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Employment and Social  
Development Canada

Emploi et Développement  
social Canada

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## **Employment and Social Development Canada**

**Consolidated Financial Statements (*Unaudited*)  
for the year ended March 31, 2023**

**Consolidated Financial Statements (Unaudited) for the year ended March 31, 2023.**

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.

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# Employment and Social Development Canada

## Statement of Management Responsibility Including Internal Control Over Financial Reporting

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Responsibility for the integrity and objectivity of the accompanying consolidated financial statements for the year ended March 31, 2023, and all information contained in these consolidated financial 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, 2023 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.

The consolidated financial statements of ESDC have not been audited.

Original signed by

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

Gatineau, Canada  
August 28, 2023

Original signed by

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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**

	2023	2022
	(in thousands of dollars)	
<b>Financial assets</b>		
Accounts receivable and advances (note 4)	13,348,916	12,025,347
Loans receivable (note 5)	19,666,293	19,149,205
<b>Total gross financial assets</b>	<b>33,015,209</b>	<b>31,174,552</b>
<b>Financial assets held on behalf of Government</b>		
Loans receivable (note 5)	(106,055)	(96,026)
<b>Total net financial assets</b>	<b>32,909,154</b>	<b>31,078,526</b>
<b>Liabilities</b>		
Due to (from) Consolidated Revenue Fund	695,546	(266,851)
Due to Canada Pension Plan (note 6)	305,726	101,266
Accounts payable and accrued liabilities (note 7)	3,261,269	4,596,937
Vacation pay and compensatory leave	153,627	166,578
Designated Amount Fund - Trust Account (note 8)	1,917	1,916
Government Annuities Account (note 9)	68,021	81,557
Employee future benefits (note 10)	69,345	76,473
<b>Total net liabilities</b>	<b>4,555,451</b>	<b>4,757,876</b>
<b>Departmental net financial asset</b>	<b>28,353,703</b>	<b>26,320,650</b>
<b>Non-financial assets</b>		
Prepaid expenses	17,587	20,383
Tangible capital assets (note 11)	567,553	473,848
<b>Total non-financial assets</b>	<b>585,140</b>	<b>494,231</b>
<b>Departmental net financial position (note 12)</b>	<b>28,938,843</b>	<b>26,814,881</b>

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  
 Chief Financial Officer  
 Employment and Social Development Canada

Gatineau, Canada  
 August 28, 2023

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**

	2023 Planned Results	2023 Actual	2022 Actual
(in thousands of dollars)			
<b>Expenses</b>			
Pensions and Benefits	70,511,493	<b>71,626,375</b>	63,911,781
Learning, Skills Development and Employment	37,096,889	<b>30,551,593</b>	66,413,935
Social Development	6,149,549	<b>6,529,336</b>	4,160,192
Internal Services	1,099,145	<b>1,313,930</b>	1,277,371
Information Delivery and Services for Other Departments	278,738	<b>457,741</b>	275,840
Working Conditions and Workplace Relations	148,355	<b>163,668</b>	167,975
Expenses incurred on behalf of the Government	(3,837)	<b>29,926</b>	(16,600)
<b>Total expenses</b>	115,280,332	<b>110,672,569</b>	136,190,494
<b>Revenues</b>			
Employment Insurance (note 12)	24,788,700	<b>27,472,940</b>	24,333,715
Recovery of CPP administration costs	516,306	<b>532,906</b>	539,703
Recovery of Other Government Department service delivery costs	217,024	<b>480,226</b>	261,769
User fees	-	<b>138,262</b>	80,629
Other	59,333	<b>22,274</b>	25,355
Interest on loans receivable	8,613	<b>13,996</b>	10,769
Revenues earned on behalf of Government	(107,922)	<b>(697,133)</b>	(421,144)
<b>Total revenues</b>	25,482,054	<b>27,963,471</b>	24,830,796
<b>Net cost from continuing operations</b>	89,798,278	<b>82,709,098</b>	111,359,698
<b>Transferred operations</b>			
Expenses		-	306,309
<b>Net cost of transferred operations</b>		-	306,309
<b>Net cost of operations before government funding and transfers</b>	89,798,278	<b>82,709,098</b>	111,666,007
<b>Government funding and transfers</b>			
Net cash provided by Government of Canada		<b>85,711,658</b>	116,913,365
Change in due to the Consolidated Revenue Fund		<b>(962,397)</b>	(2,897,971)
Services provided without charge		<b>84,277</b>	78,149
by other government departments (note 15)			
Transfer of the transition payments for implementing salary payments in arrears		-	(3)
Other transfers of assets (to) from other government departments		<b>(478)</b>	176,693
Transfer of liabilities to other government departments		-	55
<b>Net revenue of operations after government funding and transfers</b>		<b>2,123,962</b>	2,604,281
<b>Departmental net financial position - beginning of year</b>		<b>26,814,881</b>	24,210,600
<b>Departmental net financial position - end of year</b>		<b>28,938,843</b>	26,814,881

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**

	<b>2023</b>	2022
	(in thousands of dollars)	
<b>Net revenue of operations after government funding and transfers</b>	<b>2,123,962</b>	2,604,281
<b>Change due to tangible capital assets</b>		
Acquisition of tangible capital assets (note 11)	<b>(165,504)</b>	(170,785)
Amortization of tangible capital assets (note 11)	<b>71,556</b>	66,528
Proceeds from disposal of tangible capital assets	<b>40</b>	173
Net loss on disposal of tangible capital assets	<b>203</b>	78
Transfer from other government departments	<b>-</b>	(44)
<b>Total change due to tangible capital assets</b>	<b>(93,705)</b>	(104,050)
<b>Change due to prepaid expenses</b>	<b>2,796</b>	11,777
<b>Net increase in departmental net financial assets</b>	<b>2,033,053</b>	2,512,008
<b>Departmental net financial assets - beginning of year</b>	<b>26,320,650</b>	23,808,642
<b>Departmental net financial assets - end of year</b>	<b>28,353,703</b>	26,320,650

*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**

	2023	2022
	(in thousands of dollars)	
<b>Operating activities</b>		
Net cost of operations before government funding and transfers	<b>82,709,098</b>	111,666,007
Non-cash items:		
Amortization of tangible capital assets (note 11)	<b>(71,556)</b>	(66,528)
Loss on disposal of tangible capital assets	<b>(203)</b>	(78)
Services provided without charge by other government departments (note 15)	<b>(84,277)</b>	(78,149)
Transition payments for implementing salary payments in arrears	-	3
Transfer of net financial assets and liabilities to or from other government departments	<b>478</b>	(176,649)
Variations in Consolidated Statement of Financial Position		
Increase in accounts receivable and advances	<b>1,323,569</b>	2,353,821
Increase in loans receivable	<b>507,059</b>	117,712
Decrease in prepaid expenses	<b>(2,796)</b>	(11,777)
Decrease (increase) in due to Canada Pension Plan	<b>(204,460)</b>	38,068
Decrease in accounts payable and accrued liabilities	<b>1,335,668</b>	2,897,209
Decrease (increase) in vacation pay and compensatory leave	<b>12,951</b>	(16,000)
Decrease (increase) in the Designated Amount Fund - Trust Account	<b>(1)</b>	41
Decrease in Government Annuities Account	<b>13,536</b>	16,242
Decrease in employee future benefits	<b>7,128</b>	2,886
Transfer of liabilities to other government departments	-	(55)
<b>Cash used in operating activities</b>	<b>85,546,194</b>	116,742,753
<b>Capital investing activities</b>		
Acquisitions of tangible capital assets (note 11)	<b>165,504</b>	170,785
Proceeds from disposal of tangible capital assets	<b>(40)</b>	(173)
<b>Cash used in capital investing activities</b>	<b>165,464</b>	170,612
<b>Net cash provided by Government of Canada</b>	<b>85,711,658</b>	116,913,365

*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

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#### 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

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## 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 2022-2023 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 2022-2023 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 from or to the CRF

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that 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

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#### (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-respendable 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-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of ESDC'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 consolidated 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.

# Employment and Social Development Canada

## Notes to the Consolidated Financial Statements (*Unaudited*)

### For the year ended March 31

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#### **(h) Financial instruments**

A contract establishing a financial instrument creates, at its inception, rights, and obligations to receive or deliver economic benefits. The financial assets and financial liabilities portray these rights and obligations in the consolidated financial statements. ESDC recognizes a financial instrument when it becomes a party to a financial instrument contract.

Financial instruments consist of accounts and loans receivable, and accounts payable and accrued liabilities.

All financial assets and liabilities are recorded at cost or amortized cost. Any associated transaction costs are added to the carrying value upon initial recognition.

For financial instruments measured at amortized cost, the effective interest method is used to determine interest revenue or expense.

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

#### **(i) Contingent liabilities**

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

#### **(j) Contingent assets**

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

#### **(k) 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, museum collections, and immovable assets located on reserves as defined in the *Indian Act*.

#### **(l) 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

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#### **(m) Measurement uncertainty**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities, revenues and expenses reported in the consolidated financial statements and accompanying notes at March 31. 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**

	2023	2022
	(in thousands of dollars)	
<b>Net cost of operations before government funding and transfers</b>	<b>82,709,098</b>	111,666,007
Adjustments for items affecting net cost of operations but not affecting authorities:		
Bad debt expense (excluding EI)	<b>(1,037,726)</b>	(484,864)
Amortization of tangible capital assets (note 11)	<b>(71,556)</b>	(66,528)
Services provided without charge by other government departments (note 15)	<b>(84,277)</b>	(78,149)
Decrease in employee future benefits	<b>7,128</b>	2,886
Decrease (increase) in vacation and compensatory leave	<b>12,951</b>	(16,000)
Refund of programs and prior years' expenditures	<b>3,845,525</b>	1,983,268
Loss on disposal of tangible capital assets	<b>(203)</b>	(78)
Allowance expense for the Repayment Assistance Plan of Canada Student Loans and Canada Apprentice Loans	<b>(401,025)</b>	(148,342)
Net EIO Account transactions (note 12)	<b>2,794,719</b>	(17,265,883)
Decrease (increase) in accounts payable and accrued liabilities not charged to authorities	<b>44,662</b>	(140,200)
Other adjustments	<b>(1,907)</b>	(1,950)
<b>Total items affecting net cost of operations but not affecting authorities</b>	<b>5,108,291</b>	(16,215,840)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Net Canada Student Loans disbursed	<b>355,087</b>	232,762
Net Canada Apprentice Loans disbursed	<b>6,788</b>	3,575
Acquisition of tangible capital assets (note 11)	<b>165,504</b>	170,785
Canada Student Loans and Canada Apprentice Loans forgiveness	<b>159,552</b>	160,837
Transition payments for implementing salary payments in arrears	<b>-</b>	3
Decrease in prepaid expenses	<b>(2,796)</b>	(11,777)
Other adjustments	<b>12,588</b>	15,060
<b>Total items not affecting net cost of operations but affecting authorities</b>	<b>696,723</b>	571,245
<b>Current year authorities used</b>	<b>88,514,112</b>	96,021,412

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

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**(b) Authorities provided and used**

	<b>2023</b>	2022
	(in thousands of dollars)	
Authorities provided:		
Vote 1 - Operating expenditures	<b>1,466,723</b>	1,357,634
Vote 5 - Grants and contributions	<b>10,680,436</b>	6,273,678
Debt write-offs	<b>227,472</b>	170,358
Statutory amounts	<b>76,852,221</b>	89,827,598
Less:		
Authorities available for future years	<b>(971)</b>	(1,075)
Lapsed authorities:		
Operating expenditures	<b>(104,291)</b>	(125,025)
Grants and contributions	<b>(600,569)</b>	(1,480,082)
Debt write-offs	<b>(6,909)</b>	(1,585)
Statutory amounts	-	(89)
<b>Current year authorities used</b>	<b>88,514,112</b>	96,021,412

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

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**4. Accounts receivable and advances**

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

	<b>2023</b>	2022
	(in thousands of dollars)	
Receivables - Other government departments and agencies		
EI premiums receivable from CRA	<b>2,952,231</b>	1,975,369
EI and OAS benefit repayments receivable from CRA	<b>3,107,335</b>	3,312,026
COVID-19 support measures receivable from CRA	<b>1,639,991</b>	1,790,755
Other	<b>87,037</b>	76,011
	<b>7,786,594</b>	7,154,161
Receivables and advances - External parties		
EI and OAS overpayments and penalties to be recovered	<b>1,477,722</b>	1,473,267
COVID-19 support measures overpayments and penalties to be recovered	<b>6,693,539</b>	4,990,859
Other	<b>659,642</b>	667,442
Allowance for doubtful accounts on receivables from external parties	<b>(3,268,581)</b>	(2,260,382)
	<b>5,562,322</b>	4,871,186
<b>Net accounts receivable and advances</b>	<b>13,348,916</b>	12,025,347

**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 (in thousands of dollars)	<b>2023 Total</b>	2022 Total
<b>Loans receivable</b>				
Gross loans - beginning of year	23,696,200	283,807	<b>23,980,007</b>	23,753,079
New loans and repurchases	3,148,827	38,235	<b>3,187,062</b>	3,205,965
Reimbursements	(2,417,664)	(31,123)	<b>(2,448,787)</b>	(2,633,900)
Loan write-offs and forgiveness	(384,500)	(324)	<b>(384,824)</b>	(345,137)
Gross loans - end of year	24,042,863	290,595	<b>24,333,458</b>	23,980,007
Unamortized discount	(22,842)	-	<b>(22,842)</b>	(28,237)
Allowance for bad debts	(4,702,112)	(37,592)	<b>(4,739,704)</b>	(4,891,094)
Net loans	19,317,909	253,003	<b>19,570,912</b>	19,060,676
<b>Accrued interest</b>				
Gross accrued interest - beginning of year	353,962	1,175	<b>355,137</b>	423,662
New interest	10,917	(5)	<b>10,912</b>	7,668
Reimbursements	(30,675)	(228)	<b>(30,903)</b>	(33,067)
Interest write-offs and forgiveness	(50,802)	(4)	<b>(50,806)</b>	(43,126)
Gross accrued interest - end of year	283,402	938	<b>284,340</b>	355,137
Unamortized discount	(7,441)	-	<b>(7,441)</b>	(10,363)
Allowance for bad debts	(181,232)	(286)	<b>(181,518)</b>	(256,245)
Net accrued interest	94,729	652	<b>95,381</b>	88,529
<b>Total net loans and net accrued interest</b>	19,412,638	253,655	<b>19,666,293</b>	19,149,205
Loans and accrued interest held on behalf of Government	(105,403)	(652)	<b>(106,055)</b>	(96,026)
<b>Total Loans receivable</b>	19,307,235	253,003	<b>19,560,238</b>	19,053,179



## Employment and Social Development Canada

### Notes to the Consolidated Financial Statements (*Unaudited*)

#### For the year ended March 31

The following table provides an aging analysis of loans receivable and the associated valuation allowances used to reflect their net recoverable value:

	Student Loans	Apprentice Loans (in thousands of dollars)	<b>2023 Total</b>	2022 Total
<b>Loans receivable</b>				
Not past due	20,686,801	251,858	<b>20,938,659</b>	20,735,887
Number of days past due				
1 to 90	716,765	9,409	<b>726,174</b>	639,010
91 to 365	124,592	2,402	<b>126,994</b>	124,163
Impaired	2,491,863	26,926	<b>2,518,789</b>	2,452,710
Sub-total	24,020,021	290,595	<b>24,310,616</b>	23,951,770
Less: Allowance	(4,702,112)	(37,592)	<b>(4,739,704)</b>	(4,891,094)
Net loans	19,317,909	253,003	<b>19,570,912</b>	19,060,676

### 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 Official Languages 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.

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, 2023 amounted to \$24.0 billion (\$23.6 billion in 2022).

# Employment and Social Development Canada

## Notes to the Consolidated Financial Statements (*Unaudited*)

### For the year ended March 31

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#### 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 Official Languages is authorized to enter into a loan agreement directly with any eligible apprentice.

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.

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, 2023 amounted to \$290.6 million (\$283.8 million in 2022).

#### 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. Interest was paused on loans from April 1, 2021 through March 31, 2023. Loans will be made permanently interest-free starting April 1, 2023.

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.

## 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.

	2023	2022
	(in thousands of dollars)	
Due to Canada Pension Plan - Beginning of year	101,266	139,334
Receipts and other credits	114,960,098	97,461,296
Payments and other charges	(114,755,638)	(97,499,364)
Due to Canada Pension Plan - End of year	305,726	101,266

#### 7. Accounts payable and accrued liabilities

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

	2023	2022
	(in thousands of dollars)	
Accounts payable - Other government departments and agencies		
Income taxes payable to CRA	5,929	4,394
Universal Child Care Benefits payable to CRA	77,759	81,617
Other	642,174	481,779
	725,862	567,790
Accounts payable - External parties		
EI benefits payable to individuals	767,355	852,820
OAS and Guaranteed Income Supplement benefits payable to individuals	78,067	34,693
COVID-19 support measures payable to individuals	34,489	512,230
Other	781,969	1,738,725
	1,661,880	3,138,468
Accrued liabilities	257,273	221,240
Allowance for alternative payments for non-participating provinces to Canada Student and Apprentice Loans	616,254	669,439
<b>Total accounts payable and accrued liabilities</b>	<b>3,261,269</b>	<b>4,596,937</b>

# Employment and Social Development Canada

## Notes to the Consolidated Financial Statements (*Unaudited*)

### For the year ended March 31

#### 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 Official Languages and the Minister of Crown-Indigenous Relations.

	2023	2022
	(in thousands of dollars)	
Designated Amount Fund - beginning of year	1,916	1,957
Interest credited to the Trust account	106	4
Payments and other charges	(105)	(45)
Designated Amount Fund - end of year	1,917	1,916

#### 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.

	2023	2022
	(in thousands of dollars)	
Government Annuities Account - beginning of year	66,895	75,755
Receipts and other credits	4,265	4,828
Payments and other charges	(12,293)	(13,688)
Government Annuities Account - Subtotal	58,867	66,895
Allowance for pension adjustment - beginning of year	14,662	22,044
Allowance for pension adjustment - for the year	(5,508)	(7,382)
Allowance for pension adjustment - end of year	9,154	14,662
Government Annuities Account - end of year	68,021	81,557

# Employment and Social Development Canada

## Notes to the Consolidated Financial Statements (*Unaudited*)

### For the year ended March 31

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#### 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 2023 expense amounts to \$276.2 million (\$248.6 million in 2022). For Group 1 members, the expense represents approximately 1.02 times (1.01 times in 2022) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2022) 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, 2023, 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:

	<b>2023</b>	2022
	(in thousands of dollars)	
Accrued benefit obligation - beginning of year	<b>76,473</b>	79,359
Expense for the year	<b>(1,652)</b>	6,231
Benefits paid during the year	<b>(5,476)</b>	(9,117)
Accrued benefit obligation - end of year	<b>69,345</b>	76,473

# Employment and Social Development Canada

## Notes to the Consolidated Financial Statements (*Unaudited*)

### For the year ended March 31

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#### 11. Tangible capital assets

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

<b>Asset Class</b>	<b>Amortization period</b>
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 asset class in the year they are put into service and are not amortized until they are put into service.

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

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	2023	2022	
Machinery and equipment	291	-	-	(26)	265	221	25	-	(26)	220	45	70	
Computer hardware	814	31	-	-	845	254	152	-	-	406	439	560	
Computer software	691,239	-	23,130	(16,750)	697,619	498,951	56,894	-	(16,750)	539,095	158,524	192,288	
Other equipment and furniture	2,275	-	-	(32)	2,243	1,993	82	-	(12)	2,063	180	282	
Vehicles	2,435	46	-	(67)	2,414	1,690	267	-	(67)	1,890	524	745	
Assets under construction	183,364	165,427	(69,653)	-	279,138	-	-	-	-	-	279,138	183,364	
Leasehold improvements	410,229	-	46,523	(29,529)	427,223	313,690	14,136	-	(29,306)	298,520	128,703	96,539	
<b>Total</b>	<b>1,290,647</b>	<b>165,504</b>	<b>-</b>	<b>(46,404)</b>	<b>1,409,747</b>	<b>816,799</b>	<b>71,556</b>	<b>-</b>	<b>(46,161)</b>	<b>842,194</b>	<b>567,553</b>	<b>473,848</b>	

(1) Adjustments include: assets under construction of \$69.7 million that were transferred to the other categories upon completion of the assets.

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

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**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.

	2023	2022
	(in thousands of dollars)	
<b>EIO Account - restricted</b>		
<b>Balance - beginning of year - restricted</b>	<b>(24,971,704)</b>	(7,705,821)
Revenues		
Premiums	<b>27,422,130</b>	24,304,685
Penalties and interest	<b>50,810</b>	29,030
	<b>27,472,940</b>	24,333,715
Expenses		
Benefits and support measures		
Unemployment and self-employment benefits	<b>(19,677,774)</b>	(36,964,549)
Transfers to provinces and territories related to Labour Market Development Agreements	<b>(2,344,229)</b>	(2,375,000)
Support measures	<b>(145,542)</b>	(137,309)
EI Emergency Response Benefit	<b>69,530</b>	40,542
Benefit repayments from higher income claimants	<b>262,572</b>	513,289
Administration costs	<b>(2,709,913)</b>	(2,640,234)
Bad debts	<b>350,485</b>	58,387
	<b>(24,194,871)</b>	(41,504,874)
Net EIO Account transactions before government funding	<b>3,278,069</b>	(17,171,159)
Funding from the Government of Canada - EI Emergency Response Benefit	<b>(483,350)</b>	(94,724)
Net EIO Account transactions	<b>2,794,719</b>	(17,265,883)
<b>Balance - end of year - restricted</b>	<b>(22,176,985)</b>	(24,971,704)
Unrestricted	<b>51,115,828</b>	51,786,585
<b>Departmental net financial position - end of year</b>	<b>28,938,843</b>	26,814,881



**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 may 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:

	2024	2025	2026	2027	2028 and thereafter	Total
	(in thousands of dollars)					
Labour Market Development						
Agreements including EI administration costs related to LMDA	2,141,756	-	-	-	-	2,141,756
Other transfer payments	8,709,183	8,401,396	8,983,662	1,202,970	2,179,115	29,476,326
Operating and Maintenance	261,594	65,879	65,879	65,879	-	459,231
<b>Total</b>	<b>11,112,533</b>	<b>8,467,275</b>	<b>9,049,541</b>	<b>1,268,849</b>	<b>2,179,115</b>	<b>32,077,313</b>

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 2025 cannot be reasonably estimated.

**(b) Contractual rights**

The activities of ESDC sometimes involve the negotiation of contracts or agreements with outside and related 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:

	2024	2025	2026	2027	2028 and thereafter	Total
	(in thousands of dollars)					
External parties						
Recovery of CPP administration costs	501,334	-	-	-	-	501,334
Related parties						
Other revenues	311,597	-	-	-	-	311,597
<b>Total</b>	<b>812,931</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>812,931</b>

# Employment and Social Development Canada

## Notes to the Consolidated Financial Statements (*Unaudited*)

### For the year ended March 31

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#### **14. Contingent liabilities and contingent assets**

##### **a) 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 \$5.2 million (\$3.6 million in 2022) at March 31, 2023.

##### **b) Contingent assets**

Under the Social Finance Fund (SFF), there are currently 3 conditionally repayable contribution agreements with potential repayments due no later than March 31, 2039. As these are conditionally repayable contributions, the amounts that may become repayable cannot be currently estimated as contribution agreements are subject to specific program requirements. Thus, to forecast a specific amount repayable is not possible due to the varying factors facing each recipient as it relates to their economic and production performances.

# Employment and Social Development Canada

## Notes to the Consolidated Financial Statements (*Unaudited*)

### For the year ended March 31

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#### 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 at the carrying value in ESDC's Consolidated Statement of Operations and Departmental Net Financial Position as follows:

	2023	2022
	(in thousands of dollars)	
Employers' contribution to the health and dental insurance plans	79,608	73,588
Legal services	4,669	4,561
<b>Total</b>	<b>84,277</b>	<b>78,149</b>

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 \$18.1 million in 2023 (\$19.0 million in 2022).

##### (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:

	2023	2022
	(in thousands of dollars)	
Expenses - Other government departments, agencies and Crown corporations	1,276,618	1,415,185
Revenues - Other government departments, agencies and Crown corporations	483,619	265,137

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

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#### 16. Risk management

ESDC has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

##### (a) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss.

ESDC's maximum exposure to credit risk at March 31, 2022 and March 31, 2023 is the carrying amount of its financial assets.

ESDC has determined that there is no significant concentration of credit risk related to accounts receivable and advances from external parties and loans receivable. An analysis of the age of the loans receivable and the associated valuation allowances used to reflect these accounts at their net recoverable value is disclosed in note 5.

##### (b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

###### i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates.

ESDC has determined that there is no significant concentration of currency risk related to foreign denominated financial instruments.

###### ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. ESDC's loans receivable bear variable and fixed interest rates. Although the fair value of these financial instruments will be affected by changes in market interest rates, there is no impact on these consolidated financial statements as these items are measured at cost or amortized cost.

##### (c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities.

As the funding for ESDC's financial liabilities is drawn from the Consolidated Revenue Fund, its exposure to liquidity risk is fully mitigated.

## 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	Social Development	Internal Services	Information Delivery and Services for Other Departments	Working Conditions and Workplace Relations	2023 Total	2022 Total
<b>Benefits and transfer payments</b>								
Individuals	70,768,285	1,528,519	4,327	-	-	384	72,301,515	83,444,814
EI benefits and support measures	-	21,835,443	-	-	-	-	21,835,443	38,923,027
Other	-	3,790,848	6,373,076	(183)	(183)	11,233	10,174,974	8,013,118
<b>Operating expenses</b>	70,768,285	27,154,810	6,377,403	-	(183)	11,617	104,311,932	130,380,959
Salaries and benefits	625,396	1,579,365	70,917	686,880	357,594	123,191	3,443,343	3,068,755
Professional and special services	68,766	384,379	12,382	419,506	50,162	834	936,029	898,540
Administration costs charged by CRA	-	546,860	-	-	-	-	546,860	732,896
Bad debts	38,085	756,621	66,907	(4,002)	-	20,267	877,878	611,849
Accommodation and rentals	29	2,401	188	256,943	30,723	501	290,785	291,759
Transportation and communications	21,567	26,032	417	27,416	4,723	1,716	81,871	75,240
Amortization	32,894	8,985	995	23,654	548	4,480	71,556	66,528
Other	70,670	90,274	105	(130,040)	12,485	1,009	44,503	13,837
Machinery and equipment	683	1,866	22	33,573	1,689	53	37,886	66,731
Expenses incurred on behalf of Government	-	29,926	-	-	-	-	29,926	(16,600)
<b>Total operating expenses</b>	858,090	3,426,709	151,933	1,313,930	457,924	152,051	6,360,637	5,809,535
<b>Revenues</b>	71,626,375	30,581,519	6,529,336	1,313,930	457,741	163,668	110,672,569	136,190,494
Employment Insurance (note 12)	-	27,472,940	-	-	-	-	27,472,940	24,333,715
Recovery of CPP administration costs	365,612	-	-	167,294	-	-	532,906	539,703
Recovery of OGD service delivery costs	-	-	-	53,217	427,009	-	480,226	261,769
User fees	-	138,262	-	-	-	-	138,262	80,629
Other	8	17,211	1	881	351	3,822	22,274	25,355
Interest on loans receivable	-	13,996	-	-	-	-	13,996	10,769
Revenues earned on behalf of Government	(40,053)	(162,674)	(1)	(64,186)	(427,360)	(2,859)	(697,133)	(421,144)
<b>Total revenues</b>	325,567	27,479,735	-	157,206	(427,360)	963	27,963,471	24,830,796
<b>Net cost from continuing operations</b>	71,300,808	3,101,784	6,529,336	1,156,724	457,741	162,705	82,709,098	111,359,698

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

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**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, 2023**

# 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](#) for the 2022 to 2023 fiscal year and the [Departmental Results Report](#) for the 2021 to 2022 fiscal year.

## 2 Departmental system of internal control over financial reporting

### 2.1 Internal Control Management

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

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

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

### 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 infrastructure services to ESDC in the areas of data center and network services.



Readers of this Annex may refer to the annexes of the above-noted organizations for a greater understanding of the systems of ICFR related to these 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 Government of Canada 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. 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 2022-2023, 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 for fiscal year 2022-2023

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
Financial Close & Reporting	Completed as planned; no remedial action required
Old Age Security	Completed as planned; remedial actions started
Revenue, Receivables and Receipts	Completed as planned; no remedial action required

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)

The ongoing monitoring of ITGC is conducted as part of a five-year cycle, which assess SAP and fourteen (14) feeder systems.

As a result of the year-two 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 2023-2024 as part of the year-three ongoing monitoring of ITGCs.

#### Old Age Security

Some key recommendations included but were not limited to:

- Ensure write-offs are approved by the appropriately delegated authority; and
- Ensure remissions are performed by the individuals with 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 2023-2024.

#### Revenue, Receivables and Receipts

The process was reviewed, and it was concluded that its components are being documented and tested throughout the various other processes that are identified in the rotational ongoing monitoring plan. Therefore, this process will be removed as a stand-alone key control area.

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

ESDC’s rotational ongoing monitoring plan over the next five fiscal years is shown in the following table. 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).

<b>Rotational Ongoing Risk-Based Monitoring Plan</b>					
<b>Key Control Areas</b>	<b>2023-2024</b>	<b>2024-2025</b>	<b>2025-2026</b>	<b>2026-2027</b>	<b>2027-2028</b>
Canada Student Financial Assistance Program			X		
Employment Insurance		X		X	
Entity Level Controls		X			
Financial Close and Reporting			X		
IT General Controls <sup>1</sup>	X	X	X	X	X
Grants and Contributions		X			X
Old Age Security				X	
Pay Administration	X		X		X
Planning and Budgeting	X			X	
Procure to Payment	X				X

<sup>1</sup> 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.