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, 2026

Consolidated Financial Statements (Unaudited) for the year ended March 31, 2026.

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, 2026
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, 2026, 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, 2026 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.

_____

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

_____

Paul Thompson
Deputy Minister
Employment and Social Development Canada

Gatineau, Canada
August 27, 2026

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

(in thousands of dollars)	2026	2025
Financial assets		
Accounts receivable and advances (note 4)	**10,153,224**	11,044,247
Loans receivable (note 5)	**22,289,553**	20,146,268
Total gross financial assets	**32,442,777**	31,190,515
Financial assets held on behalf of Government		
Loans receivable (note 5)	**(49,605)**	(59,925)
Total net financial assets	**32,393,172**	31,130,590
Liabilities		
Due to Consolidated Revenue Fund	**925,245**	1,376,779
Due to Canada Pension Plan (note 7)	**479,393**	464,980
Accounts payable and accrued liabilities (note 8)	**4,471,892**	3,309,894
Vacation pay and compensatory leave	**160,585**	174,060
Designated Amount Fund - Trust Account (note 9)	**35**	1,910
Government Annuities Account (note 10)	**45,113**	53,487
Employee future benefits (note 11)	**65,145**	72,310
Total net liabilities	**6,147,408**	5,453,420
Departmental net financial asset	**26,245,764**	25,677,170
Non-financial assets		
Prepaid expenses	**12,919**	17,819
Tangible capital assets (note 12)	**1,017,400**	855,280
Total non-financial assets	**1,030,319**	873,099
Departmental net financial position (note 13)	**27,276,083**	26,550,269

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.

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

Paul Thompson
Deputy Minister
Employment and Social Development Canada

Gatineau, Canada
August 27, 2026

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)	2026 Planned Results	**2026 Actual**	2025 Actual
Expenses			
Pensions and Benefits	88,070,687	**85,515,941**	82,102,823
Learning, Skills Development and Employment	39,425,357	**41,983,519**	38,322,103
Social Development	9,312,954	**9,270,078**	7,986,508
Internal Services	1,370,155	**1,301,967**	1,257,709
Information Delivery and Services for Other Departments	535,076	**556,439**	591,126
Working Conditions and Workplace Relations	206,019	**239,686**	209,506
Expenses incurred on behalf of the Government	46,000	**(5,884)**	(4,984)
Total expenses	138,966,248	**138,861,746**	130,464,791
Revenues			
Employment insurance (note 13)	32,727,250	**33,296,851**	32,241,680
Amortization of discount on loans receivable	822,900	**861,700**	798,900
Recovery of CPP administration costs	597,897	**604,710**	621,509
Recovery of Other Government Department service delivery costs	478,216	**506,906**	600,553
User fees	111,735	**74,904**	146,470
Other	20,918	**40,528**	35,932
Revenues earned on behalf of Government	(259,715)	**(251,543)**	(337,899)
Total revenues	34,499,201	**35,134,056**	34,107,145
Net cost of operations before government funding and transfers	104,467,047	**103,727,690**	96,357,646
Government funding and transfers			
Net cash provided by Government of Canada		**103,897,795**	96,092,107
Change in due to the Consolidated Revenue Fund		**451,534**	(1,732,940)
Services provided without charge by other government departments (note 16)		**105,877**	95,227
Transfer of the transition payments for implementing salary payments in arrears		**(2)**	-
Other transfers of assets to other government departments		**(1,700)**	(3,152)
Net revenue (cost) of operations after government funding and transfers		**725,814**	(1,906,404)
Departmental net financial position - beginning of year		**26,550,269**	28,456,673
Departmental net financial position - end of year		**27,276,083**	26,550,269

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)	2026	2025
Net revenue (cost) of operations after government funding and transfers	**725,814**	(1,906,404)
Change due to tangible capital assets		
Acquisition of tangible capital assets (note 12)	**(322,391)**	(287,483)
Amortization of tangible capital assets (note 12)	**160,068**	70,035
Proceeds from disposal of tangible capital assets	**384**	154
Net loss (gain) on disposal of tangible capital assets	**(192)**	16,931
Adjustments to tangible capital assets	**-**	(125)
Transfer to other government departments	**11**	1,644
Total change due to tangible capital assets	**(162,120)**	(198,844)
Change due to prepaid expenses	**4,900**	1,653
Net increase (decrease) in departmental net financial assets	**568,594**	(2,103,595)
Departmental net financial assets - beginning of year	**25,677,170**	27,780,765
Departmental net financial assets - end of year	**26,245,764**	25,677,170

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)	2026	2025
Operating activities		
Net cost of operations before government funding and transfers	**103,727,690**	96,357,646
Non-cash items:		
Amortization of tangible capital assets (note 12)	**(160,068)**	(70,035)
Gain (loss) on disposal of tangible capital assets	**192**	(16,931)
Adjustments to tangible capital assets	**-**	125
Services provided without charge by other government departments (note 16)	**(105,877)**	(95,227)
Transition payments for implementing salary payments in arrears	**2**	-
Variations in Consolidated Statement of Financial Position:		
Decrease in accounts receivable and advances	**(891,023)**	(3,946,521)
Increase in loans receivable	**2,153,605**	2,207,443
Decrease in prepaid expenses	**(4,900)**	(1,653)
Increase in due to Canada Pension Plan	**(14,413)**	(305,729)
Decrease (increase) in accounts payable and accrued liabilities	**(1,161,998)**	1,677,565
Decrease (increase) in vacation pay and compensatory leave	**13,475**	(3,707)
Decrease (increase) in the Designated Amount Fund - Trust Account	**1,875**	(1)
Decrease in Government Annuities Account	**8,374**	5,870
Decrease (increase) in employee future benefits	**7,165**	(5,575)
Transfer of salary overpayments to other government departments	**1,689**	1,508
Cash used in operating activities	**103,575,788**	95,804,778
Capital investing activities		
Acquisitions of tangible capital assets (note 12)	**322,391**	287,483
Proceeds from disposal of tangible capital assets	**(384)**	(154)
Cash used in capital investing activities	**322,007**	287,329
Net cash provided by Government of Canada	**103,897,795**	96,092,107

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

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 Disability Benefit 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.

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 2025-2026 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 2025-2026 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.

(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.

(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*.

(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:

(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	**103,727,690**	96,357,646
Adjustments for items affecting net cost of operations but not affecting authorities:		
Bad debt expense (excluding EI)	**(420,878)**	(4,327,656)
Amortization of tangible capital assets (note 12)	**(160,068)**	(70,035)
Services provided without charge by other government departments (note 16)	**(105,877)**	(95,227)
Decrease (increase) in employee future benefits	**7,165**	(5,575)
Decrease (increase) in vacation and compensatory leave	**13,475**	(3,707)
Refund of programs and prior years' expenditures	**414,969**	2,838,407
Gain (loss) on disposal of tangible capital assets	**192**	(16,931)
Allowance expense for the Repayment Assistance Plan of Canada Student Loans and Canada Apprentice Loans	**(291,026)**	(90,210)
Net EIO Account transactions (note 13)	**1,266,877**	4,186,522
Concessionary loans	**(719,500)**	(308,800)
Increase in accounts payable and accrued liabilities not charged to authorities	**(152,845)**	(32,294)
Other adjustments	**(2,035)**	(4,379)
Total items affecting net cost of operations but not affecting authorities	**(149,551)**	2,070,115
Adjustments for items not affecting net cost of operations but affecting authorities:		
Net Canada Student Loans activity	**3,273,986**	2,829,480
Net Canada Apprentice Loans activity	**31,585**	23,153
Acquisition of tangible capital assets (note 12)	**322,391**	287,483
Canada Student Loans and Canada Apprentice Loans forgiveness	**184,957**	183,425
Transition payments for implementing salary payments in arrears	**2**	-
Decrease in prepaid expenses	**(4,900)**	(1,653)
Other adjustments	**9,930**	11,033
Total items not affecting net cost of operations but affecting authorities	**3,817,951**	3,332,921
Current year authorities used	**107,396,090**	101,760,682

(b) Authorities provided and used

(in thousands of dollars)	2026	2025
Authorities provided:		
Vote 1 - Operating expenditures	**1,447,221**	1,463,402
Vote 5 - Grants and contributions	**11,643,624**	10,240,794
Debt write-offs	**381,928**	-
Statutory amounts	**94,114,233**	90,188,858
Less:		
Authorities available for future years	**(799)**	(1,312)
Lapsed authorities:		
Operating expenditures	**(88,406)**	(7,665)
Grants and contributions	**(96,180)**	(123,393)
Debt write-offs	**(5,531)**	-
Statutory amounts	**-**	(2)
Current year authorities used	**107,396,090**	101,760,682

4. Accounts receivable and advances

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

(in thousands of dollars)	2026	2025
Receivables - Other government departments and agencies		
EI premiums receivable from CRA	**2,437,297**	2,884,550
EI and OAS benefit repayments receivable from CRA	**4,539,729**	4,083,090
COVID-19 support measures receivable from CRA	**708,561**	772,596
Other	**113,278**	199,369
	7,798,865	7,939,605
Receivables and advances - External parties		
EI and OAS overpayments and penalties to be recovered	**2,014,891**	1,693,271
COVID-19 support measures overpayments and penalties to be recovered	**6,641,424**	12,042,759
Other	**851,986**	737,925
Allowance for doubtful accounts on receivables from external parties	**(7,153,942)**	(11,369,313)
	2,354,359	3,104,642
Net accounts receivable and advances	**10,153,224**	11,044,247

5. Loans receivable

(in thousands of dollars)	Student Loans	Apprentice Loans	**2026 Total**	2025 Total
Loans receivable				
Gross loans - beginning of year	28,932,621	332,773	**29,265,394**	26,422,522
New loans and repurchases	6,209,573	66,460	**6,276,033**	5,516,407
Reimbursements	(2,360,430)	(34,224)	**(2,394,654)**	(2,427,969)
Loan write-offs and forgiveness	(582,271)	(651)	**(582,922)**	(245,566)
Gross loans - end of year	32,199,493	364,358	**32,563,851**	29,265,394
Unamortized discount	(4,571,283)	(60,200)	**(4,631,483)**	(3,914,155)
Allowance for bad debts	(5,651,867)	(35,145)	**(5,687,012)**	(5,258,137)
Net loans	21,976,343	269,013	**22,245,356**	20,093,102
Accrued interest				
Gross accrued interest - beginning of year	219,594	585	**220,179**	232,141
New interest	12,615	2	**12,617**	13,042
Reimbursements	(12,039)	(78)	**(12,117)**	(18,745)
Interest write-offs and forgiveness	(47,144)	(4)	**(47,148)**	(6,259)
Gross accrued interest - end of year	173,026	505	**173,531**	220,179
Unamortized discount	(4,049)	-	**(4,049)**	(4,738)
Allowance for bad debts	(124,906)	(379)	**(125,285)**	(162,275)
Net accrued interest	44,071	126	**44,197**	53,166
Total net loans and net accrued interest	22,020,414	269,139	**22,289,553**	20,146,268
Loans and accrued interest held on behalf of Government	(49,479)	(126)	**(49,605)**	(59,925)
Total Loans receivable	21,970,935	269,013	**22,239,948**	20,086,343

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	**2026 Total**	2025 Total
Loans receivable				
Not past due	28,333,474	312,898	**28,646,372**	25,486,845
Number of days past due				
1 to 90	919,362	12,820	**932,182**	818,511
91 to 365	224,133	3,275	**227,408**	183,554
Impaired	2,722,524	35,365	**2,757,889**	2,776,484
Sub-total	32,199,493	364,358	**32,563,851**	29,265,394
Less: Unamortized discount	(4,571,283)	(60,200)	**(4,631,483)**	(3,914,155)
Less: Allowance	(5,651,867)	(35,145)	**(5,687,012)**	(5,258,137)
Net loans	21,976,343	269,013	**22,245,356**	20,093,102

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. As of June 2026, this has been raised to $40 billion. The total amount of direct loans and outstanding risk-shared loans as at March 31, 2026 amounted to $32.2 billion ($28.9 billion in 2025).

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, 2026 amounted to $364.4 million ($332.8 million in 2025).

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.

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, 2025 and March 31, 2026 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.

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)	**2026**	2025
Due to Canada Pension Plan - beginning of year	**464,980**	159,251
Receipts and other credits	**138,815,709**	129,068,603
Payments and other charges	**(138,801,296)**	(128,762,874)
Due to Canada Pension Plan - end of year	**479,393**	464,980

8. Accounts payable and accrued liabilities

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

(in thousands of dollars)	2026	2025
Accounts payable - Other government departments and agencies		
Income taxes payable to CRA	**47,118**	35,688
Universal Child Care Benefits payable to CRA	**64,625**	67,715
Other	**628,408**	644,611
	740,151	748,014
Accounts payable - External parties		
EI benefits payable to individuals	**893,292**	785,450
OAS and Guaranteed Income Supplement benefits payable to individuals	**221,943**	3,619
COVID-19 support measures payable to individuals	**4,831**	18,912
Other	**1,559,194**	892,746
	2,679,260	1,700,727
Accrued liabilities	**374,539**	261,248
Allowance for alternative payments for non-participating provinces to Canada Student and Apprentice Loans	**677,942**	599,905
Total accounts payable and accrued liabilities	**4,471,892**	3,309,894

In *Budget 2025*, the Government announced savings measures to be implemented by departments by 2028-29. As a result, ESDC has included at March 31, 2026, an obligation for termination benefits for an amount of $95.7 million (nil in 2025) as part of accrued liabilities to reflect the estimated workforce adjustment costs.

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)	2026	2025
Designated Amount Fund - beginning of year	**1,910**	1,909
Interest credited to the Trust account	**39**	67
Payments and other charges	**(1,914)**	(66)
Designated Amount Fund - end of year	**35**	1,910

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)	**2026**	2025
Government Annuities Account - beginning of year	**45,175**	51,756
Receipts and other credits	**2,887**	3,344
Payments and other charges	**(8,632)**	(9,925)
Government Annuities Account - subtotal	**39,430**	45,175
Allowance for pension adjustment - beginning of year	**8,312**	7,601
Allowance for pension adjustment - for the year	**(2,629)**	711
Allowance for pension adjustment - end of year	**5,683**	8,312
Government Annuities Account - end of year	**45,113**	53,487

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 2026 expense amounts to $307.1 million ($315.8 million in 2025). For Group 1 members, the expense represents approximately 1.01 times (1.02 times in 2025) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2025) 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, 2026, 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)	**2026**	2025
Accrued benefit obligation - beginning of year	**72,310**	66,735
Expense for the year	**4,027**	12,058
Benefits paid during the year	**(11,192)**	(6,483)
Accrued benefit obligation - end of year	**65,145**	72,310

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.

The following table presents a summary of the transactions and balances for the main categories of tangible capital assets:

(in thousands of dollars)	Cost					Accumulated amortization					Net book value	
Asset class	Opening balance	Acquis-itions	Adjust-ments (1)	Disposals and write-offs	Closing balance	Opening balance	Amorti-zation	Adjust-ments (1)	Disposals and write-offs	Closing balance	**2026**	2025
Machinery and equipment	309	-	-	(56)	253	228	27	-	(56)	199	**54**	81
Computer hardware	7,855	-	-	(13)	7,842	664	1,498	-	(13)	2,149	**5,693**	7,191
Computer software	1,160,669	-	113,323	(127,996)	1,145,996	647,687	137,811	-	(127,996)	657,502	**488,494**	512,982
Other equipment and furniture	2,159	101	(48)	(105)	2,107	2,130	44	(48)	(106)	2,020	**87**	29
Vehicles	3,426	229	(51)	(921)	2,683	1,987	384	(41)	(917)	1,413	**1,270**	1,439
Leasehold improvements	520,614	-	50,965	(61)	571,518	331,647	20,304	-	-	351,951	**219,567**	188,967
Assets under construction	144,591	322,061	(164,289)	(128)	302,235	-	-	-	-	-	**302,235**	144,591
Total	**1,839,623**	**322,391**	**(100)**	**(129,280)**	**2,032,634**	**984,343**	**160,068**	**(89)**	**(129,088)**	**1,015,234**	**1,017,400**	855,280

(1) Adjustments include: assets under construction of $164.3 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 $1 ($41,116 of cost less $41,115 of accumulated amortization); transfers of tangible capital assets to other government departments with a net book value of $10,851 ($141,549 of cost less $130,698 of accumulated amortization).

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)	**2026**	2025
EIO Account - restricted		
Balance - beginning of year - restricted	**(14,250,454)**	(18,436,976)
Revenues		
Premiums	**33,131,361**	32,104,423
Penalties and interest	**165,490**	137,257
	33,296,851	32,241,680
Expenses		
Benefits and support measures		
Unemployment and self-employment benefits	**(27,016,126)**	(23,333,031)
Transfers to provinces and territories related to Labour Market Development Agreements	**(2,018,215)**	(1,946,694)
Support measures	**(149,148)**	(149,794)
EI Emergency Response Benefit	**(10,406)**	200,080
Benefit repayments from higher income claimants	**364,282**	349,694
Administration costs	**(3,037,592)**	(2,846,991)
Bad debts	**(195,667)**	(307,210)
	(32,062,872)	(28,033,946)
Net EIO Account transactions before government funding	**1,233,979**	4,207,734
Funding from the Government of Canada - EI Emergency Response Benefit	**32,898**	(21,212)
Net EIO Account transactions	**1,266,877**	4,186,522
Balance - end of year - restricted	**(12,983,577)**	(14,250,454)
Unrestricted	**40,259,660**	40,800,723
Departmental net financial position - end of year	**27,276,083**	26,550,269

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)	2027	2028	2029	2030	2031 and thereafter	Total
Labour Market Development Agreements including EI administration costs related to LMDA	2,476,756	-	-	-	-	**2,476,756**
Other transfer payments	12,127,280	5,947,569	5,034,667	4,776,530	4,820,949	**32,706,995**
Operating and Maintenance	246,773	85,504	-	-	-	**332,277**
Total	**14,850,809**	**6,033,073**	**5,034,667**	**4,776,530**	**4,820,949**	**35,516,028**

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 2028 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)	2027	2028	2029	2030	2031 and thereafter	Total
External parties						
Recovery of CPP administration costs	461,935	449,394	-	-	-	**911,329**
Related parties						
Other revenues	307,332	-	-	-	-	**307,332**
Total	**769,267**	**449,394**	**-**	**-**	**-**	**1,218,661**

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 $2.8 million ($2.5 million in 2025), 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, 2026 (nil in 2025).

On February 23, 2026, the Ontario Superior Court of Justice certified a class action naming both ESDC and Immigration, Refugees and Citizenship Canada. The claimants are current and former migrant agricultural workers in the Seasonal Agricultural Worker Program under the Temporary Foreign Worker Program. They allege that the way the program is administered violates their Charter rights and results in unjust enrichment through the collection of premiums from individuals who would not be eligible for employment insurance. An estimate of the potential liability of this claim is not determinable at this time.

(b) Contingent assets

Under the Social Finance Fund, 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.

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)	2026	2025
Employers' contribution to the health and dental insurance plans	**101,083**	91,368
Legal services	**4,794**	3,859
Total	**105,877**	95,227

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 $15.7 million in 2026 ($17.1 million in 2025).

During the year, ESDC provided services without charge to Immigration, Refugees and Citizenship Canada, related to the delivery of Passport program, in the amount of $15.2 million in 2026 (nil in 2025). This is a one-time exceptional approach due to extenuating circumstances for expenses incurred by ESDC during the care-taker period in fiscal year 2025-26.

(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)	2026	2025
Expenses - Other government departments, agencies and Crown corporations	**1,087,000**	1,145,635
Revenues - Other government departments, agencies and Crown corporations	**510,457**	603,805

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

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	2026 Total	2025 Total
Benefits and transfer payments								
Individuals	84,471,373	6,247,281	264	-	-	(1,828)	**90,717,090**	84,275,800
EI benefits and support measures	-	28,829,613	-	-	-	-	**28,829,613**	24,879,745
Other	6,945	3,282,810	9,187,597	-	-	11,559	**12,488,911**	10,892,657
Total benefits and transfer payments	84,478,318	38,359,704	9,187,861	-	-	9,731	**132,035,614**	120,048,202
Operating expenses								
Salaries and benefits	861,644	1,715,979	75,638	801,338	417,843	118,564	**3,991,006**	3,956,179
Bad debts	(48,243)	946,438	(3,082)	1,047	-	102,664	**998,824**	4,639,848
Professional and special services	26,377	383,315	8,644	367,127	50,461	5,209	**841,133**	862,630
Administration costs charged by CRA	-	349,666	-	-	-	-	**349,666**	408,970
Accommodation and rentals	3,125	4,427	55	284,763	45,121	174	**337,665**	312,511
Amortization	84,699	40,965	249	28,105	5,760	290	**160,068**	70,035
Transportation and communications	24,247	27,663	358	31,064	23,747	2,076	**109,155**	101,905
Machinery and equipment	507	1,585	27	25,708	636	50	**28,513**	31,904
Other	85,267	153,777	328	(237,185)	12,871	928	**15,986**	37,591
Expenses incurred on behalf of Government	-	(5,884)	-	-	-	-	**(5,884)**	(4,984)
Total operating expenses	1,037,623	3,617,931	82,217	1,301,967	556,439	229,955	**6,826,132**	10,416,589
Total expenses	85,515,941	41,977,635	9,270,078	1,301,967	556,439	239,686	**138,861,746**	130,464,791
Revenues								
Employment Insurance (note 13)	-	33,296,851	-	-	-	-	**33,296,851**	32,241,680
Amortization of discount on loans receivable	-	861,700	-	-	-	-	**861,700**	798,900
Recovery of CPP administration costs	447,160	-	-	157,550	-	-	**604,710**	621,509
Recovery of OGD service delivery costs	-	-	-	60,998	445,908	-	**506,906**	600,553
User fees	-	74,904	-	-	-	-	**74,904**	146,470
Other (1)	558	32,795	28	2,161	475	4,511	**40,528**	35,932
Revenues earned on behalf of Government	(51,948)	(102,147)	(28)	(19,006)	(74,827)	(3,587)	**(251,543)**	(337,899)
Total revenues	395,770	34,164,103	-	201,703	371,556	924	**35,134,056**	34,107,145
Net cost from continuing operations	85,120,171	7,813,532	9,270,078	1,100,264	184,883	238,762	**103,727,690**	96,357,646

(1) Includes total non-recurring revenues of $420,190 ($192,185 in 2025) related to the proceeds on the sale of capital and non-capital assets.

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, 2026

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 2026 to 2027 fiscal year and the *Departmental Results Report* for the 2024 to 2025 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 2025-2026

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
Canada Student Financial Assistance Program	Completed as planned; no remedial action required
Financial Close and Reporting	Completed as planned; no remedial action required
IT General Controls	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:

Canada Student Financial Assistance Program

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

Financial Close and Reporting

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 13 feeder systems.

As a result of the 5-year ongoing monitoring assessment, some key recommendations were noted in 2 of the 4 main control pillars evaluated: access to program and data and change management.

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 2026–2027.

SAP Access Review

An in-depth assessment of SAP access provisioning, monitoring and removal was performed to support key elements of the ITGCs and the other control areas.

Key recommendations included, among others, enhancing monitoring controls to include SAP roles that are self-assigned by access provisioners, as well as all exceptional access activities.

MRAPs have been prepared by the process owners with a view to strengthen control and progress against these plans will be tracked during 2026–2027.

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	**2026-2027**	**2027-2028**	**2028-2029**	**2029-2030**	**2030-2031**
Canada Student Financial Assistance Program	No	No	Yes	No	No
Employment Insurance	Yes	No	Yes	No	Yes
Entity Level Controls	No	No	No	Yes	No
Financial Close and Reporting	No	No	No	Yes	No
IT General Controls[1]	Yes	Yes	Yes	Yes	Yes
Grants and Contributions	No	Yes	No	Yes	No
Old Age Security	Yes	No	Yes	No	Yes
Pay Administration	Yes	No	No	Yes	No
Planning and Budgeting	No	Yes	No	No	No
Procure to Payment	Yes	No	Yes	No	Yes

[1] A portion of IT General Controls will be monitored annually, based on risk.