FINANCIAL
STATEMENTS

CANADIAN NUCLEAR SAFETY COMMISSION

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2014, and all information contained in these statements, rests with the management of the Canadian Nuclear Safety Commission (CNSC). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

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

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR), designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded, and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act*, as well as CNSC policies, authorities and statutory requirements, including the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations*.

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

The system of ICFR is designed to mitigate the 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, 2014 was completed in accordance with the Treasury Board *Policy on Internal Control*, and the results and action plans are summarized in the annex.

The effectiveness and adequacy of the CNSC's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the CNSC'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 President.

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

Michael Binder
President

Stéphane Cyr
Vice-President, Corporate Services Branch and
Chief Financial Officer

Ottawa, Canada
July 15, 2014

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Canadian Nuclear Safety Commission, which comprise the statement of financial position as at 31 March 2014, and the statement of operations and net financial position, statement of change in net debt and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Nuclear Safety Commission as at 31 March 2014, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

In my opinion, the Canadian Nuclear Safety Commission has complied, in all significant respects, with the *Canadian Nuclear Safety Commission Cost Recovery Fee Regulations* pursuant to the *Nuclear Safety and Control Act*.

Lissa Lamarche, CPA, CA
Principal
for the Auditor General of Canada

15 July 2014
Ottawa, Canada

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

CANADIAN NUCLEAR SAFETY COMMISSION

Statement of Financial Position

As at March 31

(in thousands of dollars)	2014	2013
Liabilities		
Accounts payable and accrued liabilities (note 4)	**27,736**	22,391
Vacation pay and compensatory leave	**6,637**	6,794
Deferred revenue (note 5)	**2,346**	2,235
Employee future benefits (note 6b)	**4,520**	18,676
Asset retirement obligation (note 7)	**280**	267
Total liabilities	**41,519**	50,363
Financial assets		
Due from the Consolidated Revenue Fund	**28,035**	22,434
Accounts receivable (note 8)	**1,110**	2,841
Total financial assets	**29,145**	25,275
Net debt	**12,374**	25,088
Non-financial assets		
Prepaid expenses	**300**	358
Tangible capital assets (note 9)	**11,888**	14,107
Total non-financial assets	**12,188**	14,465
Net financial position	**(186)**	(10,623)

Contractual obligations (note 13) and contingent liabilities (note 14)

The accompanying notes form an integral part of the financial statements

M. Binder

Michael Binder
President

Ottawa, Canada
July 15, 2014

Stéphane Cyr
Vice-President, Corporate Services Branch and Chief Financial Officer

CANADIAN NUCLEAR SAFETY COMMISSION

Statement of Operations and Net Financial Position

For the year ended March 31

(in thousands of dollars)	Planned results* 2014	2014	2013
Expenses			
Salaries and employee benefits	111,260	**104,602**	113,898
Professional and special services	17,830	**20,857**	17,496
Accommodation	8,800	**9,161**	8,810
Travel and relocation	4,970	**4,618**	4,623
Amortization	3,750	**3,240**	4,031
Furniture, repairs and rentals	2,109	**2,969**	3,746
Communication and information	2,164	**1,168**	1,198
Grants and contributions	1,770	**1,724**	1,452
Materials and supplies	1,181	**606**	738
Other	158	**170**	32
Total expenses (note 10)	153,992	**149,115**	156,024
Revenues			
License fees	104,819	**101,446**	105,036
Special projects	3,266	**1,978**	4,713
Other	–	**37**	45
Total revenues (note 10)	108,085	**103,461**	109,794
Net cost of operations before government funding and transfers	45,907	**45,654**	46,230
Government funding and transfers			
Net cash provided by Government	31,578	**34,822**	35,825
Change in due from Consolidated Revenue Fund	(178)	**5,601**	(4,587)
Services provided without charge by other government departments (note 11a)	13,297	**15,826**	13,832
Transfer of assets and liabilities paid on behalf of other government departments (note 12)	–	**(158)**	(649)
Net cost (revenue) of operations after government funding and transfers	1,210	**(10,437)**	1,809
Net financial position - Beginning of year	(9,470)	**(10,623)**	(8,814)
Net financial position - End of year	(10,680)	**(186)**	(10,623)

Segmented information (note 10)

*Planned results amounts as reported in the Future-Oriented Statement of Operations and Net Financial Position included in the *2013–14 Report on Plans and Priorities.*

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

CANADIAN NUCLEAR SAFETY COMMISSION

Statement of Change in Net Debt

For the year ended March 31

(in thousands of dollars)	Planned results* 2014	2014	2013
Net cost (revenue) of operations after government funding and transfers	1,210	**(10,437)**	1,809
Change due to tangible capital assets			
Acquisition of tangible capital assets (note 9)	2,748	**1,021**	2,907
Amortization of tangible capital assets (note 9)	(3,750)	**(3,240)**	(4,031)
Proceeds from disposal of tangible capital assets	–	**(20)**	(33)
Gain on disposal of tangible capital assets	–	**20**	26
Transfer of assets to other government departments	–	**–**	(206)
Total change due to tangible capital assets	(1,002)	**(2,219)**	(1,337)
Change due to prepaid expenses	–	**(58)**	88
Net increase (decrease) in net debt	208	**(12,714)**	560
Net debt - Beginning of year	25,126	**25,088**	24,528
Net debt - End of year	25,334	**12,374**	25,088

*Planned results amounts as reported in the Future-Oriented Statement of Change in Net Debt included in the *2013–14 Report on Plans and Priorities.*

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

CANADIAN NUCLEAR SAFETY COMMISSION

Statement of Cash Flows

For the year ended March 31

(in thousands of dollars)	2014	2013
Operating activities		
Net cost of operations before government funding and transfers	**45,654**	46,230
Non-cash items:		
Amortization of tangible capital assets (note 9)	**(3,240)**	(4,031)
Gain on disposal of tangible capital assets	**20**	26
Services provided without charge by other government departments (note 11a)	**(15,826)**	(13,832)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable	**(1,731)**	1,045
Increase (decrease) in prepaid expenses	**(58)**	88
Decrease (increase) in accounts payable and accrued liabilities	**(5,345)**	4,263
Decrease (increase) in vacation pay and compensatory leave	**157**	(254)
Decrease (increase) in deferred revenue	**(111)**	35
Decrease (increase) in employee future benefits	**14,156**	(1,054)
Increase in asset retirement obligation	**(13)**	(8)
Liabilities paid on behalf of other government department (note 12)	**158**	443
Cash used in operating activities	**33,821**	32,951
Capital investing activities		
Acquisitions of tangible capital assets (note 9)	**1,021**	2,907
Proceeds from disposal of tangible capital assets	**(20)**	(33)
Cash used in capital investing activities	**1,001**	2,874
Net cash provided by Government of Canada	**34,822**	35,825

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

1. Authority and objectives

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

The NSCA provides comprehensive powers to the CNSC to establish and enforce national standards for nuclear energy in the areas of health, safety and environment. It establishes a basis for implementing Canadian policy and fulfilling Canada's obligations with respect to the non-proliferation of nuclear weapons. The CNSC is empowered to require financial guarantees, order remedial action in hazardous situations, and require responsible parties to bear the costs of decontamination and other remedial measures.

The CNSC's objectives are to:

- regulate the development, production and use of nuclear energy and the production, possession and use of nuclear substances, prescribed equipment and information, in order to: a) prevent unreasonable risk to the environment, to the health and safety of persons and to national security; and b) achieve conformity with measures of control and international obligations to which Canada has agreed
- disseminate scientific, technical and regulatory information concerning: a) the activities of the CNSC; b) the development, production, possession, transport and use of nuclear energy and substances; and c) the effects of nuclear energy and substance use on the environment and on the health and safety of persons

Pursuant to the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations* (2003), the CNSC recovers costs related to its regulatory activities from users licensed under the NSCA. These costs include the technical assessment of licence applications, compliance inspections, and the development of licence standards.

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 and revenue spending authority

The CNSC is financed by the Government of Canada through Parliamentary and statutory authorities. Included in the statutory appropriation is a revenue spending authority, which allows the CNSC to spend licence fee revenue. Financial reporting of authorities provided to the CNSC do not parallel financial reporting according to generally accepted accounting principles, since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Financial Position and in the Statement of Operations and Net 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 Statement of Operations and Net Financial Position and in the Statement of Change in Net Debt are the amounts reported in the Future-Oriented Statement of Operations and Net Financial Position and in the Future-Oriented Statement of Change in Net Debt included in the 2013–14 *Report on Plans and Priorities*. In 2013-14, the CNSC was given the authority (pursuant to section 21(3) of the *Nuclear Safety and Control Act*) to spend revenue from fees it charges for licences in the fiscal year in which the revenues are received or in the next fiscal year.

(b) Net cash provided by Government

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

(c) Due from the Consolidated Revenue Fund

The Due from the CRF is the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. The Due from the CRF represents the net amount of cash that the CNSC is entitled to draw from the CRF without further authorities to discharge its liabilities. This amount is not considered to be a financial instrument.

(d) Revenues

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

Certain educational institutions, not-for-profit research institutions wholly owned by educational institutions, publicly funded health care institutions, not-for-profit emergency response organizations and federal government departments and agencies are not subject to the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations* (Regulations). The CNSC provides licences to these organizations free of charge. The value of licences provided free of charge is calculated on the same basis as licence fees for organizations subject to the Regulations. The CNSC does not include the foregone revenue associated with these licences in the Statement of Operations and Net Financial Position.

(e) Payable to licensees

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

(f) Vacation pay and compensatory leave

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

(g) Grants and contributions

Grants are recognized in the year in which the conditions for payment are met. Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, provided that the transfer is authorized and a reasonable estimate can be made.

(h) Services provided without charge by other government departments

Services provided without charge by other government departments and agencies are recorded as operating expenses at their estimated cost. These include services such as accommodation provided by Public Works and Government Services Canada, contributions covering employer's share of employees' insurance premiums and costs paid by Treasury Board Secretariat, services provided by Shared Services Canada, audit services provided by the Office of the Auditor General, workers' compensation benefits provided by Employment and Social Development Canada and salaries and associated costs of legal services provided by Justice Canada.

(i) Employee future benefits

- **Pension benefits:** Eligible employees participate in the Public Service Pension Plan (PSPP), a multiemployer pension plan, administered by the Government. The CNSC's contributions to the PSPP are charged to expenses in the year incurred and represent the total CNSC obligation to the PSPP. The CNSC's responsibility with regard to the PSPP is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the PSPP's sponsor.
- **Severance benefits:** Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. As of 2013–14 the benefits accumulated

under the employee severance pay program ceased for all employees. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(j) Accounts receivable

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

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

(k) Contingent liabilities

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

(l) Tangible capital assets

Tangible capital assets and leasehold improvements with an initial cost of $10,000 or more are recorded at their acquisition cost. The CNSC does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections. The development of software and leasehold improvements are recorded in work-in-progress until they become available for use and are not amortized. The costs are then transferred to the applicable capital asset class and are amortized accordingly.

Management has decided to extend the lifecycle of the CNSC's motor vehicles from 4 to 7 years to reflect the actual use as a result of a review of asset utilization. The amortization period for this asset class has been adjusted accordingly and will be prospectively applied to the amortization calculations.

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

Asset class	Amortization period
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement
Other vehicles	10 to 20 years
Furniture and equipment	5 to 20 years
Informatics equipment and software	2 to 5 years
Motor vehicles	7 years

(m) Asset retirement obligation

The CNSC provides for its legal obligation, under a lease agreement, to return the premises to its original state. The asset retirement obligation is recognized in the year in which the associated leasehold improvement capital asset is put into use. The obligation is recorded at the net present value of the estimated future cost of retiring the capital asset at the expiry of the lease period. The estimated cost of retirement is added to the carrying amount, and amortized over the related assets' useful life. The cost estimate is subject to periodic review, and any material changes in the estimated amount or timing of the underlying future cash flow are recorded as an adjustment to the provision. Upon settlement of the liability, a gain or loss will be recorded. As the provision is recorded based on the discounted value of the projected future cash flows, it is increased annually to reflect the passage of time by removing one year's discount. The accretion is charged to the expense in the Statement of Operations and Net Financial Position. Details of the liability are provided in note 7 of these financial statements.

(n) Nuclear liability reinsurance account

The CNSC administers the nuclear liability reinsurance account on behalf of the federal government. The CNSC receives the premiums, paid by the operators of nuclear installations for the supplementary insurance coverage, and credits these to the nuclear liability reinsurance account in the Consolidated Revenue Fund. Since the CNSC does not have the risks and rewards of ownership, nor does it have accountability for this account, it does not include any of the associated financial activity or potential liability in its financial statements. Financial activity and liability is, however, reported in note 15 of these financial statements.

(o) 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. 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 contingent liabilities, the liability for employee future benefits, and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary authorities

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

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

(in thousands of dollars)	2014	2013
Net cost of operations before government funding and transfers	**45,654**	46,230
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	**(3,240)**	(4,031)
Decrease (increase) in vacation pay and compensatory leave	**157**	(254)
Services provided without charge by other government departments	**(15,826)**	(13,832)
Revenues pursuant to paragraph 21(3) of the *Nuclear Safety and Control Act*	**103,424**	109,749
Decrease (increase) in employee future benefits	**14,156**	(1,054)
Refund of prior years' expenditures	**42**	247
Other	**287**	(351)
	99,000	90,474
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	**1,021**	2,907
Increase (decrease) in prepaid expenses	**(58)**	88
	963	2,995
Current-year authorities used	**145,617**	139,699

(b) Authorities provided and used

(in thousands of dollars)	2014	2013
PARLIAMENTARY AUTHORITY VOTED:		
Vote 20 – Program expenditures	**49,630**	40,407
STATUTORY:		
Expenditures pursuant to paragraph 21(3) of the *Nuclear Safety and Control Act*	**85,973**	89,544
Spending of proceeds from the disposal of surplus assets	**–**	54
Contributions to employee benefit plans	**15,831**	14,660
	151,434	144,665
LESS:		
Lapsed statutory appropriations	**–**	2,235
Authorities available for use in the subsequent year	**2,318**	–
Lapsed Vote 20 – Program expenditures	**3,499**	2,731
Current-year authorities used	**145,617**	**139,699**

4. Accounts payable and accrued liabilities

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

(in thousands of dollars)	2014	2013
Other government departments and agencies	**11,596**	10,728
External parties	**8,945**	8,627
Licensees	**7,195**	3,036
Total accounts payable and accrued liabilities	**27,736**	22,391

In September 2012, the Quebec Government announced the closure of the province's nuclear power plant, Gentilly-2, by the end of that calendar year. This announcement forced the CNSC to proceed with the reallocation of resources assigned to regulatory activities of the Gentilly-2 power plant. As a result, Hydro-Quebec agreed to provide funds required by the CNSC to proceed with an orderly reallocation of its regulatory operations within an accelerated timeframe. In 2013–14 the CNSC received $2,000,000 of transition funds of which $1,336,720 were disbursed. Due to the compensation received from Hydro-Quebec, the costs incurred had no impact on the net cost of operations in the current year. The funds received were accounted for in the Due from CRF and the remaining $663,280 is included in Accounts payable – External parties. Accounts payable and accrued liabilities are measured at cost, the majority of which are due within six months after year-end.

5. Deferred revenue

Deferred revenue represents the balance at year-end of amounts received from external parties for licence fees prior to services being performed. Revenue is recognized on a straight-line basis (normally three months or one year) over the period in which the service is performed. Details of the transactions related to this account are as follows:

(in thousands of dollars)	2014	2013
Balance, beginning of year	2,235	2,270
Licence fee revenue recognized during the year	(2,207)	(2,207)
Licence fee received for future years	2,318	2,172
Current-year authorities used	**2,346**	2,235

6. Employee future benefits

(a) Pension benefits

The CNSC's employees participate in the Public Service Pension Plan (PSPP), which is sponsored and administered by the Government. 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 the Canada/Québec Pension Plans' benefits and are indexed to inflation.

Both the employees and the CNSC contribute to the cost of the PSPP. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan (EAP) 2012, employee contributions 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 2013–14 expense amounts to $11,130,663 ($10,467,089 in 2012–13). For group 1 members, the expense represents approximately 1.6 times (1.7 times in 2012–13) the contributions by employees and, for Group 2 members, the expense represents approximately 1.5 times (1.6 for 2012–13) the employee contribution.

The CNSC's responsibility with regard to the PSPP is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the PSPP's sponsor.

(b) Severance benefits

The CNSC provides severance benefits to its employees, based on eligibility, years of service and salary at termination. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

The accumulation of severance benefits under the employee severance pay program ceased for all employees. Employees were given the option to be immediately paid the full or partial value of benefits earned to date, or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation. The remaining balance represents the amounts employees will collect upon termination. Information about the severance benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2014	2013
Accrued benefit obligation, beginning of year	18,676	17,622
Increase (decrease) for the year	(4,489)	2,461
Benefits paid during the year	(9,667)	(1,407)
Accrued benefit obligation, end of year	**4,520**	18,676

7. Asset retirement obligation

The asset retirement obligation (obligation) is based on the current cost estimate of $261,250 (2012–13 - $261,250) of the site restoration plan. A revision in the estimate has been recognized using the current cost estimate which was indexed using the Bank of Canada's target inflation rate of 2% to reflect the estimated future cost of the site restoration plan. The CNSC recognizes the net present value, using the Government of Canada 10-year benchmark bond yield rate of 2.45% (1.72% in 2012–13), of the estimated future cost of $298,612 (2012–13 - $304,584), of restoring the leased premises at the expiry of the lease on March 31, 2020. As of March 31, 2014, the CNSC has an asset retirement obligation that can be reasonably estimated as follows:

(in thousands of dollars)	2014	2013
Balance, beginning of year	267	259
Revision in the estimate, timing and accretion of retirement expenditures	13	8
Balance, end of year	**280**	267

8. Accounts receivable

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

(in thousands of dollars)	2014	2013
Receivables – Licence fees	1,036	2,914
Receivables – Others	117	87
Receivables – Other government departments and agencies	1	233
	1,154	3,234
Allowance for doubtful accounts on receivables	(44)	(393)
Net accounts receivable	**1,110**	2,841

9. Tangible capital assets

Cost (in thousands of dollars)	Opening balance	Acquisitions	Disposals / Write-offs	Work in progress transfers	Closing balance
Furniture and equipment	5,717	**195**	(12)	**–**	5,900
Informatics equipment and software	3,858	**–**	–	**–**	3,858
Leasehold improvements	12,136	**–**	–	**1,617**	13,753
Motor vehicles	674	**46**	(101)	**–**	619
Other vehicles	100	**–**	–	**–**	100
Work-in-progress – software	2,058	**434**	–	**–**	2,492
Work-in-progress – construction	1,607	**346**	–	**(1,617)**	336
Total	26,150	**1,021**	(113)	**–**	27,058
Accumulated amortization (in thousands of dollars)	Opening balance	Acquisitions	Disposals / Write-offs		Closing balance
Furniture and equipment	2,327	**529**	(12)		2,844
Informatics equipment and software	2,363	**766**	–		3,129
Leasehold improvements	6,901	**1,893**	–		8,794
Motor vehicles	439	**47**	(101)		385
Other vehicles	13	**5**	–		18
Total	12,043	**3,240**	(113)		15,170
Net book value (in thousands of dollars)	2013				2014
Furniture and equipment	3,390				3,056
Informatics equipment and software	1,495				729
Leasehold improvements	5,235				4,959
Motor vehicles	235				234
Other vehicles	87				82
Work-in-progress – software	2,058				2,492
Work-in-progress – construction	1,607				336
Total	14,107				11,888

The capital costs associated with the in-house development of software and improvements to leased accommodations are recorded as work-in-progress until they are completed and are put into use. During the year ended March 31, 2014, $1,617,987 work-in-progress was completed and put into use.

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

Presentation by segment is based on CNSC's business lines. The presentation by segment is based on the same accounting policies as described in the Summary of Significant Accounting Policies in note 2. The following table presents the expenses incurred and revenues generated for the main business lines. The segment results for the period are as follows:

(in thousands of dollars)	Revenue	Licences provided free of charge (note 16)	2014 total value of licences and other revenue	2013 total value of licences and other revenue	2014 cost of operations	2013 cost of operations
LICENSING, CERTIFICATION AND COMPLIANCE						
Power reactors	63,540	–	63,540	**68,067**	63,540	**68,067**
Non-power reactors	–	**994**	994	**1,618**	994	**1,618**
Nuclear research and test establishments	9,651	–	9,651	**9,481**	9,651	**9,481**
Particle accelerators	–	**846**	846	**1,002**	846	**1,002**
Uranium processing facilities	4,449	–	4,449	**3,489**	4,449	**3,489**
Nuclear substance processing facilities	832	–	832	**1,240**	832	**1,240**
Heavy water plants	128	–	128	**13**	128	**13**
Radioactive waste facilities	9,309	–	9,309	**8,181**	9,309	**8,181**
Uranium mines and mills	7,410	**780**	8,190	**9,056**	8,190	**9,056**
Waste nuclear substance	515	**1,127**	1,642	**1,389**	1,642	**1,406**
Total regulatory activity plan fees	95,834	**3,747**	99,581	**103,536**	99,581	**103,553**
Nuclear substances and Class II nuclear facilities						
Academic and Research	225	**2,897**	3,122	**3,233**	2,496	**2,204**
Commercial	871	**393**	1,264	**1,281**	2,582	**2,152**
Industrial Radiography	3,548	**83**	3,631	**3,596**	8,309	**8,627**
Medical	396	**4,604**	5,000	**4,844**	4,422	**4,622**
Dosimetry services	121	**6**	127	**58**	960	**1,593**
Total formula fees	5,161	**7,983**	13,144	**13,012**	18,769	**19,198**
Transport licences and transport package certificates	207	**3**	210	**239**	551	**802**
Radiation device and prescribed equipment certificates	74	**15**	89	**101**	295	**565**
Exposure device operator certificates	170	–	170	**161**	675	**301**
Total fixed fees	451	**18**	469	**501**	1,521	**1,668**
TOTAL LICENSING, CERTIFICATION AND COMPLIANCE	101,446	**11,748**	113,194	**117,049**	119,871	**124,419**

10. Summary of segmented expenditures and revenues by cost recovery fee category (continued):

(in thousands of dollars)	Revenue	Licences provided free of charge (note 16)	2014 total value of licences and other revenue	2013 total value of licences and other revenue	2014 cost of operations	2013 cost of operations
NON-LICENSING AND NON-CERTIFICATION						
Co-operative undertakings	37	–	37	45	13,845	12,859
Stakeholder relations	–	–	–	–	10,922	11,929
Regulatory framework	–	–	–	–	1,741	1,953
Canadian grants and contributions	–	–	–	–	1,070	984
Special projects, other revenue and related expenses	1,978	–	1,978	4,713	1,666	3,880
TOTAL NON-LICENSING AND NON-CERTIFICATION	2,015	–	2,015	4,758	29,244	31,605
TOTAL	103,461	11,748	115,209	121,807	149,115	156,024

11. Related party transactions

The CNSC is related, as a result of common ownership to all government departments, agencies, and Crown corporations. The CNSC enters into transactions with these entities in the normal course of business and on normal trade terms.

(a) Services provided without charge by other government departments

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

(in thousands of dollars)	2014	2013
Accommodation provided by Public Works and Government Services	5,969	5,680
Contributions for employer's share of employee benefits provided by the Treasury Board Secretariat	7,927	7,986
Salary and associated costs of services provided by Shared Services Canada	1,700	–
Audit services provided by the Office of the Auditor General of Canada	137	112
Other	93	54
Total	15,826	13,832

The government has centralized some of its administrative activities for efficiency and cost-effectiveness purposes and the economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations, such that one department performs services for all other departments and agencies, without charge.

(b) Other transactions with related parties

(in thousands of dollars)	2014	2013
Accounts receivable – Other government departments and agencies	1	223
Accounts payable – Other government departments, agencies and crown corporations	12,402	11,040
Expenses – Other government departments and agencies	26,581	24,195
Revenues – Other government departments and agencies	10,200	9,915

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

12. Transfers from/to other government departments

In April 2013, Shared Services Canada (SSC) was given the mandate to provide services related to the acquisition and provision of hardware and software, including security software, for workplace technology devices. Accordingly, the CNSC made the following transfers to SSC or other government departments (OGD);

(in thousands of dollars)	2014	2013
Assets transferred to SSC	–	203
Liabilities paid on behalf of SSC	158	443
Assets transferred to OGD	–	26
Assets transferred from OGD	–	23

13. Contractual obligations

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

(in thousands of dollars)	2015	2016	2017	2018 and thereafter	Total
Acquisitions of goods and services	6,400	578	103	–	7,081
Operating leases	132	132	23	–	287
Total	**6,532**	710	**126**	–	**7,368**

14. Contingent liabilities

Claims have been made against the CNSC in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. As at March 31, 2014, contingent liabilities for claims and pending litigation has been estimated at $55,000,000 (2012–13 - $57,640,000). Management has determined that an unfavourable outcome is unlikely.

15. Nuclear liability reinsurance account

Under the *Nuclear Liability Act* (NLA), operators of designated nuclear installations are required to possess basic and supplementary insurance of $75,000,000 per installation for specified liabilities. The federal government has designated the Nuclear Insurance Association of Canada (NIAC) as the sole provider of third-party liability insurance and property insurance for the nuclear industry in Canada. The NIAC provides insurance to nuclear operators under a standard policy.

The policy consists of two types of coverage: Coverage A and Coverage B. Coverage A includes only those risks that are accepted by the insurer; that is, bodily injury and property damage. Coverage B risks include personal injury that is not bodily; for example, psychological injury, damage arising from normal emissions, and damage due to acts of terrorism.

The NIAC receives premiums from operators for both coverages; however, premiums for Coverage B risks are remitted to the federal government, which reinsures these risks under its reinsurance agreement with the NIAC. Through the reinsurance agreement, the federal government assumes the liability associated with the difference between the basic insurance coverage provided by the NIAC and the full $75,000,000 of liability imposed by the NLA, as well as for events listed under coverage B. As of March 31, 2014, the total supplementary insurance coverage is $510,000,000 (2012–13 - $510,000,000).

All premiums paid by the operators of nuclear installations for the supplementary insurance coverage are credited to a nuclear liability reinsurance account (account) in the Consolidated Revenue Fund (CRF). Premiums received in respect of Coverage B amount to $235,283 (2012–13 - $343,284). Claims against the supplementary insurance coverage are payable out of the CRF and charged to the account. There have been no claims against–or payments out of–the account since its creation.

As explained in note 2n, the CNSC administers the nuclear liability reinsurance account on behalf of the Government of Canada through a specified purpose account consolidated in the *Public Accounts of Canada*. As of March 31, 2014, the closing balance of the account is $3,390,721 (2012–13 - $3,154,038).

16. Licences provided free of charge by the CNSC

The CNSC provides licences free of charge to educational institutions, not-for-profit research institutions wholly owned by educational institutions, publicly funded health care institutions, not-for-profit emergency response organizations, and federal government departments and agencies. The total value of these licences amounted to $11,748,382 (2012–13 - $12,012,766). The foregone revenue is not included in the Statement of Operations and Net Financial Position.

17. Comparative information

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

SUMMARY OF THE ASSESSMENT OF EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND THE CANADIAN NUCLEAR SAFETY COMMISSION'S *ACTION PLAN* FOR THE FISCAL YEAR 2014–15

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

1. Introduction

This document is annexed to the *Statement of Management Responsibility Including Internal Control over Financial Reporting (ICFR)* produced by the Canadian Nuclear Safety Commission (CNSC), for the fiscal-year 2013–14. It provides summary information on the CNSC's measures to maintain an effective ICFR system, including information on the management of internal control, evaluation results and related action plans.

Detailed information on the powers, mandate and program activities of the CNSC can be found in the latest *Departmental Performance Report*[1] and the *Report on Plans and Priorities*[2]. The CNSC Audited Financial Statements for 2013–14 are available on the CNSC website[3].

2. System of Internal Control over Financial Reporting

2.1. Management of internal controls

The CNSC has a well-established governance and accountability structure to support efforts to evaluate and monitor its internal control system. A departmental internal control management framework, approved by the President, has been established, and encompasses the following:

- organizational accountability structures for internal control management to support sound financial management
- an Office of Audit and Ethics that manages values and ethics programs, internal disclosure, the *Public Servants Disclosure Protection Act* (PSDPA), and conflict of interest and post-employment policies
- communication and continuing training concerning the legal requirements and policies and procedures for providing sound financial management and financial controls
- oversight of internal management through twice-yearly updates to the CNSC Audit Committee (the DAC) and the President with the submission of assessment results and action plans

The DAC provides assurance that the President receives independent and objective instructions and advice on the relevance and functioning of the CNSC's risk management, control and governance frameworks and processes.

2.2. Service arrangements relevant to financial statements

The CNSC relies on other organizations and their internal controls for the processing of certain assets and transactions, as well as for the information used to calculate certain liabilities, which are recorded in its financial statements. The input from these organizations is as follows:

- Public Works and Government Services Canada (PWGSC) centrally administers the payments of salaries and expenses as well as the procurement of certain goods and services, aligned with the CNSC-delegated financial authorities, and supplies accommodations.

[1]See: tbs-sct.gc.ca/dpr-rmr/index-eng.asp
[2]See: tbs-sct.gc.ca/rpp/index-eng.asp
[3]See: nuclearsafety.gc.ca/eng/resources/publications/reports/annual-reports/index.cfm

- The Treasury Board Secretariat provides the CNSC with information used to calculate various accruals and allowances, such as the accrued severance liability.
- Shared Services Canada is responsible for managing and maintaining the CNSC's information technology infrastructure.

3. Assessment of the CNSC System of Internal Control over Financial Reporting

3.1. Assessment objective and scope

The assessment's objective is to ensure that the system of internal control over financial reporting (ICFR) is effective in preventing material misstatements or errors in the CNSC's financial statements. In this context, an error is considered to be material if its omission or misstatement could have an impact on the decisions of the financial statements' users.

The CNSC conducts a self-assessment to provide assurance on internal control over financial reporting. The annual assessment is intended to be led and administered by the CFO and supported by the senior management team.

For the purpose of this project, the CNSC undertook a scoping and planning exercise to identify business process controls, entity-level controls and general computer controls associated with key risks to financial reporting. The CNSC considered both quantitative and qualitative risk factors during the scoping and planning. These included – but were not limited to – the following: materiality; transactions requiring significant judgment or estimations (e.g., contingent liabilities); complexity of operations; susceptibility to fraud; Auditor General recommendations concerning the financial statements or related matters; as well as internal audit findings.

Business processes are defined as the specific processes that support the treatment of financial transactions. The CNSC identified the following six business processes for assessment, based on risks: payroll, purchase to pay, revenues, capital assets, grants and contributions, and year-end financial close and statement preparation.

Entity-level controls are defined as the overarching controls of the organization that set the "tone from the top". The following four entity-level control areas were identified: governance and accountability, risk management, information and communication, and monitoring.

General computer controls, also known as information technology general controls, are defined as controls over the financial management and reporting systems and information technology (IT) infrastructure used across the organization. The CNSC is responsible for assessing the effectiveness of all key IT general controls for the systems that it fully manages.

These control areas are the baseline by which the CNSC developed its self-assessment plan. The organization reviews and updates this plan annually to reflect changes in risks and findings.

3.2. Assessment elements and methodology

Whether to support its year-end financial statement audit or the requirements of the *Policy on Internal Control*, the CNSC's ICFR aims to provide reasonable assurance that:

- transactions are appropriately authorized
- financial records are properly maintained
- assets are safeguarded
- applicable laws, regulations and policies are complied with

This assurance is achieved through the assessment of the **design and operating effectiveness** of the ICFR system, the creation of a **management action plan** to address significant gaps in design and operating effectiveness, and the **ongoing monitoring and continuous improvement** of all key elements of this system.

Design effectiveness means that key control points exist, are known, documented, and are aligned with the risks (i.e., controls are balanced with and proportionate to the risks they aim to mitigate). The assessment includes the mapping of key business processes and IT systems, identification of key risks and internal controls implemented to mitigate these risks, and a walk-through of the process or systems, to confirm their existence.

Operating effectiveness means that the application of key controls is tested over a defined period – (normally the fiscal year), and that they are working as intended. The assessment activities include performing a sample test of transactions to determine whether the documented procedures and internal control measures are being consistently followed and applied.

Management action plan – A report will be issued internally, highlighting on any deficiencies identified during the tests of design and operating effectiveness. The process owner will develop a management action plan, which will be included in the report, to remediate any identified gaps in a timely manner.

Ongoing monitoring and continuous improvement – Once any gaps have been remediated, the design and operating effectiveness of the key controls will be reassessed, to ensure the actions taken have addressed the gaps. Thereafter, annual monitoring activities will ensure that the control design continues to address key risks and that operating effectiveness is maintained.

4. The CNSC's Assessment Results

In 2013–14, the CNSC completed a portion of its tests on design effectiveness on key controls.

4.1. Design effectiveness of key controls

In 2013–14, the CNSC completed its assessment of controls at the entity level. This assessment identified adequate validation and approval of the financial information used in all major financial information publication processes (such as the financial statements, the departmental performance reports or proactive disclosure). The evaluation, however, noted the absence of validation and approval for the financial information included in the operational presentations delivered outside the organization. In reaction to this observation, the CNSC is developing a validation and approval process for all the financial information aimed for delivery outside the organization.

5. The CNSC's Action Plan

5.1. Progress as at March 31, 2014

The CNSC has put the following corrective measures in place in response to the recommendations from previous assessments:

Item in the 2012–13 Action Plan	Status
PROCUREMENT, RECEIPT AND PAYMENT OF GOODS AND SERVICES	
Strengthened documentation supporting receipt of goods and services	*Completed* • **Update of process documentation and training for managers on performance certification (section 34)**
Strengthening of requisition process for high-value or high-risk contracts	*Ongoing* • **Development of corrective measures to be put in place in 2014–15**

Owing to the positive results of prior years' assessments, other control activities currently in place, such as internal and external audits, as well as current progress on this year's evaluations and other management priorities, the CNSC has reorganized the delivery of some of its planned elements into next year in the following manner:

Item in the 2013–14 Action Plan	Status
Payroll: Monitoring and continuous improvement	**Monitoring, no defects noted**
Revenues: Monitoring and continuous improvement	**Monitoring, no defects noted**
Capital Assets: Tests of Design Effectiveness and Tests of Operating Effectiveness	**Postponed to 2014–15**
Grants and Contributions : Tests of Design Effectiveness and Tests of Operating Effectiveness	**Postponed to 2014–15**
Year-end financial close and statement preparation: Tests of Design Effectiveness and Tests of Operating Effectiveness	**Postponed to 2014–15**
Entity Level Controls: Tests of Design Effectiveness and Tests of Operating Effectiveness	**Completed, see details in section 4.1 of this summary.**

5.2. Action Plan for the next fiscal year and future years

Section	Initial Evaluation of		Monitoring and Continuous Improvements
	Design Effectiveness	Operating Effectiveness	
Payroll	**Completed**	Completed	**2015–16**
Revenues	**Completed**	Completed	**2014–15**
Professional Services	**Completed**	Completed	**2015–16**
Capital Assets	**2014–15**	2014–15	**2015–16**
Grants and Contributions	**2014–15**	2014–15	**2015–16**
Year-end Financial Close and Statement Preparation	**2014–15**	2014–15	**2015–16**
Entity Level Controls	**Completed**	Completed	**2016–17**
Information Technology General Controls	**Completed**	Completed	**2014–15**