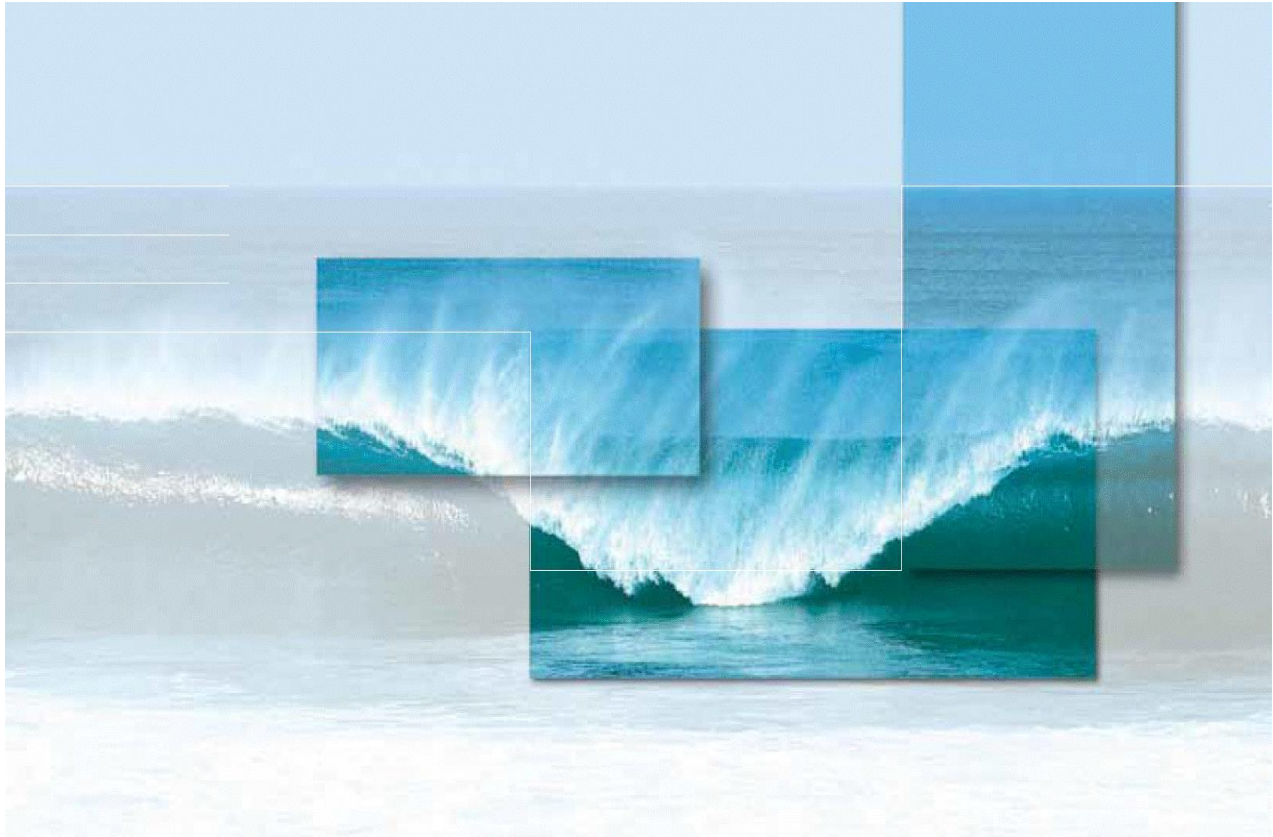




Fisheries and Oceans
Canada

Pêches et Océans
Canada



Financial Statements of
FISHERIES AND OCEANS CANADA
Year ended March 31, 2021

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as represented by the Minister of Fisheries, Oceans, and the Canadian Coast Guard, 2022
Financial Statements of Fisheries and Oceans Canada, Year ended March 31, 2021

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FISHERIES AND OCEANS CANADA

Statement of Management Responsibility Including Internal Control Over Financial Reporting

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

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

Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the Financial Administration Act and other applicable legislation, regulations, authorities and policies.

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

The system of internal control over financial reporting is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of internal control over financial reporting for the year ended March 31, 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 annex also provides information on the status of the risk-based assessment of the controls over common services provided by the department that have a bearing on a recipient's departmental financial statements.

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



Fisheries and Oceans
Canada

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Canada



FISHERIES AND OCEANS CANADA

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

Tim Sargent
Deputy Minister

Ottawa, Canada

Page, Hugo

Digitally signed by Page, Hugo
Date: 2021.08.26 08:20:46 -04'00'

Hugo Page
Chief Financial Officer

Ottawa, Canada

Year ended March 31, 2021



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

(in thousands of dollars)	2021	2020
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 530,169	\$ 504,714
Vacation pay and compensatory leave	145,864	121,239
Environmental liabilities (Note 5)	281,036	268,022
Deferred revenues (Note 6)	11,660	10,608
Lease obligations for tangible capital assets (note 7)	1,321	1,325
Other liabilities (Note 8)	65,771	44,496
Employee future benefits (Note 9)	35,710	38,184
Contingent liabilities (Note 10)	682,169	669,437
Total gross liabilities	1,753,700	1,658,025
Liabilities held on behalf of Government		
Deferred revenues (Note 6)	(11,660)	(10,608)
Total liabilities held on behalf of Government	(11,660)	(10,608)
Total net liabilities	1,742,040	1,647,417
Financial assets		
Due from the Consolidated Revenue Fund	525,566	489,114
Accounts receivable and advances (Note 11)	81,826	87,898
Loans receivable (Note 12)	15,519	4,325
Total gross financial assets	622,911	581,337
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 11)	(36,355)	(42,207)
Loans receivable (Note 12)	(15,519)	(4,325)
Total financial assets held on behalf of Government	(51,874)	(46,532)
Total net financial assets	571,037	534,805
Departmental net debt	\$ 1,171,003	\$ 1,112,612

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



FISHERIES AND OCEANS CANADA

Statement of Financial Position (Unaudited) (continued)

As at March 31

(in thousands of dollars)	2021	2020
Departmental net debt	\$ 1,171,003	\$ 1,112,612
Non-financial assets		
Prepaid Expenses (Note 13)	31,851	-
Inventory (Note 14)	76,019	70,332
Tangible capital assets (Note 15)	6,298,817	5,848,517
Total non-financial assets	6,406,687	5,918,849
Departmental net financial position (Note 16)	\$ 5,235,684	\$ 4,806,237

Contractual obligations (See 17)

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

Tim Sargent

Tim Sargent
Deputy Minister

Hugo Page

Hugo Page
Chief Financial Officer

Ottawa, Canada

Ottawa, Canada

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

(in thousands of dollars)	2021	2020
Departmental net debt	\$ 1,171,003	\$ 1,112,612
Non-financial assets		
Prepaid Expenses (Note 13)	31,851	-
Inventory (Note 14)	76,019	70,332
Tangible capital assets (Note 15)	6,298,817	5,848,517
Total non-financial assets	6,406,687	5,918,849
Departmental net financial position (Note 16)	\$ 5,235,684	\$ 4,806,237

Contractual obligations (Note 17)

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

Tim Sargent
Deputy Minister

Hugo Pagé
Chief Financial Officer

Ottawa, Canada

Ottawa, Canada



FISHERIES AND OCEANS CANADA

Statement of Operations and Departmental Net Financial Position (Unaudited) For the Year Ended March 31

(in thousands of dollars)	Planned Results 2021	2021	2020
Expenses			
Fisheries	\$ 1,176,214	\$ 992,916	\$ 954,101
Aquatic Ecosystems	342,855	372,004	328,578
Marine Navigation	310,881	321,561	329,230
Marine Operations and Response	782,624	864,634	838,567
Internal Services	444,150	517,542	567,742
Total expenses	3,056,724	3,068,657	3,018,218
Revenues			
Sales of goods and services	84,583	81,645	92,078
Other revenues	8,766	6,610	11,685
Revenues earned on behalf of Government	(53,338)	(47,248)	(56,586)
Total revenues	40,011	41,007	47,177
Net cost of operations before government funding and transfers	3,016,713	3,027,650	2,971,041
Government funding and transfers			
Net cash provided by Government		3,274,550	3,095,549
Change in due from Consolidated Revenue Fund		36,453	(18)
Services provided without charge by other government departments (Note 18)		146,084	149,581
Transfer of the transition payments for implementing salary payments in arrears		-	(2)
Transfer of assets and liabilities from / (to) other government departments		10	567
Total Government funding and transfers		3,457,097	3,245,677
Net cost of operations after government funding and transfers		(429,447)	(274,636)
Departmental net financial position - Beginning of year		4,806,237	4,531,601
Departmental net financial position - End of year		\$ 5,235,684	\$ 4,806,237

Segmented information (Note 19)

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

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

(in thousands of dollars)	2021	2020
Net cost of operations after government funding and transfers	(\$ 429,447)	(\$ 274,636)
Change due to tangible capital assets		
Acquisition of tangible capital assets	742,069	702,138
Adjustment to leased tangible capital assets	145	1,500
Amortization of tangible capital assets	(276,949)	(242,331)
Proceeds from disposal of tangible capital assets	(1,498)	(3,682)
Net loss on disposal of tangible capital assets including adjustments	(13,477)	901
Transfers from / (to) other government departments	10	567
Total change due to tangible capital assets	450,300	459,093
Change due to inventory	5,687	12,749
Change due to prepaid expenses	31,851	-
Net increase in departmental net debt	58,391	197,206
Departmental net debt - Beginning of year	1,112,612	915,406
Departmental net debt - End of year	\$ 1,171,003	\$ 1,112,612

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



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

(in thousands of dollars)	2021	2020
Operating activities		
Net cost of operations before government funding and transfers	\$ 3,027,650	\$ 2,971,041
Non-cash items:		
Amortization of tangible capital assets	(276,949)	(242,331)
Net gain (loss) on disposal of tangible capital assets including adjustments	(13,477)	901
Services provided without charge by other government departments (Note 18)	(146,084)	(149,581)
Transition payments for implementing salary payments in arrears	-	2
Variations in Statement of Financial Position:		
Decrease (increase) in accounts receivable and advances	(220)	9,770
Increase (decrease) in prepaid expenses	31,851	-
Increase (decrease) in inventory	5,687	12,749
Decrease (increase) in accounts payable and accrued liabilities	(25,455)	(11,348)
Decrease (increase) in vacation pay and compensatory leave	(24,625)	(17,478)
Decrease (increase) in other liabilities	(21,275)	(15,166)
Decrease (increase) in environmental liabilities	(13,014)	(41,676)
Decrease (increase) in employee future benefits	2,474	(66)
Decrease (increase) in contingent liabilities	(12,732)	(119,899)
Cash used in operating activities	2,533,831	2,396,918
Capital investing activities		
Acquisitions of tangible capital assets	742,069	702,138
Proceeds from disposal of tangible capital assets	(1,498)	(3,682)
Cash used in capital investing activities	740,571	698,456
Financing activities		
Lease payment for tangible capital assets	148	175
Cash used in financing activities	148	175
Net cash provided by Government of Canada	\$ 3,274,550	\$ 3,095,374



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

1. Authority and objectives

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

Fisheries and Oceans Canada's main legislative authorities are:

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

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

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

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

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

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

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

2. Summary of significant accounting policies

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

Significant accounting policies are as follows:

(a) *Parliamentary authorities*

Fisheries and Oceans Canada is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Department do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2020-21 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 2020-21 Departmental Plan.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

2. Summary of significant accounting policies (continued)

(b) Net Cash Provided by Government

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

(c) Amounts due from or to the CRF

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

(d) Revenues

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

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

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

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

Revenues that are non-responsible are not available to discharge Fisheries and Oceans Canada's liabilities. While the Deputy Minister is expected to maintain accounting control, he has no authority regarding the disposition of non-responsible revenues. As a result, non-responsible revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues.

(e) Expenses

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

Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.

Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their carrying value.

(f) Employee future benefits

- (i) Pension benefits - Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. Fisheries and Oceans Canada's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Fisheries and Oceans Canada's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
- (ii) Severance benefits - The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts and loans receivable

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



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

2. Summary of significant accounting policies (continued)

(h) Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described in Note 15. All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Tangible capital assets do not include immovable assets located on reserves as defined in the Indian Act, works of art, museum collection and Crown land to which no acquisition cost is attributable; and intangible assets.

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

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

(i) Contingent liabilities

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

(j) Contingent assets

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

(k) Environmental liabilities

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

The recorded liabilities are adjusted each year, for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of the Department's responsibility is not determinable, a contingent liability is disclosed in the notes to the financial statements.

(l) Measurement uncertainty

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

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

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



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

2. Summary of significant accounting policies (continued)

(m) Related party transactions

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

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

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

3. Parliamentary authorities

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

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

(in thousands of dollars)	2021	2020
Net cost of operations before government funding and transfers	\$ 3,027,650	\$ 2,971,041
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	(276,949)	(242,331)
Net (loss) / gain on disposal of tangible capital assets including adjustments	(13,477)	901
Services provided without charge by other government departments	(146,084)	(149,581)
Decrease (increase) in vacation pay and compensatory leave	(24,625)	(17,478)
Decrease (increase) in environmental liabilities	(13,014)	(41,676)
Decrease (increase) in employee future benefits	2,474	(66)
Decrease (increase) in provision for claims and litigation	(12,732)	(119,899)
Decrease (increase) in deferred revenue	(1,051)	(1,504)
Bad debt expense	3,324	(612)
Refunds of previous years expenditures	3,780	7,017
Increase in earmarked supplementary fines (Note 15)	62	(27)
Other	13,479	6,782
Total Adjustments for items affecting net cost of operations but not affecting authorities	(464,813)	(558,473)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Acquisitions of tangible capital assets	742,069	702,138
Decrease in lease obligations for tangible capital assets	148	175
Transition payments for implementing salary payments in arrears	-	2
Increase (decrease) in inventory	5,685	12,749
Salary Overpayments	4,397	8,438
Increase (decrease) in prepaid expenses	31,851	-
Total Adjustments for items not affecting net cost of operations but affecting authorities	784,150	723,502
Current year authorities used	\$ 3,346,987	\$ 3,136,070



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

3. Parliamentary authorities (continued)

(b) Authorities provided and used

(in thousands of dollars)	2021	2020
Authorities provided:		
Vote 1 - Operating expenditures	\$ 2,014,536	\$ 2,030,502
Vote 5 - Capital expenditures	1,129,771	1,141,336
Vote 10 - Grants and contributions	1,004,791	374,869
Vote 15 - Debt Write-off	3,028	-
Statutory amounts	318,949	158,934
Total authorities provided	4,471,075	3,705,641
Less:		
<i>Authorities available for future years</i>	<i>(1,205)</i>	<i>(2,864)</i>
<i>Lapsed authorities:</i>		
Operating	(53,538)	(31,162)
Capital	(356,412)	(439,733)
Grants and Contributions	(712,933)	(95,812)
Current year authorities used	\$ 3,346,987	\$ 3,136,070

4. Accounts payable and accrued liabilities

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

(in thousands of dollars)	2021	2020
Accounts payable - Other government departments and agencies	\$ 70,944	\$ 65,116
Accounts payable - External parties	157,127	231,749
Total accounts payable	228,071	296,865
Accrued liabilities	302,098	207,849
Total accounts payable and accrued liabilities	\$ 530,169	\$ 504,714

5. Environmental liabilities

Remediation of contaminated sites

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

Fisheries and Oceans Canada has identified approximately 2,359 sites (2,579 sites in 2020) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the Department has identified 915 sites (888 sites in 2020) where action is required and for which a gross liability of \$259,898,348 (\$246,407,800 in 2020) has been recorded. This liability estimate has been determined based on site assessments performed by environmental. In addition, a statistical model based upon a projection of the number of sites that will proceed to remediation and upon which current and historical costs are applied is used to estimate the liability for a group of unassessed sites. As a result, there are approximately 291 unassessed sites (318 sites in 2020) where a liability estimate of \$21,138,139 (\$21,614,278 in 2020) has been recorded using this model.



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

5. Environmental liabilities (continued)

These two estimates combined, totalling \$281,036,487 (\$268,022,078 in 2020), represent management's best estimate of the costs required to remediate the sites to the current minimum standard for its use prior to contamination, based on information available at the financial statement date.

For the remaining 1,444 sites (1,373 sites in 2020), no liability for remediation has been recognized. Some of these sites are at various stages of testing and evaluation and if remediation is required, liabilities will be reported as soon as a reasonable estimate can be determined. For other sites, the Department does not expect to give up any future economic benefits (there is likely no significant environmental impact or human health threats). These sites will be re-examined and a liability for remediation will be recognized if future economic benefits will be given up.

The following table presents the total estimated amounts of these liabilities by nature and source, the associated expected recoveries and the total undiscounted future expenditures as at March 31, 2021 and March 31, 2020. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast Consumer Price Index (CPI) rate of 2.0% (2.0% in 2020). Inflation is included in the undiscounted amount. The Government of Canada's cost of borrowing by reference to the actual zero-coupon yield curve for Government of Canada bonds has been used to discount the estimated future expenditures. The March 2021 rates range from 0.24% (0.45% in 2020) for 2 year term to 2.01% (1.37% in 2020) for a 30 or greater year term.

NATURE AND SOURCE OF LIABILITY										
Name and Source	2021					2020				
	Total Number of Sites	Number of Sites with a Liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Estimated Recoveries	Total Number of Sites	Number of Sites with a Liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Estimated Recoveries
Fuel Related Practices ⁽¹⁾	84	72	\$ 10,491,258	\$ 10,895,052	-	91	71	\$ 10,723,403	\$ 10,827,011	-
Landfill/Waste Sites ⁽²⁾	4	3	2,904,891	3,027,783	-	6	4	2,668,939	2,680,425	-
Engineered Asset/Air & Land Transportation ⁽³⁾	2	2	66,216	68,438	-	2	2	63,784	65,296	-
Marine Facilities/Aquatic Sites ⁽⁴⁾	2,432	1,079	254,306,926	262,535,093	-	2,653	1,079	242,126,096	245,555,763	-
Office/Commercial/Industrial Operations ⁽⁵⁾	95	36	11,815,273	12,282,306	-	107	35	9,240,832	9,390,887	-
Other ⁽⁶⁾	33	14	1,451,922	1,514,323	-	38	15	3,199,024	3,220,273	-
	2,650	1,206	\$ 281,036,486	\$ 290,322,995	\$ -	2,897	1,206	\$ 268,022,078	\$ 271,739,655	\$ -

- Contamination primarily associated with fuel storage and handling, e.g. accidental spills related to fuel storage tanks or former fuel handling practices, e.g. petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX (benzene, toluene, ethylbenzene and xylenes).
- Contamination associated with former landfill/waste site or leaching from materials deposited in the landfill/waste site, e.g. metals, petroleum hydrocarbons, BTEX, other organic contaminants, etc.
- Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as, fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.
- Contamination associated with the operations of marine assets, e.g. port facilities, harbours, navigation systems, light stations, hydrometric stations, where activities such as fuel storage/handling, use of metal based paint (e.g. on light stations) resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons and other organic contaminants. Sites often have multiple sources of contamination.
- Contamination associated with the operations of the office/commercial/industrial facilities where activities such as fuel storage/handling, waste sites and use of metal-based paint resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc. Sites often have multiple sources of contamination.
- Contamination from other sources, e.g. use of pesticides, herbicides, fertilizers at agricultural sites; use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

Also during the year, 71 sites (104 sites in 2020) were closed as they were either remediated or assessed to confirm that they no longer meet all the criteria required to record a liability for contaminated sites.

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



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

6. Deferred revenues

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

(in thousands of dollars)	2021	2020
Opening balance	\$ 10,608	\$ 9,103
Amounts received	11,660	10,608
Revenue recognized	(10,608)	(9,103)
Gross closing balance	11,660	10,608
Deferred revenues held on behalf of Government	(11,660)	(10,608)
Net closing balance	\$ -	\$ -

7. Lease obligations for tangible capital assets

The department has entered into agreements to lease tangible capital asset under capital lease with a cost of \$5.3 millions and accumulated amortization of \$506 thousands as at March 31, 2021. The obligations for the upcoming years include the following:

(in thousands of dollars)	Total future minimum lease payments	Imputed interest (2% to 15%)	Balance of obligations 2021	Balance of obligations 2020
Buildings	\$ 3,415	\$ 2,094	\$ 1,321	\$ 1,325
Total	\$ 3,415	\$ 2,094	\$ 1,321	\$ 1,325

8. Other liabilities

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

(in thousands of dollars)	Opening balance	Receipts and other credits	Payments and other charges	Closing balance
Research projects deposits	\$ 15,841	\$ 3,630	(\$ 7,600)	\$ 11,871
Federal/Provincial cost-sharing agreements	\$ 26,086	33,216	(7,898)	51,404
Sales of seized assets – <i>Fisheries Act</i>	\$ 2,007	386	(480)	1,913
Contractor security deposits	\$ 564	172	(151)	585
Total other liabilities	\$ 44,496	\$ 37,404	(\$ 16,129)	\$ 65,771

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

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



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

8. Other liabilities (continued)

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

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

9. Employee future benefits

(a) Pension benefits

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

Both the employees and the Department contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 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 to \$118,459,854 (\$105,119,408 in 2019-20). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2019-20) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2019-20) the employee contributions.

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

(b) Severance benefits

Severance benefits provided to the Department's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 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:

(in thousands of dollars)	2021	2020
Accrued benefit obligation - Beginning of year	\$ 38,184	\$ 38,118
Expense for the year	2,826	5,428
Benefits paid during the year	(5,300)	(5,362)
Accrued benefit obligation - End of year	\$ 35,710	\$ 38,184

10. Contingent liabilities

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

Claims and litigation

Claims have been made against the Fisheries and Oceans Canada in the normal course of operations. These claims include items with pleading amounts and other for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. Fisheries and Oceans Canada has recorded an allowance for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$16,889,610 (\$11,300,000 in 2019-2020) at March 31, 2021.

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

Treaty and non-treaty related negotiation processes are led by Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) with Fisheries and Oceans leading negotiations with respect to fisheries and marine safety issues. These negotiations arise in areas of the country where Aboriginal rights and title have not been resolved by treaty or by other legal means. There are currently 55 treaty and non-treaty fisheries and marine safety negotiations ongoing across Canada, including Recognition of Indigenous Rights and Self-Determinations discussions.



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

10. Contingent liabilities (continued)

General litigation claims have been made against Fisheries and Oceans Canada in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable.

11. Accounts receivable and advances

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

(in thousands of dollars)	2021	2020
Receivables - Other government departments and agencies	\$ 30,982	\$ 31,981
Receivables - External parties	58,460	64,427
Accountable advances	162	190
Subtotal	89,604	96,598
Allowance for doubtful accounts on receivables from external parties	(7,778)	(8,700)
Gross accounts receivable and advances	81,826	87,898
Accounts receivable held on behalf of Government	(36,355)	(42,207)
Net accounts receivable and advances	\$ 45,471	\$ 45,691

12. Loans receivable

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

(in thousands of dollars)	2021	2020
Loans receivable ⁽¹⁾	\$ 15,519	\$ 5,797
Accrued interest on loans	-	1,556
Less: Allowance on loans	-	(3,028)
Loans receivable held on behalf of Government	(\$ 15,519)	(\$ 4,325)
Net loans receivable	\$ -	\$ -

¹⁾ Loans receivable includes:

a) Unconditionally repayable contributions amount to \$15,519,022 (4,324,831 in 2019-2020) relate to contributions made to outside parties which are repayable based on conditions specified in the contribution agreement that have come into being.

b) Loans of \$1,471,652 made to haddock fishermen (\$1,343,337, interest of 8% per annum, repayable over 4 years until 1979) and to Canadian producers of frozen groundfish (\$128,315, interest of 13 % per annum, repayable over 7 years until 1987) and accrued interest on loans of \$1,556,222 were deemed unrecorable. A Parliamentary authority to write off these loans was granted in fiscal year 2020-21.



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

13. Prepaid Expenses

The following table presents details of Fisheries and Oceans Canada's prepaid expenses:

(in thousands of dollars)	2021	2020
National Shipbuilding Procurement Strategy - Offshore Oceanographic Science Vessels	\$ 31,851	\$ -

14. Inventory

The following table presents details of Fisheries and Oceans Canada's inventory:

Buildings	2021	2020
Inventory held for future program delivery	\$ 76,010	\$ 70,278
Inventory held for resale	9	54
Total inventory	\$ 76,019	\$ 70,332

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$64,023,806 in 2020-2021 (\$49,964,982 in 2019-2020).



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

15. Tangible capital assets

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

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

Capital Asset Class	Costs					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions ⁽¹⁾	Adjustments ⁽²⁾	Disposal and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments ⁽²⁾	Disposal and Write-offs	Closing Balance	2021	2020
Land	22,739	-	514	1	23,252	-	-	-	-	-	23,252	22,739
Buildings	911,494	-	47,487	21,673	937,308	555,234	25,095	83	14,377	566,035	371,273	356,259
Works and Infrastructure	3,150,788	-	155,892	31,176	3,275,504	1,575,119	84,793	352	24,357	1,635,907	1,639,597	1,575,670
Machinery and equipment	477,483	10,209	(400,829)	12,511	74,352	298,057	28,292	(260,902)	11,678	53,769	20,583	179,427
Informatics (Software + Hardware)	114,439	-	7,142	8,639	112,942	104,484	7,509	-	8,572	103,421	9,521	9,954
Other equipment	127	-	436,011	-	436,138	50	8	260,278	-	260,336	175,802	77
Ships and boats	3,055,196	393	201,134	4,507	3,252,216	1,632,420	98,980	(30)	3,791	1,727,579	1,524,637	1,422,776
Vehicles	84,483	9,948	5,875	4,116	96,190	47,030	6,019	(13)	3,998	49,038	47,152	37,453
Aircraft	281,131	-	3,070	-	284,201	44,661	11,290	-	-	55,951	228,250	236,470
Leasehold improvements	574,645	-	33,731	14,587	593,789	385,436	14,737	-	12,783	387,390	206,399	189,210
Work in-progress	1,813,581	721,519	(482,020)	5,564	2,047,516	-	-	-	-	-	2,047,516	1,813,580
Subtotal capital assets	10,486,106	742,069	8,007	102,774	11,133,408	4,642,491	276,723	(232)	79,556	4,839,426	6,293,982	5,843,615
Leased tangible capital assets												
Building	5,182	145	14	-	5,341	280	226	-	-	506	4,835	4,902
Subtotal leased tangible capital asse	5,182	145	14	-	5,341	280	226	-	-	506	4,835	4,902
Total	10,491,288	742,214	8,021	102,774	11,138,749	4,642,771	276,949	(232)	79,556	4,839,932	6,298,817	5,848,517

While the department has temporarily reduced the use of some of its non-financial assets to provide goods and services during the COVID-19 pandemic, these measures are not expected to be permanent in nature, and therefore the department did not have to revise the amortization method or estimate of the remaining useful life of its non-financial assets.

⁽¹⁾ The acquisition of tangible capital assets included in the work-in-progress category, comprises mainly of projects related to Vessels projects, Helicopters and Small Craft Harbour improvement projects.

⁽²⁾ Adjustments include work in progress of \$481,361,810 that were transferred to other categories upon completion of the assets.

Difference may be due to rounding.



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

16. Departmental net financial position

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

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

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

Activity in the aforementioned accounts is as follows:

(in thousands of dollars)	2021	2020
Restricted - Supplementary Fines		
<i>Fisheries Act</i>		
Balance - Beginning of year	\$ 2,273	\$ 2,300
Revenues	63	30
Expenses	(1)	(57)
Balance - End of year	2,335	2,273
<i>Species at Risk Act</i>		
Balance - Beginning of year	35	35
Revenues	-	-
Expenses	-	-
Balance - End of year	35	35
Total Balance - End of year - Restricted	2,370	2,308
Unrestricted	5,233,314	4,803,929
Departmental net financial position - End of year	\$ 5,235,684	\$ 4,806,237

17. Contractual obligations

The nature of Fisheries and Oceans Canada's activities can result in some large multi-year contracts and obligations whereby Fisheries and Oceans Canada will be obligated to make future payments in order to carry out its programs.

Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2022	2023	2024	2025	thereafter and subsequent	Total
Capital Assets	\$ 332,846	\$ 169,578	\$ 104,074	\$ 28,414	\$ -	\$ 634,912
Purchases	42,114	33,159	30,406	25,659	15,460	\$ 146,798
Total	\$ 374,960	\$ 202,737	\$ 134,480	\$ 54,073	\$ 15,460	\$ 781,710



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

18. Related party transactions

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

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

a) Common services provided without charge by other government departments

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

(in thousands of dollars)	2021	2020
Employer’s contribution to the health and dental insurance plans	\$ 92,750	\$ 97,760
Accommodation	48,087	46,951
Legal services	4,461	4,138
Workers’ compensation	786	732
Total	\$ 146,084	\$ 149,581

The Government has centralized some of its administrative activities for efficiency, cost effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Services and Procurement Canada and audit services provided by the Office of the Auditor General are not included in Fisheries and Oceans Canada’s Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with other government departments and agencies

(in thousands of dollars)	2021	2020
Expenses	\$ 552,301	\$ 361,072
Revenues	4	16

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



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

19. Segmented information

Presentation by segment is based on Fisheries and Oceans Canada's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of Significant Accounting Policies in Note 2. The following table presents the expenses incurred and revenues generated by strategic outcomes, by major object of expense and by major type of revenue. The segment results for the period are as follows:

(in thousands of dollars)	Fisheries	Aquatic Ecosystems	Marine Navigation	Marine Operations and Response	Internal Services	2021	2020
Transfer Payments							
First Nations and Inuit people	\$ 132,750	\$ 5,431	\$ -	\$ 7,487	\$ -	\$ 145,668	\$ 151,411
Non-profit organizations	22,864	66,194	-	7,039	500	96,597	81,270
Other levels of governments within Canada	-	-	-	-	-	-	4,143
Individuals	126,958	107	-	-	-	127,065	3,351
Other countries and international organizations	907	550	75	-	-	1,532	2,261
Industry	35,939	611	-	-	-	36,550	29,978
Total transfer payments	319,418	72,893	75	14,526	500	407,412	272,414
Operating Expenses							
Salaries and employee benefits	375,863	186,749	183,062	480,376	242,485	1,468,535	1,331,310
Contingent liabilities (Note 10)	(3,057)	-	-	-	15,788	12,731	119,899
Professional and special services	104,920	68,236	32,156	76,743	99,333	381,388	357,841
Amortization of tangible capital assets	79,917	4,005	40,627	102,178	50,222	276,949	242,331
Repair and maintenance	50,325	2,053	11,040	94,054	25,926	183,398	198,934
Utilities, materials, supplies and fuel	27,270	12,000	22,114	32,184	9,902	103,470	117,801
Travel, relocation and freight	6,723	2,057	3,768	15,416	1,286	29,250	79,945
Machinery and equipment	12,190	6,740	15,742	19,526	24,683	78,881	83,095
Rental	7,957	10,248	2,489	22,249	6,118	49,061	51,198
Payments in Lieu of Taxes paid to municipalities	-	-	-	-	10,729	10,729	10,880
Telecommunications	1,398	409	2,790	4,297	6,318	15,212	12,637
Environmental liabilities (Note 5)	-	-	-	-	13,014	13,014	41,676
Communications services	1,114	612	925	514	632	3,797	3,485
Other	8,878	6,002	6,773	2,571	10,606	34,830	94,772
Total operating expenses	673,498	299,111	321,486	850,108	517,042	2,661,245	2,745,804
Total expenses	\$ 992,916	\$ 372,004	\$ 321,561	\$ 864,634	\$ 517,542	\$ 3,068,657	\$ 3,018,218



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

19. Segmented information (continued)

(in thousands of dollars)	Fisheries	Aquatic Ecosystems	Marine Navigation	Marine Operations and Response	Internal Services	2021	2020
Revenues							
Sales of goods and services	\$ 39,308	\$ 47	\$ 42,227	\$ 23	\$ 40	\$ 81,645	\$ 92,078
Other revenues	5,436	4	289	722	159	6,610	11,685
Revenues earned on behalf of Government	(44,682)	(50)	(1,572)	(745)	(199)	(47,248)	(56,586)
Total revenues	62	1	40,944	-	-	41,007	47,177
<hr/>							
Net cost from continuing operations	\$ 992,854	\$ 372,003	\$ 280,617	\$ 864,634	\$ 517,542	\$ 3,027,650	\$ 2,971,041



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FISHERIES AND OCEANS CANADA

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

FISCAL YEAR 2020 - 2021



FISHERIES AND OCEANS CANADA

**Annex to the Statement of Management Responsibility Including Internal Control Over
Financial Reporting
Fiscal Year 2020-2021**

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FISHERIES AND OCEANS CANADA

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

Fiscal Year 2020-2021

1. Introduction

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

Detailed information on the department's authority, mandate and program activities can be found in the 2020-21 Departmental Results Report and the 2020-21 Departmental Plan.

2. Departmental System of Internal Control over Financial Reporting

2.1 Internal Control Management

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

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

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



FISHERIES AND OCEANS CANADA

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

Fiscal Year 2020-2021

2.2 Service Arrangements Relevant to Financial Statements

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

Common arrangements

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

Specific arrangements

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



FISHERIES AND OCEANS CANADA

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

Fiscal Year 2020-2021

3. Departmental Assessment Results during Fiscal Year 2020-2021

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

New or significantly amended key controls:

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

The pandemic had an impact on the department's control environment without impairing the effectiveness of key controls. Some manual processes have been replaced with digital or electronic processes. This is the case for most of handwriting signatures that have been replaced with digital signatures when approving documents.

Ongoing monitoring program:

As part of its ongoing monitoring plan, the Department completed an assessment of the Entity-Level Controls. For the most part, the key controls that were tested performed as intended. Remediation is required and underway for items identified. In addition, the Department commenced work on reviews of Costing and Budgeting and Forecasting; carried out projects related to its Covid-19 response; and efforts have also been dedicated to support the April 2021 implementation of a new departmental financial system, SAP.

Finally, the Department also completed a risk assessment in fiscal year 2020-21 using an environmental scan including the impact on controls of the implementation of the SAP financial system. The results of the risk assessment were used to update the department's risk-based ongoing monitoring plan for the next three years (refer to section 4.2).



FISHERIES AND OCEANS CANADA

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting Fiscal Year 2020-2021

4. Departmental action plan

4.1 Progress during Fiscal Year 2020-2021

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

Progress during Fiscal Year 2020-2021

Previous year's rotational ongoing monitoring plan for current year	Status
Entity-Level Controls	Control Testing of the Operating Effectiveness was completed. For the most part, the key controls that were tested performed as intended. Remediation is required and underway for items identified.
Planning Budgeting & Forecasting; Costing; Capital Asset	Department commenced work on reviews of Costing and Budgeting and Forecasting. Efforts have also been dedicated to support the April 2021 implementation of a new departmental financial system, SAP. Design effectiveness testing was completed and the controls are ready to be tested according to the multi-year plan.



FISHERIES AND OCEANS CANADA

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

Fiscal Year 2020-2021

4.2 Action Plan for the Next Fiscal Year and Subsequent Years

Fisheries and Oceans Canada's Internal Control Review plan over the next three years, based on an annual validation of the high-risk processes and controls, including the impact of SAP implementation, and related adjustments to the ongoing monitoring plan as required, is shown in the following table.

Rotational Ongoing Monitoring Plan

Key Control Areas	Future On-going Monitoring Plan		
	2021-2022	2022-2023	2023-2024
Entity Level Controls	No	No	No
Tangible Capital Assets	Yes	Yes	Yes
Inventory	No	Yes	Yes
Financial Close	Yes	Yes	No
Revenue			
- Marine Services	Yes	Yes	No
- Fisheries Licensing	Yes	Yes	No
Budgeting and Forecasting (includes CFO Attestation)	Yes	Yes	No
Operating Expenses and accounts payable	Yes	Yes	Yes
Environmental Liabilities	No	No	No
Pay	No	Yes	Yes
Grants and Contributions	No	Yes	No
Delegation of authority	No	Yes	Yes
Information Technology General Controls	Yes	Yes	Yes
Costing	Yes	Yes	Yes
Investment Planning	Yes	Yes	No