



FY 2021-22

Infrastructure Canada Financial Statements (unaudited)

For the year ended March 31, 2022



Infrastructure Canada

Statement of Management Responsibility Including Internal Control Over Financial Reporting

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

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

Management is also responsible for maintaining an effective system of internal control over financial reporting (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 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 Infrastructure Canada 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 Infrastructure Canada's system of internal control are reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Infrastructure Canada'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 recommends the financial statements to the Deputy Head of Infrastructure Canada.

The financial statements of Infrastructure Canada have not been audited.

Kelly Gillis
Deputy Head

Nathalie Bertrand
Chief Financial Officer

Signed at Ottawa, Canada

Infrastructure Canada
Statement of Financial Position (Unaudited)
As at March 31
(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 1,527,906	\$ 3,276,930
Samuel De Champlain Bridge Corridor Project (note 4)	765,801	772,485
Vacation pay and compensatory leave	9,239	7,013
Employee future benefits (note 8)	2,753	2,338
Deferred revenue (note 6)	1,858	1,805
Total net liabilities	2,307,557	4,060,571
Financial assets		
Due from Consolidated Revenue Fund	1,477,184	1,044,446
Accounts receivable and advances (note 9)	49,744	60,818
Total gross assets	1,526,928	1,105,264
Financial assets held on behalf of Government	(2,420)	(2,653)
Total net financial assets	1,524,508	1,102,611
Departmental net debt	783,049	2,957,960
Non-financial assets		
Tangible capital assets (note 10)	2,692,140	2,738,161
Total non-financial assets	2,692,140	2,738,161
Departmental net financial position	\$ 1,909,091	\$ (219,799)

Contractual obligations (note 11)

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

 Kelly Gillis
 Deputy Head

 Nathalie Bertrand
 Chief Financial Officer

Signed at Ottawa, Canada

Infrastructure Canada

Statement of Operations and Departmental Net Financial Position (*Unaudited*)

For the Year Ended March 31

(in thousands of dollars)

	<u>2022</u>	<u>2022</u>	<u>2021</u>
	Planned Results		
Expenses by Core Responsibility			
Public Infrastructure			\$ 7,620,761
Public Infrastructure, Communities and Rural Economic Development Policy	\$ 29,701	\$ 40,724	
Public Infrastructure and Communities Investments	16,446	20,381	
Public Infrastructure and Communities Investment Oversight and Delivery	6,748,725	6,698,400	
Internal services	46,942	65,292	66,629
Total expenses	6,841,814	6,824,797	7,687,390
Revenues			
Other revenues (note 12)	2,308	2,420	2,307
Revenues earned on behalf of Government	(2,308)	(2,420)	(2,295)
Total revenues	-	-	12
Net cost of operations before government funding and transfers	6,841,814	6,824,797	7,687,378
Government funding and transfers			
Net cash provided by Government of Canada		8,509,376	5,395,665
Change in due from Consolidated Revenue Fund		432,738	66,929
Services provided without charge by other government departments (note 13)		11,529	9,038
Net transfer of salary overpayments from (to) other government department		99	20
Transfer of assets and liabilities from other government department (note 14)		(55)	-
Net cost of operations after government funding and transfers		(2,128,890)	2,215,726
Departmental net financial position – Beginning of year		(219,799)	1,995,927
Departmental net financial position – End of year		\$ 1,909,091	\$ (219,799)

Segmented information (note 15)

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

Infrastructure Canada
Statement of Change in Departmental Net Debt (Unaudited)
For the Year Ended March 31
(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Net cost of operations after government funding and transfers	\$ (2,128,890)	\$ 2,215,726
Change due to tangible capital assets		
Acquisition of tangible capital assets (note 10)	8,938	14,924
Amortization of tangible capital assets (note 10)	(54,960)	(53,819)
Net gain (loss) on disposal of tangible assets including adjustments	-	(1)
Adjustments to Samuel De Champlain Bridge Corridor Project Asset	-	(110,373)
Total change due to tangible capital assets	(46,022)	(149,269)
Net increase (decrease) in departmental net debt	(2,174,912)	2,066,457
Departmental net debt – Beginning of year	2,957,961	891,504
Departmental net debt – End of year	\$ 783,049	\$ 2,957,961

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

Infrastructure Canada
Statement of Cash Flows (Unaudited)
For the Year Ended March 31
(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Operating activities		
Net cost of operations before government funding and transfers	\$ 6,824,797	\$ 7,687,378
Non-cash items :		
Amortization of tangible capital assets (note 10)	(54,960)	(53,819)
Services provided without charge by other government departments (note 13)	(11,529)	(9,038)
Net transfer of salary overpayments (from) to other government departments	(99)	(20)
Gain (Loss) on disposal of tangible capital assets	-	(1)
Samuel De Champlain Bridge Corridor Project Assets	-	(8,975)
Variations in Statement of Financial Position:		
Decrease (increase) in accounts payable and accrued liabilities (note 5)	1,749,023	(2,141,379)
Increase (decrease) in accounts receivable and advances (note 9)	(10,840)	(97,283)
Decrease (increase) in vacation pay and compensatory leave	(2,226)	(2,378)
Decrease (increase) in employee future benefits (note 8)	(415)	171
Decrease (increase) in deferred revenue (note 6)	(53)	(1,805)
Transfer of liabilities from other government department (note 14)	55	
Cash used in operating activities	<u>8,493,753</u>	<u>5,372,851</u>
Capital investing activities		
Acquisitions of tangible capital assets (note 10)	8,938	14,924
Cash used in capital investing activities	<u>8,938</u>	<u>14,924</u>
Financing activities		
Payments on obligation under Public Private Partnership (note 4)	6,685	7,890
Cash used in capital investing activities	<u>6,685</u>	<u>7,890</u>
Net cash provided by Government of Canada	<u>\$ 8,509,376</u>	<u>\$ 5,395,665</u>

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

1. Authority and objectives

The Office of Infrastructure of Canada (INFC) was created in 2002 as a separate organization under Schedule I.1 of the *Financial Administration Act*. The applied name for this organization is Infrastructure Canada. INFC is funded through annual and statutory appropriations received from the Parliament of Canada and is not taxable under the provisions of the *Income Tax Act*. INFC reports to the Minister of Infrastructure and Communities.

Infrastructure Canada works closely with all orders of government and other partners to enable investments in social, green, public transit and other core public infrastructure, as well as trade and transportation infrastructure.

Starting in fiscal year 2021-22, INFC reports on its mandate under three core responsibilities, as well as internal services, in support of its activities as described below.

Public Infrastructure, Communities and Rural Economic Development Policy: INFC sets policies for both public infrastructure and rural economic development that target the needs of Canadians and stakeholders (public/private partners) while considering finite resources.

Public Infrastructure and Communities Investments: INFC uses a range of funding mechanisms and aims to maximize value-for-money in direct Government investment in infrastructure.

Public Infrastructure and Communities Investment Oversight and Delivery: INFC conducts oversight to ensure recipients comply with project requirements and projects are delivered according to agreements. INFC oversees programs and projects as well as major bridges, Crown Corporations and alternative financing arrangements.

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. Internal Services refers to the activities and resources of the 10 distinct services that support Program delivery in the organization, regardless of the Internal Services delivery model in a department. The 10 service categories are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Management Services; Materiel Management Services; and Acquisition Management Services.

2. Summary of significant accounting policies

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

Significant accounting policies are as follows:

a) Parliamentary authorities

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

Infrastructure Canada
Notes to the Financial Statements (Unaudited)
For the Fiscal Year ending March 31, 2022

in the 2021-2022 Departmental Plan. Planned results are not presented in the “Government funding and transfers” section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2021-2022 Departmental Plan.

- b) Consolidation
INFC has received dividends on behalf of the Government of Canada from the Canada Mortgage and Housing Corporation (CMHC). As per the Government of Canada Accounting Handbook, these dividends are not recorded in INFC's financial statements as they do not relate to INFC's activities. INFC is simply acting as a flow-through mechanism for administrative purposes in order to enable the Government of Canada to receive the dividends.
- c) Net cash provided by government
INFC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by INFC is deposited to the CRF and all cash disbursements made by INFC 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 INFC is entitled to draw from the CRF without further authorities to discharge its liabilities.
- e) Revenues
Other revenues are recognized in the period the event giving rise to the revenues occurred. Deferred revenue consists of amounts received in advance of the delivery of goods and rendering services that will be recognized as revenue in a subsequent fiscal year as it is earned. Revenues that are non-respensible are not available to discharge INFC's liabilities. While the Deputy Head is expected to maintain accounting control, she has no authority regarding the disposition of non-respensible revenues. As a result, non-respensible revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues.
- f) Expenses
Transfer payments are recorded as an expense 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.

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

Services provided without charge by other government departments for accommodation and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.
- g) Employee future benefits
i. Pension benefits: Eligible employees participate in the Public Service Pension Plan (*Public Service Superannuation Act*), a multi-employer plan administered by the Government. INFC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. INFC's responsibility with regard to the Plan is limited to its contributions.

Infrastructure Canada
Notes to the Financial Statements (Unaudited)
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Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

- ii. Severance benefits: The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

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

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

- 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 an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the 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 to the financial statements.

- l) Measurement uncertainty
The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes at March 31. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the Samuel De Champlain Bridge Corridor Project asset and liability, the payables at year end, contingent liabilities, the liability for employee future benefits, and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

- 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:

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Notes to the Financial Statements (Unaudited)
For the Fiscal Year ending March 31, 2022

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

3. Parliamentary authorities

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

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

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Net cost of operations before government funding and transfers	\$ 6,824,797	\$ 7,687,378
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(54,960)	(53,819)
Adjustment to the obligation under public private partnership	-	(8,975)
Services provided without charge by other government departments	(11,529)	(9,038)
Decrease (increase) in vacation pay and compensatory leave	(2,226)	(2,378)
Decrease (increase) in employee future benefits	(415)	171
Refund of previous year's expenditures	20,064	25,844
Decrease (increase) in accrued liabilities related to Budget Implementation Act	2,170,316	(2,170,316)
Other	12	91
Total items affecting net cost of operations but not affecting authorities	<u>2,121,262</u>	<u>(2,218,420)</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	8,938	14,924
Payments of obligation under Public Private Partnership	6,685	7,890
Increase (decrease) in salary overpayments and advances	400	606
Proceeds from disposal of tangible capital assets	-	12

Infrastructure Canada
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Loss (Gains) on Other Foreign Exchange Valuations	(1)	(2)
Total items not affecting net cost of operations but affecting authorities	16,022	23,430
Current year authorities used	\$ 8,962,081	\$ 5,492,388

b) Authorities provided and used

(in thousands of dollars)

	2022	2021
Authorities:		
Vote 1 – Operating expenditures	\$ 219,919	\$ 197,393
Vote 5 – Capital expenditures	176,926	148,376
Vote 10 – Contributions	5,809,349	5,514,190
Statutory Amounts:		
Employee Benefit Plan	14,066	10,302
Minister Office Salary and Car Allowance	89	89
Canada Community-Building Fund (Gas Tax Fund)	4,490,082	2,170,316
Proceeds from Disposal	-	12
Less:		
Authorities available for future years	-	(12)
Lapsed: Operating	(15,226)	(38,659)
Lapsed: Capital	(161,303)	(125,562)
Lapsed: Contributions	(1,571,821)	(2,384,057)
Current year authorities used	\$ 8,962,081	\$ 5,492,388

4. Samuel De Champlain Bridge Corridor Project

After a competitive process, in 2015, Signature on the St. Lawrence Group was awarded the contract and is responsible for the design, construction, financing, operation, maintenance and rehabilitation of the corridor. The new bridge crossing was fully opened to traffic on July 1, 2019 and construction of the remainder of the corridor was substantially completed in October 2019. Work to complete elements of the corridor that were deferred and to correct minor deficiencies is expected to be completed by the end of 2022.

In 2021-22, \$5.0M was spent on the project and it has been added to the existing bridge asset value. The total asset value of the Samuel De Champlain Bridge Corridor (SDCBC) project is \$2.69B.

Ownership of the bridge and related corridor remains with federal government, and Signature on the St. Lawrence Group will operate the corridor for 27 years.

Obligation under Public Private Partnership

INFC has entered into a public private partnership agreement with SSL for the project. The obligations related to the upcoming years include the following:

(in thousands of dollars)

	2022
2023	\$ 49,778
2024	120,151
2025	49,778
2026	49,778
2027 and subsequent	1,173,922
Total estimated payments	1,443,307
Less: imputed interest (5.59%)	677,506
Balance of obligation under public private partnership	\$ 765,801

5. Accounts payable and accrued liabilities

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

(in thousands of dollars)

	2022	2021
Accounts payable - Other government departments and agencies	\$ 7,459	\$ 5,513
Accounts payable - External parties	1,511,186	1,094,933
Total accounts payable	1,518,645	1,100,446
Accrued liabilities	9,261	2,176,483
Total accounts payable and accrued liabilities	\$ 1,527,906	\$ 3,276,929

The 2020-21 accrued liabilities include a one-time transfer payment expense of \$2.170 million through the Canada Community-Building Fund (Gas Tax Fund) as announced in Budget 2021.

6. Deferred Revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received from external parties that are related to Samuel De Champlain Bridge Corridor project. Details of the transactions related to this account are as follows:

(in thousands of dollars)

	2022	2021
Opening balance	\$ 1,805	\$ 0
Amounts received	2,230	2,166

Infrastructure Canada
Notes to the Financial Statements (Unaudited)
For the Fiscal Year ending March 31, 2022

Revenue recognized	2,177	361
Closing balance	\$ 1,858	\$ 1,805

7. Contingent liabilities

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

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

8. Employee future benefits

a) **Pension benefits:**

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

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

The 2021-22 expense amounts of \$9,502,926 (\$7,030,215 in 2020-2021). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2020-2021) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2020-2021) the employee contributions.

INFC'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 INFC'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, 2022, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

Infrastructure Canada
Notes to the Financial Statements (Unaudited)
For the Fiscal Year ending March 31, 2022

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

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Accrued benefit obligation - Beginning of year	\$ 2,338	\$ 2,510
Expense for the year	615	(151)
Benefits paid during the year	(200)	(21)
Accrued benefit obligation - End of year	\$ 2,753	\$ 2,338

9. Accounts receivable and advances

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Receivables - Other government departments and agencies	\$ 41,216	\$ 51,822
Receivables - External parties	8,514	8,992
Advances - Employees	14	4
Total accounts receivable and advances	\$ 49,744	\$ 60,818
Assets held on behalf of government	(2,420)	(2,654)
Net accounts receivable and advances	\$ 47,324	\$ 58,164

10. 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:

Asset class	Amortization period
Works and Infrastructure	5 to 100 years
Machinery and Equipment	5 years
Computer Hardware	3 to 5 years
Informatics Software – Purchased and Developed	2 to 8 years
Vehicles (non-military)	5 years
Leasehold Improvements	Term of lease

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Assets under construction are recorded in the applicable capital asset class in the year that they are put into service and are not amortized until they are put into service.

(in thousands of dollars)

Capital Asset Class	Cost 2022					Accumulated Amortization 2022					Net Book Value	
	Opening Balance	Acquisitions	Adjustments ¹	Disposals and Write Offs	Closing Balance	Opening Balance	Amortization	Adjustments	Disposals and Write-Offs	Closing Balance	2022	2021
Land	127,481	371	-	-	127,852	-	-	-	-	-	127,852	127,481
Works and Infrastructure	2,683,582	-	4,990	-	2,688,572	(82,662)	(53,202)	-	-	(135,864)	2,552,708	2,600,920
Machinery and Equipment	137	-	-	-	137	(137)	-	-	-	(137)	-	-
Computer Hardware	263	398	-	-	661	(61)	(88)	-	-	(149)	512	202
Informatics Software Developed and Purchased	12,449	-	3,179	-	15,628	(8,822)	(788)	-	-	(9,610)	6,018	3,627
Motor vehicle	115	-	-	-	115	(99)	(8)	-	-	(107)	8	16
Leasehold improvements	10,358	-	-	-	10,358	(4,915)	(874)	-	-	(5,789)	4,569	5,443
Assets under construction	472	8,170	(8,169)	-	473	-	-	-	-	-	473	472
Total	2,834,857	8,938	-	-	2,843,796	(96,696)	(54,960)	-	-	(151,656)	2,692,140	2,738,161

- (1) Adjustments include assets under construction that were transferred to the other categories upon completion, as well as adjustments to values of work-in-progress assets. The adjustment under Works and Infrastructure class represents the additional construction costs to the Samuel De Champlain Bridge Corridor (SDCBC) assets.
- (2) Total amounts may not balance due to rounding adjustments.

11. Contractual obligations

The nature of INFC's activities can result in some large multi-year contracts and obligations whereby INFC 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:

(in thousands of dollars)	2023	2024	2025	2026	2027 AND THEREAFTER	TOTAL
Transfer payments	8,520,903	7,463,757	4,968,579	4,398,509	14,208,216	39,559,964
Other goods and services	64,689	58,193	55,774	55,817	1,171,190	1,405,663
Total	8,585,592	7,521,950	5,024,353	4,454,326	15,379,406	40,965,627

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12. Revenue

Revenues consist of lease and use of public property related to the Samuel De Champlain Bridge Corridor Project, nominal revenue from Access to Information fees, and proceeds from disposal of capital assets.

13. Related party transactions

INFC is related as a result of common ownership to all government departments, agencies, and Crown corporations. INFC enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, INFC received common services which were obtained without charge from other government departments as disclosed below.

a) Common services provided without charge by other government departments

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

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Employer's contribution to the health and dental insurance plans	\$ 7,651	\$ 5,149
Accommodation	3,878	3,889
Total	\$ 11,529	\$ 9,038

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

b) Other transactions with related parties

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Accounts receivable – Other government departments and agencies	\$ 41,216	\$ 51,822
Accounts payable – Other government departments and agencies	6,476	4,301
Expenses – Other government departments and agencies	40,923	32,892

Expenses disclosed in (b) exclude common services provided without charges, which are already disclosed in (a). Common services include other support services from other government departments,

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such as providing financial and human resources systems, as well as salary recoveries between departments.

Other Government Departments (OGDs) and agencies administer certain programs on behalf of INFC. Funds are advanced to these OGDs and agencies, namely Transport Canada, during the fiscal year. An accounts receivable is recorded for the unused portion that will be returned to INFC after year end while an account payable is recorded when INFC must provide additional funds to these OGDs and agencies.

14. Transfer from other government department

Effective October 26, 2021, Infrastructure Canada was transferred the responsibility for the Homelessness Policy Directorate from Employment and Social Development Canada, in accordance with Order in Council 2021-0952, including the stewardship responsibility for the assets and liabilities related to the program. Accordingly, the Department received the following liabilities related to the Homelessness Policy Directorate from Employment and Social Development Canada on October 26, 2021:

(in thousands of dollars)

	<u>2022</u>
Liabilities:	
Salaries and benefits payable	\$ 55
Adjustment to the departmental net financial position	<u>\$ 55</u>

15. Segmented Information

Presentation by segment is based on INFC'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 for the main core responsibilities, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

<i>(in thousands of dollars)</i>	Public Infrastructure, Communities and Rural Economic Development Policy	Public Infrastructure and Communities Investments	Public Infrastructure and Communities Investment Oversight and Delivery	Internal Services	2022	2021
Transfer payments						
Contributions	\$ -	\$ -	\$ 6,540,433	\$ -	\$ 6,540,433	\$ 7,447,820
Total transfer payments	-	-	6,540,433	-	6,540,433	7,447,820
Operating expenses						
Salaries and employee benefits	27,611	19,418	32,704	40,963	120,696	85,052
Professional and special services	11,727	274	17,641	12,255	41,897	35,024

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Rentals	958	624	1,664	3,757	7,003	6,108
Amortization	-	-	53,991	969	54,950	53,819
Repairs and maintenance	-	-	16,517	209	16,726	13,448
Transportation and communications	65	7	68	1,637	1,777	479
Acquisition of machinery and equipment	2	-	90	3,081	3,173	1,393
Information	347	57	39	138	581	406
Utilities, materials and supplies	6	1	12	33	52	40
Other	8	-	35,241	2,250	37,499	43,801
Total operating expenses	40,724	20,381	157,967	65,292	284,364	239,570
Total expenses	40,724	20,381	6,698,400	65,292	6,824,797	7,687,390
Revenues						
Other revenues	1		2,419	-	2,420	2,307
Revenues earned on behalf of government	(1)	-	(2,419)	-	(2,420)	(2,295)
Total revenues	-	-	-	-	-	12
Net cost from continuing operations¹	\$ 40,724	\$ 20,381	\$ 6,698,400	\$ 65,292	\$ 6,824,797	\$ 7,687,378

(1) Totals may not add up due to rounding

16. Subsequent events

Funding letters for the Canada Community-Building Fund for a total amount of \$2,268,966,610 were signed and provided to recipients. These letters indicate to each recipient the amount of funds to be distributed in 2022-23. A first payment of \$1,134,483,305 has been released by July 15th, 2022.

ANNEX to the Statement of Management Responsibility Including Internal Control over Financial Reporting for the Fiscal Year ending March 31, 2021

1.0 Introduction

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

Detailed information on Infrastructure Canada's authority, mandate, and program activities can be found in the [Departmental Results Report](#) for the 2021 to 2022 Fiscal Year and the [Departmental Plan](#) for the 2021 to 2022 Fiscal Year.

2.0 Departmental system of internal control over financial reporting

2.1 Internal control management

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

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

The Departmental Audit Committee provides advice to the Deputy Head on the adequacy and functioning of the department's risk management, control and governance frameworks and processes. Infrastructure Canada's Departmental Audit Committee is composed of four external members and meets up to four times per year (and more frequently as required).

2.2 Service arrangements relevant to financial statements

Infrastructure Canada relies on other organizations for processing certain transactions that are recorded in its financial statements, as follows:

2.2.1 Common service arrangements

- Public Services and Procurement Canada, which administers the payment of salaries and the procurement of goods and services, in accordance with Infrastructure Canada's Delegation of Financial Signing Authorities, and provides accommodation services;
- Treasury Board Secretariat, which provides information on public service insurance and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans;
- Department of Justice Canada, which provides legal services; and
- Shared Services Canada, which provides information technology infrastructure services in the areas of data centre and network services. The scope and responsibilities are addressed in the interdepartmental arrangement between Shared Services Canada and Infrastructure Canada.

Readers of this annex may refer to the annexes of the above-noted organizations for a greater understanding of the systems of internal controls over financial reporting related to these specific services.

Infrastructure Canada relies on other external service providers and departments for the processing of certain transactions or information that are recorded in its financial statements, as follows:

2.2.2 Specific arrangements

- Public Services and Procurement Canada, which provides pay compensation services;

ANNEX to the Statement of Management Responsibility Including Internal Control over Financial Reporting for the Fiscal Year ending March 31, 2021

- Federal delivery partner (Transport Canada), which manages certain contribution programs on behalf of Infrastructure Canada; and
- Innovation, Science and Economic Development Canada, which hosts Infrastructure Canada's departmental financial management system, the Integrated Financial Management System (IFMS). The service arrangement also includes system support.

3.0 Departmental assessment results for the 2021 to 2022 fiscal year

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

3.1 Progress during the 2021 to 2022 fiscal year

Key Control Areas	Status
Payroll	Ongoing monitoring was completed as planned. Findings have been communicated to stakeholders and remedial actions are underway.
IT general controls	Ongoing monitoring was completed as planned. Findings have been communicated to stakeholders and remedial actions are underway.
Capital assets	Ongoing monitoring was completed as planned. Findings have been communicated to stakeholders and remedial actions are underway.
Transfer payments	Ongoing monitoring was started for the 2021-22 exercise and was well advanced but not completed due to time and resource constraints. This testing has been prioritized for completion in early 2022-23.

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

3.2 New or significantly amended key controls

In the 2021-22 fiscal year, Infrastructure Canada implemented new controls to test and monitor user access management, change management and computer operations in relation to IT general controls as well as IT application controls. Infrastructure Canada also implemented new controls to test and monitor employee relocation in relation to the Payroll business process. Furthermore, Infrastructure Canada implemented new controls pertaining to the planning and engagement for Capital Assets investments and projects.

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3.3 Remediation

For the most part, the key controls that were tested performed as intended, with remediation required as follows:

Key control areas	Areas for improvement
Payroll	<ul style="list-style-type: none">• Develop tools and guidance to assist major payroll processes.• Strengthen the Post Payroll Verification process.• Formalize and update verification procedures related to employee salary forecasts, Section 33 review, and Financial Situation Report (FSR) planning,• Strengthen communication and planning requirements between relevant stakeholders.
IT general controls	<ul style="list-style-type: none">• Strengthen the management of user access and associated segregation of duties across multiple systems.• Improve system password configuration.• Modifications to the production environment of in-house applications.
Capital Assets	<ul style="list-style-type: none">• Improve Integrated Business Plan (IBP) exercise and Investment Plan.• Strengthen commitment management and Section 32 Authority.• Develop tools and guidance to assist in management of capital contracts and expenditures.• Strengthen the process and tools for managing financial signing delegation, particularly specimen signature cards.

Process owners have developed management action plans addressing the recommendations above.

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

Infrastructure Canada's rotational ongoing monitoring plan over the next four fiscal years, based on an annual validation of the high-risk processes and controls and related adjustments to the ongoing monitoring plan as required, is shown in the following table.

The Department uses a risk based approach to monitoring frequency. The Department has considered changes and new risks that have emerged from the current environment, and these changes reflected in the risk level and frequency of testing.

Rotational ongoing (risk-based) monitoring plan

Key control areas	2022-23	2023-24	2024-25	2025-26
IT general controls		X		X
Budgeting and forecasting	X		X	
Transfer payments	X	X		X
Entity level controls		X		
Capital assets			X	
Cabinet submissions		X		
Payroll			X	
Procure to payment	X			X
Acquisition cards	X			
Financial reporting and financial close				X
Travel, hospitality, conferences and events			X	