Housing, Infrastructure and Communities Canada



FY 2025-26

Housing, Infrastructure and Communities Canada

Financial Statements (unaudited)



Canada

Housing, Infrastructure and Communities 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 statements rests with the management of Housing, Infrastructure and Communities Canada (HICC). These financial statements have been prepared by management using the Government's accounting policies which are based on Canadian Public Sector Accounting Standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of HICC's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in HICC'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 HICC 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 HICC's system of internal control are reviewed by the work of internal audit staff, who conduct periodic audits of different areas of HICC'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 which reviews the financial statements and provides advice to the Deputy Head of HICC.

The financial statements of Housing, Infrastructure and Communities Canada have not been audited.

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Paul Halucha
Deputy Head

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Michelle Baron
Chief Financial Officer

Signed at Ottawa, Canada

Housing, Infrastructure and Communities Canada

Statement of Financial Position *(Unaudited)*

As at March 31

(in thousands of dollars)

	2026	2025
Liabilities		
Accounts payable and accrued liabilities (note 4)	**$2,876,367**	**$2,464,582**
Samuel De Champlain Bridge Corridor Project (note 5)	734,642	743,095
Vacation pay and compensatory leave	13,049	13,683
Employee future benefits (note 7)	3,992	3,768
Deferred revenue (note 8)	2,202	2,158
Total net liabilities	**3,630,252**	**3,227,285**
Financial assets		
Due from Consolidated Revenue Fund	2,869,199	2,462,327
Accounts receivable and advances (note 9)	6,465	2,255
Total gross assets	**2,875,664**	**2,464,582**
Financial assets held on behalf of Government	(2,917)	(2,827)
Total net financial assets	**2,872,747**	**2,461,755**
Departmental net debt	**757,505**	**765,531**
Non-financial assets		
Tangible capital assets (note 10)	2,507,479	2,543,766
Total non-financial assets	**2,507,479**	**2,543,766**
Departmental net financial position	**$1,749,974**	**$1,778,235**

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Paul Halucha
Deputy Head

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Michelle Baron
Chief Financial Officer

Signed at Ottawa, Canada

Housing, Infrastructure and Communities Canada
Statement of Operations and Departmental Net Financial Position *(Unaudited)*
For the Year Ended March 31
(in thousands of dollars)

	2026 Planned Results	2026	2025 June 20, 2024 to March 31, 2025
Expenses by Core Responsibility			
Public Infrastructure, Communities, Affordable Housing and Homelessness Policy			$68,406
Public Infrastructure, Communities and Homelessness Investments			35,157
Public Infrastructure and Communities Investment Stewardship and Delivery			7,197,265
Housing and Homelessness	$914,928	$1,026,360	
Public Transit, Sustainable Infrastructure and Community Building	8,058,848	7,651,448	
Internal services	103,112	90,820	80,233
Total expenses	**9,076,888**	**8,768,628**	**7,381,060**
Revenues			
Other revenues (note 6)	2,980	2,917	2,414
Revenues earned on behalf of Government	(2,980)	(2,917)	(2,414)
Total revenues	-	-	-
Net cost of operations before government funding and transfers	**9,076,888**	**8,768,628**	**7,381,060**
Government funding and transfers			
Net cash provided by Government of Canada		8,311,303	5,639,789
Change in due from Consolidated Revenue Fund		406,873	1,692,392
Services provided without charge by other government departments (note 13)		21,896	13,824
Net transfer of salary overpayments from (to) other government department		291	636
Transfer of assets and liabilities from other government department (note 14)		4	1,812,654
Net cost of operations after government funding and transfers		28,262	(1,778,235)
Departmental net financial position – Beginning of year		**1,778,235**	**-**
Departmental net financial position – End of year		**$1,749,974**	**$1,778,235**

Segmented information (note 15)
The accompanying notes form an integral part of these financial statements.

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

	2026	2025 June 20, 2024 to March 31, 2025
Net cost of operations after government funding and transfers	**$28,262**	**$ (1,778,235)**
Change due to tangible capital assets		
Acquisition of tangible capital assets (note 10)	2,901	2,817
Amortization of tangible capital assets (note 10)	(39,155)	(38,706)
Proceeds from disposal of real property	-	(45)
Transfer from other government departments (note 14)	4	2,579,897
Net gain (loss) on disposal of tangible capital assets and real property including adjustments	(37)	(197)
Total change due to tangible capital assets	**(36,287)**	**2,543,766**
Net increase (decrease) in departmental net debt	**(8,025)**	**765,531**
Departmental net debt – Beginning of year	765,531	-
Departmental net debt – End of year	**$757,505**	**$765,531**

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

Housing, Infrastructure and Communities Canada
Statement of Cash Flows *(Unaudited)*
For the Year Ended March 31
(in thousands of dollars)

	2026	2025 June 20, 2024 to March 31, 2025
Operating activities		
Net cost of operations before government funding and transfers	$8,768,628	$7,381,060
Non-cash items :		
Amortization of tangible capital assets (note 10)	(39,155)	(38,706)
Gain (loss) on disposal of tangible capital assets and real property	(37)	(197)
Net transfer of salary overpayments and advances (from) to other government departments	(291)	(636)
Services provided without charge by other government departments (note 13)	(21,896)	(13,824)
Variations in Statement of Financial Position:		
Decrease (increase) in accounts payable and accrued liabilities (note 4)	(411,785)	(2,464,582)
Increase (decrease) in accounts receivable and advances (note 9)	4,119	(572)
Decrease (increase) in vacation pay and compensatory leave	633	(13,683)
Decrease (increase) in employee future benefits (note 7)	(224)	(3,768)
Decrease (increase) in deferred revenue (note 8)	(44)	(2,158)
Transfer of assets and liabilities to other government department (note 14)		787,390
Cash used in operating activities	**8,299,948**	**5,630,325**
Capital investing activities		
Acquisitions of tangible capital assets (note 10)	2,901	2,817
Proceeds from disposal of tangible capital assets		-
Proceeds from disposal of real property		(45)
Cash used in capital investing activities	**2,901**	**2,772**
Financing activities		
Payments on obligation under Public Private Partnership (note 5)	8,453	6,693
Cash used in capital investing activities	**8,453**	**6,693**
Net cash provided by Government of Canada	**$8,311,303**	**$5,639,789**

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

1. Authority and objectives

The Department of Housing, Infrastructure and Communities (commonly referred to as Housing, Infrastructure and Communities Canada (HICC)) was initially established in 2002 as Infrastructure Canada to ensure Canadians benefit from world-class public infrastructure from coast to coast to coast. On June 20, 2024, with the passing of Bill C-59, Infrastructure Canada (INFC) became the Department of Housing, Infrastructure and Communities enacting its enabling legislation, the Department of Housing, Infrastructure and Communities Act. The Act establishes a Minister of Infrastructure and Communities and a Minister of Housing, both supported by the Department and a single deputy minister.

HICC is funded through annual and statutory appropriations received from the Parliament of Canada and is not taxable under the provisions of the *Income Tax Act*. HICC reports to the Minister of Housing, Infrastructure and Communities.

Core responsibilities

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

Starting in 2025-26, HICC reports on its mandate under two core responsibilities, as well as internal services, in support of its activities as described below.

Public Transit, **Sustainable Infrastructure and Community Building:**

Housing, Infrastructure and Communities Canada helps build resilient, sustainable and complete communities. The Department invests in safe, modern, and efficient public transit and active transportation, climate-resilient and net-zero infrastructure, and the construction and rehabilitation of other core public infrastructure.

Housing and Homelessness:

Housing, Infrastructure and Communities Canada supports projects that advance national housing outcomes, reduce and prevent homelessness, and foster inclusive, prosperous and complete communities.

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.

There are 10 categories of internal services:

- 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
- Acquisition management services

2. Summary of significant accounting policies

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

Significant accounting policies are as follows:

a) Parliamentary authorities

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

Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the “Expenses” and “Revenues” sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2025-2026 Departmental Plan. Planned results are not presented in the “Government funding and transfers” section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2025-2026 Departmental Plan.

b) Consolidation

HICC has received dividends on behalf of the Government of Canada from the Canada Lands Company (CLC) and revenues for Pont de Québec on behalf of The Jacques Cartier and Champlain Bridges Incorporated (JCCBI). As per the Government of Canada Accounting Handbook, these dividends are not recorded in HICC's financial statements as they do not relate to HICC's activities. HICC is simply acting as a flow-through mechanism for administrative purposes in order to enable the Government of Canada to receive the dividends.

c) Net cash provided by government

HICC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by HICC is deposited to the CRF and all cash disbursements made by HICC are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.

d) Amounts due from or to the CRF

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that HICC 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. 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 that are non-respendable are not available to discharge the department's liabilities. While the Departmental Deputy Head is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues. Revenues earned on behalf of Government consist of the sale of services and gains on the sale of assets. These are recognized when earned.

f) 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. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.
Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
Services provided without charge by other government departments for accommodation and employer contributions to the health and dental insurance plans are recorded as operating expenses at their carrying value.

g) Employee future benefits

i. Pension benefits: Eligible employees participate in the Public Service Pension Plan *(Public Service Superannuation Act),* a multi-employer plan administered by the Government. HICC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. HICC'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.
ii. Severance benefits: The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

h) Accounts and loans receivable

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

i) Non-financial assets

The cost of acquiring land, buildings, equipment and other capital property is capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described in Note 11. All tangible capital assets and leasehold improvements having an initial

cost of $10,000 or more are recorded at their acquisition cost. Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*, works of art, museum collection and Crown land to which no acquisition cost is attributable; and intangible assets.

j) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. 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. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

k) Contingent assets

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

l) Measurement uncertainty

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

m) Related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount. Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

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

HICC receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, HICC 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 June 20, 2024 to March 31, 2025**
Net cost of operations before government funding and transfers	$8,768,628	$7,381,060
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(39,155)	(38,706)
Gain (loss) on disposal of tangible capital assets	(37)	(197)
Services provided without charge by other government Departments	(21,896)	(13,824)
Decrease (increase) in vacation pay and compensatory Leave	633	(1,747)
Decrease (increase) in employee future benefits	(224)	(160)
Bad debt expense	22	(679)
Refund of previous year's expenditures	61,225	16,069
Other amounts to be recovered / Other expenditures not affecting authorities	(35)	(75)
Total items affecting net cost of operations but not affecting authorities	533	(39,919)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	2,901	2,817
Payments of obligation under Public Private Partnership	8,453	6,693
Increase (decrease) in salary overpayments and advances	140	77
Loss (Gains) on Other Foreign Exchange Valuations	(1)	-
Total items not affecting net cost of operations but affecting authorities	11,494	9,587
Current year authorities used	**$8,780,655**	**$7,351,328**

b) **Authorities provided and used**

(in thousands of dollars)	2026	2025 June 20, 2024 to March 31, 2025
Authorities:		
Vote 1 – Operating expenditures	$352,886	$261,686
Vote 5 – Capital expenditures	60,328	36,781
Vote 10 – Contributions	6,208,349	5,152,568
Statutory Amounts:		
Employee Benefit Plan	28,655	21,156
Minister Office Salary and Car Allowance	102	88
Canada Community-Building Fund	2,466,831	2,368,158
Proceeds from disposal	4	-
Less:		
Authorities available for future years	(4)	-
Lapsed: Operating	(38,037)	(16,364)
Lapsed: Capital	(48,973)	(27,307)
Lapsed: Contributions	(249,485)	(445,438)
Proceeds from disposal		
Current year authorities used	**$8,780,655**	**$7,351,328**

4. Accounts payable and accrued liabilities

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

(*in thousands of dollars*)	2026	2025
Accounts payable - Other government departments and agencies	$14,915	$7,946
Accounts payable - External parties	2,848,004	2,444,664
Total accounts payable	**2,862,919**	**2,452,610**
Accrued liabilities	13,448	11,972
Total accounts payable and accrued liabilities	**$2,876,367**	**$2,464,582**

5. Samuel De Champlain Bridge Corridor Project

After a competitive process, in 2015, Signature on the St. Lawrence Group (SSL) was awarded the contract and is responsible for the design, construction, financing, operation, maintenance and rehabilitation of the corridor. The new bridge crossing was fully opened to traffic on July 1, 2019 and construction of the remainder of the corridor was substantially completed in October 2019. Work to complete elements of the corridor that were deferred and to correct minor deficiencies is expected to be completed by the end of 2026.

In 2025-26, $0.69M was spent on the project and it has been added to the existing bridge asset value. The total asset value of the Samuel De Champlain Bridge Corridor (SDCBC) project is $2.69B.

Ownership of the bridge and related corridor remains with federal government, and Signature on the St. Lawrence Group will operate the corridor until October 31,2049.

Obligation under Public Private Partnership

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

(*in thousands of dollars)*

	2026
2027	$49,778
2028	49,778
2029	49,778
2030	49,778
2031 and subsequent	974,812
Total estimated payments	**1,173,924**
Less: imputed interest (5.59%)	439,282
Balance of obligation under public private partnership	**$734,642**

6. Revenues

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

7. Employee future benefits

a) **Pension benefits:**

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

The 2025-26 expense amounts to $18,167,228 ($13,569,703 for the period of June 20, 2024, to March 31, 2025.). For Group 1 members, the expense represents approximately 1.02 times (1.02 times in 2024-2025) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2024-2025) the employee contributions.

HICC'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 HICC'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:

	2026	2025
Accrued benefit obligation - Beginning of year	**$3,768**	**$ -**
Liability transferred from Infrastructure Canada	-	3,609
Expense for the year	789	1,126
Benefits paid during the year	(565)	(967)
Accrued benefit obligation - End of year	**$3,992**	**$3,768**

8. Deferred Revenue

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

(*in thousands of dollars)*

	2026	2025
Opening balance	$2,158	$ -
Amounts received	2,643	2,589
Revenue recognized	(2,598)	(2,061)
Deferred revenues transferred from Infrastructure Canada	-	1,629
Closing balance	**$2,202**	**$2,158**

9. Accounts receivable and advances

(*in thousands of dollars)*

	2026	2025
Receivables - Other government departments and agencies	$5,262	$1,761
Receivables - External parties	1,799	1,116
Advances - Employees	61	57
Allowance for doubtful accounts	(657)	(679)
Total accounts receivable and advances	**$6,465**	**$2,255**
Assets held on behalf of government	(2,917)	(2,827)
Net accounts receivable and advances	**$3,548**	**$(572)**

10. Tangible capital assets

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

Asset class	Amortization period
Works and Infrastructure	5 to 100 years
Machinery and Equipment	5 years
Machinery and Equipment - Other Equipment	10 years
Informatics Hardware	3 to 5 years
Informatics Software – Purchased and Developed	2 to 10 years
Motor Vehicles (non-military)	5 to 7 years
Leasehold Improvements	Term of lease

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

(in thousands of dollars)

Capital Asset Class	Cost 2026					Accumulated Amortization 2026					Net Book Value	
	Opening Balance	Acquisitions	Adjustments	Disposals and write-offs	Closing Balance	Opening Balance	Amortization	Adjustments[1]	Disposals and write-offs	Closing Balance	2026	2025
Land	128,359	-	95	-	128,454	-	-	-	-	-	128,454	128,359
Works and Infrastructure	2,692,260	-	690	-	2,692,950	(286,952)	(35,878)	-	-	(322,830)	2,370,120	2,405,309
Machinery and Equipment	-	47	-	-	47	-	(2)	-	-	(2)	45	-
Computer Hardware	691	-	24	-	715	(509)	(97)	(20)	-	(626)	89	182
Informatics Software Developed and Purchased	22,323	-	1,671	-	23,994	(16,878)	(2,273)	-	-	(19,151)	4,843	5,445
Other equipment (including furniture)	336	-	-	-	336	(3)	(34)	-	-	(36)	300	333
Motor vehicle	138	63	-	-	202	(90)	(16)	-	-	(106)	96	48
Leasehold improvements	7,218	-	-	(144)	7,074	(4,781)	(856)	-	107	(5,530)	1,543	2,437
Assets under construction	1,654	2,791	(2,456)	-	1,989	-	-	-	-	-	1,989	1,654
Total	**2,852,979**	**2,901**	**24**	**(144)**	**2,855,761**	**(309,213)**	**(39,155)**	**(20)**	**107**	**(348,282)**	**2,507,479**	**2,543,766**

Total amounts may not balance due to rounding adjustments

(1) The adjustments include asset under construction of $2.5 million that were transferred to other categories upon completion of assets and the transfer of computer hardware with a net book value of $4 thousand from Shared Services Canada.

11. Contingent liabilities

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

Claims have been made against Housing, Infrastructure and Communities Canada in the normal course of operations. These claims include items with pleading amounts and other for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately $435.3 million as at March 31, 2026. Housing, Infrastructure and Communities Canada has no claim and litigation with related parties at March 31, 2026.

12. Contractual obligations

The nature of HICC's activities can result in some large multi-year contracts and obligations whereby HICC will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2026	2027	2028	2029	2030	2031 AND THEREAFTER	TOTAL
Transfer payments	8,032,575	7,064,736	3,889,087	3,322,000	1,990,822	6,452,008	**30,751,228**
Other goods and services	62,092	60,566	58,656	56,853	56,333	901,556	**1,198,056**
Total	**8,094,667**	**7,125,302**	**3,947,743**	**3,380,853**	**2,047,155**	**7,353,564**	**31,949,284**

13. Related party transactions

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

a) Common services provided without charge by other government departments

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

(in thousands of dollars)

	2026	2025
Employer's contribution to the health and dental insurance plans	$17,083	$10,369
Legal services	127	-
Accommodation	4,686	3,455
Total	**$21,896**	**$13,824**

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 HICC's Statement of Operations and Departmental Net Financial Position.

b) **Other transactions with related parties**

(in thousands of dollars)

	2026	2025
Accounts receivable – Other government departments and agencies	$5,262	$1,761
Accounts payable – Other government departments and agencies	14,914	7,945
Expenses – Other government departments and agencies	53,153	54,746

Expenses disclosed in (b) exclude common services provided without charges, which are already disclosed in (a).

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

14. Transfer from other Government Departments

a) On June 20, 2024, with the passing of Bill C-59, Infrastructure Canada (INFC) became the Department of Housing, Infrastructure and Communities (commonly referred to as Housing, Infrastructure and Communities Canada (HICC)) enacting its enabling legislation, the *Department of Housing, Infrastructure and Communities Act.*

As a result of this bill, INFC transferred all of its operations including the stewardship responsibility for the assets and liabilities to HICC.

Assets:

	2026	2025
Due from the Consolidated Revenue Fund	-	**$769,934**
Accounts receivable and advances	-	1,904
Financial assets held on behalf of Government	-	(413)
Tangible capital assets	-	2,578,070
Total assets	**-**	$3,349,496

Liabilities:

Accounts payable and accrued liabilities	-	**$771,708**
Samuel de Champlain Bridge Corridor Project	-	749,788
Vacation pay and compensatory leave	-	11,936
Employee future benefits	-	3,609
Deferred revenues	-	1,629
Total liabilities	**-**	**$1,538,669**
Adjustment to the departmental net financial position	**-**	**$1,810,827**

b) Transfer with other government departments

Assets:

	2026	**2025**
Tangible capital assets	4	1,827
Total assets	**4**	**$1,827**
Adjustment to the departmental net financial position	**4**	**$1,827**

15. Segmented Information

Presentation by segment is based on HICC's core responsibilities. The presentation by segment is based on the same accounting policies as described in the Summary of Significant Accounting Policies in Note 2. The following table presents the expenses incurred for the main core responsibilities, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

(in thousands of dollars)	**Housing and Homelessness**	**Public Transit, Sustainable Infrastructure and Community Building**	**Internal Services**	**2026 Total**	**2025 June 20, 2024 to March 31, 2025**
Transfer payments					
Contributions	$947,570	$7,417,069	$ -	**$8,364,639**	**$7,061,450**
Total transfer payments	**$947,570**	**$7,417,069**	$ -	**$8,364,639**	**$7,061,450**
Operating expenses					
Salaries and employee benefits	69,064	101,150	70,470	**240,684**	**176,228**
Professional and special services	6,604	25,487	11,246	**43,337**	**28,230**
Rentals	1,364	2,010	5,346	**8,720**	**6,600**
Amortization	2,264	35,878	1,013	**39,155**	**38,706**
Repairs and maintenance	-	22,605	87	**22,692**	**17,537**
Transportation and communications	518	490	518	**1,525**	**1,354**
Acquisition of machinery and equipment	3	-	2,641	**2,643**	**3,419**
Information	202	6,032	206	**6,440**	**12,168**
Utilities, materials and supplies	8	29	55	**92**	**184**
Acquisition of land, buildings and works	-	-	-	**-**	**92**
Other	(1,237)	(626)	(761)	**(2,624)**	**35,093**
Total operating expenses	**78,790**	**234,379**	**90,820**	**403,989**	**319,611**
Total expenses	**1,026,360**	**7,651,448**	**90,820**	**8,768,628**	**7,381,060**
Revenues					
Other revenues	-	2,917	-	2,917	2,414
Revenues earned on behalf of government	-	(2,917)	-	(2,917)	(2,414)
Total revenues	**-**	**-**	**-**	**-**	**-**
Net cost from continuing operations[1]	**$1,026,360**	**$7,651,448**	**$90,820**	**$8,768,628**	**$7,381,060**

(1) Totals may not add up due to rounding

16. Subsequent events

Funding letters for the Canada Community-Building Fund for a total amount of $2,466,830,789 were signed and provided to the recipients of Nunavut, Ontario, British Columbia, Quebec, Prince Edward Island, Northwest Territories, Alberta, New Brunswick, Nova Scotia, Newfoundland and Labrador, Yukon, Saskatchewan, Manitoba on May 5, 2026.

These letters indicate to each recipient the amounts of funds to be disbursed in 2026-27. Payments totalling $1,224,040,395 have been made to date. The payment for Nunavut in the amount of $9,375,000 is still pending receipt of outstanding reporting from Nunavut to ensure compliance with the administrative agreement.

1. Introduction

This annex provides summary information on the measures taken by Housing, Infrastructure and Communities Canada (HICC) to maintain an effective system of Internal Control over Financial Management (ICFM), including a system of internal controls over financial reporting (ICFR), as well as assessment results and related action plans. These systems support sound stewardship of public resources, reliable financial information, compliance with legislation and Treasury Board policy, and effective financial management.

Detailed information on HICC's authority, mandate, and programs can be found in the Departmental Plan and the Departmental Results Report.

2. Departmental system of internal control over financial management

2.1 Internal Control Management

HICC has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its overall system of internal controls. A departmental Internal Control Financial Management framework, approved by the Chief Financial Officer, 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 managers in their areas of responsibility for control management.
- Values and Ethics (V&E) activities that provide education and awareness, and guide and support employees in their professional activities, with an established V&E champion.
- Ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control.
- Regular monitoring and updates on internal control management, as well as the provision of related assessment results and action plans to the deputy head (DH) and departmental senior management and, as applicable, the Departmental Audit Committee (DAC).

Together, these governance mechanisms support continuous improvement of HICC's system of internal control and promote accountability for financial management across the Department.

The DAC provides independent advice to the DH regarding the effectiveness of governance, risk management, and internal control, including the Department's system of ICFM. HICC’s DAC meets four times per year (and more frequently if needed) and is comprised of three internal “ex-officio” members, and four external members who are approved by the Treasury Board.

2.2 Service arrangements relevant to Financial Statements

HICC relies on Other Government Departments (OGDs) for processing certain transactions that are recorded in its financial statements, as follows.

2.2.1 Common service arrangements:

- Public Services and Procurement Canada (PSPC) provides accommodation services, the Phoenix system used in payroll administration and administers the procurement of goods & services in accordance with HICC’s Delegation of Authorities.
- Treasury Board of Canada Secretariat (TBS) provides information on public service insurance and centrally administers payment of the employer’s share of contributions toward statutory employee benefit plans.
- Department of Justice Canada provides legal services; and
- Shared Services Canada (SSC) provides information technology infrastructure services in the areas of data centre and network services. The scope and respective responsibilities are described in the interdepartmental arrangement between SSC and HICC.

Readers of this annex may refer to the annexes of the above-noted departments for a greater understanding of the systems of ICFM related to these specific services.

2.2.2 Specific arrangements

- Federal delivery partner (Transport Canada) manages certain contribution programs on behalf of HICC.
- Innovation, Science and Economic Development Canada (ISED) hosts HICC's departmental financial management system, the Integrated Financial Management System (IFMS). The service arrangement also includes system support.
- Employment and Social Development Canada (ESDC) provides and supports the Common System for Grants & Contributions, used in the delivery of the Reaching Home program; and
- Canada Mortgage and Housing Corporation (CMHC) is an important partner in delivering Canada's housing mandate. CMHC will also provide underwriting services and agreement administration for Build Canada Homes (BCH). BCH is a new federal agency that will build affordable homes, support builders with financing, and encourage innovative building methods. It currently operates as a Special Operating Agency within HICC. While HICC relies on CMHC to deliver these specified services, HICC remains responsible for maintaining appropriate internal controls over the activities under its authority.

3. Departmental assessment results for the 2025-2026 fiscal year

3.1 Progress during the 2025-26 fiscal year

HICC successfully completed the planned control assessments in its departmental Ongoing Monitoring Plan (OMP). Testing confirmed that most key controls operated effectively. Where opportunities for improvement were identified, management developed action plans to strengthen the control environment. The majority of key controls tested proved to be operating effectively and no significant control deficiencies affecting the reliability of financial reporting were identified. Testing results and recommendations were communicated to stakeholders, and remedial actions are in progress. The significant adjustments required from these assessments are summarized in Subsection 3.3 - Remediation.

The following table summarizes the status of the Ongoing Monitoring (OM) activities for each control area assessed in 2025-26, along with the respective testing results.

Control Area	Status	Testing Results
Procure to Payment	Ongoing Monitoring	Opportunities were identified to strengthen proactive disclosure controls and conflict-of-interest monitoring.
Transfer Payments	Ongoing Monitoring	Inefficiencies in capturing expenditure initiation approvals and reconciling project cashflows.
Project Management	Operating Effectiveness	Opportunities were identified to strengthen governance through formal approval and implementation of the departmental Project Management Framework.

Payroll	Ongoing Monitoring	Inefficiencies in documenting staffing, and maternity and parental (M&P) leave, and in monitoring and remediating conflicting MyGCHR system access rights.

3.2 New or significantly amended key controls

Enhanced controls were implemented across two key processes: Procure to Payment, focusing on delegation of authorities and vendor creation, and Payroll, focusing on salary garnishments and the management of overpayments.

During the year, HICC also established governance and internal control arrangements to support the operations of Build Canada Homes while it functions as a Special Operating Agency within the Department.

3.3 Remediation

Management regularly monitored implementation of Management Action Plans and reported progress to senior management to ensure timely remediation of identified control deficiencies.

The mitigating measures addressing the high and medium risks identified through the 2025-26 assessments are as follows:

Control Area	Management Action Plan
Procure to Payment	• Perform biannual reconciliations using the IFMS system data to ensure all relevant contracts are accurately published on Canada.ca. • Require all fund centre managers to complete a standardized conflict of interest declaration, upon each renewal of their delegation of authority.
Transfer Payments	• Reinforce Transfer Payment protocols with program delivery teams and develop system functionalities to capture electronic approvals. • Update standard operating procedures for project cashflow, and • Automate reconciliation of project cashflows and integrate with the IFMS System.
Project Management	• Secure proper approval of the Project Management Framework and the Departmental Project Management Office - Advisory Committee Terms of Reference and communicate to stakeholders. • Update related guidance and supporting documentation for consistent application of the framework.
Payroll	• Standardize the staffing checklist process and reinforce staffing requirements with stakeholders. • Conduct periodic reviews of staffing transactions and incorporate data quality in staff performance agreements. • Improve case priority assignments and expand workload management intake process to include verifications before ticket creation. • Leverage HR tools to improve M&P leave reconciliation for salary forecasting and improve provision of M&P leave information to Financial Management. • Strengthen monthly roles monitoring to flag and treat access rights conflicts.

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

The Department applies a risk-based approach to monitor and respond to changes and emerging risks within its internal control environment. These evolving risks inform the risk-rating and testing frequency of each control area. Where appropriate, updates are made to the OMP to ensure its continued effectiveness.

HICC's rotational OMP over the next five (5) fiscal years is shown in the following table:

Control Area	Approved				Potential (based on Risk Assessment)
	2025-26	2026-27	2027-28	2028-29	2029-30
Budgeting and Forecasting		X		X	
Information Technology General Controls		X		X	
Procure to Payment	X		X		X
Transfer Payments	X		X		X
Capital Assets		X			
Entity Level Controls			X		
Payroll	X			X	
Project Management	X			X	
Acquisition Cards		X			
Cabinet Submissions			X		
Financial Reporting & Financial Close					X
Travel, Hospitality, Conferences & Events					X

Note: *Control areas are assessed using a risk-based rotational approach. Higher-risk areas are assessed more frequently than lower-risk areas.*

HICC will continue to strengthen its system of internal control through ongoing monitoring, timely remediation of identified issues, and continuous improvement of financial management practices.