Canadian Food Inspection Agency | Agence canadienne d'inspection des aliments

Financial Statements of the Canadian Food Inspection Agency (Unaudited) Year ended March 31, 2026

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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, 2026 and all information contained in these financial statements rests with the management of the agency. These 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 financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the agency's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the agency'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 the agency 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, 2026 was completed in accordance with the Treasury Board Policy on Financial Management; the results and action plans are summarized in the annex.

The effectiveness and adequacy of the agency's system of internal control is reviewed by the work of internal audit staff who conduct periodic audits of different areas of the agency'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 President.

Canadian Food Inspection Agency (CFIA)
Financial Statements of the Canadian Inspection Agency (Unaudited)
For the year ended March 31, 2026

The financial statements of the Canadian Food Inspection Agency have not been audited.

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Dr. Harpreet S. Kochhar
President

Ottawa, Canada
Date: August 31, 2026

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Stanley Xu, CPA, CGA
Vice-President, Corporate Management Branch and Chief Financial Officer

Date: August 26, 2026

Canadian Food Inspection Agency (CFIA)
Financial Statements of the Canadian Inspection Agency (Unaudited)
For the year ended March 31, 2026

Statement of Financial Position (unaudited)
As at March 31
(in thousands of dollars)

	2026	2025
Liabilities		
Accounts payable and accrued liabilities (Note 4)	$ 117,849	$ 165,941
Vacation pay and compensatory leave	48,487	49,162
Asset retirement obligations (Note 5)	7,282	7,408
Deferred revenue (Note 6)	4,155	4,021
Employee future benefits (Note 7)	12,517	13,679
Total gross liabilities	**190,290**	**240,211**
Financial assets		
Due from Consolidated Revenue Fund	113,670	117,685
Accounts receivable and advances (Note 8)	16,366	16,567
Total gross financial assets	**130,036**	**134,252**
Accounts receivable and advances held on behalf of Government (Note 8)	(56)	(40)
Total net financial assets	**129,980**	**134,212**
Agency - net debt	**60,310**	**105,999**
Non-financial assets		
Prepaid expenses	3,301	1,781
Inventory (Note 9)	986	837
Tangible capital assets (Note 10)	275,442	277,752
Total non-financial assets	**279,729**	**280,370**
Agency - net financial position	**$ 219,419**	**$ 174,371**

Contractual obligations and contractual rights (Note 11)
Contingent liabilities (Note 12)

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

Dr. Harpreet S. Kochhar
President

Ottawa, Canada
Date: August 31, 2026

Stanley Xu, CPA, CGA
Vice-President, Corporate Management Branch and Chief Financial Officer

Date: August 26, 2026

Canadian Food Inspection Agency (CFIA)
Financial Statements of the Canadian Inspection Agency (Unaudited)
For the year ended March 31, 2026

Statement of Operations and Agency Net Financial Position (unaudited)
For the year ended March 31
(in thousands of dollars)

	2026 Planned results	2026 Actual	2025 Actual
Expenses			
Safe food and healthy plants and animals	$ 842,023	$ 897,620	$ 878,499
Internal services	205,400	198,407	199,333
Total expenses	**1,047,423**	**1,096,027**	**1,077,832**
Revenues			
Inspection fees	36,549	38,992	40,054
Registrations, permits, certificates	9,213	10,850	11,152
Miscellaneous fees and services	5,473	7,273	12,037
Establishment license fees	1,042	960	955
Administrative monetary penalties	985	829	697
Grading	60	78	55
Interest	56	59	87
Gain on disposal of property, plant and equipment	38	-	396
Revenues earned on behalf of Government	(416)	(266)	(5,087)
Total revenues	**53,000**	**58,775**	**60,346**
Net cost of operations before government funding and transfers	**994,423**	**1,037,252**	**1,017,486**
Government funding and transfers			
Net Cash provided by Government of Canada		989,206	949,114
Change in due from Consolidated Revenue Fund		(4,015)	25,278
Services provided without charge by other government departments (Note 13)		96,610	89,324
Transfer of the transition payments for implementing salary payments in arrears		-	(3)
Net transfer of assets and liabilities from/(to) Other Government Departments		499	2,255
Net cost of operations after government funding and transfers		**(45,048)**	**(48,482)**
Agency - net financial position - Beginning of year		**174,371**	**125,889**
Agency - net financial position - End of year		**$ 219,419**	**$ 174,371**

Segmented information (Note 14)

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

Statement of Change in Agency Net Debt (unaudited)
For the year ended March 31
(in thousands of dollars)

		2026		2025
Net cost of operations after government funding and transfers	**$**	**(45,048)**	**$**	**(48,482)**
Change in tangible capital assets				
Acquisition of tangible capital assets		26,769		74,799
Amortization of tangible capital assets		(28,328)		(23,631)
Change in tangible capital assets related to asset retirement obligations		(333)		(334)
Proceeds from disposal of tangible capital assets		(521)		(518)
Net (loss) or gain on disposal of tangible capital assets		(556)		396
Post-capitalization of tangible capital assets		-		(32)
Tangible capital assets transfer from/(to) Other Government Departments		659		2,513
Total change due to tangible capital assets		**(2 310)**		**53,193**
Change due to inventory		149		135
Change due to prepaid expenses		1,520		(3,186)
Increase (decrease) in Agency net debt		**(45,689)**		**1,660**
Agency - net debt - Beginning of year		**105,999**		**104,339**
Agency - net debt - End of year	**$**	**60,310**	**$**	**105,999**

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

Statement of Cash Flows (unaudited)
For the year ended March 31
(in thousands of dollars)

	2026	2025
Operating activities		
Cash received from:		
Fees, permits and certificates	$ (60,028)	$ (69,274)
Cash paid for:		
Salaries and employee benefits	787,560	722,690
Operating and maintenance	129,798	140,144
Transfer payments	105,379	76,205
Revenues collected on behalf of Government	249	5,068
Cash used in operating activities	**962,958**	**874,833**
Capital investment activities		
Acquisition of tangible capital assets	26,769	74,799
Proceeds from disposal of tangible capital assets	(521)	(518)
Cash used in capital investment activities	**26,248**	**74,281**
Net cash provided by Government of Canada	**$ 989,206**	**$ 949,114**

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

1. Authority and objectives

The agency was established, effective April 1, 1997, under the *Canadian Food Inspection Agency Act*. The Act consolidates all federally mandated food and fish inspection services, and federal animal and plant health activities into a single agency.

The agency is a departmental corporation named in Schedule II to the *Financial Administration Act* and reports to Parliament through the Minister of Health.

The mandate of the agency is to enhance the effectiveness and efficiency of federal inspection and related services for food, animals and plants. The objectives of the agency are to contribute to a safe food supply and accurate product information; to contribute to the continuing health of animals and plants; and, to facilitate trade in food, animals, plants, and related products.

The agency utilizes a Departmental Results Framework comprising Core Responsibilities and Departmental Results. Supported by internal services, the agency operates under the following Core Responsibility:

Safe Food and Healthy Plants and Animals: Protecting Canadians by safeguarding Canada's food system and the plant and animal resources on which we depend, and supporting the Canadian economy through the trade of Canadian goods. The agency's Core Responsibility contains the following program inventory:

- Setting Rules for Plant Health
- Plant Health Compliance Promotion
- Monitoring and Enforcement for Plant Health
- Permissions for Plant Products
- Setting Rules for Animal Health
- Animal Health Compliance Promotion
- Monitoring and Enforcement of Animal Health
- Permissions for Animal Products
- Setting Rules for Food Safety and Consumer Protection
- Food Safety and Consumer Protection Compliance Promotion
- Monitoring and Enforcement for Food Safety and Consumer Protection
- Permissions for Food Products
- International Standards Setting
- International Regulatory Cooperation and Science Collaboration
- Market Access Support

Internal Services: Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal services include only those activities and resources that apply across an organization, and not those provided to a specific program.

The groups of activities are:

- Management and Oversight Services
- Communications Services
- Legal Services
- Human Resource Management Services
- Financial Management Services
- Information Management Services
- Information Technology Services
- Real Property Management Services
- Materiel Management Services
- Acquisition Management Services

Mitigating risks to food safety is the CFIA's highest priority, and the health and safety of Canadians is the driving force behind the design and development of CFIA programs. The CFIA, in collaboration and partnership with industry, consumers, and federal, provincial and municipal organizations, continues to work towards protecting Canadians from preventable health risks related to food and zoonotic diseases. It shares many of its core responsibilities with other federal departments and agencies, with provincial, territorial and municipal authorities, with private industry, and with other stakeholders.

Operating and capital expenditures are funded by the Government of Canada through parliamentary authorities. Compensation payments under the *Health of Animals Act* and the *Plant Protection Act,* and employee benefits are authorized by separate statutory authorities. Revenues generated by its operations are deposited to the Consolidated Revenue Fund (CRF) and are available for use by the agency.

2. Summary of significant accounting policies

These financial statements are prepared using the agency'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

The agency is mainly financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the agency 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 Agency 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 high-level reconciliation between the bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Agency Net Financial Position are the amounts reported in the Future-Oriented Statement of Operations approved in May 2025 and included in the 2025-26 Departmental Plan (DP). Planned results are not presented in the

"Government funding and transfers" section of the Statement of Operations and Agency Net Financial Position and in the Statement of Change in Agency Net Debt because these amounts were not included in the Agency's 2025-26 DP.

b) Net cash provided by Government of Canada

The agency operates within the CRF, which is administered by the Receiver General for Canada. All cash received by the agency is deposited to the CRF, and all cash disbursements made by the agency 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 of Canada.

c) 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 the agency is entitled to draw from the CRF without the use of further authorities to discharge its liabilities.

d) 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.

Revenues for regulatory fees, permits and certificates are recognized based on the services provided in the fiscal year.

Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. Revenues are then recognized in the period in which the related expenses are incurred.

Deferred revenue consists of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned.

Other revenues are recognized in the period the event giving rise to the revenues occurred.

Revenues earned on behalf of the Government of Canada are non-respendable and are not available to discharge the agency's liabilities. While the President 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 as a reduction of the entity's gross revenues.

e) Expenses

Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient.

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, the employer's contribution to the health and dental insurance plans, legal services and Workers' Compensation expenses are recorded as operating expenses at their carrying value.

f) Employee future benefits

(i) Pension benefits

Eligible employees participate in the Public Service Pension Plan (the "Plan"), a multi-employer pension plan administered by the Government of Canada. The agency's contributions are expensed during the year in which the services are rendered, and represent the total pension obligation of the agency. The agency's responsibility with regard to the Plan is limited to its contributions. Under present legislation, the agency is not required to make contributions with respect to actuarial deficits of the plan. 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.

(iii) Other future benefit plans

The Government of Canada sponsors a variety of other future benefit plans from which employees and former employees can benefit during or after employment, or upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Services Plan represent the two major future benefit plans available to the agency's employees.

The Agency does not pay for these programs as they fall under the Government of Canada's financial responsibilities, but the agency records its share of the annual benefits paid under these programs as a service provided without charge by other government departments.

g) Accounts receivable and advances

Accounts receivable and advances are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

h) Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets, and except for land, are amortized over the estimated useful lives of the assets. All tangible capital assets and leasehold improvements having an initial cost of $10,000 or more are recorded at their acquisition cost.

Inventories are valued at cost, and are comprised of laboratory materials, supplies and livestock held for future program delivery, and are not primarily intended for re-sale. Inventory that no longer has service potential is valued at the lower of cost and net realizable value.

i) Contingent liabilities

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

j) Environmental liabilities and asset retirement obligations

An environmental liability for the remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists; contamination exceeds the environmental standard; the Government is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the Government's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination.

An asset retirement obligation is recognized when all of the following criteria are satisfied: there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past event or transaction giving rise to the retirement liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The costs to retire an asset are normally capitalized and amortized over the asset's estimated remaining useful life. An asset retirement obligation may arise in connection with a tangible capital asset that is not recognized or no longer in productive use. In this case, the asset retirement cost would be expensed. The measurement of the liability is the government's best estimate of the amount required to retire a tangible capital asset.

When the future cash flows required to settle or otherwise extinguish a liability are estimable, predictable and expected to occur over extended future periods, a present value technique is used. The discount rate used reflects the Government's cost of borrowing, associated with the estimated number of years to complete remediation.

The recorded liabilities are adjusted each year for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of the Government's responsibility is not determinable, a contingent liability is disclosed in the notes to the consolidated statements.

k) Transactions involving foreign currencies

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Canadian dollars using the rate of exchange in effect on March 31. Gains and losses resulting from foreign currency translation are reported on the Statement of Operations and Agency Net Financial Position according to the activities to which they relate.

l) Measurement uncertainty

The preparation of these 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 financial statements and accompanying notes as at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period.

The most significant items where estimates are used are asset retirement obligations, contingent liabilities, the liability for employee severance 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.

Environmental liabilities and asset retirement obligations are subject to measurement uncertainty due to the evolving technologies used in remediation activities of contaminated sites or asset retirements, the use of discounted present value of future estimated cost, inflation, interest rates and the fact that not all sites have had a complete assessment of the extent and nature of remediation or asset retirement costs. Changes to underlying assumptions, the timing of the expenditures, the technology employed, the revisions to environmental standards or changes in regulatory requirements could result in significant changes to the liabilities recorded.

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:

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

The Agency receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Agency Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the Agency 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)	2026	2025
Net cost of operations before government funding and transfers	$ 1,037,252	$ 1,017,486
Adjustments for items affecting net cost of operations but not affecting authorities:		
Add (less):		
Services provided without charge by other government departments	(96,610)	(89,324)
Amortization of tangible capital assets	(28,328)	(23,631)
Revenues pursuant to Section 30 of the CFIA Act	57,036	59,318
Refund of prior year expenditures	3,428	3,296
Bad debt expense	727	317
Accretion Expense	(207)	(211)
Change in Employee Severance Benefits	1,162	(385)
Change in Allowance for Expired Collective Agreements	2,367	(23,249)
Other net changes in future funding requirements	(1,246)	21,227
Gain (loss) on disposal of tangible capital assets	(1,112)	396
Post-capitalization of tangible capital assets	-	(32)
Total items affecting net cost of operations but not affecting authorities	(62,783)	(52,278)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Add (less):		
Acquisition of tangible capital assets	26,769	74,799
Proceeds from disposal of tangible capital assets	(521)	(518)
Transition payments for implementing salary payments in arrears	-	3
Salary transfers from/(to) Other Government Departments	161	257
Total items not affecting net cost of operations but affecting authorities	26,409	74,541
Current year authorities used	**$ 1,000,878**	**$ 1,039,749**

b) Authorities provided and used:

(in thousands of dollars)	2026	2025
Authorities provided:		
Vote 1 - Operating expenditures	$ 778,820	$ 782,318
Vote 5 - Capital expenditures	21,488	45,700
Revenues pursuant to Section 30 of the CFIA Act	121,567	127,025
Statutory compensation (transfer) payments	104,704	72,977
Statutory contributions to employee benefits plans and other statutory authorities	95,370	91,042
Less:		
Authorities available for future years	(102,460)	(62,276)
Lapsed Operating	(17,050)	(9,660)
Lapsed Capital	(1,561)	(7,377)
Current year authorities used	**$ 1,000,878**	**$ 1,039,749**

4. Accounts payable and accrued liabilities

The following table presents details of the Agency's accounts payable and accrued liabilities.

(in thousands of dollars)	2026	2025
Accounts payable - Other Government Departments	$ 1,470	$ 11,205
Accounts payable - External parties	18,434	14,130
Total accounts payable	19,904	25,335
Accrued liabilities	97,945	140,606
Total accounts payable and accrued liabilities	**$ 117,849**	**$ 165,941**

5. Environmental liabilities and asset retirement obligations

a) The Government's "Federal Approach to Contaminated Sites" sets out a framework for management of contaminated sites using a risk-based approach. Under this approach the Government has inventoried the contaminated sites identified on federal lands, allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aids in identification of the high-risk sites in order to allocate limited resources to those sites which pose the highest risk to human health and the environment.

The Agency has identified eleven sites where contamination exists and assessment, remediation and monitoring may be required. A liability in the amount of $199 thousand has been recognized as a result of fuel related practices at one of the CFIA's sites (Laboratory). The remaining sites are at various stages of testing and evaluation. The liabilities will be reported as soon as a reasonable estimate can be determined.

b) The Agency has recorded asset retirement obligations for the removal of asbestos and other hazardous materials in buildings along with closure and post-closure obligations associated with other works and infrastructure, retirement activities linked to machinery and equipment, and other asset retirement obligations.

Changes in asset retirement obligations

(in thousands of dollars)	2026					2025
	Asbestos and other hazardous material	**Removal of leasehold improvements**	**Retirement activities linked machinery and equipment**	**Underground storage tanks**	**Total**	**Total**
Opening balance	$ 4,200	$ 1,270	$ 1,789	$ 149	$ 7,408	$ 7,532
Liabilities incurred	-	-	-	-	-	-
Liabilities settled	-	-	-	-	-	-
Revision in estimated cash flows	(232)	(23)	(74)	(4)	(333)	(335)
Accretion expense	123	35	45	4	207	211
Closing balance	**$ 4,091**	**$ 1,282**	**$ 1,760**	**$ 149**	**$ 7,282**	**$ 7,408**

The undiscounted future expenditures, adjusted for inflation, for the planned projects comprising the liability are $11,595 thousand ($11,285 thousand as at March 31, 2025).

Key Assumptions used in determining provisions are as follows:

	2026	**2025**
Discount Rate	2.31-3.95%	2.44-3.27%
Discount period and timing of settlement	0-55 years	0-55 years
Long term rate of inflation	2.00%	2.00%

6. A. Revenues

The agency has the following major types of revenues: Regulatory fees, administrative monetary penalties (financial penalties issued by the CFIA for violations of laws the agency enforces), and other revenues. Regulatory fees are recorded as they are earned. Other revenues can include items such as interest earned, gain on sale of assets, and miscellaneous revenues. These are recognized when earned/obligations are fulfilled.

Revenues (in thousands)	**2026**	**2025**
Regulatory Fees	56,139	57,353
Administrative monetary penalties	829	697
Other Revenue	2,073	7,385
Revenues earned on behalf of Government	(266)	(5,087)
Total revenues[1]	58,775	60,346

[1] *Total non-recurring revenues of $2,560,000 were included in relation to administrative monetary penalties and miscellaneous revenues.*

B. Deferred Revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from accounts received from external parties that are restricted in order to fund the expenditures related to specific research projects, and stemming from amounts received for fees prior to services being performed. Revenue is recognized in the period in which these expenditures are incurred or in which the service is performed. Details of the transactions related to this account are as follows:

(in thousands of dollars)	**2026**	**2025**
Opening balance	**$ 4,021**	**$ 3,207**
Amounts received	3,314	2,976
Revenue recognized	(3,180)	(2,162)
Gross closing balance	**4,155**	**4,021**
Deferred revenues held on behalf of Government	-	-
Net closing balance	**$ 4,155**	**$ 4,021**

7. Employee future benefits

(a) Pension benefits

The agency'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 the Agency contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Canada's

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 2025-2026 expense amounts to $59,961 thousand ($58,019 thousand in 2024-2025). For Group 1 members, the expense represents approximately 1.01 times the employee contributions, and for Group 2 members, approximately 1.00 times the employee contributions.

The Agency'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 the Agency'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. 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)	2026	2025
Accrued benefit obligation - Beginning of year	**$ 13,679**	**$ 13,294**
Expense (recovery) for the year	226	1,789
Benefits paid during the year	(1,388)	(1,404)
Accrued benefit obligation - End of year	**$ 12,517**	**$ 13,679**

8. Accounts receivable and advances

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

(in thousands of dollars)	2026	2025
Receivables - Other Government Departments	$ 2,907	$ 1,919
Receivables - External parties	7,182	6,672
Employee advances	8,370	9,446
Subtotal	18,459	18,037
Allowance for doubtful accounts	(2,093)	(1,470)
Gross accounts receivable	**16,366**	**16,567**
Accounts receivable and advances held on behalf of Government	(56)	(40)
Net accounts receivable	**$ 16,310**	**$ 16,527**

9. Inventory

(in thousands of dollars)	2026	2025
Materials and supplies	$ 385	$ 381
Livestock	601	456
Total inventory	**$ 986**	**$ 837**

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
Buildings and Works	20 to 100 years
Machinery and equipment	5 to 20 years
Computer equipment and software	3 to 5 years
Vehicles	7 to 15 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement
Assets under construction	Once in service, in accordance with asset class

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.

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements (unaudited)
For the year ended March 31

(in thousands of dollars)

	Cost					Accumulated amortization					Net book value	
Capital asset class	Opening balance	Acquisitions	Adjustments (1)	Disposals and write-offs	Closing balance	Opening balance	Amortization	Adjustments	Disposals and write-offs	Closing balance	2026	2025
Land	$ 3,330	$ -	$ -	$ -	$ 3,330	$ -	$ -	$ -	$ -	$ -	$ 3,330	$ 3,330
Buildings	477,969	2,175	2,884	(66)	482,962	324,907	7,472	1	(66)	332,314	150,648	153,062
Machinery and equipment	103,799	6,954	2,396	(5,825)	107,324	61,347	5,131	1,077	(5,717)	61,838	45,486	42,452
Computer equipment and software	252,982	4,534	1,535	(63)	258,988	216,070	10,599	-	(62)	226,607	32,381	36,912
Vehicles	29,170	1,314	-	(3,307)	27,177	21,146	2,100	62	(3,269)	20,039	7,138	8,024
Assets under construction	20,818	10,168	(7,218)	(973)	22,795	-	-	-	-	-	22,795	20,818
Leasehold improvements	72,691	1,624	1,910	(89)	76,136	59,537	3,026	-	(91)	62,472	13,664	13,154
Total	**$ 960,759**	**$ 26,769**	**$ 1,507**	**$ (10,323)**	**$ 978,712**	**$ 683,007**	**$ 28,328**	**$ 1,140**	**$ (9,205)**	**$ 703,270**	**$ 275,442**	**$ 277,752**

(1) Adjustments include assets under construction of $7,218 thousand that were transferred to the other categories upon completion of the assets.

11. Contractual obligations and contractual rights

(a) Contractual obligations

The nature of the Agency's activities may result in some large multi-year contracts and obligations whereby the Agency 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)	2027	2028	2029	2030	2031 and thereafter	Total
Operating contracts	$ 12,016	$ 4,221	$ 6,162	$ 2,145	$ 13,322	$ 37,866
Capital projects	4,995	9,126	3,018	-	-	17,139
Operating leases	195	152	151	151	151	800
Transfer payments	20	20	-	-	-	40
Total	**$ 17,226**	**$ 13,519**	**$ 9,331**	**$ 2,296**	**$ 13,473**	**$ 55,845**

(b) Contractual rights

The activities of the Agency sometimes involve the negotiation of contracts or agreements with outside parties that result in the Agency having rights to both assets and revenues in the future. They principally involve leases of property, royalties, and sales of goods and services. The Agency does not have major contractual rights that will generate revenues in future years and that can be reasonably estimated.

12. Contingent liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. Claims relating to both legal claims and employee grievances have been made against the Agency 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.

Amounts have been accrued for contingent liabilities as at March 31, 2026 pertaining to legal claims and employee grievances. The amount of the contingent liabilities recognized is based on management's best estimate. Other claims against the Agency and other defendants include a class action suit related to the importation of honeybee packages for which the likelihood of liability is not determinable.

13. Related party transactions

The Agency is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations.

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

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

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

(in thousands of dollars)	2026	2025
Employer's contribution to the health and dental insurance plans	$ 62,796	$ 55,602
Accommodation	33,383	33,586
Legal services	424	132
Workers' compensation	7	4
Total	**$ 96,610**	**$ 89,324**

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 the Agency's Statement of Operations and Agency Net Financial Position.

(b) Other transactions with other government departments and agencies

(in thousands of dollars)	2026	2025
Accounts receivable	$ 2,907	$ 1,919
Accounts payable	1,470	11,205
Expenses	137,679	125,427
Revenues	184	418

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

14. Segmented information

Presentation by segment is based on the Agency's core responsibility. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and

revenues generated for the main Core responsibilities, by major object of expenses and by major type of revenues. The segmented results for the period are as follows:

(in thousands of dollars)			2026	2025
	Safe food and healthy plants and animals	**Internal services**	**Total**	**Total**
Transfer payments				
Compensation payments	$ 102,768	$ -	$ 102,768	$ 95,972
Other	622	-	622	3,228
Total transfer payments	**103,390**	-	**103,390**	**99,200**
Operating expenses				
Salaries and employee benefits	652,808	145,745	798,553	796,877
Professional and special services	29,667	29,590	59,257	60,890
Amortization	23,398	4,930	28,328	23,631
Accommodation	33,820	6,033	39,853	38,752
Utilities, materials and supplies	26,839	2,547	29,386	22,375
Travel and relocation	8,957	780	9,737	10,188
Furniture and equipment	5,552	1,115	6,667	5,686
Repairs	9,078	1,142	10,220	9,428
Rentals	671	5,853	6,524	6,437
Information	2,065	316	2,381	2,939
Miscellaneous	848	198	1,046	676
Communications	68	61	129	753
Loss on disposal of assets	459	97	556	-
Total operating expenses	**794,230**	**198,407**	**992,637**	**978,632**
Total expenses	**897,620**	**198,407**	**1,096,027**	**1,077,832**
Revenues				
Inspection fees	38,991	1	38,992	40,054
Registrations, permits, certificates	10,850	-	10,850	11,152
Miscellaneous fees and services	6,531	742	7,273	12,037
Establishment license fees	960	-	960	955
Administrative monetary penalties	829	-	829	697
Grading	78	-	78	55
Interest	-	59	59	87
Gain on disposal of assets	-	-	-	396
Revenues earned on behalf of Government	-	(266)	(266)	(5,087)
Total revenues	58,239	536	58,775	60,346
Net cost of operations	**$ 839,381**	**$ 197,871**	**$ 1,037 252**	**$ 1,017,486**

A.1 Introduction

This document provides summary information on the measures taken by the Canadian Food Inspection Agency (CFIA or the Agency) to maintain an effective system of internal control over financial reporting, as well as information on internal control management, assessment results and related action plans.

Detailed information on the department's authority, mandate and core responsibilities can be found in the Departmental Plan for the 2025 to 2026 fiscal year and the Departmental Results Report for the 2025 to 2026 fiscal year.

A.2 Departmental system of internal control over financial reporting

A.2.1 Internal control management

The Agency has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its overall system of internal control. A departmental internal control management framework 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 the legislative and policy requirements for sound financial management and control; and
- monitoring and regular updates on internal control management, as well as provision of related assessment results and action plans to the Deputy Head and senior departmental management and, as applicable, the Departmental Audit Committee.

The Departmental Audit Committee is an independent advisory committee to the Deputy Head. It is responsible to provide advice to the Deputy Head on the adequacy and functioning of the department's risk management, control and governance frameworks and processes.

A.2.2 Service arrangements relevant to financial statements

The Agency relies on other departments for processing certain transactions that are recorded in its financial statements, as follows.

A.2.2.1 Common service arrangements

- Public Services and Procurement Canada administers the payment of salaries, the procurement of goods and services, and provides accommodation services;
- Shared Services Canada provides information technology (IT) infrastructure services;
- Department of Justice Canada provides legal services; and

- Treasury Board of Canada Secretariat provides information on public service insurance and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans.

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

The Agency relies on other departments for the processing of certain information or transactions that are recorded in its financial statements, as follows.

A.2.2.2 Specific arrangements

- Agriculture and Agri-Food Canada provides the Agency with an SAP financial system platform to capture and report all financial transactions.

- Public Services and Procurement Canada provides the Agency with a PeopleSoft human resources system platform to manage pay and leave transactions

A.3 Departmental assessment results for the 2025 to 2026 fiscal year

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

Progress during the 2025 to 2026 fiscal year

Previous fiscal year's rotational ongoing monitoring plan for the current fiscal year	Status
Revenue (Business Process Controls), Forecasting	Completed as planned; no remedial actions required
Pay, Capital Assets	Completed as planned; remedial actions started

The key findings and significant adjustments required from the current fiscal year's assessment activities are summarized in subsection A.3.1.

A.3.1 New or significantly amended key controls

In the current fiscal year, there were no significant amendments to key controls in existing processes that required a reassessment. The documentation stage for the key control activities related to the Information Technology General Controls - Revenue Application process was completed in FY 2025-26. Significant adjustments were not required for the new key controls.

A.3.2 Ongoing monitoring program

As part of its rotational ongoing monitoring plan, the Agency completed its reassessment of the financial controls within the business processes for:

- Pay;
- Capital assets;

- Revenue (Business Process Controls); and
- Forecasting.

For the most part, key controls that were tested performed as intended, with remediation required as follows: improvements to the salary expenditure initiation process; minor improvements to the quality assurance plan; reinstated regular reconciliation activities across multiple fleet systems to support accurate reporting, and asset tracking and improvements to the annual fleet safety certification process.

Management action plans addressing the recommendations were developed by the business process owners.

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

The Agency's rotational ongoing monitoring plan over the next five fiscal years is shown in the following table. The ongoing monitoring plan is based on:

- an annual validation of high-risk processes and controls; and
- related adjustments to the ongoing monitoring plan as required.

Rotational ongoing monitoring plan

Key control areas	2026 to 2027 fiscal year	2027 to 2028 fiscal year	2028 to 2029 fiscal year	2029 to 2030 fiscal year	2030 to 2031 fiscal year
Entity-level controls			X		
Information technology general controls under departmental management					
SAP	X				X
PeopleSoft		X			
Revenue applications	X				X
Business process controls					
Pay	X	X	X	X	X
Non-pay (operating and maintenance)			X		
Revenue	X	X	X	X	X

Key control areas	2026 to 2027 fiscal year	2027 to 2028 fiscal year	2028 to 2029 fiscal year	2029 to 2030 fiscal year	2030 to 2031 fiscal year
Capital assets			X		
Statutory compensation payments		X			
Financial close and reporting	X			X	
Budgeting			X		
Forecasting				X	
Costing		X			
CFO attestation		X			
Investment planning		X			X

Along with the going monitoring rotational plan, the Agency continues to address outstanding remediation.