
**Employment and Social
Development Canada**

**Emploi et Développement
social Canada**

Employment and Social Development Canada

**Consolidated Financial Statements (*Unaudited*)
for the year ended March 31, 2022**

Consolidated Financial Statements (Unaudited) for the year ended March 31, 2022.

Large print, braille, MP3 (audio), e-text and DAISY formats are available on demand by ordering online or calling 1 800 O-Canada (1-800-622-6232). By teletypewriter (TTY), call 1-800-926-9105.

© His Majesty the King in Right of Canada, 2022

For information regarding reproduction rights: droitdauteur.copyright@HRSDC-RHDCC.gc.ca.

PDF

Cat. No.: Em1-23E-PDF

ISSN: 2816-5357

Employment and Social Development Canada

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements for the year ended March 31, 2022, and all information contained in these statements rests with the management of Employment and Social Development Canada (ESDC). These consolidated financial statements have been prepared by management using the Government of Canada's accounting policies, which are based on Canadian public sector accounting standards.

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

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

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

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2022 was completed in accordance with the Treasury Board *Policy on Financial Management* and the results and action plans are summarized in the annex.

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

The consolidated financial statements of ESDC have not been audited.

Original signed by

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

Gatineau, Canada
August 31, 2022

Original signed by

Jean-François Tremblay
Deputy Minister
Employment and Social Development Canada

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

| | 2022 | 2021 |
|--|---------------------------|-------------------|
| | (in thousands of dollars) | |
| Financial assets | | |
| Due from Consolidated Revenue Fund | 266,851 | 3,164,822 |
| Accounts receivable and advances (note 4) | 12,025,347 | 9,671,526 |
| Loans receivable (note 5) | 19,149,205 | 19,077,384 |
| Total gross financial assets | 31,441,403 | 31,913,732 |
| Financial assets held on behalf of Government | | |
| Loans receivable (note 5) | (96,026) | (141,917) |
| Total net financial assets | 31,345,377 | 31,771,815 |
| Liabilities | | |
| Due to Canada Pension Plan (note 6) | 101,266 | 139,334 |
| Accounts payable and accrued liabilities (note 7) | 4,596,937 | 7,494,146 |
| Vacation pay and compensatory leave | 166,578 | 150,578 |
| Designated Amount Fund - Trust Account (note 8) | 1,916 | 1,957 |
| Government Annuities Account (note 9) | 81,557 | 97,799 |
| Employee future benefits (note 10) | 76,473 | 79,359 |
| Total net liabilities | 5,024,727 | 7,963,173 |
| Departmental net financial asset | 26,320,650 | 23,808,642 |
| Non-financial assets | | |
| Prepaid expenses | 20,383 | 32,160 |
| Tangible capital assets (note 11) | 473,848 | 369,798 |
| Total non-financial assets | 494,231 | 401,958 |
| Departmental net financial position (note 12) | 26,814,881 | 24,210,600 |

Contractual obligations and contractual rights (note 13)

Contingent liabilities (note 14)

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

Original signed by

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

Gatineau, Canada
 August 31, 2022

Original signed by

 Jean-François Tremblay
 Deputy Minister
 Employment and Social Development Canada

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

| | 2022 Planned Results | 2022 | 2021 |
|---|-------------------------|--------------------|-------------|
| (in thousands of dollars) | | | |
| Expenses | | | |
| Learning, Skills Development and Employment | 50,017,528 | 66,413,935 | 129,837,053 |
| Pensions and Benefits | 63,754,733 | 63,911,781 | 62,237,470 |
| Social Development | 357,952 | 4,160,192 | 1,985,368 |
| Internal Services | 1,080,497 | 1,277,371 | 1,311,903 |
| Information Delivery and Services for Other Departments | 250,200 | 275,840 | 251,070 |
| Working Conditions and Workplace Relations | 193,989 | 167,975 | 122,495 |
| Expenses incurred on behalf of the Government | (43,086) | (16,600) | (20,478) |
| Total expenses | 115,611,813 | 136,190,494 | 195,724,881 |
| Revenues | | | |
| Employment Insurance (note 12) | 23,888,700 | 24,333,715 | 22,896,548 |
| Recovery of CPP administration costs | 501,521 | 539,703 | 523,461 |
| Recovery of Other Government Department service delivery costs | 188,747 | 261,769 | 208,536 |
| User fees | - | 80,629 | 47,174 |
| Interest on loans receivable | - | 10,769 | 170,618 |
| Other | 61,382 | 25,355 | 10,936 |
| Revenues earned on behalf of Government | (101,057) | (421,144) | (484,583) |
| Total revenues | 24,539,293 | 24,830,796 | 23,372,690 |
| Net cost from continuing operations | 91,072,520 | 111,359,698 | 172,352,191 |
| Transferred operations (note 16) | | | |
| Expenses | 228,621 | 306,309 | 598,071 |
| Net cost of transferred operations | 228,621 | 306,309 | 598,071 |
| Net cost of operations before government funding and transfers | 91,301,141 | 111,666,007 | 172,950,262 |
| Government funding and transfers | | | |
| Net cash provided by Government of Canada | | 116,913,365 | 180,454,063 |
| Change in due from the Consolidated Revenue Fund | | (2,897,971) | (954,249) |
| Services provided without charge | | 78,149 | 77,228 |
| by other government departments (note 15) | | | |
| Transfer of the transition payments for implementing salary payments in arrears | | (3) | (7) |
| Other transfers of assets (to) from other government departments | | 176,693 | (1,527) |
| Transfer of liabilities to other government departments (note 16) | | 55 | - |
| Net (cost) revenue of operations after government funding and transfers | | 2,604,281 | 6,625,246 |
| Departmental net financial position - beginning of year | | 24,210,600 | 17,585,354 |
| Departmental net financial position - end of year | | 26,814,881 | 24,210,600 |

Segmented information (note 17)

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

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

| | 2022 | 2021 |
|--|---------------------------|------------|
| | (in thousands of dollars) | |
| Net revenue (cost) of operations after government funding and transfers | 2,604,281 | 6,625,246 |
| Change due to tangible capital assets | | |
| Acquisition of tangible capital assets (note 11) | (170,785) | (118,933) |
| Amortization of tangible capital assets (note 11) | 66,528 | 37,282 |
| Proceeds from disposal of tangible capital assets | 173 | 86 |
| Net loss on disposal of tangible capital assets | 78 | 2,424 |
| Adjustments to tangible capital assets (note 11) | - | (74) |
| Transfer from other government departments | (44) | (17) |
| Total change due to tangible capital assets | (104,050) | (79,232) |
| Change due to prepaid expenses | 11,777 | (21,670) |
| Net increase (decrease) in departmental net financial assets | 2,512,008 | 6,524,344 |
| Departmental net financial assets - beginning of year | 23,808,642 | 17,284,298 |
| Departmental net financial assets - end of year | 26,320,650 | 23,808,642 |

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

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

| | 2022 | 2021 |
|--|---------------------------|-------------|
| | (in thousands of dollars) | |
| Operating activities | | |
| Net cost of operations before government funding and transfers | 111,666,007 | 172,950,262 |
| Non-cash items: | | |
| Amortization of tangible capital assets (note 11) | (66,528) | (37,282) |
| Loss on disposal of tangible capital assets | (78) | (2,424) |
| Adjustments to tangible capital assets (note 11) | - | 74 |
| Services provided without charge by other government departments (note 15) | (78,149) | (77,228) |
| Transition payments for implementing salary payments in arrears | 3 | 7 |
| Transfer of net financial assets and liabilities to or from other government departments | (176,649) | 1,544 |
| Variations in Consolidated Statement of Financial Position | | |
| Increase in accounts receivable and advances | 2,353,821 | 4,994,486 |
| Increase in loans receivable | 117,712 | 1,113,310 |
| Increase (decrease) in prepaid expenses | (11,777) | 21,670 |
| Decrease in due to Canada Pension Plan | 38,068 | 139,292 |
| Decrease in accounts payable and accrued liabilities | 2,897,209 | 1,252,852 |
| Increase in vacation pay and compensatory leave | (16,000) | (51,326) |
| Decrease in the Designated Amount Fund - Trust Account | 41 | 13,411 |
| Decrease in Government Annuities Account | 16,242 | 16,962 |
| Decrease (increase) in employee future benefits | 2,886 | (394) |
| Transfer of liabilities to other government departments (note 16) | (55) | - |
| Cash used in operating activities | 116,742,753 | 180,335,216 |
| Capital investing activities | | |
| Acquisitions of tangible capital assets (note 11) | 170,785 | 118,933 |
| Proceeds from disposal of tangible capital assets | (173) | (86) |
| Cash used in capital investing activities | 170,612 | 118,847 |
| Net cash provided by Government of Canada | 116,913,365 | 180,454,063 |

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

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

1. Authority and objectives

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

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

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

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

Social Development

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

Pensions and Benefits

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

Learning, Skills Development and Employment

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

Working Conditions and Workplace Relations

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

Information Delivery and Services for Other Departments

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

Internal Services

Internal Services are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization. These services are Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Management Services; Materiel Management Services; and Acquisition Management Services.

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

2. Summary of significant accounting policies

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

Significant accounting policies are as follows:

(a) Parliamentary authorities

ESDC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to ESDC do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Consolidated Statement of Operations and Departmental Net Financial Position and in the Consolidated Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Consolidated Statement of Operations and Departmental Net Financial Position are the amounts reported in the Consolidated Future-oriented Statement of Operations included in the *2021-2022 Departmental Plan*. Planned results are not presented in the "Government funding and transfers" section of the Consolidated Statement of Operations and Departmental Net Financial Position and in the Consolidated Statement of Change in Departmental Net Financial Asset because these amounts were not included in the *2021-2022 Departmental Plan*.

(b) Consolidation

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

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

(c) Net cash provided by Government

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

(d) Amounts due to or from CRF

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

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

(e) Revenues

Revenues are recorded on an accrual basis of accounting:

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

(f) Expenses

Expenses are recorded on an accrual basis of accounting:

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

(g) Employee future benefits

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

(h) Accounts receivable and advances

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

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

(i) Loans receivable

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

(j) Contingent liabilities

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

(k) Contingent assets

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

(l) Tangible capital assets

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

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

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

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

(m) Related party transactions

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

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

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

(n) Measurement uncertainty

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

3. Parliamentary authorities

ESDC receives most of its funding through annual parliamentary authorities. Items recognized in the Consolidated Statement of Operations and Departmental Net Financial Position and the Consolidated Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Furthermore, as a consolidated specified purpose account, the EI Operating Account expenses and revenues recognized in ESDC's Consolidated Statement of Operations and Departmental Net Financial Position do not affect parliamentary authorities. Accordingly, ESDC has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

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

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

| | 2022 | 2021 |
|---|---------------------------|--------------|
| | (in thousands of dollars) | |
| Net cost of operations before government funding and transfers | 111,666,007 | 172,950,262 |
| Adjustments for items affecting net cost of operations but not affecting authorities: | | |
| Bad debt expense (excluding EI) | (484,864) | (350,498) |
| Amortization of tangible capital assets (note 11) | (66,528) | (37,282) |
| Services provided without charge by other government departments (note 15) | (78,149) | (77,228) |
| Decrease (increase) in employee future benefits | 2,886 | (394) |
| Increase in vacation and compensatory leave | (16,000) | (51,326) |
| Refund of programs and prior years' expenditures | 1,983,268 | 1,983,810 |
| Loss on disposal of tangible capital assets | (78) | (2,424) |
| Allowance expense for the Repayment Assistance Plan of Canada Student Loans and Canada Apprentice Loans | (148,342) | (278,463) |
| Net EIO Account transactions (note 12) | (17,265,883) | (11,610,348) |
| Increase in accounts payable and accrued liabilities not charged to authorities | (140,200) | (147,957) |
| Other adjustments | (1,950) | 4,352 |
| Total items affecting net cost of operations but not affecting authorities | (16,215,840) | (10,567,758) |
| Adjustments for items not affecting net cost of operations but affecting authorities: | | |
| Net Canada Student Loans disbursed | 232,762 | 1,392,981 |
| Net Canada Apprentice Loans disbursed | 3,575 | 9,455 |
| Acquisition of tangible capital assets (note 11) | 170,785 | 118,933 |
| Canada Student Loans and Canada Apprentice Loans forgiveness | 160,837 | 93,401 |
| Transition payments for implementing salary payments in arrears | 3 | 7 |
| Increase (decrease) in prepaid expenses | (11,777) | 21,670 |
| Other adjustments | 15,060 | 20,292 |
| Total items not affecting net cost of operations but affecting authorities | 571,245 | 1,656,739 |
| Current year authorities used | 96,021,412 | 164,039,243 |

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

(b) Authorities provided and used

| | 2022 | 2021 |
|--|---------------------------|-------------|
| | (in thousands of dollars) | |
| Authorities provided: | | |
| Vote 1 - Operating expenditures | 1,357,634 | 972,688 |
| Vote 5 - Grants and contributions | 6,273,678 | 3,277,783 |
| Debt write-offs | 170,358 | 188,124 |
| Statutory amounts | 89,827,598 | 159,898,209 |
| Less: | | |
| Authorities available for future years | (1,075) | (995) |
| Lapsed authorities: | | |
| Operating expenditures | (125,025) | (53,600) |
| Grants and contributions | (1,480,082) | (240,115) |
| Debt write-offs | (1,585) | (2,563) |
| Statutory amounts | (89) | (288) |
| Current year authorities used | 96,021,412 | 164,039,243 |

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

4. Accounts receivable and advances

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

| | 2022 | 2021 |
|--|---------------------------|-------------|
| | (in thousands of dollars) | |
| Receivables - Other government departments and agencies | | |
| EI premiums receivable from CRA | 1,975,369 | 2,125,550 |
| EI and OAS benefit repayments receivable from CRA | 3,312,026 | 2,428,996 |
| COVID-19 support measures receivable from CRA | 1,790,755 | 1,263,398 |
| Other | 76,011 | 69,347 |
| | 7,154,161 | 5,887,291 |
| Receivables and advances - External parties | | |
| EI and OAS overpayments and penalties to be recovered | 1,473,267 | 1,440,264 |
| COVID-19 support measures overpayments and penalties to be recovered | 4,990,859 | 3,734,383 |
| Other | 667,442 | 562,155 |
| | 7,131,568 | 5,736,802 |
| Subtotal accounts receivable and advances | 14,285,729 | 11,624,093 |
| Allowance for doubtful accounts on receivables from external parties | (2,260,382) | (1,952,567) |
| Net accounts receivable and advances | 12,025,347 | 9,671,526 |

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

5. Loans receivable

| | Student Loans | Apprentice Loans | 2022 Total | 2021 Total |
|---|---------------------------|---------------------|-----------------------|---------------|
| | (in thousands of dollars) | | | |
| Loans receivable | | | | |
| Gross loans - beginning of year | 23,472,848 | 280,231 | 23,753,079 | 22,351,603 |
| New loans and repurchases | 3,172,187 | 33,778 | 3,205,965 | 3,852,121 |
| Reimbursements | (2,604,052) | (29,848) | (2,633,900) | (2,165,962) |
| Loan write-offs and forgiveness | (344,783) | (354) | (345,137) | (284,683) |
| Gross loans - end of year | 23,696,200 | 283,807 | 23,980,007 | 23,753,079 |
| Unamortized discount | (28,237) | - | (28,237) | (30,384) |
| Allowance for bad debts | (4,854,082) | (37,012) | (4,891,094) | (4,776,898) |
| Net loans | 18,813,881 | 246,795 | 19,060,676 | 18,945,797 |
| Accrued interest | | | | |
| Gross accrued interest - beginning of year | 422,180 | 1,482 | 423,662 | 482,902 |
| New interest | 7,681 | (13) | 7,668 | 170,061 |
| Reimbursements | (32,786) | (281) | (33,067) | (132,689) |
| Interest write-offs and forgiveness | (43,113) | (13) | (43,126) | (96,612) |
| Gross accrued interest - end of year | 353,962 | 1,175 | 355,137 | 423,662 |
| Unamortized discount | (10,363) | - | (10,363) | (11,170) |
| Allowance for bad debts | (255,819) | (426) | (256,245) | (280,905) |
| Net accrued interest | 87,780 | 749 | 88,529 | 131,587 |
| Total net loans and net accrued interest | 18,901,661 | 247,544 | 19,149,205 | 19,077,384 |
| Loans and accrued interest held on behalf of Government | (95,277) | (749) | (96,026) | (141,917) |
| Total Loans receivable | 18,806,384 | 246,795 | 19,053,179 | 18,935,467 |

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

Canada Student Loans

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

An allowance is recorded to provide for bad debts and Repayment Assistance Plan (RAP) for Canada Student Loans. The allowance for direct loans is determined according to an actuarial estimate provided by the Office of the Superintendent of Financial Institutions (Chief Actuary). Based on projected defaulted loans and recovery rates, the Chief Actuary establishes the allowance rates to be applied to the outstanding balances of the portfolio according to the status of the loans. For the year ended March 31, 2022, the bad debt and RAP allowance rates on direct loans were established as follows:

| Status of the loans | Allowance rate as at March 31, 2022 | Allowance rate as at March 31, 2021 |
|---------------------------|--|--|
| Bad debt allowance | | |
| Loans in-study | 6.8% | 7.0% |
| Loans in-repayment | 4.9% | 5.1% |
| Loans in-default | 76.9% | 77.4% |
| RAP allowance | | |
| Loans in-study | 5.2% | 5.5% |
| Loans in-repayment | 1.2% | 1.4% |
| Loans in RAP | 36.0% | 28.8% |

Source: Actuarial Report on the Canada Student Financial Assistance Program, as at July 31, 2021.

The total amount of direct loans issued under the authority of the *Canada Student Financial Assistance Act* and outstanding risk-shared loans bought-back by ESDC may not exceed \$34 billion. The total amount of direct loans and outstanding risk-shared loans as at March 31, 2022 amounted to \$23.6 billion (\$23.4 billion in 2021).

Canada Apprentice Loans

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

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

An allowance is recorded to provide for CAL bad debts and Repayment Assistance Plan (RAP). The allowance is determined according to an actuarial estimate provided by the Chief Actuary. Based on projected defaulted loans and recovery rates, the Chief Actuary establishes the allowance rates to be applied to the outstanding balances of the portfolio according to the status of the loans. For the year ended March 31, 2022, the bad debt and RAP allowance rates on CAL were established as follows:

| Status of the loans | Allowance rate as at March 31, 2022 | Allowance rate as at March 31, 2021 |
|---------------------------|--|--|
| Bad debt allowance | | |
| Loans in-training | 5.4% | 5.6% |
| Loans in-repayment | 3.9% | 4.1% |
| Loans in-default | 76.9% | 77.4% |
| RAP allowance | | |
| Loans in-training | 3.4% | 3.6% |
| Loans in-repayment | 0.8% | 0.9% |
| Loans in RAP | 36.0% | 28.8% |

Source: Actuarial Report on the Canada Apprentice Loan, as at March 31, 2022.

The total amount of CAL issued under the authority of *Apprentice Loans Act* may not exceed \$1.5 billion. The total amount of outstanding apprentice loans as at March 31, 2022 amounted to \$283.8 million (\$280.2 million in 2021).

Interest and repayment terms

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

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

When ESDC no longer has reasonable assurance of recovering the full amount of a loan at the expected date, the loan becomes impaired. Interest revenue is not recorded on impaired loans. Loans that are considered impaired are eventually subject to the write-off process. Subsequent recoveries on these loans are recorded as a reduction of the expense in the consolidated statement of operations and departmental net financial position. For the year ended March 31, 2022, the total bad debt expense on loans receivable amounted to \$272.2 million (\$265.0 million in 2021).

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

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

6. Due to Canada Pension Plan

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

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

| | 2022 | 2021 |
|--|---------------------------|--------------|
| | (in thousands of dollars) | |
| Due to Canada Pension Plan - Beginning of year | 139,334 | 278,626 |
| Receipts and other credits | 97,461,296 | 90,246,355 |
| Payments and other charges | (97,499,364) | (90,385,647) |
| Due to Canada Pension Plan - End of year | 101,266 | 139,334 |

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

7. Accounts payable and accrued liabilities

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

| | 2022 | 2021 |
|---|---------------------------|-----------|
| | (in thousands of dollars) | |
| Accounts payable - Other government departments and agencies | | |
| Income taxes payable to CRA | 4,394 | 10,112 |
| Universal Child Care Benefits payable to CRA | 81,617 | 80,802 |
| Other | 481,779 | 513,778 |
| | 567,790 | 604,692 |
| Accounts payable - External parties | | |
| EI benefits payable to individuals | 852,820 | 1,426,079 |
| OAS and Guaranteed Income Supplement benefits payable to individuals | 34,693 | 34,109 |
| COVID-19 support measures payable to individuals | 512,230 | 4,291,412 |
| Other | 1,738,725 | 410,203 |
| | 3,138,468 | 6,161,803 |
| Accrued liabilities | 221,240 | 204,535 |
| Allowance for alternative payments for non-participating provinces to Canada Student and Apprentice Loans | 669,439 | 523,116 |
| Total accounts payable and accrued liabilities | 4,596,937 | 7,494,146 |

8. Designated Amount Fund - Trust Account

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

| | 2022 | 2021 |
|--|---------------------------|----------|
| | (in thousands of dollars) | |
| Designated Amount Fund - beginning of year | 1,957 | 15,368 |
| Interest credited to the Trust account | 4 | 16 |
| Payments and other charges | (45) | (13,427) |
| Designated Amount Fund - end of year | 1,916 | 1,957 |

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

9. Government Annuities Account

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

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

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

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

| | 2022 | 2021 |
|--|---------------------------|----------|
| | (in thousands of dollars) | |
| Government Annuities Account - beginning of year | 75,755 | 85,407 |
| Receipts and other credits | 4,828 | 5,471 |
| Payments and other charges | (13,688) | (15,123) |
| Government Annuities Account - Subtotal | 66,895 | 75,755 |
| Allowance for pension adjustment - beginning of year | 22,044 | 29,354 |
| Allowance for pension adjustment - for the year | (7,382) | (7,310) |
| Allowance for pension adjustment - end of year | 14,662 | 22,044 |
| Government Annuities Account - end of year | 81,557 | 97,799 |

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

10. Employee future benefits

(a) Pension benefits

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

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

The 2022 expense amounts to \$248.6 million (\$240.4 million in 2021). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2021) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2021) the employee contributions.

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

(b) Severance benefits

Severance benefits provided to ESDC's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2021, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

| | 2022 | 2021 |
|--|---------------------------|---------|
| | (in thousands of dollars) | |
| Accrued benefit obligation - beginning of year | 79,359 | 78,965 |
| Expense for the year | 6,231 | 6,653 |
| Benefits paid during the year | (9,117) | (6,259) |
| Accrued benefit obligation - end of year | 76,473 | 79,359 |

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

11. Tangible capital assets

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

| Class | Cost | | | | | Accumulated amortization | | | | | Net book value | |
|-------------------------------|------------------|----------------|-----------------|--------------------------|------------------|--------------------------|---------------|-----------------|--------------------------|-----------------|----------------|----------------|
| | Opening balance | Acquisitions | Adjustments (1) | Disposals and write-offs | Closing balance | Opening balance | Amortization | Adjustments (1) | Disposals and write-offs | Closing balance | 2022 | 2021 |
| Machinery and equipment | 932 | - | - | (641) | 291 | 833 | 29 | - | (641) | 221 | 70 | 99 |
| Computer hardware | 424 | 390 | - | - | 814 | 161 | 93 | - | - | 254 | 560 | 263 |
| Computer software | 470,658 | - | 220,581 | - | 691,239 | 445,060 | 53,891 | - | - | 498,951 | 192,288 | 25,598 |
| Other equipment and furniture | 2,307 | - | - | (32) | 2,275 | 1,941 | 82 | - | (30) | 1,993 | 282 | 366 |
| Vehicles | 2,778 | 67 | 53 | (463) | 2,435 | 1,837 | 308 | 9 | (464) | 1,690 | 745 | 941 |
| Assets under construction | 293,042 | 170,328 | (279,756) | (250) | 183,364 | - | - | - | - | - | 183,364 | 293,042 |
| Leasehold improvements | 351,054 | - | 59,175 | - | 410,229 | 301,565 | 12,125 | - | - | 313,690 | 96,539 | 49,489 |
| Total | 1,121,195 | 170,785 | 53 | (1,386) | 1,290,647 | 751,397 | 66,528 | 9 | (1,135) | 816,799 | 473,848 | 369,798 |

(1) Adjustments include: assets under construction of \$279.8 million that were transferred to the other categories upon completion of the assets; transfers of tangible capital assets from other government departments with a net book value of \$69,188 (\$117,943 of cost less \$48,755 of accumulated amortization); and transfers of tangible capital assets to other government departments with a net book value of \$24,700 (\$64,463 of cost less \$39,763 of accumulated amortization).

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

12. Departmental net financial position

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

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

| | 2022 | 2021 |
|---|---------------------------|--------------|
| | (in thousands of dollars) | |
| EIO Account - restricted | | |
| Balance - beginning of year - restricted | (7,705,821) | 3,904,527 |
| Revenues | | |
| EI premiums | 24,304,685 | 22,880,905 |
| Penalties and interest on EI receivables | 29,030 | 15,643 |
| | 24,333,715 | 22,896,548 |
| Expenses | | |
| Benefits and support measures | | |
| Unemployment and self-employed benefits | (36,964,549) | (31,538,505) |
| Transfers to provinces and territories related to Labour Market Development Agreements | (2,375,000) | (2,300,000) |
| Support measures | (137,309) | (143,419) |
| EI Emergency Response Benefit | 40,542 | (24,644,279) |
| Benefit repayments from higher income claimants | 513,289 | 269,848 |
| Administration costs | (2,640,234) | (2,547,673) |
| Bad debts | 58,387 | (934,300) |
| | (41,504,874) | (61,838,328) |
| Net EIO Account transactions before government funding | (17,171,159) | (38,941,780) |
| Funding from the Government of Canada - EI Emergency Response Benefit | (94,724) | 27,331,432 |
| Net EIO Account transactions | (17,265,883) | (11,610,348) |
| Balance - end of year - restricted | (24,971,704) | (7,705,821) |
| Unrestricted | 51,786,585 | 31,916,421 |
| Departmental net financial position - end of year | 26,814,881 | 24,210,600 |

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

13. Contractual obligations and contractual rights

(a) Contractual obligations

The nature of ESDC's activities can result in some large multi-year contracts and obligations whereby ESDC will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

| | 2023 | 2024 | 2025 | 2026 | 2027 and thereafter | Total |
|--|---------------------------|------------------|------------------|------------------|---------------------|-------------------|
| | (in thousands of dollars) | | | | | |
| Labour Market Development Agreements including EI administration costs related to LMDA | 2,566,756 | - | - | - | - | 2,566,756 |
| Other transfer payments | 7,126,766 | 6,840,003 | 7,391,965 | 9,132,264 | 33,439 | 30,524,437 |
| Operating and Maintenance | 122,055 | 61,261 | 61,260 | 61,260 | 61,260 | 367,096 |
| Total | 9,815,577 | 6,901,264 | 7,453,225 | 9,193,524 | 94,699 | 33,458,289 |

Labour Market Development Agreements with seven of the provinces and one territory require a two year notice for cancellation of the agreements, other provinces and territories require a one year notice. The obligations for 2024 cannot be reasonably estimated.

(b) Contractual rights

The activities of ESDC sometimes involve the negotiation of contracts or agreements with outside parties that result in the department having rights to both assets and revenues in the future. They principally involve the administration of services on behalf of other government departments and other organizations. Major contractual rights that will generate revenues in future years and that can reasonably be estimated are summarized as follows:

| | 2023 | 2024 | 2025 | 2026 | 2027 and thereafter | Total |
|--------------------------------------|---------------------------|----------|----------|----------|---------------------|----------------|
| | (in thousands of dollars) | | | | | |
| Recovery of CPP administration costs | 464,075 | - | - | - | - | 464,075 |
| Other revenues | 274,306 | - | - | - | - | 274,306 |
| Total | 738,381 | - | - | - | - | 738,381 |

14. Contingent liabilities

Claims, litigations and grievances have been made against ESDC in the normal course of operations. These claims include items with pleading amounts and other for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. ESDC records an allowance for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$3.6 million (\$3.6 million in 2021) at March 31, 2022.

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

15. Related party transactions

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

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

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

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

| | 2022 | 2021 |
|--|---------------------------|--------|
| | (in thousands of dollars) | |
| Employers' contribution to the health and dental insurance plans | 73,588 | 72,702 |
| Legal services | 4,561 | 4,526 |
| Total | 78,149 | 77,228 |

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

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

During the year, ESDC provided services without charge to other government departments, related to the provision of workers' compensation services, amounted to \$19.0 million in 2022 (\$21.0 million in 2021).

(c) Other transactions with related parties

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

| | 2022 | 2021 |
|--|---------------------------|-----------|
| | (in thousands of dollars) | |
| Expenses - Other government departments, agencies and Crown corporations | 1,415,185 | 1,178,011 |
| Revenues - Other government departments, agencies and Crown corporations | 265,137 | 211,200 |

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

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

16. Transfers from/to other government departments

Effective October 26, 2021, ESDC transferred responsibility for the Homelessness Policy Directorate to the Office of Infrastructure of Canada (Infrastructure Canada) in accordance with Order-in-Council 2021-0952, including the stewardship responsibility for the assets and liabilities related to the program. Accordingly, ESDC transferred the following liabilities related to the Homelessness Policy Directorate to Infrastructure Canada on October 26, 2021:

| (in thousands of dollars) | 2022 |
|---|-------------|
| Liabilities: | |
| Salaries and benefits payable | (55) |
| Adjustment to the departmental net financial position | (55) |

In addition, the 2021 comparative figures have been reclassified on the Consolidated Statement of Operations and Departmental Financial Position to present the expenses of the transferred operations.

During the transition period, ESDC continued to administer the transferred activities on behalf of Infrastructure Canada. The administered expenses amounted to \$218 million for the year. These expenses are not recorded in these financial statements.

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

17. Segmented information

Presentation by segment is based on ESDC's core responsibilities. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the core responsibilities, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

| (in thousands of dollars) | Pensions and Benefits | Learning, Skills Development and Employment | Internal Services | Social Development | Information Delivery and Services for Other Departments | Working Conditions and Workplace Relations | 2022 Total | 2021 Total |
|---|-----------------------|---|-------------------|--------------------|---|--|--------------------|--------------------|
| Benefits and transfer payments | | | | | | | | |
| Individuals | 63,121,085 | 20,294,037 | - | 29,891 | - | (199) | 83,444,814 | 125,557,120 |
| El benefits and support measures | - | 38,923,027 | - | - | - | - | 38,923,027 | 58,356,355 |
| Other | - | 3,934,615 | - | 4,066,420 | - | 12,083 | 8,013,118 | 5,733,865 |
| Total benefits and transfer payments | 63,121,085 | 63,151,679 | - | 4,096,311 | - | 11,884 | 130,380,959 | 189,647,340 |
| Operating expenses | | | | | | | | |
| Salaries and benefits | 637,421 | 1,458,980 | 612,456 | 53,014 | 193,301 | 113,583 | 3,068,755 | 2,867,708 |
| Professional and special services | 48,758 | 384,244 | 392,401 | 8,865 | 54,486 | 9,786 | 898,540 | 816,601 |
| Administration costs charged by CRA | - | 732,896 | - | - | - | - | 732,896 | 473,071 |
| Bad debts | (280) | 580,758 | 3,527 | 1,187 | - | 26,657 | 611,849 | 1,490,837 |
| Accommodation and rentals | 201 | 7,554 | 268,003 | 60 | 15,734 | 207 | 291,759 | 254,331 |
| Transportation and communications | 21,190 | 20,625 | 30,064 | 74 | 2,679 | 608 | 75,240 | 69,669 |
| Machinery and equipment | 928 | 3,364 | 60,638 | 12 | 1,725 | 64 | 66,731 | 63,023 |
| Amortization | 30,633 | 6,239 | 24,556 | 587 | 479 | 4,034 | 66,528 | 37,282 |
| Other | 51,845 | 67,596 | (114,274) | 82 | 7,436 | 1,152 | 13,837 | 25,497 |
| Expenses incurred on behalf of Government | - | (16,600) | - | - | - | - | (16,600) | (20,478) |
| Total operating expenses | 790,696 | 3,245,656 | 1,277,371 | 63,881 | 275,840 | 156,091 | 5,809,535 | 6,077,541 |
| Total expenses | 63,911,781 | 66,397,335 | 1,277,371 | 4,160,192 | 275,840 | 167,975 | 136,190,494 | 195,724,881 |
| Revenues | | | | | | | | |
| Employment Insurance (note 12) | - | 24,333,715 | - | - | - | - | 24,333,715 | 22,896,548 |
| Recovery of CPP administration costs | 377,746 | - | 161,957 | - | - | - | 539,703 | 523,461 |
| Recovery of OGD service delivery costs | - | - | 28,455 | - | 233,314 | - | 261,769 | 208,536 |
| User fees | - | 80,629 | - | - | - | - | 80,629 | 47,174 |
| Interest on loans receivable | - | 10,769 | - | - | - | - | 10,769 | 170,618 |
| Other | 19 | 20,402 | 890 | 22 | 172 | 3,850 | 25,355 | 10,936 |
| Revenues earned on behalf of Government | (40,236) | (106,510) | (37,700) | (22) | (233,486) | (3,190) | (421,144) | (484,583) |
| Total revenues | 337,529 | 24,339,005 | 153,602 | - | - | 660 | 24,830,796 | 23,372,690 |
| Net cost from continuing operations | 63,574,252 | 42,058,330 | 1,123,769 | 4,160,192 | 275,840 | 167,315 | 111,359,698 | 172,352,191 |

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

18. Comparative information

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

Employment and Social Development Canada

Annex to the

**Statement of Management Responsibility Including
Internal Control Over Financial Reporting
for the fiscal year ended March 31, 2022**

1 Introduction

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

Detailed information on ESDC's authority, mandate and program activities can be found in the [Departmental Plan](#) and [Departmental Results Report](#).

2 Departmental system of internal control over financial reporting

2.1 Internal Control Management

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

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

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

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

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

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

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

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

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

2.2 Service arrangements relevant to financial statements

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

Common Arrangements:

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

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

Specific Arrangements:

- ESDC, through the Service Canada (SC) initiative, acts as a focal point for government access to Canadians. As a result, ESDC has entered into several agreements with many federal - government departments designed to provide Canadians with better access to programs and services;
- A private service provider, pursuant to a contract with the Canada Student Financial Assistance Program, administers the delivery of the Direct loans issued under the Canada Student Financial Assistance Program. As a result, reliance is placed on the control procedures of the external service provider and the annual audit on financial information and internal controls performed by an external audit firm;
- The Canada Revenue Agency (CRA) provides full collection services to ESDC for the recovery of its Accounts Receivable. Although CRA uses ESDC's departmental accounts receivable systems (DARS), reliance is placed on the control procedures at CRA for the collection services and CRA's reporting capacity;
- The CRA administers a number of activities for the Canada Pension Plan (CPP), Old Age Security (OAS) and the Employment Insurance (EI) Operating Account; and
- In 2021-2022, the CRA also administered the Canada Emergency Recovery Benefit (CERB), Canada Emergency Student Benefit (CESB), Canada Recovery Benefit (CRB), Canada Recovery Caregiver Benefit (CRCB), Canada Recovery Sickness Benefit (CRSB) and Canada Worker Lockdown Benefit (CWLB)

3 Departmental assessment results during fiscal year 2021-2022

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

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

| Previous year's rotational ongoing monitoring plan for current year | Status |
|---|---|
| IT General Controls | Completed as planned; remedial actions started |
| Canada Student Financial Assistance Program ¹ | Completed as planned; no remedial action required |
| Employment Insurance | Completed as planned; no remedial action required |
| Grants and Contributions | Completed as planned; remedial actions started |

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

IT General Controls (ITGC)

A new risk based multi-year plan was developed to assess the ITGC, which covers SAP and fourteen (14) feeder systems over a period of five years.

¹ In 2021-22 the program changed its name from *Canada Student Loans* to *Canada Student Financial Assistance*

As a result of the year-one ongoing monitoring assessment, some key recommendations are noted in two of the four main control pillars evaluated: access to programs and data and change management.

Management responses and action plans (MRAPs) have been prepared by the process owners with a view to strengthen control and progress against these plans will be tracked during 2022-2023 as part of the year two ongoing monitoring of ITGCs.

Canada Student Financial Assistance Program,

The key controls that were tested performed as intended, and no significant deficiencies were found.

Employment Insurance

The key controls that were tested performed as intended, and no significant deficiencies were found.

Grants and Contributions

Some key recommendations included but were not limited to:

- Strengthen segregation of duties between the review and approval of an Apprenticeship Grant application;
- Reinforce document retention supporting the review on eligibility requirements for grants and contributions;
- Reinforce document retention supporting the documentation in the Common System for Grants and Contributions, for the eligibility and validity of Transfer Payments; and
- Ensure proposals and agreements are approved by the appropriately delegated authority.

MRAPs have been prepared by the process owners with a view to strengthen control and progress against these plans will be tracked during 2022-2023.

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

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

| Rotational Ongoing Risk-Based Monitoring Plan | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| Key Control Areas | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 | 2026-2027 |
| Entity Level Controls | | | X | | |
| IT General Computer Controls ² | X | X | X | X | X |
| Procure to Payment | | X | | | X |
| Canada Student Financial Assistance Program | | | X | | |
| Employment Insurance | | X | | X | |
| Grants & Contributions | | | X | | |
| Financial Close & Reporting | X | | | X | |
| Old Age Security | X | | | | X |
| Pay Administration | | X | | X | |
| Planning & Budgeting | | X | | | X |
| Revenue, Receivables and Receipts | X | | | X | |

² A portion of IT General Controls will be monitored annually, based on risk. Over a five year cycle, all in scope IT systems will be revisited.