
Employment and Social
Development Canada

Emploi et Développement
social Canada

Employment and Social Development Canada

Consolidated Financial Statements (*Unaudited*)
for the year ended March 31, 2025

Consolidated Financial Statements (Unaudited) for the year ended March 31, 2025.

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

© His Majesty the King in Right of Canada, 2025

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

PDF

Cat. No.: Em1-23E-PDF

ISSN: 2816-5357

Employment and Social Development Canada

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements for the year ended March 31, 2025, 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*, 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, 2025 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 _____

Serena Francis, MBA, CPA, CMA
Chief Financial Officer
Employment and Social Development Canada

Gatineau, Canada
August 28, 2025

Original signed by _____

Paul Thompson
Deputy Minister
Employment and Social Development Canada

Employment and Social Development Canada

Consolidated Statement of Financial Position (*Unaudited*)

As at March 31

(in thousands of dollars)	2025	2024
Financial assets		
Accounts receivable and advances (note 4)	11,044,247	14,990,768
Loans receivable (note 5)	20,146,268	17,956,888
Total gross financial assets	31,190,515	32,947,656
Financial assets held on behalf of Government		
Loans receivable (note 5)	(59,925)	(77,988)
Total net financial assets	31,130,590	32,869,668
Liabilities		
Due to (from) Consolidated Revenue Fund	1,376,779	(356,161)
Due to Canada Pension Plan (note 7)	464,980	159,251
Accounts payable and accrued liabilities (note 8)	3,309,894	4,987,459
Vacation pay and compensatory leave	174,060	170,353
Designated Amount Fund - Trust Account (note 9)	1,910	1,909
Government Annuities Account (note 10)	53,487	59,357
Employee future benefits (note 11)	72,310	66,735
Total net liabilities	5,453,420	5,088,903
Departmental net financial asset	25,677,170	27,780,765
Non-financial assets		
Prepaid expenses	17,819	19,472
Tangible capital assets (note 12)	855,280	656,436
Total non-financial assets	873,099	675,908
Departmental net financial position (note 13)	26,550,269	28,456,673

Contractual obligations and contractual rights (note 14)

Contingent liabilities and contingent assets (note 15)

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

Original signed by

Serena Francis, MBA, CPA, CMA
Chief Financial Officer
Employment and Social Development Canada

Gatineau, Canada
August 28, 2025

Original signed by

Paul Thompson
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

(in thousands of dollars)	2025 Planned Results	2025 Actual	2024 Actual
Expenses			
Pensions and Benefits	82,928,956	82,102,823	77,814,793
Learning, Skills Development and Employment	34,266,133	38,322,103	37,929,657
Social Development	7,937,416	7,986,508	6,885,409
Internal Services	1,233,308	1,257,709	1,400,048
Information Delivery and Services for Other Departments	604,660	591,126	537,104
Working Conditions and Workplace Relations	186,312	209,506	225,683
Expenses incurred on behalf of the Government	15,214	(4,984)	(8,831)
Total expenses	127,171,999	130,464,791	124,783,863
Revenues			
Employment insurance (note 13)	30,725,966	32,241,680	30,273,092
Amortization of discount on loans receivable	-	798,900	734,100
Recovery of CPP administration costs	566,964	621,509	609,823
Recovery of Other Government Department service delivery costs	575,966	600,553	545,638
User fees	177,051	146,470	165,757
Other	20,805	35,932	35,480
Revenues earned on behalf of Government	(329,993)	(337,899)	(346,706)
Total revenues	31,736,759	34,107,145	32,017,184
Net cost of operations before government funding and transfers	95,435,240	96,357,646	92,766,679
Government funding and transfers			
Net cash provided by Government of Canada		96,092,107	91,132,751
Change in due to the Consolidated Revenue Fund		(1,732,940)	1,051,707
Services provided without charge by other government departments (note 16)		95,227	99,500
Transfer of the transition payments for implementing salary payments in arrears		-	(6)
Other transfers of assets to other government departments		(3,152)	(366)
Transfer of assets and liabilities from other government departments for transferred operations		-	923
Net cost of operations after government funding and transfers		(1,906,404)	(482,170)
Departmental net financial position - beginning of year		28,456,673	28,938,843
Departmental net financial position - end of year		26,550,269	28,456,673

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

(in thousands of dollars)	2025	2024
Net cost of operations after government funding and transfers	(1,906,404)	(482,170)
Change due to tangible capital assets		
Acquisition of tangible capital assets (note 12)	(287,483)	(205,761)
Amortization of tangible capital assets (note 12)	70,035	73,939
Proceeds from disposal of tangible capital assets	154	36
Net loss on disposal of tangible capital assets	16,931	43,744
Adjustments to tangible capital assets	(125)	(19)
Transfer to (from) other government departments	1,644	(822)
Total change due to tangible capital assets	(198,844)	(88,883)
Change due to prepaid expenses	1,653	(1,885)
Decrease in departmental net financial assets	(2,103,595)	(572,938)
Departmental net financial assets - beginning of year	27,780,765	28,353,703
Departmental net financial assets - end of year	25,677,170	27,780,765

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

(in thousands of dollars)	2025	2024
Operating activities		
Net cost of operations before government funding and transfers	96,357,646	92,766,679
Non-cash items:		
Amortization of tangible capital assets (note 12)	(70,035)	(73,939)
Loss on disposal of tangible capital assets	(16,931)	(43,744)
Adjustments to tangible capital assets	125	19
Services provided without charge by other government departments (note 16)	(95,227)	(99,500)
Transition payments for implementing salary payments in arrears	-	6
Variations in Consolidated Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	(3,946,521)	1,641,852
Increase (decrease) in loans receivable	2,207,443	(1,681,338)
Increase (decrease) in prepaid expenses	(1,653)	1,885
Decrease (increase) in due to Canada Pension Plan	(305,729)	146,475
Decrease (increase) in accounts payable and accrued liabilities	1,677,565	(1,726,190)
Increase in vacation pay and compensatory leave	(3,707)	(16,726)
Decrease (increase) in the Designated Amount Fund - Trust Account	(1)	8
Decrease in Government Annuities Account	5,870	8,664
Decrease (increase) in employee future benefits	(5,575)	2,610
Transfer of salary overpayments to other government departments	1,508	355
Transfer of non-capital assets and liabilities from other government departments	-	(90)
Cash used in operating activities	95,804,778	90,927,026
Capital investing activities		
Acquisitions of tangible capital assets (note 12)	287,483	205,761
Proceeds from disposal of tangible capital assets	(154)	(36)
Cash used in capital investing activities	287,329	205,725
Net cash provided by Government of Canada	96,092,107	91,132,751

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

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

1. Authority and objectives

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

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

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

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

Social Development

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

Pensions and Benefits

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

Learning, Skills Development and Employment

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

Working Conditions and Workplace Relations

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

Information Delivery and Services for Other Departments

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

Internal Services

Internal services are the services that are provided within a department so that it can meet its corporate obligations and deliver its programs. These services are Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Management Services; Materiel Management Services; and Acquisition Management Services.

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

2. Summary of significant accounting policies

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

Significant accounting policies are as follows:

(a) Parliamentary authorities

ESDC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to ESDC do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Consolidated Statement of Operations and Departmental Net Financial Position and in the Consolidated Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament.

Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Consolidated Statement of Operations and Departmental Net Financial Position are the amounts reported in the Consolidated Future-oriented Statement of Operations included in the 2024-2025 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 2024-2025 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 major 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 the 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

(e) Revenues

Revenues are comprised of revenues earned from non-tax sources. They include exchange transactions where goods or services are provided for consideration where a performance obligation exists, and non-exchange transactions where no performance obligations exist to provide a good or service. These transactions can be recurring or non-recurring in nature. Recurring transactions are viewed as ongoing, routine activities that form part of the normal course of operations and can be used to indicate if they can be reasonably expected to be earned again in future years. Unless otherwise disclosed, ESDC's revenues are considered recurring.

ESDC has the following major types of revenues:

- 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. EI premiums are considered non-exchange transactions.
- Recoveries of CPP administration costs and other government department service delivery costs are recognized as the performance obligations are satisfied.
- User fees and other revenues are recognized in the period the event giving rise to the revenues occurred. They consist of exchange and non-exchange transactions.
- 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. Revenues earned on behalf of Government consist of user fees, non-respendable revenues earned from agreements made under the *Department of Employment and Social Development Act* with other government departments, and gains on the sale of assets. These are recognized when earned.

(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 carrying value.
- 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.

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

(g) Employee future benefits

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

(h) 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. Unconditionally repayable contributions are recognized as loans receivable. When the terms of repayment for loans are considered concessionary, such as those where loans are made on a long-term, low interest or interest-free basis or include forgiveness clauses, the loan is discounted to its estimated present value. The difference between the face value of the loan and the estimated present value at the time the loan is issued represents the concessionary portion, which is recognized as a transfer payment expense, while the resulting concessionary portion is amortized to revenue using the effective interest rate method over the term of the loan. 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.

See Note 6 Risk Management for risks related to ESDC's financial instruments.

(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*.

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

(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.

(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 Employment Insurance (EI) premiums, the allowances for doubtful accounts, the Old Age Security (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 Employment Insurance Operating (EIO) 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

(in thousands of dollars)	2025	2024
Net cost of operations before government funding and transfers	96,357,646	92,766,679
Adjustments for items affecting net cost of operations but not affecting authorities:		
Bad debt expense (excluding EI)	(4,327,656)	(3,858,944)
Amortization of tangible capital assets (note 12)	(70,035)	(73,939)
Services provided without charge by other government departments (note 16)	(95,227)	(99,500)
Decrease (increase) in employee future benefits	(5,575)	2,610
Increase in vacation and compensatory leave	(3,707)	(16,726)
Refund of programs and prior years' expenditures	2,838,407	5,442,214
Loss on disposal of tangible capital assets	(16,931)	(43,744)
Allowance expense for the Repayment Assistance Plan of Canada Student Loans and Canada Apprentice Loans	(90,210)	(278,579)
Net EIO Account transactions (note 13)	4,186,522	3,740,009
Concessionary loans	(308,800)	(3,588,700)
Decrease in accounts payable and accrued liabilities not charged to authorities	(32,294)	53,818
Other adjustments	(4,379)	(4,503)
Total items affecting net cost of operations but not affecting authorities	2,070,115	1,274,016
Adjustments for items not affecting net cost of operations but affecting authorities:		
Net Canada Student Loans disbursed	2,829,480	2,078,133
Net Canada Apprentice Loans disbursed	23,153	19,026
Acquisition of tangible capital assets (note 12)	287,483	205,761
Canada Student Loans and Canada Apprentice Loans forgiveness	183,425	181,972
Transition payments for implementing salary payments in arrears	-	6
Increase (decrease) in prepaid expenses	(1,653)	1,885
Other adjustments	11,033	16,489
Total items not affecting net cost of operations but affecting authorities	3,332,921	2,503,272
Current year authorities used	101,760,682	96,543,967

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

(b) Authorities provided and used

(in thousands of dollars)	2025	2024
Authorities provided:		
Vote 1 - Operating expenditures	1,463,402	1,685,824
Vote 5 - Grants and contributions	10,240,794	10,121,867
Debt write-offs	-	215,519
Statutory amounts	90,188,858	84,942,246
Less:		
Authorities available for future years	(1,312)	(1,064)
Lapsed authorities:		
Operating expenditures	(7,665)	(119,093)
Grants and contributions	(123,393)	(298,277)
Debt write-offs	-	(3,052)
Statutory amounts	(2)	(3)
Current year authorities used	101,760,682	96,543,967

4. Accounts receivable and advances

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

(in thousands of dollars)	2025	2024
Receivables - Other government departments and agencies		
EI premiums receivable from CRA	2,884,550	3,558,475
EI and OAS benefit repayments receivable from CRA	4,083,090	3,411,169
COVID-19 support measures receivable from CRA	772,596	2,175,885
Other	199,369	178,474
	7,939,605	9,324,003
Receivables and advances - External parties		
EI and OAS overpayments and penalties to be recovered	1,693,271	1,665,106
COVID-19 support measures overpayments and penalties to be recovered	12,042,759	10,657,458
Other	737,925	620,565
Allowance for doubtful accounts on receivables from external parties	(11,369,313)	(7,276,364)
	3,104,642	5,666,765
Net accounts receivable and advances	11,044,247	14,990,768

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

5. Loans receivable

(in thousands of dollars)	Student Loans	Apprentice Loans	2025 Total	2024 Total
Loans receivable				
Gross loans - beginning of year	26,112,901	309,621	26,422,522	24,333,458
New loans and repurchases	5,458,351	58,056	5,516,407	4,648,620
Reimbursements	(2,394,663)	(33,306)	(2,427,969)	(2,130,992)
Loan write-offs and forgiveness	(243,968)	(1,598)	(245,566)	(428,564)
Gross loans - end of year	28,932,621	332,773	29,265,394	26,422,522
Unamortized discount	(3,860,455)	(53,700)	(3,914,155)	(3,608,552)
Allowance for bad debts	(5,225,252)	(32,885)	(5,258,137)	(4,925,560)
Net loans	19,846,914	246,188	20,093,102	17,888,410
Accrued interest				
Gross accrued interest - beginning of year	231,385	756	232,141	284,340
New interest	13,041	1	13,042	13,622
Reimbursements	(18,628)	(117)	(18,745)	(26,377)
Interest write-offs and forgiveness	(6,204)	(55)	(6,259)	(39,444)
Gross accrued interest - end of year	219,594	585	220,179	232,141
Unamortized discount	(4,738)	-	(4,738)	(6,184)
Allowance for bad debts	(161,989)	(286)	(162,275)	(157,479)
Net accrued interest	52,867	299	53,166	68,478
Total net loans and net accrued interest	19,899,781	246,487	20,146,268	17,956,888
Loans and accrued interest held on behalf of Government	(59,626)	(299)	(59,925)	(77,988)
Total Loans receivable	19,840,155	246,188	20,086,343	17,878,900

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:

(in thousands of dollars)	Student Loans	Apprentice Loans	2025 Total	2024 Total
Loans receivable				
Not past due	25,200,894	285,951	25,486,845	22,702,132
Number of days past due				
1 to 90	805,736	12,775	818,511	976,875
91 to 365	180,703	2,851	183,554	153,526
Impaired	2,745,288	31,196	2,776,484	2,589,989
Sub-total	28,932,621	332,773	29,265,394	26,422,522
Less: Unamortized discount	(3,860,455)	(53,700)	(3,914,155)	(3,608,552)
Less: Allowance	(5,225,252)	(32,885)	(5,258,137)	(4,925,560)
Net loans	19,846,914	246,188	20,093,102	17,888,410

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 Jobs and Families 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*, were fully guaranteed by ESDC but have since been repurchased from 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, 2025 amounted to \$28.9 billion (\$26.1 billion in 2024).

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

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 Jobs and Families 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, 2025 amounted to \$332.8 million (\$309.6 million in 2024).

Interest and repayment terms

Under these two programs, no security is received from the borrowers. Borrowers are not required to make payments 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. In the Fall of 2022, the Government announced the permanent elimination of interest on Canada Student Loans and Canada Apprentice Loans. Loans have been permanently interest free since 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. 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. 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, 2024 and March 31, 2025 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.

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.

(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

7. 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.

(in thousands of dollars)	2025	2024
Due to Canada Pension Plan - beginning of year	159,251	305,726
Receipts and other credits	129,068,603	123,691,835
Payments and other charges	(128,762,874)	(123,838,310)
Due to Canada Pension Plan - end of year	464,980	159,251

8. Accounts payable and accrued liabilities

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

(in thousands of dollars)	2025	2024
Accounts payable - Other government departments and agencies		
Income taxes payable to CRA	35,688	4,898
Universal Child Care Benefits payable to CRA	67,715	72,189
Other	644,611	629,172
	748,014	706,259
Accounts payable - External parties		
EI benefits payable to individuals	785,450	1,022,465
OAS and Guaranteed Income Supplement benefits payable to individuals	3,619	80,888
COVID-19 support measures payable to individuals	18,912	32,580
Other	892,746	2,310,005
	1,700,727	3,445,938
Accrued liabilities	261,248	278,954
Allowance for alternative payments for non-participating provinces to Canada Student and Apprentice Loans	599,905	556,308
Total accounts payable and accrued liabilities	3,309,894	4,987,459

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

9. 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 Jobs and Families and the Minister of Crown-Indigenous Relations.

(in thousands of dollars)	2025	2024
Designated Amount Fund - beginning of year	1,909	1,917
Interest credited to the Trust account	67	92
Payments and other charges	(66)	(100)
Designated Amount Fund - end of year	1,910	1,909

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

10. 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.

(in thousands of dollars)	2025	2024
Government Annuities Account - beginning of year	51,756	58,867
Receipts and other credits	3,344	3,749
Payments and other charges	(9,925)	(10,860)
Government Annuities Account - subtotal	45,175	51,756
Allowance for pension adjustment - beginning of year	7,601	9,154
Allowance for pension adjustment - for the year	711	(1,553)
Allowance for pension adjustment - end of year	8,312	7,601
Government Annuities Account - end of year	53,487	59,357

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

11. 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 2025 expense amounts to \$315.8 million (\$294.8 million in 2024). For Group 1 members, the expense represents approximately 1.02 times (1.02 times in 2024) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2024) 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, 2025, 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:

(in thousands of dollars)	2025	2024
Accrued benefit obligation - beginning of year	66,735	69,345
Expense for the year	12,058	2,570
Benefits paid during the year	(6,483)	(5,180)
Accrued benefit obligation - end of year	72,310	66,735

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

12. 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
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:

Asset 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	2025	2024
Machinery and equipment	257	72	-	(20)	309	217	31	-	(20)	228	81	40
Computer hardware	850	6,929	127	(51)	7,855	550	158	2	(46)	664	7,191	300
Computer software	707,877	-	452,792	-	1,160,669	597,878	51,187	(1,378)	-	647,687	512,982	109,999
Other equipment and furniture	2,179	-	-	(20)	2,159	2,076	74	-	(20)	2,130	29	103
Vehicles	2,682	1,133	-	(389)	3,426	2,083	263	-	(359)	1,987	1,439	599
Leasehold improvements	469,798	-	50,995	(179)	520,614	313,443	18,322	-	(118)	331,647	188,967	156,355
Assets under construction	389,040	279,349	(506,809)	(16,989)	144,591	-	-	-	-	-	144,591	389,040
Total	1,572,683	287,483	(2,895)	(17,648)	1,839,623	916,247	70,035	(1,376)	(563)	984,343	855,280	656,436

(1) Adjustments include: assets under construction of \$506.8 million that were transferred to the other categories upon completion of the assets; transfers of tangible capital assets from other government departments with a net book value of \$183,178 (\$281,812 of cost less \$98,634 of accumulated amortization); transfers of tangible capital assets to other government departments with a net book value of \$1,827,176 (\$3,303,424 of cost less \$1,476,248 of accumulated amortization); and post-capitalization of tangible capital assets with a net book value of \$124,725 (\$126,839 of cost less \$2,114 of accumulated amortization).

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

13. 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. Activity in the account is as follows:

(in thousands of dollars)	2025	2024
EIO Account - restricted		
Balance - beginning of year - restricted	(18,436,976)	(22,176,985)
Revenues		
Premiums	32,104,423	30,156,573
Penalties and interest	137,257	116,519
	32,241,680	30,273,092
Expenses		
Benefits and support measures		
Unemployment and self-employment benefits	(23,333,031)	(21,282,382)
Transfers to provinces and territories related to Labour Market Development Agreements	(1,946,694)	(2,373,791)
Support measures	(149,794)	(150,307)
EI Emergency Response Benefit	200,080	385,150
Benefit repayments from higher income claimants	349,694	291,043
Administration costs	(2,846,991)	(2,889,759)
Bad debts	(307,210)	(287,192)
	(28,033,946)	(26,307,238)
Net EIO Account transactions before government funding	4,207,734	3,965,854
Funding from the Government of Canada - EI Emergency Response Benefit	(21,212)	(225,845)
Net EIO Account transactions	4,186,522	3,740,009
Balance - end of year - restricted	(14,250,454)	(18,436,976)
Unrestricted	40,800,723	46,893,649
Departmental net financial position - end of year	26,550,269	28,456,673

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

14. 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:

(in thousands of dollars)	2026	2027	2028	2029	2030 and thereafter	Total
Labour Market Development Agreements including EI administration costs related to LMDA	2,141,756	-	-	-	-	2,141,756
Other transfer payments	10,747,501	5,658,608	4,484,435	4,377,657	8,333,467	33,601,668
Operating and Maintenance	216,317	70,648	70,648	-	-	357,613
Total	13,105,574	5,729,256	4,555,083	4,377,657	8,333,467	36,101,037

Labour Market Development Agreements require a one-year or two-year notice period for the cancellation of the agreements depending on the province or territory. The obligations for 2027 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:

(in thousands of dollars)	2026	2027	2028	2029	2030 and thereafter	Total
External parties						
Recovery of CPP administration costs	521,907	-	-	-	-	521,907
Related parties						
Other revenues	322,706					322,706
Total	844,613	-	-	-	-	844,613

Employment and Social Development Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

15. Contingent liabilities and contingent assets

(a) Contingent liabilities

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

Claims, litigations and grievances have been made against ESDC in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. ESDC has recorded an allowance for claims and litigations in the amount of \$2.5 million (\$1.0 million in 2024), 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 nil on March 31, 2025 (\$0.5 million in 2024).

(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

16. 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:

(in thousands of dollars)	2025	2024
Employers' contribution to the health and dental insurance plans	91,368	95,290
Legal services	3,859	4,210
Total	95,227	99,500

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 \$17.1 million in 2025 (\$17.5 million in 2024).

(c) Other transactions with related parties

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

(in thousands of dollars)	2025	2024
Expenses - Other government departments, agencies and Crown corporations	1,145,635	1,185,514
Revenues - Other government departments, agencies and Crown corporations	603,805	548,588

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

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 expense and by major type of revenue. 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	2025 Total	2024 Total
Benefits and transfer payments								
Individuals	81,156,900	3,115,973	1,227	-	-	1,700	84,275,800	80,536,833
El benefits and support measures	-	24,879,745	-	-	-	-	24,879,745	23,130,287
Other	-	2,983,636	7,888,481	-	-	20,540	10,892,657	10,778,869
Total benefits and transfer payments	81,156,900	30,979,354	7,889,708	-	-	22,240	120,048,202	114,445,989
Operating expenses								
Bad debts	(55,279)	4,653,844	(4,477)	2,402	-	43,358	4,639,848	4,367,434
Salaries and benefits	825,994	1,689,901	88,959	725,890	500,728	124,707	3,956,179	4,017,023
Professional and special services	18,894	400,340	10,281	387,130	30,853	15,132	862,630	939,436
Administration costs charged by CRA	-	408,970	-	-	-	-	408,970	446,087
Accommodation and rentals	2,416	4,871	171	282,413	22,098	542	312,511	309,592
Transportation and communications	24,386	27,458	933	32,518	13,806	2,804	101,905	86,731
Amortization	32,111	5,888	639	26,233	4,213	951	70,035	73,939
Other	96,280	150,145	260	(227,583)	18,807	(318)	37,591	59,656
Machinery and equipment	1,121	1,332	34	28,706	621	90	31,904	46,807
Expenses incurred on behalf of Government	-	(4,984)	-	-	-	-	(4,984)	(8,831)
Total operating expenses	945,923	7,337,765	96,800	1,257,709	591,126	187,266	10,416,589	10,337,874
Total expenses	82,102,823	38,317,119	7,986,508	1,257,709	591,126	209,506	130,464,791	124,783,863
Revenues								
Employment Insurance (note 13)	-	32,241,680	-	-	-	-	32,241,680	30,273,092
Amortization of discount on loans receivable	-	798,900	-	-	-	-	798,900	734,100
Recovery of CPP administration costs	462,921	-	-	158,588	-	-	621,509	609,823
Recovery of OGD service delivery costs	-	-	-	62,682	537,871	-	600,553	545,638
User fees	-	146,470	-	-	-	-	146,470	165,757
Other (1)	43	27,421	87	4,031	503	3,847	35,932	35,480
Revenues earned on behalf of Government	(51,592)	(169,460)	(87)	(21,308)	(92,635)	(2,817)	(337,899)	(346,706)
Total revenues	411,372	33,045,011	-	203,993	445,739	1,030	34,107,145	32,017,184
Net cost from continuing operations	81,691,451	5,272,108	7,986,508	1,053,716	145,387	208,476	96,357,646	92,766,679

(1) Includes total non-recurring revenues of \$192,185 (\$82,598 in 2024) related to the proceeds on the sale of capital and non-capital assets.

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

18. Comparative information

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

Employment and Social Development Canada

Annex to the

Statement of Management Responsibility Including Internal Control Over Financial Reporting for the fiscal year ended March 31, 2025

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 2025 to 2026 fiscal year and the [Departmental Results Report](#) for the 2023 to 2024 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; and
- The CRA administers a number of activities for the Canada Pension Plan (CPP), Old Age Security (OAS) and the Employment Insurance (EI) Operating Account.

3 Departmental assessment results for fiscal year 2024-2025

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
Employment Insurance	Completed as planned; no remedial action required
Entity Level Controls	Completed as planned; no remedial action required
IT General Controls	Completed as planned; remedial actions started
Grants and Contributions	Completed as planned; remedial actions started
Procure to Payment	Completed as planned; remedial actions started

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

Employment Insurance

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

Entity Level Controls

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

IT General Controls (ITGC)

The ongoing monitoring of ITGC is conducted as part of a 5-year cycle, which assesses SAP and 14 feeder systems.

As a result of the 4-year ongoing monitoring assessment, some key recommendations were noted in 1 of the 4 main control pillars evaluated: access to program and data.

The Management Response and Action Plans (MRAPs) have been prepared by the process owner with a view to strengthen the control and progress against these plans will be tracked during 2025–2026 as part of the year-five ongoing monitoring of ITGCs.

Grants and Contributions

Some key recommendations included but were not limited to:

- Strengthen the monitoring of access rights to the grants and contributions system;
- Ensure that payments, proposals and agreements are signed by the appropriately delegated authority;
- Strengthen document retention supporting key decisions, approvals and essential records.
- Ensure that funds are pre-committed prior to the proposal approval; and
- Strengthen the financial monitoring reviews related to the Indigenous Early Learning and Child Care program.

MRAPs have been prepared by the process owners with a view to strengthen control and progress against these plans will be tracked during 2025–2026.

Procure to Payment

The process underwent a comprehensive assessment in 2023–2024 as part of the ongoing monitoring plan for internal controls over financial management. Due to its advanced stage, the 2023-2024 assessment did not delve deeper into procurement controls highlighted by the widely publicized government issues in fall of 2023.

The 2024-2025 assessment focused on procurement-related control activities, drawing on findings from current and past audits conducted by the Office of the Comptroller General (OCG), the Office of the Auditor General (OAG), and the Internal Audit and Enterprise Risk Management Branch (IAERMB).

The key recommendations resulting from the assessment include:

- Ensure that contracts and their amendments are signed by the appropriate and valid delegated financial authority;
- Strengthen document collection and retention supporting key decisions, approvals and essential records.

MRAPs have been prepared by the process owner with a view to strengthen control and progress against these plans will be tackled during 2025-2026.

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).

Rotational Ongoing Risk-Based Monitoring Plan					
Key Control Areas	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Canada Student Financial Assistance Program	Yes	No	No	Yes	No
Employment Insurance	No	Yes	No	Yes	No
Entity Level Controls	No	No	No	No	Yes
Financial Close and Reporting	Yes	No	No	No	Yes
IT General Controls ¹	Yes	Yes	Yes	Yes	Yes
Grants and Contributions	No	No	Yes	No	No
Old Age Security	No	Yes	No	Yes	No
Pay Administration	No	Yes	No	No	Yes
Planning and Budgeting	No	No	Yes	No	No
Procure to Payment	No	Yes	No	No	Yes

¹ 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.