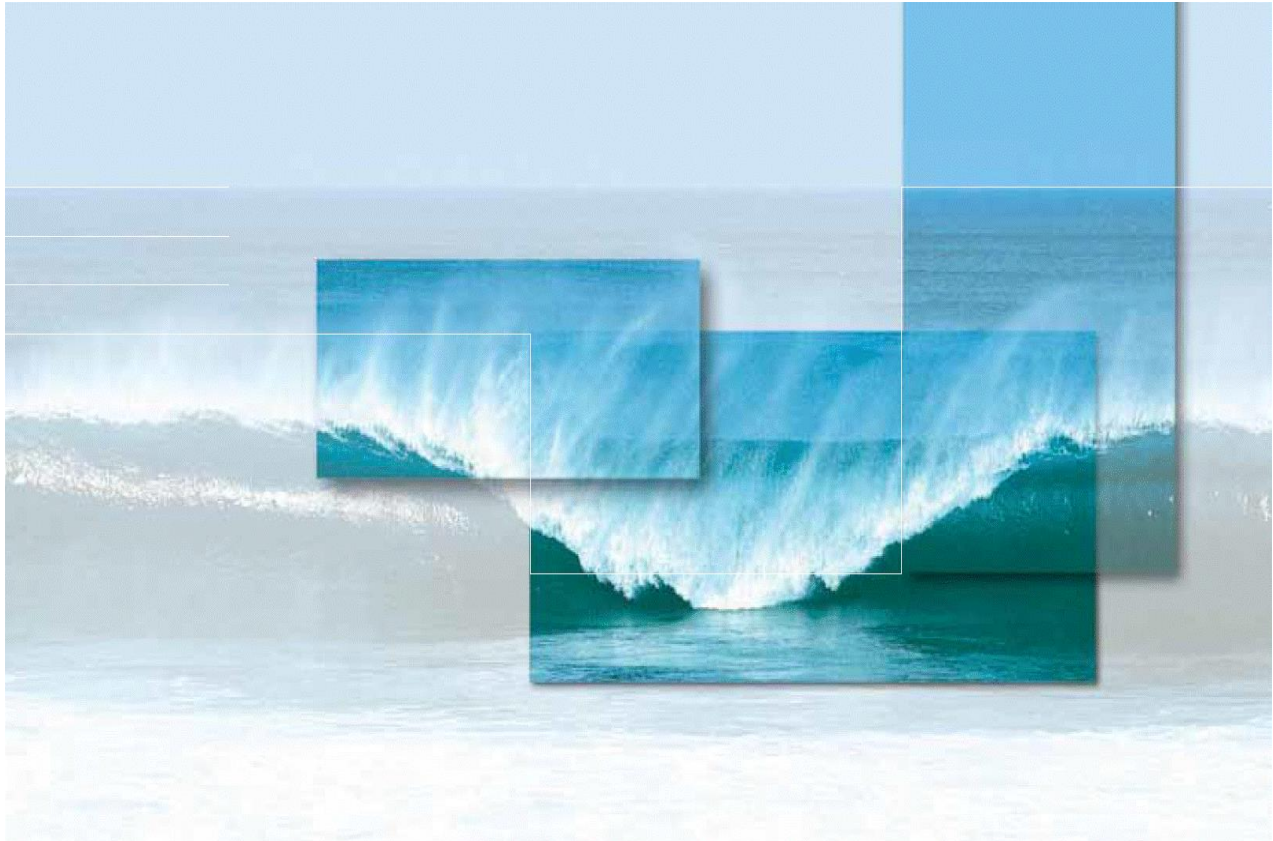




Fisheries and Oceans
Canada

Pêches et Océans
Canada



Financial Statements of
FISHERIES AND OCEANS CANADA
Year ended March 31, 2016



FISHERIES AND OCEANS 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, 2016, and all information contained in these statements rests with the management of Fisheries and Oceans Canada. These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

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

Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the department and through conducting an annual risk-based assessment of the effectiveness of the system of internal control over financial reporting.

The system of internal control over financial reporting 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 internal control over financial reporting for the year ended March 31, 2016, was completed in accordance with the Treasury Board *Policy on Internal Control* and the results and action plans are summarized in the annex.

The effectiveness and adequacy of the department's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the department'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 recommends the financial statements to the Deputy Minister.



FISHERIES AND OCEANS CANADA

Statement of Management Responsibility Including Internal Control Over Financial Reporting (continued)

The financial statements of Fisheries and Oceans Canada have not been audited.

Catherine Blewett

Deputy Minister

Ottawa, Canada

Tony Matson, CPA, CMA, MBA

Chief Financial Officer

Ottawa, Canada

**FISHERIES AND OCEANS CANADA**
Statement of Financial Position (Unaudited)
As at March 31

(in thousands of dollars)	2016	2015
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 335,484	\$ 286,076
Vacation pay and compensatory leave	71,275	71,010
Deferred revenue (Note 5)	10,272	12,861
Other liabilities (Note 6)	23,013	24,807
Employee future benefits (Note 7)	42,487	46,711
Contingent liabilities (Note 8)	108,944	108,683
Total gross liabilities	591,475	550,148
Liabilities held on behalf of Government		
Deferred revenue (Note 5)	(10,272)	(12,861)
Total liabilities held on behalf of Government	(10,272)	(12,861)
Total net liabilities	581,203	537,287
Financial assets		
Due from the Consolidated Revenue Fund	327,679	276,223
Accounts receivable and advances (Note 9)	33,250	37,412
Loans receivable (Note 10)	-	-
Total gross financial assets	360,929	313,635
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 9)	(24,505)	(30,827)
Loans receivable (Note 10)	-	-
Total financial assets held on behalf of Government	(24,505)	(30,827)
Total net financial assets	336,424	282,808
Departmental net debt	244,779	254,479

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

**FISHERIES AND OCEANS CANADA**
Statement of Financial Position (Unaudited) (continued)
As at March 31

(in thousands of dollars)	2016	2015
Departmental net debt	244,779	254,479
Non-financial assets		
Prepaid Expenses (Note 11)	25,000	-
Inventory (Note 12)	49,602	50,918
Tangible capital assets (Note 13)	3,194,406	2,711,932
Total non-financial assets	3,269,008	2,762,850
Departmental net financial position (Note 14)	\$ 3,024,229	\$ 2,508,371

Contractual obligations (Note 15)

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

Catherine Blewett
Deputy Minister

Ottawa, Canada

Tony Matson, CPA, CMA, MBA
Chief Financial Officer

Ottawa, Canada



FISHERIES AND OCEANS CANADA

Statement of Operations and Departmental Net Financial Position (Unaudited) For the Year Ended March 31

(in thousands of dollars)	Planned Results 2016	2016	2015
Expenses			
Economically Prosperous Maritime Sectors and Fisheries	\$ 484,038	\$ 495,491	\$ 482,667
Sustainable Aquatic Ecosystems	264,376	269,113	261,074
Safe and Secure Waters	940,723	731,321	692,776
Internal Services	301,157	314,602	313,778
Total expenses	1,990,294	1,810,527	1,750,295
Revenues			
Sales of goods and services	87,149	92,919	85,698
Net gain (net loss) on disposal of tangible capital assets including adjustments	-	(1,666)	3,394
Other revenues	5,355	5,264	4,847
Revenues earned on behalf of Government	(44,589)	(55,610)	(49,677)
Total revenues	47,915	40,907	44,262
Net cost of operations before government funding and transfers	1,942,379	1,769,620	1,706,033
Government funding and transfers			
Net cash provided by Government		2,117,036	1,709,841
Change in due from Consolidated Revenue Fund		51,456	7,628
Services provided without charge by other government departments (Note 16)		117,180	115,240
Transfer of the transition payments for implementing salary payments in arrears (Note 17)		(176)	(25,295)
Transfer of assets and liabilities (to) from other government departments (Note 13)		(18)	7,381
Total Government funding and transfers		2,285,478	1,814,795
Net cost of operations after government funding and transfers		(515,858)	(108,762)
Departmental net financial position - Beginning of year		2,508,371	2,399,609
Departmental net financial position - End of year		\$ 3,024,229	\$ 2,508,371

Segmented information (Note 18)

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

**FISHERIES AND OCEANS CANADA**
Statement of Change in Departmental Net Debt (Unaudited)
For the Year Ended March 31

(in thousands of dollars)	2016	2015
Net cost of operations after government funding and transfers	(\$ 515,858)	(\$ 108,762)
Change due to tangible capital assets		
Acquisition of tangible capital assets	680,873	244,649
Amortization of tangible capital assets	(194,059)	(199,230)
Proceeds from disposal of tangible capital assets	(2,656)	(16,050)
Net gain (loss) on disposal of tangible capital assets including adjustments	(1,666)	3,394
Transfers (to) from other government departments (Note 13)	(18)	7,381
Total change due to tangible capital assets	482,474	40,144
Change due to inventories	(1,316)	(270)
Change due to prepaid expenses	25,000	-
Net decrease in departmental net debt	(9,700)	(68,888)
Departmental net debt - Beginning of year	254,479	323,367
Departmental net debt - End of year	\$ 244,779	\$ 254,479

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



FISHERIES AND OCEANS CANADA
Statement of Cash Flows (Unaudited)
For the Year Ended March 31

(in thousands of dollars)	2016	2015
Operating activities		
Net cost of operations before government funding and transfers	\$ 1,769,620	\$ 1,706,033
Non-cash items:		
Amortization of tangible capital assets	(194,059)	(199,230)
Net Gain (loss) on disposal of tangible capital assets including adjustments	(1,666)	3,394
Services provided without charge by other government departments (Note 16)	(117,180)	(115,240)
Transfer of the transition payments for implementing salary payments in arrears (Note 17)	176	25,295
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	2,160	(805)
Increase (decrease) in prepaid expenses	25,000	-
Increase (decrease) in inventory	(1,316)	(270)
Decrease (increase) in accounts payable and accrued liabilities	(49,408)	31,445
Decrease (increase) in vacation pay and compensatory leave	(265)	(2,605)
Decrease (increase) in other liabilities	1,794	1,990
Decrease (increase) in employee future benefits	4,224	9,780
Decrease (increase) in contingent liabilities	(261)	21,455
Cash used in operating activities	1,438,819	1,481,242
Capital investing activities		
Acquisitions of tangible capital assets	680,873	244,649
Proceeds from disposal of tangible capital assets	(2,656)	(16,050)
Cash used in capital investing activities	678,217	228,599
Net cash provided by Government of Canada	\$ 2,117,036	\$ 1,709,841

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



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

1. Authority and objectives

Fisheries and Oceans Canada was established under the *Department of Fisheries and Oceans Act* and reports to Parliament through the Minister of Fisheries and Oceans.

Fisheries and Oceans Canada's main legislative authorities are:

- the *Oceans Act*;
- the *Fisheries Act*;
- the *Species at Risk Act*;
- the *Coastal Fisheries Protection Act*; and
- the *Canada Shipping Act, 2001*.

Fisheries and Oceans Canada has three strategic outcomes that are delivered through twenty-five programs. The three strategic outcomes are:

Economically Prosperous Maritime Sectors and Fisheries: Through its policies, programs and services, and while supporting the sustainable and effective use of Canada's water resources, Fisheries and Oceans Canada contributes to the capacity of Canada's maritime sectors and fisheries to derive economic benefits and further enhance their competitiveness.

Sustainable Aquatic Ecosystems: Fisheries and Oceans Canada's programs and policies contribute to the conservation, protection, and sustainability of Canada's aquatic ecosystems through the management of risks that affect species, oceans and fish habitats.

Safe and Secure Waters: Fisheries and Oceans Canada contributes to maintaining and improving maritime safety and security through the provision of maritime infrastructure, information, products and services necessary to ensure safe navigation and the protection of life and property.

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal services include only those activities and resources that apply across an organization, and not those provided to a specific program. The groups of activities are Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition 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.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

2. Summary of significant accounting policies (continued)

Significant accounting policies are as follows:

(a) Parliamentary authorities

Fisheries and Oceans Canada is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to Fisheries and Oceans Canada 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 *2015-16 Report on Plans and Priorities*. 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 *2015-16 Report on Plans and Priorities*.

(b) Net Cash Provided by Government

Fisheries and Oceans Canada operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by Fisheries and Oceans Canada is deposited to the CRF and all cash disbursements made by Fisheries and Oceans Canada 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.

(c) Due from the CRF

Amounts due from or to the CRF are the result of timing differences that occur 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 Fisheries and Oceans Canada is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues

Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.

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

Funds that have been received are recorded as deferred revenue, provided Fisheries and Oceans Canada has an obligation to other parties for the provision of goods, services or the use of assets in the future.

Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Revenues that are non-respendable are not available to discharge Fisheries and Oceans Canada's liabilities. While the Deputy Minister is expected to maintain accounting control, she 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 the entity's gross revenues.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

2. Summary of significant accounting policies (continued)

(e) Expenses

Expenses are recorded on the accrual basis:

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 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 accommodation, employer contributions to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

- (i) **Pension benefits:** Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. Fisheries and Oceans Canada's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Fisheries and Oceans Canada'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:** Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts and loans receivable

Accounts and loans receivable are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for accounts and loans receivable where recovery is considered uncertain.

(h) 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 financial statements.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

2. Summary of significant accounting policies (continued)

(i) Environmental liabilities

Environmental liabilities consist of estimated costs related to the remediation of contaminated sites as well as estimated costs related to obligations associated with the retirement of tangible capital assets and other environmental liabilities.

i. Contaminated Sites:

A liability for remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the Government's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination. When the cash flows required to settle or otherwise extinguish a liability are expected to occur over extended future periods, a present value technique is used. The discount rate applied is taken from the government's consolidated revenue fund monthly lending rates for periods of one year and over. The discount rates used are based on the term rate associated with the estimated number of years to complete remediation. For remediation costs with estimated future cash flows spanning more than 25 years, the 25-year Government of Canada lending rate is used as the discount rate.

ii. Asset Retirement Obligations:

A liability for an asset retirement obligation is recognized when all of the following criteria are satisfied: there is an agreement, contract, legislation, or a constructive or equitable obligation that obligates the government to incur retirement costs in relation to a tangible capital asset, the past event or transaction giving rise to the retirement liability has occurred, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. These costs are normally capitalized and amortized over the asset's estimated useful life based on the Government's best estimates of the cost to retire the tangible asset. The liability reflects the present value of estimated future cash flows required to retire the assets where amounts can be reasonably estimated and is expected to be settled as the related sites, facilities or assets are removed from service.

(j) Inventory

Inventory held for future program delivery consists of spare parts, materials, supplies and fuel. Spare parts, materials and supplies are valued at cost or net realizable value. Fuel is valued using the moving weighted average cost method.

Inventory held for resale consists of supplies for the production of publications and publications which will be sold in the future. It is valued at the lower of cost or net realizable value.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

2. Summary of significant accounting policies (continued)

(k) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Fisheries and Oceans Canada does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves or museum collections.

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

Asset Class	Amortization Period
Buildings	15-40 years
Work and infrastructure	5-75 years
Machinery and equipment	3-25 years
Informatics	3-5 years
Other Equipment	3-25 years
Ships and boats	5-40 years
Aircrafts	15-25 years
Vehicles	6-20 years
Leasehold improvements	Period of expected use; lesser of economic life of the improvement or the lease term
Work in progress	Work in progress are recorded in the applicable asset class in the year that they become available for use and are not amortized until they become available for use.

(l) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. 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 workforce adjustment liability, allowance for vacation pay and compensatory leave, liability for employee future benefits, contingent liabilities, environmental liabilities, allowance for bad debts, 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.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

3. Parliamentary authorities

Fisheries and Oceans Canada 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, Fisheries and Oceans Canada 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)	2016	2015
Net cost of operations before government funding and transfers	\$ 1,769,620	\$ 1,706,033
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	(\$ 194,059)	(199,230)
Net gain (loss) on disposal of tangible capital assets including adjustments	(1,666)	3,394
Services provided without charge by other government departments	(117,180)	(115,240)
Transition payments for implementing salary payments in arrears (Note 17)	176	25,295
Decrease in accrued liabilities not charged to authorities	500	44,340
Increase in vacation pay and compensatory leave	(265)	(2,605)
Decrease in employee future benefits not charged to authorities	4,224	6,444
Decrease in contingent liabilities	(261)	21,455
Decrease (increase) in deferred revenue	2,589	(1,653)
Decrease in inventory	(1,316)	(270)
Bad debt expense	(440)	(426)
Refunds of previous years expenditures	4,655	4,088
Revenues not available for spending in the current year	422	727
Increase in earmarked supplementary fines (Note 14)	(65)	(63)
Other	(9)	29
Total Adjustments for items affecting net cost of operations but not affecting authorities	(302,695)	(213,715)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Acquisitions of tangible capital assets	680,873	244,649
Increase in prepaid expenses	25,000	-
Total Adjustments for items not affecting net cost of operations but affecting authorities	705,873	244,649
Current year authorities used	\$ 2,172,798	\$ 1,736,967



FISHERIES AND OCEANS CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

3. Parliamentary authorities (continued)

(b) Authorities provided and used

(in thousands of dollars)	2016	2015
Authorities provided:		
Vote 1 - Operating expenditures	\$ 1,324,552	\$ 1,218,749
Vote 5 - Capital expenditures	843,027	486,380
Vote 10 - Grants and contributions	96,921	91,510
Statutory amounts	121,849	127,385
Total authorities provided	2,386,349	1,924,024
Less:		
<i>Authorities available for future years</i>	(2,449)	(1,523)
<i>Lapsed authorities:</i>		
Operating	(70,676)	(26,218)
Capital	(137,771)	(157,502)
Grants and Contributions	(2,655)	(1,800)
Spending of proceeds from the disposal of surplus Crown assets	-	(14)
Current year authorities used	\$ 2,172,798	\$ 1,736,967

4. Accounts payable and accrued liabilities

The following table presents the details of Fisheries and Oceans Canada's accounts payable and accrued liabilities:

(in thousands of dollars)	2016	2015
Accounts payable - Other government departments and agencies	\$ 41,499	\$ 30,732
Accounts payable - External parties	184,936	159,267
Total accounts payable	226,435	189,999
Accrued liabilities	109,049	96,077
Total accounts payable and accrued liabilities	\$ 335,484	\$ 286,076



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

5. Deferred revenue

Deferred revenue from fishing licenses represents the balance at year-end of unearned revenues stemming from fees received prior to services being performed. Other revenues are from external parties which are restricted to fund the expenditures related to specific projects. Revenue is recognized in the period in which these expenditures are incurred or in which the service is performed.

(in thousands of dollars)	2016	2015
Opening balance	\$ 12,861	\$ 11,208
Amounts received	10,270	12,859
Revenue recognized	(12,859)	(11,206)
Gross closing balance	10,272	12,861
Deferred revenues held on behalf of Government	(10,272)	(12,861)
Net closing balance	\$ -	\$ -

6. Other liabilities

Other liabilities represent deferred revenue funds received by Fisheries and Oceans Canada under regulations, cost-sharing agreements or to fund projects.

Details of the transactions related to these accounts are as follows:

(in thousands of dollars)	Opening balance	Receipts and other credits	Payments and other charges	Closing balance
Research projects deposits	\$ 22,814	\$ 7,891	(\$ 9,816)	\$ 20,889
Federal/Provincial cost-sharing agreements	314	447	(546)	215
Sales of seized assets – <i>Fisheries Act</i>	1,250	383	(304)	1,329
Contractor security deposits	429	538	(387)	580
Total other liabilities	\$ 24,807	\$ 9,259	(\$ 11,053)	\$ 23,013

Research projects deposits: This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

Federal/provincial cost-sharing agreements: This account was established to record the deposit of money received from the provinces for cost-shared programs. The funds are disbursed according to agreements.

Sale of seized assets: This account was established to record the proceeds of sale of seized items by Fisheries and Oceans Canada from a person contravening the Fisheries Act. Money so received is held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries and Oceans Canada or the courts.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

6. Other liabilities (continued)

Contractor security deposits: This account was established to record money held to ensure that a contractor's obligations under contracts are carried out, to protect the interests of subcontractors, sub-subcontractors and suppliers, and to protect the Crown against loss should a bidder fail to honor a contract.

7. Employee future benefits

(a) Pension benefits

Fisheries and Oceans Canada's employees participate in the Public Service Pension 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 Fisheries and Oceans Canada 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 2015-2016 expense amounts were \$80,616,921 (\$84,399,113 in 2014-2015). For Group 1 members, the expense represents approximately 1.25 times (1.41 times in 2014-15) the employee contributions and, for Group 2 members, approximately 1.24 times (1.39 times in 2014-2015) the employee contributions.

Fisheries and Oceans Canada'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.

(b) Severance benefits

Fisheries and Oceans Canada provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of the collective agreement negotiations with certain employee groups, and changes to the conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

7. Employee future benefits (continued)

Information about the severance benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2016	2015
Accrued benefit obligation, beginning of year	\$ 46,711	\$ 56,491
Expense for the year	6,649	11,880
Benefits paid during the year	(10,873)	(21,660)
Accrued benefit obligation, end of year	\$ 42,487	\$ 46,711

8. Contingent liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into two categories as follows:

(a) Environmental Liabilities

Remediation of contaminated sites

The government has developed a “Federal Approach to Contaminated Sites”, which incorporates a risk-based approach to the management of contaminated sites. Under this approach the Government has inventoried the contaminated sites on federal lands that have been identified, allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aids in the identification of the high risk sites in order to allocate limited resources to those sites which pose the highest risk to the environment and human health.

Fisheries and Oceans Canada has identified approximately 3,878 sites (4,368 sites in 2015) where contamination may exist and assessment, remediation and monitoring may be required. Of these, Fisheries and Oceans Canada has identified 1,369 sites (930 sites in 2015) where action is possible and for which a net liability of \$108,219,424 (\$104,558,273 in 2015) has been recorded. This liability estimate has been determined after the sites are assessed and is based on scientific/engineering contractors reviewing the results of site assessments, and proposing possible remediation solutions.

In 2016, a statistical model was developed to estimate the liability for unassessed sites based on historical costs incurred for contaminated sites with similar functions. As a result, there are 452 unassessed sites where a liability estimate of \$26,074,662 has been recorded prospectively in 2016. This estimate will be refined in future years as sites are assessed and estimated costs are revised.

These two estimates combined represents management’s best estimate of the amount required to complete the remediation of the sites to the current minimum standard for its use prior to contamination, based on information available at the financial statement date. A net present value technique has been used for sites where the cash flows are expected to occur over extended future periods.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

8. Contingent liabilities (continued)

Of the remaining 2,509 sites, 487 sites were closed, as they were either remediated or assessed and found not to be contaminated. 28 sites are not considered a priority for action because information indicates there is likely no significant environmental impact or human health threats and there is likely no need for action unless new information becomes available indicating greater concerns, in which case, the site will be re-examined.

The following table presents the total estimated amounts of these liabilities by nature and source, the associated expected recoveries and the total undiscounted future expenditures as at March 31, 2016, and March 31, 2015. When the liability estimate is based on a future cash requirement, the Government of Canada lending rate applicable to loans with similar terms to maturity has been used to discount the estimated future expenditures. The March 2016 rates range from 0.62% for 2 year term to 2.13% for a 25 or greater year term.

Nature & Source	NATURE & SOURCE OF LIABILITY							
	2016				2015			
	Number of Sites	Estimated Liability	Total Undiscounted Expenditures	Estimated Recoveries	Number of Sites	Estimated Liability	Total Undiscounted Expenditures	Estimated Recoveries
Radioactive Material ⁽¹⁾	-	-	-	-	-	-	-	-
Former Mineral Exploration Sites ⁽²⁾	-	-	-	-	-	-	-	-
Military & Former Military Sites ⁽³⁾	-	-	-	-	-	-	-	-
Fuel Related Practices ⁽⁴⁾	83	9,892,437	10,139,557	-	88	13,810,480	14,220,843	-
Landfill/Waste Sites ⁽⁵⁾	7	473,345	485,169	-	11	1,063,433	1,095,966	-
Engineered Asset/Air & Land Transportation ⁽⁶⁾	1	49,757	51,000	-	1	216,836	223,591	-
Marine Facilities/Aquatic Sites ⁽⁷⁾	1224	85,644,424	87,206,459	-	784	77,167,118	79,709,840	-
Parks & Protected Areas ⁽⁸⁾	-	-	-	-	-	-	-	-
Office/Commercial/Industrial Operations ⁽⁹⁾	40	11,133,814	11,338,071	-	35	11,528,744	11,920,265	-
Other ⁽¹⁰⁾	14	1,025,647	1,051,268	-	11	771,662	795,785	-
Totals	1369	108,219,424	110,271,524	-	930	104,558,273	107,966,290	-

- Contamination associated with former nuclear operations, e.g. low-level radioactive waste, radioactive isotopes.
- Contamination associated with former mine activities, e.g. heavy metals, petroleum hydrocarbons, etc. Sites often have multiple sources of contamination.
- Contamination associated with the operations of military and former military sites where activities such as fuel handling and storage activities, waste sites, metals/PCB-based paint used on buildings resulted in former or accidental contamination, e.g. petroleum hydrocarbons, PCBs, heavy metals. Sites often have multiple sources of contamination.
- Contamination primarily associated with fuel storage and handling, e.g., accidental spills related to fuel storage tanks or former fuel handling practices, e.g. petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX.
- Contamination associated with former landfill/waste site or leaching from materials deposited in the landfill/waste site, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, other organic contaminants, etc.
- Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as, fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.
- Contamination associated with the operations of marine assets, e.g., port facilities, harbours, navigation systems, light stations, hydrometric stations, where activities such as fuel storage/handling, use of metal based paint (e.g., on light stations) resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons and other organic contaminants. Sites often have multiple sources of contamination.
- Contamination associated with the operations and maintenance of parks and protected areas where activities such as fuel storage/handling, waste sites and use of metal based paint resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, PCBs and other organic contaminants. Sites often have multiple sources of contamination.
- Contamination associated with the operations of the office/commercial/industrial facilities where activities such as fuel storage/handling, waste sites and use of metal-based paint resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc. Sites often have multiple sources of contamination.
- Contamination from other sources, e.g. use of pesticides, herbicides, fertilizers at agricultural sites; use of PCBs, firefighting training areas, firing ranges and training facilities, etc.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

8. Contingent liabilities (continued)

(b) Claims and Litigations

Claims have been made against Fisheries and Oceans Canada 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. Fisheries and Oceans Canada has recorded an allowance of \$725,000 (\$4,125,000 in 2014-2015) for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Based on the Department's assessment, legal proceedings for claims estimated at \$559,414,160 (\$573,157,300 in 2014-2015) will be pending at March 31, 2016.

9. Accounts receivable and advances

The following table presents details of Fisheries and Oceans Canada's accounts receivable and advances balances:

(in thousands of dollars)	2016	2015
Accounts receivable and advances		
Receivables - Other government departments and agencies	\$ 17,567	\$ 16,514
Receivables - External parties	46,160	50,977
Accountable advances	232	282
Subtotal	63,959	67,773
Less: Allowance for doubtful accounts on receivables from external parties	(30,709)	(30,361)
Gross accounts receivable and advances	33,250	37,412
Accounts receivable held on behalf of Government	(24,505)	(30,827)
Net accounts receivable and advances	\$ 8,745	\$ 6,585

10. Loans receivable

The following table presents details of Fisheries and Oceans Canada's loans receivable balances:

(in thousands of dollars)	2016	2015
Loans receivable		
Loans receivable ⁽¹⁾	\$ 1,472	\$ 1,472
Accrued interest on loans	1,556	1,556
Less: Allowance on loans	(3,028)	(3,028)
Total loans receivable held on behalf of Government	\$ -	\$ -

⁽¹⁾ Loans of \$1,471,652 have been made to haddock fishermen (\$1,343,337, interest of 8% per annum, repayable over 4 years until 1979) and to Canadian producers of frozen groundfish (\$128,315, interest of 13% per annum, repayable over 7 years until 1987). Allowances on loans receivable are determined on a loan by loan basis. As a result of the postponement of principal and interest payments beyond the loan's original term, Fisheries and Oceans Canada has established an allowance equivalent to the total amount of principal and interest on the loans receivable.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

11. Prepaid Expenses

The following table presents details of prepaid expenses:

(in thousands of dollars)	2016	2015
National Shipbuilding Procurement Strategy - Offshore Fisheries Science Vessels	\$ 25,000	\$ -

12. Inventory

The following table presents details of inventory:

(in thousands of dollars)	2016	2015
Inventory held for future program delivery	\$ 49,577	\$ 50,503
Inventory held for resale	25	415
Total inventory	\$ 49,602	\$ 50,918

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$50,364,812 in 2015-2016 (\$71,297,936 in 2014-2015).

13. Tangible capital assets

Cost (in thousands of dollars)	Opening Balance	Acquisitions	Adjustments ⁽¹⁾	Disposals and write-offs	Closing Balance
Land	\$ 22,221	\$ -	\$ 1	\$ 5	\$ 22,217
Buildings	724,358	-	7,002	1,023	730,337
Works and infrastructure	2,435,137	-	73,202	14,538	2,493,801
Machinery and equipment	358,607	3,253	34,469	7,525	388,804
Informatics	99,704	136	1,480	770	100,550
Other equipment	46	-	-	-	46
Ships and boats	1,995,603	60	27,857	17,811	2,005,709
Aircrafts	42,322	-	135,508	1,393	176,437
Vehicles	65,676	3,734	412	2,948	66,874
Leasehold improvements	502,751	348	7,580	3,419	507,260
Work in progress	326,128	673,342	(272,566)	13,425	713,479
	\$ 6,572,553	\$ 680,873	\$ 14,945	\$ 62,857	\$ 7,205,514



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

13. Tangible capital assets (continued)

Accumulated amortization (in thousands of dollars)	Opening Balance	Amortization	Adjustments ⁽¹⁾	Disposals and write-offs	Closing Balance
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	460,462	15,706	33	292	475,909
Works and infrastructure	1,289,874	76,716	362	11,179	1,355,773
Machinery and equipment	245,719	18,471	(138)	6,524	257,528
Informatics	83,206	7,842	-	770	90,278
Other equipment	35	3	-	-	38
Ships and boats	1,361,814	56,627	(73)	17,151	1,401,217
Aircrafts	30,569	2,910	-	1,394	32,085
Vehicles	50,810	3,497	(3)	2,855	51,449
Leasehold improvements	338,132	12,287	(395)	3,193	346,831
	\$ 3,860,621	\$ 194,059	(\$ 214)	\$ 43,358	\$ 4,011,108

Net book value (in thousands of dollars)	2015	2016
Land	\$ 22,221	\$ 22,217
Buildings	263,896	254,428
Works and infrastructure	1,145,263	1,138,028
Machinery and equipment	112,888	131,276
Informatics	16,498	10,272
Other equipment	11	8
Ships and boats	633,789	604,492
Aircrafts	11,753	144,352
Vehicles	14,866	15,425
Leasehold improvements	164,619	160,429
Work in progress	326,128	713,479
	\$ 2,711,932	\$ 3,194,406

⁽¹⁾ Adjustments include work in progress of \$272,565,915 that were transferred to other categories upon completion of the assets, net transfers to other departments for a net book value of \$17,958 and other adjustments for a net book value of \$15,178,608.

Difference may be due to rounding.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

14. Departmental net financial position

A portion of Fisheries and Oceans Canada's net financial position is used for a specific purpose. Related revenues and expenses are included in the Statement of Operations and Departmental Net Financial Position.

The Supplementary Fines – *Fisheries Act* Account was established pursuant to the *Fisheries Act* and related regulations to record fines and penalties levied by courts under the *Act*. The balance in the account is to be used for remedial or preventive action to fish habitat as well as the promotion of proper management, control, conservation, and protection of fisheries or fish habitat.

The Supplementary Fines – *Species at Risk Act* Account was established pursuant to the *Species at Risk Act* and related regulations to record fines and penalties levied by courts under the *Act*. The balance in the account is to be used for the purpose of conducting research into the protection of the wildlife species in respect of which the offence was committed.

Activity in the aforementioned accounts is as follows:

(in thousands of dollars)	2016	2015
Restricted - Supplementary Fines		
<i>Fisheries Act</i>		
Balance - Beginning of year	\$ 1,676	\$ 1,744
Revenues	44	42
Expenses	(109)	(110)
Balance - End of year	1,611	1,676
<i>Species at Risk Act</i>		
Balance - Beginning of year	35	30
Revenues	-	5
Expenses	-	-
Balance - End of year	35	35
Total Balance - End of year - Restricted	1,646	1,711
Unrestricted	3,022,583	2,506,660
Departmental net financial position - End of year	\$ 3,024,229	\$ 2,508,371



FISHERIES AND OCEANS CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

15. Contractual obligations

The nature of Fisheries and Oceans Canada's activities can result in some large multi-year contracts and obligations whereby Fisheries and Oceans Canada 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)	2017	2018	2019	Total
Construction of assets	\$ 365,847	\$ 232,017	\$ 6,997	\$ 604,861
Business Services	15,525	15,525	15,525	46,575
Total	\$ 381,372	\$ 247,542	\$ 22,522	\$ 651,436

16. Related party transactions

Fisheries and Oceans Canada is related as a result of common ownership to all government departments, agencies, and Crown corporations. Fisheries and Oceans Canada enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, Fisheries and Oceans Canada received 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, Fisheries and Oceans Canada received services without charge from certain common service organizations, related to accommodation, legal services, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services provided without charge have been recognized in Fisheries and Oceans Canada's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2016	2015
Employer's contribution to the health and dental insurance plans	\$ 65,433	\$ 63,040
Accommodation	46,028	47,576
Legal services	4,738	3,490
Worker's compensation	981	1,134
Total	\$ 117,180	\$ 115,240



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

16. Related party transactions (continued)

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 Works and Government Services Canada and audit services provided by the Office of the Auditor General are not included in Fisheries and Oceans Canada's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with related parties

(in thousands of dollars)	2016	2015
Accounts receivable - Other Government departments and agencies	\$ 17,567	\$ 16,514
Accounts Payable - Other Government departments and agencies	41,499	30,732
Expenses - Other Government departments and agencies	228,223	230,262
Revenues - Other Government departments and agencies	(750)	12

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

17. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014-15. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of the Department. However, it did result in the use of additional spending authorities by the Department. Prior to year end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Services and Procurement Canada, who is responsible for the administration of the Government pay system.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

18. Segmented information

Presentation by segment is based on Fisheries and Oceans Canada's program alignment architecture. 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 by strategic outcomes, by major object of expense and by major type of revenue. The segment results for the period are as follows:

(in thousands of dollars)	Economically Prosperous Maritime Sectors and Fisheries	Sustainable Aquatic Ecosystems	Safe and Secure Waters	Internal Services	2016	2015
Transfer Payments						
First Nations and Inuit people	\$ 65,051	\$ 669	\$ -	\$ -	\$ 65,720	\$ 66,562
Non-profit organizations	4,530	15,591	5,634	1,116	26,871	20,678
Other levels of governments within Canada	515	-	-	210	725	1,133
Individuals	-	551	-	154	705	1,137
Other countries and international organizations	40	13	87	-	140	115
Industry	-	105	-	-	105	85
Total transfer payments	70,136	16,929	5,721	1,480	94,266	89,710
Operating Expenses						
Salaries and employee benefits	196,552	160,147	418,576	161,778	937,053	916,731
Professional and special services	62,307	49,898	51,579	62,422	226,206	226,796
Amortization of tangible capital assets	72,163	7,840	79,518	34,538	194,059	199,230
Repair and maintenance	35,362	2,542	86,554	14,716	139,174	113,531
Utilities, materials, supplies and fuel	34,062	9,931	37,760	9,227	90,980	105,850
Travel, relocation and freight	10,168	11,112	20,784	4,499	46,563	41,367
Machinery and equipment	3,871	5,496	21,665	8,636	39,668	42,400
Rental	5,236	2,414	3,403	5,122	16,175	12,968
Payments in Lieu of Taxes Paid to municipalities	39	-	-	9,623	9,662	10,140
Telecommunications	723	823	4,842	146	6,534	7,393
Communications services	552	313	689	524	2,078	1,780
Variation in contingent liabilities	(3,400)	-	-	3,661	261	(21,455)
Other	7,720	1,668	230	(1,770)	7,848	3,854
Total operating expenses	425,355	252,184	725,600	313,122	1,716,261	1,660,585
Total expenses	495,491	269,113	731,321	314,602	1,810,527	1,750,295



FISHERIES AND OCEANS CANADA
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

18. Segmented information (continued)

(in thousands of dollars)	Economically Prosperous Maritime Sectors and Fisheries	Sustainable Aquatic Ecosystems	Safe and Secure Waters	Internal Services	2016	2015
Revenues						
Sales of goods and services	61,945	257	30,632	85	92,919	85,698
Net gain (net loss) on disposal of tangible capital assets including adjustments	8,727	(189)	(11,247)	1,043	(1,666)	3,394
Revenues earned on behalf of Government	(48,183)	(2,296)	(2,531)	(2,600)	(55,610)	(49,677)
Other revenues	667	2,064	18	2,515	5,264	4,847
Total revenues	23,156	(164)	16,872	1,043	40,907	44,262
Net cost of operations	\$ 472,335	\$ 269,277	\$ 714,449	\$ 313,559	\$ 1,769,620	\$ 1,706,033



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FISHERIES AND OCEANS CANADA

ANNEX TO THE STATEMENT OF MANAGEMENT RESPONSIBILITY INCLUDING INTERNAL CONTROL OVER FINANCIAL REPORTING

FISCAL YEAR 2015-2016



FISHERIES AND OCEANS CANADA

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting Fiscal Year 2015-2016

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FISHERIES AND OCEANS CANADA

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting Fiscal Year 2015-2016

1. Introduction

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

Detailed information on the department's authority, mandate and program activities can be found in the 2015-2016 Departmental Performance Report and the 2015-2016 [Report on Plans and Priorities](#).

2. Departmental system of internal control over financial reporting

2.1 Internal Control Management

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

- Organizational accountability structures as they relate to internal control management to support sound financial management, including roles and responsibilities of senior managers in their areas of responsibility for control management;
- values and ethics;
- ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control; and
- quarterly 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 departmental senior 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.



FISHERIES AND OCEANS CANADA

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting Fiscal Year 2015-2016

2.2 Service arrangements relevant to financial statements

Fisheries and Oceans Canada 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 payroll and the procurement of goods and services in accordance with the Fisheries and Oceans Canada's Delegation of Authority, and provides accommodation services;
- the Treasury Board Secretariat provides Fisheries and Oceans Canada with information used to calculate various accruals and allowances, such as the accrued severance liability;
- the Department of Justice Canada provides legal services to Fisheries and Oceans Canada; and
- Shared Services Canada provides information technology (IT) infrastructure services to Fisheries and Oceans Canada in the areas of data center and network services. The scope and responsibilities are addressed in the interdepartmental arrangement between Shared Services Canada and Fisheries and Oceans Canada.

Specific Arrangements

- Until fall of 2015, an external service provider, pursuant to a contract with the Government of Canada, administered the Marine Navigation Services Fee revenues for the west coast on behalf of the Canadian Coast Guard Marine Navigation program. The external service provider had the authority and responsibility to ensure that billing and collection of the Western Region's Marine Navigation Services Fee were made in accordance with the terms and conditions set out by the Canadian Coast Guard Marine Navigation program. As a result, reliance was placed on the control procedures of the external service provider; and
- Public Services and Procurement Canada provides Fisheries and Oceans Canada billing, banking, electronic funds processing and similar payment services for a significant portion of the revenues from commercial fishing licenses.



FISHERIES AND OCEANS CANADA

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting Fiscal Year 2015-2016

3. Departmental assessment results during fiscal year 2015-2016

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

New or significantly amended key controls:

In 2015-2016, Fisheries and Oceans Canada has completed the transition of a number of pay related control activities to the Government of Canada Pay Centre located in Miramichi, New Brunswick. The Department will be re-assessing the business process and the controls in 2016-2017. There were no other significantly amended key controls in existing processes which required a reassessment.

Ongoing monitoring program:

The final two business processes, tangible capital assets and inventory were planned for completion in 2016-2017. DFO decided to advance the target completion of these two processes in its 2015-2016 internal control work plan. With these two reviews completed, the department is now completely at the ongoing monitoring phase.

As part of its ongoing monitoring plan, the department completed the assessment of the financial controls within the business processes of financial close, budgeting and forecasting, grants and contributions and environmental liabilities, as well as information technology general controls of the salary management system.

For the most part, the key controls that were tested performed as intended, with remediation required in the case of the inventory balance (financial close sub-process) where it was noted that improvement could be made in reporting its accounting value.

A management action plan for the business process, addressing the recommendation was developed by the process owner.



FISHERIES AND OCEANS CANADA

**Annex to the Statement of Management Responsibility Including Internal Control Over
Financial Reporting
Fiscal Year 2015-2016**

4. Departmental Action Plan

4.1 Progress during fiscal year 2015-2016

Fisheries and Oceans Canada continued to conduct its ongoing monitoring according to the previous fiscal year’s rotational plan as shown in the following table.

Progress During Fiscal Year 2015-2016

Previous year’s rotational ongoing monitoring plan for current year	Status
Budgeting and Forecasting, Environmental Liabilities, Grants and Contributions, Information Technology General Controls - Salary Management	Completed as planned; no remedial actions required.
Financial Close (Inventory)	Completed as planned; remedial actions started.
Previous year’s outstanding remediation action	
Entity Level Controls	Completed as planned; no remedial actions required.
Salary and Benefits	Salary and Benefits controls to be tested in 2016-2017.
Tangible Capital Assets	The department has continued to implement the recommendations for the material management rationalization initiative.

In 2015-2016, the department conducted the following work in addition to the progress made in ongoing monitoring:

- Testing of the design and operating effectiveness of Inventory and Capital Assets.



FISHERIES AND OCEANS CANADA

**Annex to the Statement of Management Responsibility Including Internal Control Over
Financial Reporting
Fiscal Year 2015-2016**

4.2 Action plan for the next fiscal year and subsequent years

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

Rotational Ongoing Monitoring Plan

Key Control Areas	Future On-going Monitoring Plan		
	2016-2017	2017-2018	2018-2019
Entity Level Controls	No	Yes	No
Tangible Capital Assets	Yes	Yes	Yes
Inventory	Yes	Yes	Yes
Financial Close	Yes	Yes	Yes
Revenue	Yes	Yes	Yes
- Marine services			
- Fisheries Licensing	No	Yes	No
Budgeting and Forecasting	Yes	Yes	Yes
Operating Expenditures	Yes	No	Yes
Environmental Liabilities	No	No	Yes
Salaries and Benefits	Yes	No	Yes
Grants and Contributions	No	No	Yes
Information Technology General Controls			
Financial system	Yes	No	Yes
Delegation of authority	No	Yes	No
Salary Management	No	No	No