187.1 million (\$117.3 million in 2020) respectively for OAS related applications. The annual payment accuracy rate and estimated value of errors are used by the EI and OAS related programs to assess the quality and accuracy of decisions and the need, if any, to improve its systems and practices of processing claims and applications.

Emergency care and recovery benefits claims (including but not limited to the Canada Emergency Response Benefit, EI Emergency Response Benefit, and Canada Recovery Benefit) are subject to integrity measures post payment. Any detected overpayments and underpayments will be recognized as appropriate as integrity measures are completed.

The overpayments established during the year, as indicated in Note 4, are not directly linked to the above noted estimated overpayments and underpayments of benefits for the same period.

Employment and Social Development Canada
Notes to the Consolidated Financial Statements (*Unaudited*)
For the year ended March 31

14. Contractual obligations and contractual rights

(a) Contractual obligations

The nature of ESDC's activities can result in some large multi-year contracts and obligations whereby ESDC 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:

	2022	2023	2024	2025	2026 and thereafter	Total
	(in thousands of dollars)					
Labour Market Development Agreements including EI administration costs related to LMDA	2,566,756	-	-	-	-	2,566,756
Other transfer payments	2,202,533	1,829,435	709,251	408,362	1,480,184	6,629,765
Operating and Maintenance	56,084	59,037	59,037	59,037	130,970	364,165
Total	4,825,373	1,888,472	768,288	467,399	1,611,154	9,560,686

Labour Market Development Agreements with seven of the provinces and one territory require a two year notice for cancellation of the agreements, other provinces and territories require a one year notice. The obligations for 2023 cannot be reasonably estimated.

(b) Contractual rights

The activities of ESDC 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 the administration of services on behalf of other government departments and other organizations. Major contractual rights that will generate revenues in future years and that can reasonably be estimated are summarized as follows:

	2022	2023	2024	2025	2026 and thereafter	Total
	(in thousands of dollars)					
Recovery of CPP administration costs	453,227	-	-	-	-	453,227
Other revenues	193,215	-	-	-	-	193,215
Total	646,442	-	-	-	-	646,442

15. Contingent liabilities

Claims, litigations and grievances have been made against ESDC 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. ESDC records 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.

Employment and Social Development Canada
Notes to the Consolidated Financial Statements (*Unaudited*)
For the year ended March 31

16. Related party transactions

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

The department enters into transactions with these entities in the normal course of business and on normal trade terms.

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

During the year, ESDC received services without charge from certain common service organizations, related to the employer's contribution to the health and dental insurance plans and legal services. These services provided without charge have been recorded in the ESDC's Consolidated Statement of Operations and Departmental Net Financial Position as follows:

	2021	2020
	(in thousands of dollars)	
Employers' contribution to the health and dental insurance plans	72,702	71,421
Legal services	4,526	4,243
Total	77,228	75,664

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, information technology infrastructure services provided by Shared Services Canada and audit services provided by the Office of the Auditor General are not included in the ESDC's Consolidated Statement of Operations and Departmental Net Financial Position.

(b) Common services provided without charge to other government departments

During the year, ESDC provided services without charge to other government departments, related to the provision of workers' compensation services, amounted to \$21.0 million in 2021 (\$22.3 million in 2020).

(c) Other transactions with related parties

In the normal course of business, ESDC enters into transactions with government departments, agencies and Crown corporations. The assets, liabilities, revenues and expenses related to these transactions are as follows:

	2021	2020
	(in thousands of dollars)	
Expenses - Other government departments, agencies and Crown corporations	1,178,011	789,337
Revenues - Other government departments, agencies and Crown corporations	211,200	201,959

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

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Notes to the Consolidated Financial Statements (Unaudited)
For the year ended March 31

17. Segmented information

Presentation by segment is based on ESDC's core responsibilities. 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 core responsibilities, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

(in thousands of dollars)	Pensions and Benefits	Learning, Skills Development and Employment	Internal Services	Social Development	Information Delivery and Services for Other Departments	Working Conditions and Workplace Relations	2021 Total	2020 Total
Benefits and transfer payments								
Individuals	61,529,789	63,234,497	-	792,777	-	57	125,557,120	64,812,572
El benefits and support measures	-	58,356,355	-	-	-	-	58,356,355	21,750,468
Other	-	4,592,731	-	1,712,330	-	5,716	6,310,777	3,419,106
Total benefits and transfer payments	61,529,789	126,183,583	-	2,505,107	-	5,773	190,224,252	89,982,146
Operating expenses								
Salaries and benefits	593,545	1,385,991	570,417	65,338	161,055	110,595	2,886,941	2,296,405
Professional and special services	28,155	440,548	289,016	7,227	49,602	3,881	818,429	682,191
Bad debts	-	1,199,293	291,544	-	-	-	1,490,837	570,020
Administration costs charged by CRA	-	473,071	-	-	-	-	473,071	212,653
Accommodation and rentals	391	14,103	234,455	68	5,106	208	254,331	221,605
Transportation and communications	17,188	28,394	20,534	1,813	1,466	302	69,697	92,284
Machinery and equipment	1,539	29,414	27,832	1,143	2,910	201	63,039	67,327
Amortization	3,193	11,208	22,031	334	418	98	37,282	53,435
Other	63,670	71,448	(141,588)	71	30,513	1,437	25,551	46,760
Expenses incurred on behalf of Government	-	(20,478)	-	-	-	-	(20,478)	(41,531)
Total operating expenses	707,681	3,632,992	1,314,241	75,994	251,070	116,722	6,098,700	4,201,149
Total expenses	62,237,470	129,816,575	1,314,241	2,581,101	251,070	122,495	196,322,952	94,183,295
Revenues								
Employment Insurance (note 12)	-	22,896,548	-	-	-	-	22,896,548	22,713,657
Recovery of CPP administration costs	367,975	-	155,486	-	-	-	523,461	423,306
Recovery of OGD service delivery costs	-	-	24,288	-	184,248	-	208,536	196,749
Interest on loans receivable	-	170,618	-	-	-	-	170,618	762,184
Other	35	54,846	457	23	34	2,715	58,110	70,579
Revenues earned on behalf of Government	(39,312)	(224,929)	(33,991)	(23)	(184,282)	(2,046)	(484,583)	(1,061,460)
Total revenues	328,698	22,897,083	146,240	-	-	669	23,372,690	23,105,015
Net cost of operations before government funding and transfers	61,908,772	106,919,492	1,168,001	2,581,101	251,070	121,826	172,950,262	71,078,280

Employment and Social Development Canada
Notes to the Consolidated Financial Statements (*Unaudited*)
For the year ended March 31

18. Comparative information

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

Employment and Social Development Canada

Annex to the

**Statement of Management Responsibility Including
Internal Control Over Financial Reporting
for the fiscal year ended March 31, 2021**

1 Introduction

This document provides summary information on the measures taken by ESDC 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 ESDC's authority, mandate and program activities can be found in the [Departmental Plan](#) and [Departmental Results Report](#).

2 Departmental system of internal control over financial reporting

2.1 Internal Control Management

ESDC recognizes the importance of setting the tone from the top to help ensure that staff at all levels understand their roles in maintaining effective systems of ICFR and is well equipped to exercise these responsibilities effectively. The Department's focus is to ensure risks are managed well through a responsive and risk-based control environment that enables continuous improvement and innovation.

The Department has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. The ESDC Financial Internal Control Framework was revised and approved by the primary departmental assurance providers and the Deputy Minister in October 2019. The Framework was a collaborative effort between the Assistant Deputy Minister and members of the Internal Control and Financial Assurance Senior Working Group (ICFA SWG) to depict the financial control activities within the responsibility of each of its members. The Framework also includes:

- Organizational accountability structures as they relate to internal control management to support sound financial management including roles and responsibilities for senior managers in their areas of responsibility for control management; and
- Monitoring and regular updates on internal control management plus assessment results and action plans to the Chief Financial Officer (CFO), Corporate Management Committee (CMC) and Departmental Audit Committee (DAC).

The DAC is an advisory committee which provides objective views on the Department's risk management, control and governance processes as well as general reporting.

Other key committees with responsibilities for maintaining and overseeing the effectiveness of its system of ICFR include:

Portfolio Management Board (PMB) – As the main decision-making body of the portfolio, the PMB determines strategic directions and priorities; approves portfolio-wide plans and strategies; and makes decisions on strategic issues that affect the portfolio as a whole. The PMB also acts as the key portfolio vehicle for information sharing, consultation and collaboration at the Deputy Minister and Assistant Deputy Minister (ADM) levels. The CFO is a member of this committee.

Corporate Management Committee (CMC) – Oversees the implementation of the portfolio's management agenda, as approved by the PMB, including the achievement of the management

outcomes and objectives set out in the Integrated Business Plan, the Management Accountability Framework, and the corporate fiscal and planning processes. The committee also oversees departmental activities related to the operationalization of departmental security measures. The CFO is a member of this committee.

ICFA SWG – This ADM-level working group was created to promote a departmental-wide coordinated approach to audit, oversight and other monitoring activities undertaken across the department with a focus on financial internal controls. Its membership includes the primary departmental assurance providers and the group focuses on collaboration at all levels within its member branches with the objective of strengthening internal controls in support of the Deputy Minister’s responsibilities as Accounting Officer. The CFO is the chair of the ICFA SWG committee.

ESDC’s control environment also includes a series of measures to equip its staff to manage risks well through raising awareness, providing appropriate training to enhance skills and expertise required. Key measures are comprised of:

- An Office of Values and Ethics;
- ESDC Code of Conduct;
- Guidelines of Professional conduct for the Labour Program and Service Canada;
- A dedicated division under the CFO on internal control;
- Documentation of main business processes and related key risk and control points to support the management and oversight of its system of ICFR;
- Ongoing communications in core areas of financial management;
- Departmental policies tailored to ESDC’s control environment;
- Periodically updated delegated authorities matrix;
- A Risk Assessment, Management and Mitigation methodology for Grants and Contributions;
- Integrated Business Plan;
- Multi-year risk based internal audit plan;
- ESDC Financial Internal Control Framework;
- Regularly updated Corporate Risk Profile;
- Recipient Audit Strategy; and
- Payment Accuracy Review (PAAR) and Processing Accuracy Review (PRAR) for major benefit programs.

2.2 Service arrangements relevant to financial statements

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

Common Arrangements:

- Public Services and Procurement Canada centrally administers the payments of salaries, the delivery of compensation and benefits services, the procurement of goods and services in accordance with the ESDC delegation instrument and provides accommodation services;
- Treasury Board Secretariat provides the Department with information used to calculate various accruals and allowances, such as the accrued severance liability;
- The Department of Justice provides legal services to ESDC; and
- Shared Services Canada (SSC) provides information technology services to ESDC in the areas of data center and network services.

As a result, ESDC relies on the effective system of internal control over financial reporting in place at these service providers.

Specific Arrangements:

- ESDC, through the Service Canada (SC) initiative, acts as a focal point for government access to Canadians. As a result, ESDC has entered into several agreements with many federal - government departments designed to provide Canadians with better access to programs and services;
- A private service provider, pursuant to a contract with the Canada Student Loans Program, administers the delivery of the Direct loans issued under the Canada Student Loans Program. As a result, reliance is placed on the control procedures of the external service provider and the annual audit on financial information and internal controls performed by an external audit firm;
- The Canada Revenue Agency (CRA) provides full collection services to ESDC for the recovery of its Accounts Receivable. Although CRA uses ESDC’s departmental accounts receivable systems (DARS), reliance is placed on the control procedures at CRA for the collection services and CRA’s reporting capacity;
- The CRA administers a number of activities for the Canada Pension Plan (CPP), Old Age Security (OAS) and the Employment Insurance (EI) Operating Account; and
- In 2020-2021, the CRA also administered the Canada Emergency Response Benefit (CERB), Canada Recovery Benefit (CRB), Canada Recovery Caregiving Benefits (CRCB) and Canada Emergency Student Benefit (CSB).

3 Departmental assessment results during fiscal year 2020-2021

In 2016-2017, the Department commenced its full implementation of its ongoing risk-based monitoring program of ICFR.

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

Previous year’s rotational ongoing monitoring plan for current year	Status
IT General Controls	Completed as planned; remedial actions started
Procure to Payment	Completed as planned; remedial actions started

In 2020-2021, ESDC conducted the following work in addition to the progress made in ongoing monitoring:

- Assessing selected IT General Controls on SAP; and
- Assessing controls related to certain programs as a result of the pandemic.

ESDC determined that key financial controls examined are generally working effectively to prevent or detect a material misstatement to the Financial Statements. There are however areas that have been identified requiring remediation including:

IT General Controls

The ongoing monitoring of ITGCs is conducted as part of a three-year cycle, which assesses SAP and sixteen (16) feeder systems. The Year three assessment of ITGCs focused on the feeder systems that could not be fully assessed in 2019-2020 due to the competing priorities of the stakeholders due to the pandemic. As a result of the assessment, some key recommendations are noted in three of the four main control pillars evaluated: access to programs and data, program changes, and computer operations.

Additional ongoing monitoring was conducted on the ITGCs on SAP. The assessment was over select controls of the access to programs and data and program pillars. Recommendations were noted in both control pillars.

The management response action plan (MRAP) will be prepared by the process owner with a view to strengthen control. The progress against this plan will be tracked during the fiscal year 2021-2022.

Procure to Payment

The assessment of the Procure to Payment also included the following processes: Contracting, Delegation of Authorities, and Vendor Master File. The key controls that were tested performed as intended, with remediation required on strengthening the controls surrounding the physical security and stock of blank cheques.

The MRAP will be prepared by the process owner with a view to strengthen control. The progress against this plan will be tracked during the fiscal year 2021-2022.

Programs related to the Pandemic

ESDC performed the following work on internal controls of various pandemic related programs in 2020-2021:

- Testing of the validity of the Financial Administration Act Section 34 approval for one-time payments to Persons with Disabilities;
- Testing to ensure a pre-audit was performed on grants and contributions payments processed manually;
- Monitored the work conducted by the Chief Financial Officer Branch in support to the accounting of the Emergency Response Benefits payments; and
- Obtained a Chief Financial Officer attestation on the design effectiveness assessment of selected key controls for the Emergency Response Benefit programs administered on behalf of ESDC.

It was determined that key financial controls examined are generally working effectively.

ESDC also completed a risk assessment in 2020-2021 using an environmental scan to determine the impact of the pandemic on the system of internal controls. The results of the risk assessment were used to update ESDC's risk-based ongoing monitoring plan.

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

The five-year ongoing monitoring plan is shown in the table below. Note that the plan will be adjusted as required subject to an annual revalidation of the high-risk control areas, the timing of other relevant audit and monitoring activities and the impact of changes that occurred during the year or that are planned for the coming year(s).

Rotational Ongoing Risk-Based Monitoring Plan					
Key Control Areas	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Entity Level Controls				X	
IT General Computer Controls ¹	X	X	X	X	X
Procure to Payment			X		
Canada Student Loans Program	X			X	
Employment Insurance	X		X		X
Grants & Contributions	X			X	
Financial Close & Reporting		X			X
Old Age Security		X			X
Pay Administration		X		X	
Planning & Budgeting		X			X
Revenue, Receivables and Receipts		X			X

¹ A portion of IT General Controls will be monitored annually, based on risk. Over a five year cycle, all in scope IT systems will be revisited.