

FINANCIAL STATEMENTS

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, 2015, 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, 2015 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 controls 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 and
Chief Executive Officer



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

Ottawa, Canada
July 22, 2015

INDEPENDENT AUDITOR'S REPORT



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 2015, 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 2015, 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 Lantarche, CPA, CA
Principal
for the Auditor General of Canada

22 July 2015
Ottawa, Canada

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31

(in thousands of dollars)	2015	2014
Liabilities		
Accounts payable and accrued liabilities (note 4)	\$ 25,600	\$ 27,736
Vacation pay and compensatory leave	7,202	6,637
Deferred revenue (note 5)	2,548	2,346
Employee future benefits (note 6b)	5,911	4,520
Asset retirement obligation (note 7)	271	280
Total liabilities	\$ 41,532	\$ 41,519
Financial assets		
Due from the Consolidated Revenue Fund	25,865	28,035
Accounts receivable (note 8)	1,230	1,110
Total net financial assets	\$ 27,095	\$ 29,145
Net debt	\$ 14,437	\$ 12,374
Non-financial assets		
Prepaid expenses	355	300
Tangible capital assets (note 9)	9,700	11,888
Total non-financial assets	\$ 10,055	\$ 12,188
Net financial position	\$ (4,382)	\$ (186)

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

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



Michael Binder
President and
Chief Executive Officer

Ottawa, Canada
July 22, 2015



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

STATEMENT OF OPERATIONS AND NET FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)	Planned results* 2015	2015	2014
Expenses			
Salaries and employee benefits	\$ 109,030	\$ 107,432	\$ 104,602
Professional and special services	21,267	22,007	20,857
Accommodation	9,409	9,648	9,161
Travel and relocation	4,622	4,688	4,618
Amortization	3,500	2,646	3,240
Furniture, repairs and rentals	5,490	3,748	2,969
Communication and information	1,298	1,346	1,168
Grants and contributions	1,770	1,869	1,724
Utilities, materials and supplies	1,071	482	606
Other	17	3	170
Total expenses (note 10)	\$ 157,474	\$ 153,869	\$ 149,115
Revenues			
Licence fees	109,589	103,461	101,446
Special projects	1,876	1,254	1,978
Other	-	116	37
Total revenues (note 10)	\$ 111,465	\$ 104,831	\$ 103,461
Net cost of operations before government funding and transfers	\$ 46,009	\$ 49,038	\$ 45,654
Government funding and transfers			
Net cash provided by Government	31,510	34,944	34,822
Change in due from Consolidated Revenue Fund	616	(2,170)	5,601
Services provided without charge by other government departments (note 11a)	13,489	15,166	15,826
Transfer of the transition payments for implementing salary payments in arrears (note 12)	-	(3,098)	-
Transfer of assets and liabilities paid on behalf of other government departments	-	-	(158)
Net cost (revenue) of operations after government funding and transfers	394	\$ 4,196	\$ (10,437)
Net financial position - Beginning of year	(6,607)	\$ (186)	\$ (10,623)
Net financial position - End of year	\$ (7,001)	\$ (4,382)	\$ (186)

Segmented information (note 10)

* The planned results amounts in the "Expenses" and "Revenues" sections as reported in the Future-Oriented Statement of Operations in the 2014-15 Report on Plans and Priorities. The planned results amounts in the "Government funding and transfers" section were prepared for internal management purposes and have not been previously published.

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

STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)	Planned results* 2015	2015	2014
Net cost (revenue) of operations after government funding and transfers	\$ 394	\$ 4,196	\$ (10,437)
Change due to tangible capital assets			
Acquisition of tangible capital assets (note 9)	2,401	1,562	1,021
Amortization of tangible capital assets (note 9)	(3,500)	(2,646)	(3,240)
Proceeds from disposal of tangible capital assets	-	(30)	(20)
Gain (loss) on disposal of tangible capital assets including adjustments	-	(1,074)	20
Total change due to tangible capital assets	\$ (1,099)	\$ (2,188)	\$ (2,219)
Change due to prepaid expenses	(13)	55	(58)
Net increase (decrease) in net debt	\$ (718)	\$ 2,063	\$ (12,714)
Net debt - Beginning of year	\$ 18,832	\$ 12,374	\$ 25,088
Net debt - End of year	\$ 18,114	\$ 14,437	\$ 12,374

*Planned results amounts in the Statement of Change in Net Debt were prepared for internal management purposes and have not been previously published.

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)	2015	2014
OPERATING ACTIVITIES		
Net cost of operations before government funding and transfers	\$ 49,038	\$ 45,654
Non-cash items:		
Amortization of tangible capital assets (note 9)	(2,646)	(3,240)
Gain (loss) on disposal of tangible capital assets including adjustments	(1,074)	20
Services provided without charge by other government departments (note 11a)	(15,166)	(15,826)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable	120	(1,731)
Increase (decrease) in prepaid expenses	55	(58)
Decrease (increase) in accounts payable and accrued liabilities	2,136	(5,345)
Decrease (increase) in vacation pay and compensatory leave	(565)	157
(Increase) in deferred revenue	(202)	(111)
(Increase) decrease in employee future benefits	(1,391)	14,156
Decrease (increase) in asset retirement obligation	9	(13)
Transition payments for implementing salary payments in arrears (note 12)	3,098	-
Liabilities paid on behalf of other government departments	-	158
Cash used in operating activities	\$ 33,412	\$ 33,821
CAPITAL INVESTING ACTIVITIES		
Acquisitions of tangible capital assets (note 9)	1,562	1,021
Proceeds from disposal of tangible capital assets	(30)	(20)
Cash used in capital investing activities	\$ 1,532	\$ 1,001
Net cash provided by Government of Canada	\$ 34,944	\$ 34,822

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

NOTES TO 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 the 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 regulates the use of nuclear energy and materials to protect health, safety, security and the environment, and to implement Canada's international commitments on the peaceful use of nuclear energy; and to disseminate objective scientific, technical and regulatory information to the public.

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 regulatory activities 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 Operations and 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 Net Financial Position are the amounts reported in the Future-Oriented Statement of Operations included in the *2014-15 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

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

(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 healthcare 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*. 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 these 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

The CNSC provides grants and contributions to enable the research, development and management of activities that contribute to the objectives of the Research and Support Program and the Canadian Safeguards Support Program. 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 for accommodation, employer contributions to the health and dental insurance plans, legal services and workers' compensation 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 the 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 multi-employer 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. 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 the notes to the financial statements.

(l) Tangible capital assets

All tangible capital assets and leasehold improvements having 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.

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

Asset class	Amortization period
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 their 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 Government of Canada. 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 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 most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and 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, 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 tables:

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

(in thousands of dollars)	2015	2014
Net cost of operations before government funding and transfers	\$ 49,038	\$ 45,654
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	(2,646)	(3,240)
Decrease (increase) in vacation pay and compensatory leave	(565)	157
Services provided without charge by other government departments	(15,166)	(15,826)
Revenues pursuant to paragraph 21(3) of the <i>Nuclear Safety and Control Act</i>	104,715	103,424
(Increase) decrease in employee future benefits	(1,391)	14,156
Refund of prior years' expenditures	406	42
Loss on disposal of capital assets	(1,099)	-
Other	133	287
	\$ 84,387	\$ 99,000
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Acquisitions of tangible capital assets	1,562	1,021
Transition payments for implementing salary payments in arrears	3,098	-
Increase (decrease) in prepaid expenses	55	(58)
	\$ 4,715	\$ 963
Current year authorities used	\$ 138,140	\$ 145,617

(b) Authorities provided and used

(in thousands of dollars)	2015	2014
AUTHORITIES PROVIDED:		
Vote 1 – Program expenditures	\$ 42,749	\$ 49,630
STATUTORY:		
Spending of revenues pursuant to section 21(3) of the <i>Nuclear Safety and Control Act</i>	86,936	85,973
Spending of proceeds from the disposal of surplus assets	20	-
Contributions to employee benefit plans	13,658	15,831
	\$ 143,363	\$ 151,434
LESS:		
Authorities available for use in the subsequent year	2,526	2,318
Lapsed Vote 1 – Program expenditures	2,697	3,499
Current year authorities used	\$ 138,140	\$ 145,617

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

(in thousands of dollars)	2015	2014
Other government departments and agencies	\$ 9,641	\$ 11,596
External parties	13,136	8,945
Licensees	2,823	7,195
Total accounts payable and accrued liabilities	\$ 25,600	\$ 27,736

In September 2012, the Government of Quebec announced the closure of the province's nuclear power plant, Gentilly-2 Nuclear Generating Station, by the end of that calendar year. This announcement forced the CNSC to proceed with the reallocation of resources assigned to regulatory activities at Gentilly-2. As a result, Hydro-Québec 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 transition funds totalling \$2,000,000 of which \$1,336,720 were disbursed and in 2014–15, the CNSC received another \$800,000 of which \$727,723 were disbursed. Due to the nature of the compensation received from Hydro-Québec, the costs incurred had no impact on the CNSC's net cost of operations in the current year. The funds received were accounted for under "Due from Consolidated Revenue Fund" and the remaining unused portion of \$735,557 is included under "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 unearned revenues stemming from amounts received from external parties that are restricted in order to fund the expenditures stemming from amounts received for fees prior to services being performed. Revenue is recognized in the period in which these expenditures are incurred or in which service is performed. Details of the transactions related to this account are as follows:

(in thousands of dollars)	2015	2014
Balance, beginning of year	\$ 2,346	\$ 2,235
Licence fee revenue recognized during the year	(2,324)	(2,207)
Licence fee received for future years	2,526	2,318
Balance, end of year	\$ 2,548	\$ 2,346

6. EMPLOYEE FUTURE BENEFITS

(a) Pension benefits

The CNSC'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/Quebec Pension Plan benefits and they are indexed to inflation.

Both the employees and the CNSC 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 2014–15 expense amounts to \$9,336,573 (\$11,130,663 in 2013–14). For group 1 members, the expense represents approximately 1.41 times (1.60 times in 2013–14) the contributions by employees and, for Group 2 members, the expenses represents approximately 1.39 times (1.50 for 2013–14) the employee contribution.

The Department'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.

(b) Severance benefits

The CNSC provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. 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 in 2013–14. 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. The remaining balance represents the amounts employees will collect upon termination. Severance rate for estimating the remaining balance of the severance allowance is 7.88% (5.84% in 2013–14).

Information about the severance benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2015	2014
Accrued benefit obligation, beginning of year	\$ 4,520	\$ 18,676
Increase (decrease) for the year	2,051	(4,489)
Benefits paid during the year	(660)	(9,667)
Accrued benefit obligation, end of year	\$ 5,911	\$ 4,520

7. ASSET RETIREMENT OBLIGATION

The asset retirement obligation is based on the current cost estimate of \$261,250 (\$261,250 in 2013–14) 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 1.32% (2.45% in 2013–14), of the estimated future cost of \$292,757 (\$298,612 in 2013–14), of restoring the leased premises at the expiry of the lease on March 31, 2020. As of March 31, 2015, the CNSC has an asset retirement obligation that can be reasonably estimated as follows:

(in thousands of dollars)	2015	2014
Balance, beginning of year	\$ 280	\$ 267
Revision in the estimate, timing and accretion of retirement expenditures	(9)	13
Balance, end of year	\$ 271	\$ 280

8. ACCOUNTS RECEIVABLE

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

(in thousands of dollars)	2015	2014
Receivables – Licence fees	\$ 1,018	\$ 1,036
Receivables – Others	250	117
Receivables – Other government departments and agencies	-	1
	1,268	1,154
Allowance for doubtful accounts on receivables	(38)	(44)
Net accounts receivable	\$ 1,230	\$ 1,110

9. TANGIBLE CAPITAL ASSETS**Cost**

(in thousands of dollars)	Opening balance	Acquisitions	Disposals / Write-offs	Work in progress transfers	Closing balance
Furniture and equipment	\$ 5,900	\$ 121	\$ -	\$ -	\$ 6,021
Informatics equipment and software	3,858	-	-	1,299	5,157
Leasehold improvements	13,753	-	-	130	13,883
Motor vehicles	619	87	(93)	-	613
Other vehicles	100	-	-	-	100
Work-in-progress – Software	2,492	962	(1,099)	(1,299)	1,056
Work-in-progress – Construction	336	392	-	(130)	598
Total	\$ 27,058	\$ 1,562	\$ (1,192)	\$ -	\$ 27,428

Accumulated amortization

(in thousands of dollars)	Opening balance	Amortization	Disposals / Write-offs	Closing balance
Furniture and equipment	\$ 2,844	\$ 542	\$ -	\$ 3,386
Informatics equipment and software	3,129	1,241	-	4,370
Leasehold improvements	8,794	802	-	9,596
Motor vehicles	385	56	(88)	353
Other vehicles	18	5	-	23
Total	\$ 15,170	\$ 2,646	\$ (88)	\$ 17,728

Net book value

(in thousands of dollars)	2014	2015
Furniture and equipment	\$ 3,056	\$ 2,635
Informatics equipment and software	729	787
Leasehold improvements	4,959	4,287
Motor vehicles	234	260
Other vehicles	82	77
Work-in-progress – Software	2,492	1,056
Work-in-progress – Construction	336	598
Total	\$ 11,888	\$ 9,700

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, 2015, \$1,429,000 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)	2015 total value of licences and other revenue	2014 total value of licences and other revenue	2015 cost of operations	2014 cost of operations
LICENSING, CERTIFICATION AND COMPLIANCE						
Power reactors	\$ 66,756	\$ -	\$ 66,756	\$ 63,540	\$ 66,756	\$ 63,540
Non-power reactors	-	2,348	2,348	994	2,348	994
Nuclear research and test establishments	10,211	-	10,211	9,651	10,211	9,651
Particle accelerators	-	623	623	846	623	846
Uranium processing facilities	3,467	-	3,467	4,449	3,467	4,449
Nuclear substance processing facilities	1,242	-	1,242	832	1,242	832
Heavy water plants	-	-	-	128	-	128
Radioactive waste facilities	6,628	-	6,628	9,309	6,628	9,309
Uranium mines and mills	8,413	805	9,218	8,190	9,218	8,190
Waste nuclear substance	627	1,384	2,011	1,642	2,011	1,642
Total regulatory activity plan fees	\$ 97,344	\$ 5,160	\$ 102,504	\$ 99,581	\$ 102,504	\$ 99,581
Nuclear substances and Class II nuclear facilities						
Academic and research	235	2,512	2,747	3,122	2,095	2,496
Commercial	975	695	1,670	1,264	2,404	2,582
Industrial radiography	3,792	95	3,887	3,631	8,975	8,309
Medical	437	4,613	5,050	5,000	5,154	4,422
Dosimetry services	175	9	184	127	882	960
Total formula fees	\$ 5,614	\$ 7,924	\$ 13,538	\$ 13,144	\$ 19,510	\$ 18,769
Transport licences and transport package certificates	257	-	257	210	620	551
Radiation device and prescribed equipment certificates	81	1	82	89	570	295
Exposure device operator certificates	165	-	165	170	1,005	675
Total fixed fees	\$ 503	\$ 1	\$ 504	\$ 469	\$ 2,195	\$ 1,521
TOTAL LICENSING, CERTIFICATION AND COMPLIANCE	\$ 103,461	\$ 13,085	\$ 116,546	\$ 113,194	\$ 124,209	\$ 119,871
NON-LICENSING AND NON-CERTIFICATION						
Stakeholder relations and regulatory framework	116	-	116	37	29,619	27,578
Special projects, other revenue and related expenses	1,254	-	1,254	1,978	1,041	1,666
TOTAL NON-LICENSING AND NON-CERTIFICATION	1,370	-	1,370	2,015	29,660	29,244
TOTAL	\$ 104,831	\$ 13,085	\$ 117,916	\$ 115,209	\$ 153,869	\$ 149,115

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) Common services provided without charge by other government departments

During the year, the CNSC 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 worker's compensation coverage. 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)	2015	2014
Accommodation provided by Public Works and Government Services	\$ 6,258	\$ 5,969
Contributions for employer's share of employee benefits provided by the Treasury Board Secretariat	7,067	7,927
Salary and associated costs of services provided by Shared Services Canada	1,568	1,700
Audit services provided by the Office of the Auditor General of Canada	137	137
Other	136	93
Total	\$ 15,166	\$ 15,826

The Government of Canada has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and the 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.

(b) Other transactions with related parties

(in thousands of dollars)	2015	2014
Accounts receivable – Other government departments and agencies	\$ -	\$ 1
Accounts payable – Other government departments, agencies and Crown corporations	9,950	12,402
Expenses – Other government departments and agencies	24,647	26,581
Revenues – Other government departments and agencies	\$ 10,559	\$ 10,200

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

12. TRANSFER OF THE TRANSITION PAYMENTS FOR IMPLEMENTING SALARY PAYMENTS IN ARREARS

The Government of Canada implemented salary payments in arrears in 2014–15. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of the CNSC. However, it did result in the use of additional spending authorities by the CNSC. Prior to year-end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Works and Government Services Canada, which is responsible for the administration of the government pay system.

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 in order to carry out its transfer payment programs or when services and goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2016	2017	2018	2019 and thereafter	Total
Acquisitions of goods and services	\$ 8,557	\$ 606	\$ 83	\$ -	\$ 9,246
Transfer payments	563	708	41	18	1,330
Operating leases	137	24	1	-	162
Total	\$ 9,257	\$ 1,338	\$ 125	\$ 18	\$ 10,738

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. While the total amount claimed in these actions is significant, their outcomes are not determinable. The CNSC 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. As at March 31, 2015, contingent liabilities for claims and pending litigation have been estimated at \$55,000,000 (\$55,000,000 in 2013–14). 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 Government of Canada 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. 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.

NIAC receives premiums from operators for both coverages; however, premiums for Coverage B risks are remitted to the Government of Canada, which reinsures these risks under its reinsurance agreement with NIAC. Through the reinsurance agreement, the Government of Canada assumes the liability associated with the difference between the basic insurance coverage provided by 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, 2015, the total supplementary insurance coverage is \$510,000,000 (\$510,000,000 in 2013–14).

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 CRF. Premiums received in respect of Coverage B amount to \$231,035 (\$235,283 in 2013–14). 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, 2015, the closing balance of the account is \$3,621,756 (\$3,390,721 in 2013–14).

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 healthcare institutions, not-for-profit emergency response organizations, and federal government departments and agencies. The total value of these licences amounted to \$13,085,185 (\$11,748,382 in 2013–14). 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.

ANNEX TO THE STATEMENT OF MANAGEMENT RESPONSIBILITY INCLUDING INTERNAL CONTROL OVER FINANCIAL REPORTING 2014–15

1. INTRODUCTION

This document provides summary information on the measures taken by the Canadian Nuclear Safety Commission (CNSC) to maintain an effective system of internal control over financial reporting (ICFR), including information on internal control management, assessment results and related action plans.

Detailed information on the CNSC's authority, mandate and program activities can be found in the most recent [Departmental Performance Report](#)¹ and [Report on Plans and Priorities](#)². The [CNSC 2014-15 Audited Financial Statements](#)³ are available on the CNSC website.

2. SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING

2.1 INTERNAL CONTROL MANAGEMENT

The CNSC has a well-established governance and accountability structure to support efforts to evaluate and monitor its internal control system. An internal control management framework, approved by the president, 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

- An Office of Audit and Ethics that manages values and ethics programs, internal disclosure, the *Public Servants Disclosures Protection Act* (PSDPA), and conflict of interest and post-employment policies
- Ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control
- Monitoring of and regular updates on internal control management, as well as the provision of related assessment results and action plans to the president and, as applicable, the Audit Committee (AC)

The Audit Committee provides advice to the President on the adequacy 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 for the processing of certain transactions that are recorded in its financial statements as follows:

Common arrangements

- Public Works and Government Services Canada centrally administers the payments of salaries and the procurement of goods and services in accordance with the CNSC's Delegation of Authority, and provides accommodation services

¹ tbs-sct.gc.ca/dpr-rmr/index-eng.asp

² tbs-sct.gc.ca/rpp/index-eng.asp

³ nuclearsafety.gc.ca/eng/resources/publications/reports/annual-reports/index.cfm

- Treasury Board of Canada 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 RESULTS FOR FISCAL YEAR 2014–15

The CNSC has completed all design and operating effectiveness assessments as per the 2014–15 action plan. As part of its ongoing monitoring strategy, the CNSC initiated monitoring of the revenue process and the IT general controls. Additional information on the status and results is below.

3.1 DESIGN EFFECTIVENESS TESTING OF KEY CONTROLS

The CNSC has completed the design effectiveness assessments of grants and contributions, capital assets and year-end financial close and statement preparation, the last remaining key business processes.

As a result of the design effectiveness assessments, the CNSC identified the following required remediation:

Grants and contributions

- Formal approval of annual contribution plan
- Enhanced evidence demonstrating account verification has been performed
- Updated policy and procedures documentation including clarification of roles and responsibilities

Capital assets

- Enhanced quarterly review of capital assets including additions, disposals and work-in-progress
- Implementation of procedures for the confirmation of the physical existence of non-IT capital assets
- Clarification of capital asset disposal requirements
- Updated policy and procedures documentation including clarification of roles and responsibilities

Year-end financial close and statement preparation

- Enhanced review procedures for journal vouchers

3.2 OPERATING EFFECTIVENESS TESTING OF KEY CONTROLS

The CNSC completed operating effectiveness assessments of grants and contributions, capital assets and year-end financial close and statement preparation processes.

As a result of the operating effectiveness assessments, the CNSC identified the following required remediation:

Grants and contributions

- Updated policy and procedures documentation to incorporate allowable exceptions to the current approval process for grants and contributions

Capital assets

- Strengthening of the reporting process on the status of internally developed software projects to ensure that related costs are accurately reflected in the financial statements (i.e. capital asset vs. expense)

Year-end financial close and statement preparation

- Enhanced procedures to make modifications to the CNSC's chart of accounts
- Clarification on analysis and supporting documentation requirements used in the preparation of the financial statements

3.3 ONGOING MONITORING OF KEY CONTROLS

During 2014–15, the CNSC initiated the monitoring of the revenue process and the IT general controls.

The monitoring of the design effectiveness of the revenue process identified the following required remediation:

- Updated procedures documentation for the revenue process

The monitoring of the operating effectiveness of the revenue process identified the following required remediation:

- Reduced system access to create sales invoices

The monitoring of the design effectiveness of the IT general controls identified the following required remediation:

- Reduced reliance on generic and shared accounts
- More timely user access reviews and maintenance of user access
- Updated procedures documentation
- Retention of documentation for audit trail purposes
- Enhanced procedures for the tracking of threat and risk assessments

The monitoring of the operating effectiveness assessment of the IT general controls is planned for 2016–17 upon the completion of the design remediation items noted above.

4. ACTION PLAN

4.1 PROGRESS AGAINST THE 2014-15 ACTION PLAN

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

Remediation from prior year's action plans	Status
Purchase to payment	
Strengthened requisition process for high-value and/or high-risk contracts.	Completed <ul style="list-style-type: none"> Additional approval requirements have been put in place for all contracts greater than \$25K.
Entity level controls	
Implemented validation and approval procedures for financial and resource information provided to external parties.	Completed <ul style="list-style-type: none"> A directive outlining the approval process and requirements for financial and resource information communicated to external parties was implemented.

The CNSC has made significant progress in assessing and improving its key controls. The following table summarizes the CNSC's progress based on the plans identified in the previous fiscal year's annex.

Item in the 2014–15 action plan	Status
Grants and contributions: Design and operating effectiveness assessment and remediation of deficiencies	<ul style="list-style-type: none"> Completed the design effectiveness assessment and remediation of deficiencies. Completed the operating effectiveness assessment. By Q2 of 2015–16 remediation identified as a result of the operating effectiveness assessment is expected to be completed.
Capital assets: Design and operating effectiveness assessment and remediation of deficiencies	<ul style="list-style-type: none"> Completed the design effectiveness assessment and remediation of deficiencies. Completed the operating effectiveness assessment and remediation of deficiencies.
Year-end financial close and statement preparation: Design and operating effectiveness assessment and remediation of deficiencies	<ul style="list-style-type: none"> Completed the design effectiveness assessment and remediation of deficiencies. Completed the operating effectiveness assessment. By Q3 2015–16 remediation identified as a result of the operating effectiveness assessment is expected to be completed.
Revenue: Ongoing monitoring	<ul style="list-style-type: none"> Completed the monitoring assessment of the design effectiveness. By end of 2015–16 remediation of one deficiency (update of process documentation) is planned to be completed. Completed the monitoring assessment of the operating effectiveness. By Q2 of 2015–16 remediation of one deficiency is expected to be completed.
IT general controls: Ongoing monitoring	<ul style="list-style-type: none"> Completed the monitoring assessment of the design effectiveness. By end of 2015–16 remediation is expected to be completed. In 2016–17 the monitoring assessment of the operating effectiveness will be completed after the implementation of all remediation action items.

4.2 STATUS AND ACTION PLAN FOR THE NEXT FISCAL YEAR AND SUBSEQUENT YEARS

Building on progress to date, the CNSC is positioned to complete the full assessment of its system of internal control over financial reporting by the third quarter of 2015–16. At that time, the CNSC will be

applying its rotational ongoing monitoring plan to reassess control performance on a risk basis across all control areas. The status and action plan for the completion of the identified control areas for the next fiscal year and for subsequent years are shown in the following table.

Status and action plan for the next fiscal year and subsequent years			
Key control areas	Design effectiveness testing and remediation	Operational effectiveness testing and remediation	Ongoing monitoring rotation
Entity-level controls	Complete	Complete	2016–17
IT general controls (under management of the CNSC)	Complete	Complete	2016–17
Capital assets	Complete	Complete	2016–17
Purchase to payment	Complete	Complete	2015–16
Payroll	Complete	Complete	2015–16
Grants and contributions	Complete	2015–16 2nd quarter	2016–17
Revenue	Complete	Complete	2015–16
Year-end financial close and statement preparation	Complete	2015–16 3rd quarter	2017–18