



 **FY 2020-21** 

Infrastructure Canada
Financial Statements (unaudited)

For the year ended March 31, 2021



Infrastructure Canada

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2021, and all information contained in these statements rests with the management of Infrastructure Canada. These financial statements have been prepared by management using the Government's accounting policies which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of Infrastructure Canada's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in Infrastructure 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 Infrastructure 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, 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 Infrastructure Canada's system of internal control are reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Infrastructure 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 recommends the financial statements to the Deputy Head of Infrastructure Canada.

The financial statements of Infrastructure Canada have not been audited.

Kelly Gillis
Deputy Head

Nathalie Bertrand
Chief Financial Officer

Signed at Ottawa, Canada

Infrastructure Canada
Statement of Financial Position (Unaudited)
As at March 31
(in thousands of dollars)

	<u>2021</u>	<u>2020</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 3,276,930	\$ 1,135,550
Samuel De Champlain Bridge Corridor Project (note 4)	772,485	881,773
Vacation pay and compensatory leave	7,013	4,636
Employee future benefits (note 8)	2,338	2,510
Deferred revenue (note 6)	1,805	-
Total net liabilities	4,060,571	2,024,469
Financial assets		
Due from Consolidated Revenue Fund	1,044,446	977,517
Accounts receivable and advances (note 9)	60,818	155,806
Total gross assets	1,105,264	1,133,323
Financial assets held on behalf of Government	(2,653)	(358)
Total net financial assets	1,102,611	1,132,965
Departmental net debt	2,957,960	891,504
Non-financial assets		
Tangible capital assets (note 10)	2,738,161	2,887,431
Total non-financial assets	2,738,161	2,887,431
Departmental net financial position	\$ (219,799)	\$ 1,995,927
Contractual obligations (note 11)		

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

 Kelly Gillis
 Deputy Head

 Nathalie Bertrand
 Chief Financial Officer

Signed at Ottawa, Canada

Infrastructure Canada**Statement of Operations and Departmental Net Financial Position (Unaudited)****For the Year Ended March 31***(in thousands of dollars)*

	<u>2021</u>	<u>2021</u>	<u>2020</u>
	Planned Results		
Expenses by Core Responsibility			
Public Infrastructure	\$ 7,815,651	\$ 7,620,761	\$ 5,474,119
Internal services	64,082	66,629	63,000
Total expenses	7,879,733	7,687,390	5,537,119
Revenues			
Other revenues (note 12)	111	2,307	541
Revenues earned on behalf of Government	(111)	(2,295)	(541)
Total revenues	-	12	-
Net cost of operations before government funding and transfers	7,879,733	7,687,378	5,537,119
Government funding and transfers			
Net cash provided by Government of Canada		5,395,665	9,161,172
Change in due from Consolidated Revenue Fund		66,929	(222,665)
Services provided without charge by other government departments (note 13)		9,038	9,156
Net transfer of salary overpayments from (to) other government departments		20	43
Net cost of operations after government funding and transfers		2,215,726	(3,410,587)
Departmental net financial position – Beginning of year		1,995,927	(1,414,660)
Departmental net financial position – End of year		\$ (219,799)	\$ 1,995,927

Segmented information (note 13)

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

Infrastructure Canada
Statement of Change in Departmental Net Debt (Unaudited)
For the Year Ended March 31
(in thousands of dollars)

	<u>2021</u>	<u>2020</u>
Net cost of operations after government funding and transfers	\$ 2,215,726	\$ (3,410,587)
Change due to tangible capital assets		
Acquisition of tangible capital assets (note 10)	14,924	1,204,763
Adjustments to assets under construction	-	(869)
Net gain (loss) on disposal of tangible assets including adjustments (note 10)	(1)	-
Amortization of tangible capital assets (note 10)	(53,819)	(33,520)
Adjustments to Samuel De Champlain Bridge Corridor Project Asset (note 10)	(110,373)	(949,741)
Total change due to tangible capital assets	(149,269)	220,633
Net increase (decrease) in departmental net debt	2,066,457	(3,189,954)
Departmental net debt – Beginning of year	891,504	4,081,458
Departmental net debt – End of year	\$ 2,957,961	\$ 891,504

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

Infrastructure Canada
Statement of Cash Flows (Unaudited)
For the Year Ended March 31
(in thousands of dollars)

	<u>2021</u>	<u>2020</u>
Operating activities		
Net cost of operations before government funding and transfers	\$ 7,687,378	\$ 5,537,118
Non-cash items :		
Gain (Loss) on disposal of tangible capital assets (note 10)	(1)	-
Net transfer of salary overpayments (from) to other government departments	(20)	(43)
Adjustments to assets under construction	-	(869)
Samuel De Champlain Bridge Corridor Project Assets (note 4)	(8,975)	(949,741)
Services provided without charge by other government departments (note 13)	(9,038)	(9,156)
Amortization of tangible capital assets (note 10)	(53,819)	(33,520)
Variations in Statement of Financial Position:		
Decrease (increase) in employee future benefits (note 8)	171	(17)
Decrease (increase) in Samuel De Champlain Bridge Corridor Project Liability	-	949,741
Decrease (increase) in contingent liabilities (note 7)	-	14,700
Decrease (increase) in deferred revenue	(1,805)	-
Decrease (increase) in vacation pay and compensatory leave	(2,378)	(1,559)
Increase (decrease) in accounts receivable and advances	(97,283)	132,992
Decrease (increase) in accounts payable and accrued liabilities (note 5)	(2,141,379)	2,316,763
Cash used in operating activities	<u>5,372,851</u>	<u>7,956,409</u>
Capital investing activities		
Acquisitions of tangible capital assets (note 10)	14,924	1,204,763
Cash used in capital investing activities	<u>14,924</u>	<u>1,204,763</u>
Financing activities		
Payments on obligation under Public Private Partnership (note 4)	7,890	-
Cash used in capital investing activities	<u>7,890</u>	<u>-</u>
Net cash provided by Government of Canada	<u><u>\$ 5,395,665</u></u>	<u><u>\$ 9,161,172</u></u>

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

1. Authority and objectives

The Office of Infrastructure of Canada (INFC) was created in 2002 as a separate organization under Schedule I.1 of the *Financial Administration Act*. The applied name for this organization is Infrastructure Canada. INFC is funded through annual and statutory appropriations received from the Parliament of Canada and is not taxable under the provisions of the *Income Tax Act*. INFC reports to the Minister of Infrastructure and Communities.

Infrastructure Canada works closely with all orders of government and other partners to enable investments in social, green, public transit and other core public infrastructure, as well as trade and transportation infrastructure.

Starting in fiscal year 2018-19, INFC reports on its mandate under one core responsibility, as well as internal services, in support of its activities as described below.

Public Infrastructure: INFC's key business lines and initiatives are grouped in the following Program Inventory:

- Canada Healthy Communities Initiative
- Investing in Canada Phase 1 – Funding Allocations for Provinces and Territories;
- Investing in Canada Phase 1 – Funding for Federation of Canadian Municipalities;
- Investing in Canada Infrastructure Program;
- Gas Tax Fund – Permanent Funding for Municipalities;
- New Building Canada Fund – National Infrastructure Component;
- New Building Canada Fund – Funding Allocations for Provinces and Territories;
- Historical Programs;
- Samuel De Champlain Bridge Corridor Project;
- Gordie Howe International Bridge Project;
- Toronto Waterfront Revitalization Initiative;
- Smart Cities Challenge;
- Disaster Mitigation and Adaptation Fund; and
- Research and Knowledge Initiative.

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. The 10 service categories are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Management Services; Materiel Management Services; and Acquisition Management Services.

2. Summary of significant accounting policies

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

Significant accounting policies are as follows:

Infrastructure Canada
Notes to the Financial Statements (Unaudited)
For the Fiscal Year ending March 31, 2021

- a) **Parliamentary authorities**
INFC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to INFC 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 2020-2021 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 2020-2021 Departmental Plan.
- b) **Net cash provided by government**
INFC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by INFC is deposited to the CRF and all cash disbursements made by INFC are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.
- c) **Amounts due from or to the CRF**
Amounts due from or to the CRF are the result of timing differences 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 INFC is entitled to draw from the CRF without further authorities to discharge its liabilities.
- d) **Revenues**
Other revenues are recognized in the period the event giving rise to the revenues occurred. Deferred revenue consists of amounts received in advance of the delivery of goods and rendering services that will be recognized as revenue in a subsequent fiscal year as it is earned. Revenues that are non-respensible are not available to discharge INFC’s liabilities. While the Deputy Head is expected to maintain accounting control, she has no authority regarding the disposition of non-respensible revenues. As a result, non-respensible revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity’s gross revenues.
- e) **Expenses**
Transfer payments are recorded as an expense 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.
- 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 and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

Infrastructure Canada
Notes to the Financial Statements (Unaudited)
For the Fiscal Year ending March 31, 2021

- f) Employee future benefits
- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan (*Public Service Superannuation Act*), a multi-employer plan administered by the Government. INFC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. INFC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
 - ii. Severance benefits: The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.
- g) Accounts and loans receivable
Accounts and loans receivable are initially recorded at cost and where necessary, are discounted to reflect their concessionary terms. Concessionary terms of loans include cases where loans are made on a long-term, low interest or interest-free basis. Transfer payments that are unconditionally repayable are recognized as loans receivable. When necessary, an allowance for valuation is recorded to reduce the carrying value of accounts and loans receivable to amounts that approximate their net recoverable value.
- h) Non-financial assets
The cost 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 10. All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*, works of art, museum collection and Crown land to which no acquisition cost is attributable; and intangible assets.
- i) 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 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) Measurement uncertainty
The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes at March 31. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the Samuel De Champlain Bridge Corridor Project asset and liability, the payables at year end, contingent liabilities, the liability for employee future benefits, and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.
- l) Related party transactions
Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

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

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

3. Parliamentary authorities

INFC 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, INFC 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)

	2021	2020
Net cost of operations before government funding and transfers	\$ 7,687,378	\$ 5,537,119
Adjustments for items affecting net cost of operations but not affecting authorities:		
Refund of previous year's expenditures	25,844	6,517
Decrease (increase) in employee future benefits	171	(17)
Other	91	23
Decrease (increase) contingent liabilities	-	14,700
Adjustments for assets under construction	-	(869)
Decrease (increase) in vacation pay and compensatory leave	(2,378)	(1,559)
Adjustment to the obligation under public private partnership	(8,975)	-
Services provided without charge by other government departments	(9,038)	(9,156)
Amortization of tangible capital assets	(53,819)	(33,520)
Decrease (increase) in accrued liabilities related to Budget Implementation Act	(2,170,316)	2,230,596
Total items affecting net cost of operations but not affecting authorities	(2,218,420)	(2,206,715)

Infrastructure Canada
Notes to the Financial Statements (Unaudited)
For the Fiscal Year ending March 31, 2021

Adjustments for items not affecting net cost of operations but affecting authorities:

Acquisitions of tangible capital assets	14,924	1,204,763
Payments of obligation under Public Private Partnership	7,890	-
Increase (decrease) in salary overpayments and advances	606	271
Proceeds from disposal of tangible capital assets	12	-
Loss (Gains) on Other Foreign Exchange Valuations	(2)	-
Total items not affecting net cost of operations but affecting authorities	23,430	1,205,034
Current year authorities used	\$ 5,492,388	\$ 8,948,868

b) Authorities provided and used

(in thousands of dollars)

Authorities:

	<u>2021</u>	<u>2020</u>
Vote 1 – Operating expenditures	\$ 197,393	\$ 186,770
Vote 5 – Capital expenditures	148,376	1,324,769
Vote 10 – Contributions	5,514,190	5,226,080

Statutory Amounts:

Employee Benefit Plan	10,302	8,526
Minister Office Salary and Car Allowance	89	89
Gas Tax Fund	2,170,316	4,340,912
Municipal Asset Management Program (Budget 2019)	-	60,000
Proceeds from Disposal	12	-

Less:

Authorities available for future years	(12)	-
Lapsed: Operating	(38,659)	(72,229)
Lapsed: Capital	(125,562)	(115,795)
Lapsed: Contributions	(2,384,057)	(2,010,254)

Current year authorities used	\$ 5,492,388	\$ 8,948,868
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4. Samuel De Champlain Bridge Corridor Project

After a competitive process, in 2015, Signature on the St. Lawrence Group was awarded the contract and is responsible for the design, construction, financing, operation, maintenance and rehabilitation of the corridor. The new bridge crossing was fully opened to traffic on July 1, 2019 and construction of the remainder of the corridor was substantially completed in October 2019. Work to complete elements of the corridor that were deferred and to correct minor deficiencies is expected to be completed by Spring 2022.

Ownership of the bridge and related corridor remains with federal government, and Signature on the St. Lawrence Group will operate the corridor for 28 years.

Obligation under Public Private Partnership

INFC has entered into a public private partnership agreement with SSL for the project. The obligations related to the upcoming years include the following:

(in thousands of dollars)

	2021
2022	\$ 49,778
2023	120,052
2024	49,778
2025	49,778
2026 and subsequent	1,223,700
Total estimated payments	1,493,085
Less: imputed interest (5.59%)	720,600
Balance of obligation under public private partnership	\$ 772,485

5. Accounts payable and accrued liabilities

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

(in thousands of dollars)

	2021	2020
Accounts payable - Other government departments and agencies	\$ 5,513	\$ 10,228
Accounts payable - External parties	1,094,933	1,117,437
Total accounts payable	1,100,446	1,127,665
Accrued liabilities	2,176,484	7,885
Total accounts payable and accrued liabilities	\$ 3,276,930	\$ 1,135,550

The 2020-21 accrued liabilities include a one-time transfer payment expense of \$2.170 million through the federal Gas Tax Fund as announced in Budget 2021.

6. Deferred Revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received from external parties that are related to Samuel De Champlain Bridge Corridor project. Details of the transactions related to this account are as follows:

(in thousands of dollars)

	<u>2021</u>
Opening balance	-
Amounts received	\$ 2,166
Revenue recognized	361
Closing balance	\$ 1,805

7. Contingent liabilities

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

There are no new claims made against INFC in the normal course of operations. There are no outstanding contingent liabilities as at March 31, 2021.

8. Employee future benefits

a) **Pension benefits:**

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

The 2020-21 expense amounts of \$7,030,215 (\$5,906,848 in 2019-2020). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2019-2020) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2019-2020) the employee contributions.

INFC'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 INFC'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

Infrastructure Canada
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benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2020, 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)

	<u>2021</u>	<u>2020</u>
Accrued benefit obligation - Beginning of year	\$ 2,510	\$ 2,493
Expense for the year	(151)	194
Benefits paid during the year	(21)	(177)
Accrued benefit obligation - End of year	\$ 2,338	\$ 2,510

9. Accounts receivable and advances

(in thousands of dollars)

	<u>2021</u>	<u>2020</u>
Receivables - Other government departments and agencies	\$ 51,822	\$ 114,683
Receivables - External parties	8,992	41,113
Advances - Employees	4	10
Total accounts receivable and advances	\$ 60,818	\$ 155,806

10. Tangible capital assets

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

Asset class	Amortization period
Works and Infrastructure	5 to 100 years
Machinery and Equipment	5 years
Computer Hardware	3 years
Informatics Software – Purchased and Developed	3 to 7 years
Vehicles (non-military)	5 years
Leasehold Improvements	Term of lease

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

Infrastructure Canada
Notes to the Financial Statements (Unaudited)
For the Fiscal Year ending March 31, 2021

(in thousands of dollars)

Capital Asset Class	Cost 2021					Accumulated Amortization 2021					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
Land	123,016	4,465	-	-	127,481	-	-	-	-	-	127,481	123,016
Works and Infrastructure	2,786,237	-	(102,655)	-	2,683,582	(30,366)	(52,296)	-	-	(82,662)	2,600,920	2,755,871
Machinery and Equipment	137	-	-	-	137	(137)	-	-	-	(137)	-	-
Computer Hardware	165	98	-	-	263	(5)	(56)	-	-	(61)	202	160
Informatics Software Developed and Purchased	10,306	-	2,143	-	12,449	(7,906)	(916)	-	-	(8,822)	3,627	2,400
Motor vehicle	111	-	32	(28)	115	(79)	(16)	(32)	28	(99)	16	32
Leasehold improvements	6,647	-	3,711	-	10,358	(4,380)	(535)	-	-	(4,915)	5,443	2,267
Assets under construction	3,684	10,360	(13,572)	-	472	-	-	-	-	-	472	3,684
Total	2,930,303	14,923	(110,341)	(28)	2,834,857	(42,873)	(53,819)	(32)	28	(96,696)	2,738,161	2,887,430

- (1) Adjustments include assets under construction that were transferred to the other categories upon completion, as well as adjustments to values of work-in-progress assets. The adjustment under Works and Infrastructure class also represents the adjustment to the Samuel De Champlain Bridge Corridor (SDCBC) assets due to change in asset valuation methodology.

11. Contractual obligations

The nature of INFC's activities can result in some large multi-year contracts and obligations whereby INFC 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)	2022	2023	2024	2025	2026 AND THEREAFTER	TOTAL
Transfer payments						
<i>Public infrastructure</i>						
Border Infrastructure Fund	13,124	-	-	-	-	13,124
Building Canada Fund-Communities Component	2,222	2,222	29,540	-	-	33,984
Building Canada Fund-Large Urban Centres Component	8,122	8,122	37,972	-	-	54,216
Building Canada Fund-Major Infrastructure Component	395,724	196,866	76,079	99,358	-	768,027
Canada Strategic Infrastructure Fund	12,124	-	-	11,842	-	23,966
Clean Water and Wastewater Fund	122,568	38,241	57,105	73,312	-	291,226
Disaster Mitigation and Adaptation Fund	195,796	151,022	143,952	107,795	181,539	780,104
Green Infrastructure Fund	46,563	74,745	15,061	5,896	20,081	162,346

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<i>(in thousands of dollars)</i>	2022	2023	2024	2025	2026 AND THEREAFTER	TOTAL
Investing in Canada Infrastructure Program	2,877,173	3,030,421	3,391,313	2,497,659	18,986,007	30,782,573
Municipal Asset Management Program	25,788	-	-	-	-	25,788
New Building Canada Fund-National Infrastructure Component	246,642	260,556	179,127	148,446	281,235	1,116,006
New Building Canada Fund-Provincial-Territorial Infrastructure Component-National and Regional Projects	1,190,483	771,596	509,785	227,078	420,652	3,119,594
New Building Canada Fund-Provincial-Territorial Infrastructure Component-Small Communities Fund	232,510	202,518	249,159	10,000	2,774	696,961
P3 Canada Fund	239,495	-	-	-	-	239,495
Public Transit Infrastructure Fund	416,410	444,324	-	-	-	860,734
Smart Cities Challenge	16,499	22,729	14,455	10,025	-	63,708
Toronto Waterfront Revitalization Initiative	50,440	115,148	55,000	-	-	220,588
Purchases						
New Bridge for the St. Lawrence Corridor Project (Operations and Maintenance) (note 4)	62,401	61,753	58,188	55,768	1,114,147	1,352,257
Total transfer payments, and purchases	6,154,084	5,380,263	4,816,736	3,247,179	21,006,435	40,604,697

12. Revenue

Revenues consist of lease and use of public property related to the Samuel De Champlain Bridge Corridor Project, nominal revenue from Access to Information fees, and proceeds from disposal of capital assets.

13. Related party transactions

INFC is related as a result of common ownership to all government departments, agencies, and Crown corporations. INFC enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, INFC received common services which were obtained without charge from other government departments as disclosed below.

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

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

(in thousands of dollars)

	<u>2021</u>	<u>2020</u>
Employer's contribution to the health and dental insurance plans	\$ 5,149	\$ 4,902
Accommodation	3,889	4,254
Total	<u>\$ 9,038</u>	<u>\$ 9,156</u>

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 INFC's Statement of Operations and Departmental Net Financial Position.

b) **Other transactions with related parties**

(in thousands of dollars)

	<u>2021</u>	<u>2020</u>
Accounts receivable – Other government departments and agencies	\$ 51,822	\$ 114,683
Accounts payable – Other government departments and agencies	4,301	10,228
Expenses – Other government departments and agencies	32,892	41,246

Expenses disclosed in (b) exclude common services provided without charges, which are already disclosed in (a). Common services include other support services from other government departments, such as providing financial and human resources systems, as well as salary recoveries between departments.

Other Government Departments (OGDs) and agencies administer certain programs on behalf of INFC. Funds are advanced to these OGDs and agencies, namely Transport Canada, during the fiscal year. An accounts receivable is recorded for the unused portion that will be returned to INFC after year end while an account payable is recorded when INFC must provide additional funds to these OGDs and agencies.

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14. Segmented Information

Presentation by segment is based on INFC'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 or the main programs, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

(in thousands of dollars)

	Public Infrastructure	Internal Services	2021	2020
Transfer payments				
Contributions	\$ 7,447,820	\$ -	7,447,820	\$ 5,384,051
Total transfer payments	7,447,820	-	7,447,820	5,384,051
Operating expenses				
Salaries and employee benefits	36,608	48,444	85,052	75,572
Professional and special services	24,699	10,325	35,024	52,721
Rentals	1,954	4,154	6,108	6,894
Amortization	52,299	1,521	53,819	33,034
Repairs and maintenance	13,423	25	13,448	8,886
Transportation and communications	2	476	479	1,428
Acquisition of machinery and equipment	8	1,385	1,393	324
Information	147	259	406	548
Utilities, materials and supplies	7	32	40	163
Other	43,793	8	43,801	(26,503)
Total operating expenses	172,940	66,629	239,570	153,067
Total expenses	7,620,761	66,629	7,687,390	5,537,118
Revenues				
Other revenues	2,307		2,307	(541)
Revenues earned on behalf of government	(2,295)	-	(2,295)	541
Total revenues	12	-	12	-
Net cost from continuing operations¹	\$ 7,620,749	\$ 66,629	\$ 7,687,378	\$ 5,537,118

(1) Totals may not add up due to rounding

15. Subsequent events

Funding letters for the regular Gas Tax Fund for a total amount of \$2,268,966,610 and the one-time additional funding announced in the Budget 2021 for a total amount of \$2,170,315,887 were signed and provided to recipients. These letters indicate to each recipient the amount of funds to be distributed in 2021-22. As well, an Act of Parliament was also tabled to change the name of the Gas Tax Fund program to the Canada Community-Building Fund.

ANNEX to the Statement of Management Responsibility Including Internal Control over Financial Reporting for the Fiscal Year ending March 31, 2021

1.0 Introduction

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

Detailed information on Infrastructure Canada's authority, mandate, and program activities can be found in the [Departmental Results Report](#) for the 2020 to 2021 Fiscal Year and the [Departmental Plan](#) for the 2020 to 2021 Fiscal Year.

2.0 Departmental system of internal control over financial reporting

2.1 Internal control management

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

- Organizational accountability structures as they relate to internal control management to support sound financial management, including roles and responsibilities of senior managers in their areas of responsibility for control management;
- Values and ethics;
- Ongoing communication on statutory requirements, and policies and procedures for sound financial management and control; and
- Assessment results and action plans to the Deputy Head and senior departmental management and, as applicable, the Departmental Audit Committee.

The Departmental Audit Committee provides advice to the Deputy Head on the adequacy and functioning of the department's risk management, control and governance frameworks and processes. Infrastructure Canada's Departmental Audit Committee is composed of four external members and meets up to four times per year (and more frequently as required).

2.2 Service arrangements relevant to financial statements

Infrastructure Canada relies on other organizations for processing certain transactions that are recorded in its financial statements, as follows:

2.2.1 Common service arrangements

- Public Services and Procurement Canada, which administers the payment of salaries and the procurement of goods and services, in accordance with Infrastructure Canada's Delegation of Financial Signing Authorities, and provides accommodation services;
- Treasury Board Secretariat, which provides information on public service insurance and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans;
- Department of Justice Canada, which provides legal services; and
- Shared Services Canada, which provides information technology infrastructure services in the areas of data centre and network services. The scope and responsibilities are addressed in the interdepartmental arrangement between Shared Services Canada and Infrastructure Canada.

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

Infrastructure Canada relies on other external service providers and departments for the processing of certain transactions or information that are recorded in its financial statements, as follows:

2.2.2 Specific arrangements

- Public Services and Procurement Canada, which provides pay compensation services;
-

ANNEX to the Statement of Management Responsibility Including Internal Control over Financial Reporting for the Fiscal Year ending March 31, 2021

- Federal delivery partner (Transport Canada), which manages certain contribution programs on behalf of Infrastructure Canada; and
- Innovation, Science and Economic Development Canada, which hosts Infrastructure Canada's departmental financial management system, the Integrated Financial Management System (IFMS). The service arrangement also includes system support.

3.0 Departmental assessment results for the 2020 to 2021 fiscal year

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

3.1 Progress during the 2020 to 2021 fiscal year

Key Control Areas	Status
Entity level controls	Ongoing monitoring was completed as planned. Findings have been communicated to stakeholders and remedial actions are underway.
IT general controls	Ongoing monitoring was planned for the 2020-21 exercise but was not completed due to time and resource constraints. This testing has been prioritized for completion in 2021-22. The ongoing monitoring plan has been adjusted to reflect this delay and return this item to the required risk-based monitoring frequency moving forward.
Transfer payments	Ongoing monitoring was planned for the 2020-21 exercise but was not completed due to time and resource constraints. This testing has been prioritized for completion in 2021-22. The ongoing monitoring plan has been adjusted to reflect this delay and return this item to the required risk-based monitoring frequency moving forward.
Capital assets	Ongoing monitoring was planned for the 2020-21 exercise but was not completed due to time and resource constraints. This testing has been prioritized for completion in 2021-22. The ongoing monitoring plan has been adjusted to reflect this delay and return this item to the required risk-based monitoring frequency moving forward.
Acquisition cards	Design effectiveness was planned for the 2020-21 exercise but was not completed due to time and resource constraints. A risk based approach was used to identify higher priority testing for the fiscal year. This business process is planned for completion in a future fiscal year, as identified in the multi-year plan.
Conferences and events	Design effectiveness was planned for the 2020-21 exercise but was not completed due to time and resource constraints. A risk based approach was used to identify higher priority testing for the fiscal year. This business process is planned for completion under Travel, Hospitality, Conferences and Events, in a future fiscal year, as identified in the multi-year plan.
Cabinet submissions	As part of the ICFM program, design effectiveness was completed as planned. Findings have been communicated to stakeholders and remedial actions are underway.
Budgeting and forecasting	As part of the ICFM program, operating effectiveness was completed as planned. Findings have been communicated to stakeholders and remedial actions are underway.

Additionally, Infrastructure Canada assessed the impact of the COVID-19 pandemic on the department's business processes. All findings have been communicated to stakeholders and remedial actions are underway.

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

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3.2 New or significantly amended key controls

In the 2020-21 fiscal year, Infrastructure Canada implemented a new control to test and monitor the development of policies and procedures in relation to entity level controls. Infrastructure Canada also documented and reviewed new controls for Treasury Board submissions and Memoranda to Cabinet during design effectiveness testing of cabinet submissions, as part of the ICFM program.

Following a full review of business processes impacted by COVID-19, no changes to controls were required.

3.3 Remediation

For the most part, the key controls that were tested performed as intended, with remediation required as follows:

Key control areas	Areas for improvement
Entity level controls	<ul style="list-style-type: none">• Opportunities for internal controls to strengthen their control activities, including more frequent testing of high-risk business processes and an updated review of fraud risk.• Opportunities for improvement in the implementation of future integrated business plans (IBP).• Considerations for ensuring compliance of mandatory training related to Values and Ethics.
Budgeting and forecasting	<ul style="list-style-type: none">• As part of the ICFM program, opportunities exist to improve process documentation and to reinforce controls.• Considerations for improvement in the implementation of future integrated business plans (IBP).
Cabinet submissions	<ul style="list-style-type: none">• As part of the ICFM program, opportunities exist to improve efficiency of approvals, documentation of procedures, and communication to users.

Additionally, outside of the scope of the ongoing monitoring program, the review of business processes impacted by COVID-19 resulted in opportunities to strengthen existing controls, and considerations to build on existing e-signature instructions and improve communication to users.

Process owners have developed management action plans addressing the recommendations above.

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

Infrastructure Canada's rotational ongoing monitoring plan over the next five fiscal years, based on an annual validation of the high-risk processes and controls and related adjustments to the ongoing monitoring plan as required, is shown in the following table.

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The Department uses a risk based approach to monitoring frequency. The Department has considered changes and new risks that have emerged from the current environment, and these changes reflected in the risk level and frequency of testing.

Rotational ongoing (risk-based) monitoring plan

Key control areas	2021-22	2022-23	2023-24	2024-25	2025-26
IT general controls	X		X		X
Budgeting and forecasting		X		X	
Transfer payments	X		X		X
Entity level controls			X		
Capital assets	X			X	
Cabinet submissions			X		
Payroll	X			X	
Procure to payment		X			X
Acquisition cards		X			
Financial reporting and financial close					X
Travel, hospitality, conferences and events				X	