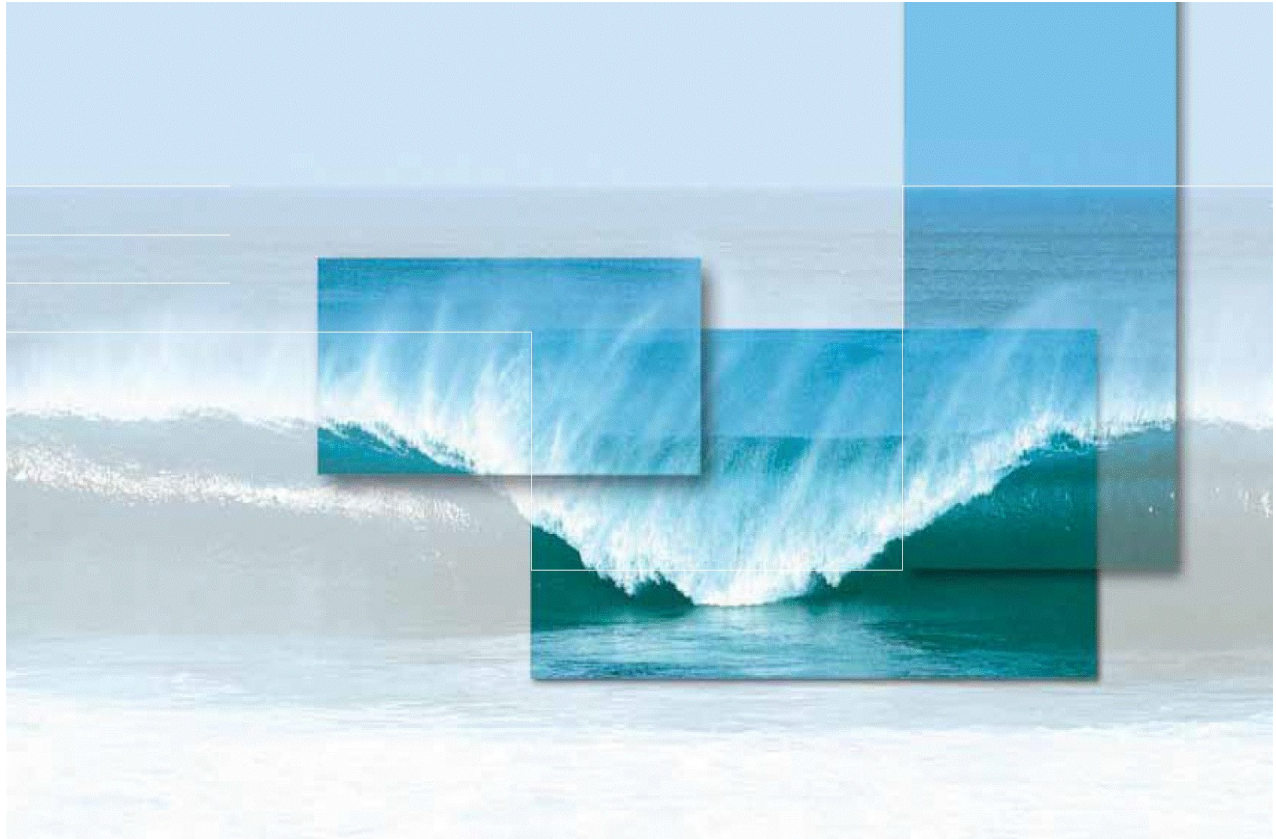




Fisheries and Oceans
Canada

Pêches et Océans
Canada



Financial Statements of

FISHERIES AND OCEANS CANADA

Year ended March 31, 2018



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, 2018, 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 Results 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 on-going 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, 2018 was completed in accordance with the Treasury Board *Policy on Financial Management*, and the results and action plans are summarized in the annex.

The annex also provides information on the status of the risk-based assessment of the controls over common services provided by the department that have a bearing on a recipient's departmental financial statements.

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

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

Catherine Blewett

Deputy Minister

Ottawa, Canada

Jen O'Donoghue

Chief Financial Officer

Ottawa, Canada

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

(in thousands of dollars)	2018	2017
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 455,756	\$ 466,553
Vacation pay and compensatory leave	91,003	75,796
Environmental liabilities (Note 5)	129,546	112,154
Deferred revenues (Note 6)	7,710	7,181
Other liabilities (Note 7)	28,949	24,164
Employee future benefits (Note 8)	38,324	34,319
Contingent liabilities (Note 9)	344,000	299,525
Total gross liabilities	1,095,288	1,019,692
Liabilities held on behalf of Government		
Deferred revenues (Note 6)	(7,710)	(7,181)
Total liabilities held on behalf of Government	(7,710)	(7,181)
Total net liabilities	1,087,578	1,012,511
Financial assets		
Due from the Consolidated Revenue Fund	451,219	451,958
Accounts receivable and advances (Note 10)	61,049	65,969
Loans receivable (Note 11)	-	-
Total gross financial assets	512,268	517,927
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 10)	(27,931)	(45,057)
Loans receivable (Note 11)	-	-
Total financial assets held on behalf of Government	(27,931)	(45,057)
Total net financial assets	484,337	472,870
Departmental net debt	\$ 603,241	\$ 539,641

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)	2018	2017
Departmental net debt	\$ 603,241	\$ 539,641
Non-financial assets		
Prepaid Expenses (Note 12)	25,000	25,000
Inventory (Note 13)	58,899	54,743
Tangible capital assets (Note 14)	4,356,011	3,773,372
Total non-financial assets	4,439,910	3,853,115
Departmental net financial position (Note 15)	\$ 3,836,669	\$ 3,313,474

Contractual obligations (Note 16)

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

Catherine Blewett
Deputy Minister

Jen O'Donoghue
Chief Financial Officer

Ottawa, Canada

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 2018	2018	2017
Expenses			
Economically Prosperous Maritime Sectors and Fisheries	\$ 490,246	\$ 618,531	\$ 803,045
Sustainable Aquatic Ecosystems	308,646	352,442	297,185
Safe and Secure Waters	711,584	851,409	764,306
Internal Services	312,658	441,934	341,459
Total expenses	1,823,134	2,264,316	2,205,995
Revenues			
Sales of goods and services	88,976	87,545	87,347
Other revenues	4,846	6,822	3,390
Revenues earned on behalf of Government	(45,907)	(52,923)	(50,085)
Total revenues	47,915	41,444	40,652
Net cost of operations before government funding and transfers	1,775,219	2,222,872	2,165,343
Government funding and transfers			
Net cash provided by Government		2,617,489	2,206,936
Change in due from Consolidated Revenue Fund		(739)	124,279
Services provided without charge by other government departments (Note 17)		129,288	123,363
Transfer of the transition payments for implementing salary payments in arrears		(7)	(7)
Transfer of assets and liabilities from / (to) other government departments (Note 14)		36	17
Total Government funding and transfers		2,746,067	2,454,588
Net cost of operations after government funding and transfers		(523,195)	(289,245)
Departmental net financial position - Beginning of year		3,313,474	3,024,229
Departmental net financial position - End of year		\$ 3,836,669	\$ 3,313,474

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)	2018	2017
Net cost of operations after government funding and transfers	(\$ 523,195)	(\$ 289,245)
Change due to tangible capital assets		
Acquisition of tangible capital assets	786,118	793,330
Amortization of tangible capital assets	(192,990)	(195,958)
Proceeds from disposal of tangible capital assets	(3,332)	(4,462)
Net gain (loss) on disposal of tangible capital assets including adjustments	(7,193)	(13,960)
Transfers from / (to) other government departments (Note 14)	36	17
Total change due to tangible capital assets	582,639	578,967
Change due to inventory	4,156	5,140
Net increase in departmental net debt	63,600	294,862
Departmental net debt - Beginning of year	539,641	244,779
Departmental net debt - End of year	\$ 603,241	\$ 539,641

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)	2018	2017
Operating activities		
Net cost of operations before government funding and transfers	\$ 2,222,872	\$ 2,165,343
Non-cash items:		
Amortization of tangible capital assets	(192,990)	(195,958)
Net loss on disposal of tangible capital assets including adjustments	(7,193)	(13,960)
Services provided without charge by other government departments (Note 17)	(129,288)	(123,363)
Transition payments for implementing salary payments in arrears	7	7
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	12,206	12,167
Increase (decrease) in inventory	4,156	5,140
Decrease (increase) in accounts payable and accrued liabilities	10,797	(131,069)
Decrease (increase) in vacation pay and compensatory leave	(15,207)	(4,521)
Decrease (increase) in other liabilities	(4,785)	(1,151)
Decrease (increase) in environmental liabilities	(17,392)	(3,935)
Decrease (increase) in employee future benefits	(4,005)	8,168
Decrease (increase) in contingent liabilities	(44,475)	(298,800)
Cash used in operating activities	1,834,703	1,418,068
Capital investing activities		
Acquisitions of tangible capital assets	786,118	793,330
Proceeds from disposal of tangible capital assets	(3,332)	(4,462)
Cash used in capital investing activities	782,786	788,868
Net cash provided by Government of Canada	\$ 2,617,489	\$ 2,206,936

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.

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 the Department 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 2017-2018 *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 2017-2018 *Departmental Plan*.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

2. Summary of significant accounting policies (continued)

(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) Amounts due from or to 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 based on the services provided in the year.

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

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

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

Revenues that are non-responsible 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-responsible revenues. As a result, non-responsible revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues.

(e) Expenses

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

Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.

Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their carrying value.

(f) Employee future benefits

(i) Pension benefits - Eligible employees participate in the Public Service Pension Plan, 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 - 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.

(g) 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.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

2. Summary of significant accounting policies (continued)

(h) Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described in Note 14. 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.

Inventories are valued at cost and are comprised of spare parts, materials, supplies and fuel held for future program delivery and are not primarily intended for resale. Inventories that no longer have service potential are valued at the lower of 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.

(i) Contingent liabilities

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

(j) 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.

(k) Environmental liabilities

An environmental liability for the remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the Government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the Government's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination. When the future cash flows required to settle or otherwise extinguish a liability are estimable, predictable and expected to occur over extended future periods, a present value technique is used. The discount rate used reflects the Government's cost of borrowing, associated with the estimated number of years to complete remediation.

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

If the likelihood of the Department's responsibility is not determinable, a contingent liability 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. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are contingent liabilities, environmental 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.

Environmental liabilities are subject to measurement uncertainty as discussed in Note 5 due to the evolving technologies used in the estimation of the costs for remediation of contaminated sites, the use of discounted present value of future estimated costs, and the fact that not all sites have had a complete assessment of the extent and nature of remediation. Changes to underlying assumptions, the timing of the expenditures, the technology employed, or the revisions to environmental standards or changes in regulatory requirements could result in significant changes to the environmental liabilities recorded.



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

2. Summary of significant accounting policies (continued)

(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

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)	2018	2017
Net cost of operations before government funding and transfers	\$ 2,222,872	\$ 2,165,343
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(192,990)	(195,958)
Net (loss) / gain on disposal of tangible capital assets including adjustments	(7,193)	(13,960)
Services provided without charge by other government departments	(129,288)	(123,363)
Decrease (increase) in vacation pay and compensatory leave	(15,207)	(4,521)
Decrease (increase) in environmental liabilities	(17,392)	(3,935)
Decrease (increase) in employee future benefits	(4,005)	8,168
Decrease (increase) in provision for claims and litigation	(44,475)	(298,800)
Decrease (increase) in deferred revenue	(529)	3,091
Bad debt expense	(179)	(1,703)
Refunds of previous years expenditures	5,493	16,759
Increase in earmarked supplementary fines (Note 15)	11	(4)
Other	980	(3,190)
Total Adjustments for items affecting net cost of operations but not affecting authorities	(404,774)	(617,416)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	786,118	793,330
Transition payments for implementing salary payments in arrears	7	7
Increase (decrease) in inventory	4,156	5,140
Salary Overpayments	12,085	6,274
Total Adjustments for items not affecting net cost of operations but affecting authorities	802,366	804,751
Current year authorities used	\$ 2,620,464	\$ 2,352,678



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)	2018	2017
Authorities provided:		
Vote 1 - Operating expenditures	\$ 1,596,276	\$ 1,457,907
Vote 5 - Capital expenditures	972,766	1,064,919
Vote 10 - Grants and contributions	159,739	101,998
Statutory amounts	135,542	121,775
Total authorities provided	2,864,323	2,746,599
Less:		
<i>Authorities available for future years</i>	(3,113)	(3,811)
<i>Lapsed authorities:</i>		
Operating	(21,027)	(115,606)
Capital	(188,842)	(272,058)
Grants and Contributions	(30,877)	(2,446)
Current year authorities used	\$ 2,620,464	\$ 2,352,678

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)	2018	2017
Accounts payable - Other government departments and agencies	\$ 61,892	\$ 53,425
Accounts payable - External parties	205,821	220,103
Total accounts payable	267,713	273,528
Accrued liabilities	188,043	193,025
Total accounts payable and accrued liabilities	\$ 455,756	\$ 466,553

5. Environmental liabilities

Remediation of contaminated sites

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

Fisheries and Oceans Canada has identified approximately 3,091 sites (3,405 sites in 2017) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the Department has identified 866 sites (871 sites in 2017) where action is required and for which a gross liability of \$90,740,004 (\$81,507,330 in 2017) has been recorded. This liability estimate has been determined based on site assessments performed by environmental experts.

In addition, a statistical model based upon a projection of the number of sites that will proceed to remediation and upon which current and historical costs are applied is used to estimate the liability for a group of unassessed sites. As a result, there are approximately 758 unassessed sites (670 sites in 2017) where a liability estimate of \$38,805,538 (\$30,647,072 in 2017) has been recorded using this model.



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

5. Environmental liabilities (continued)

These two estimates combined, totalling \$129,545,342 (\$112,154,402 in 2017), represent management’s best estimate of the costs required to remediate the sites to the current minimum standard for its use prior to contamination, based on information available at the financial statement date.

For the remaining 1,467 sites (1,864 sites in 2017), no liability for remediation has been recognized. Some of these sites are at various stages of testing and evaluation and if remediation is required, liabilities will be reported as soon as a reasonable estimate can be determined. For other sites, the Department does not expect to give up any future economic benefits (there is likely no significant environmental impact or human health threats). These sites will be re-examined and a liability for remediation will be recognized if future economic benefits will be given up.

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, 2018 and March 31, 2017. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast Consumer Price Index (CPI) rate of 1.9% (2% in 2017). Inflation is included in the undiscounted amount. The Government of Canada’s cost of borrowing by reference to the actual zero-coupon yield curve for Government of Canada bonds has been used to discount the estimated future expenditures. The March 2018 rates range from 1.79% (0.76% in 2017) for 2 year term to 2.24% (2.39% in 2017) for a 30 or greater year term.

Nature and Source	NATURE & SOURCE OF LIABILITY									
	2018					2017				
	Total Number of Sites	Number of sites with a liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Estimated Recoveries	Total Number of Sites	Number of sites with a liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Estimated Recoveries
Fuel Related Practices ⁽¹⁾	103	74	\$8,426,016	\$9,008,219	-	103	81	\$9,266,827	\$9,639,279	-
Landfill/Waste Sites ⁽²⁾	12	5	3,449,458	3,642,397	-	12	7	1,037,172	1,078,858	-
Engineered Asset/Air & Land Transportation ⁽³⁾	2	1	49,100	53,008	-	2	1	50,010	52,020	-
Marine Facilities/Aquatic Sites ⁽⁴⁾	2,813	1,493	106,236,673	111,258,807	-	3,067	1,402	91,011,229	93,493,052	-
Office/Commercial/Industrial Operations ⁽⁵⁾	122	36	9,623,673	10,130,001	-	177	35	8,758,857	9,055,222	-
Other ⁽⁶⁾	39	15	1,760,622	1,882,438	-	44	15	2,030,307	2,111,909	-
Totals	3,091	1,624	\$129,545,542	\$135,974,870	-	3,405	1,541	\$112,154,402	\$115,430,340	-

1. 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 (benzene, toluene, ethylbenzene and xylenes).

2. Contamination associated with former landfill/waste site or leaching from materials deposited in the landfill/waste site, e.g. metals, petroleum hydrocarbons, BTEX, other organic contaminants, etc.

3. 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.

4. 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.

5. 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.

6. 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.

Also during the year 230 sites (356 sites in 2017) were closed as they were either remediated or assessed to confirm that they no longer meet all the criteria required to record a liability for contaminated sites.

The Department’s ongoing efforts to assess contaminated sites may result in additional environmental liabilities.



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

6. Deferred revenues

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

(in thousands of dollars)	2018	2017
Opening balance	\$ 7,181	\$ 10,272
Amounts received	7,710	7,178
Revenue recognized	(7,181)	(10,269)
Gross closing balance	7,710	7,181
Deferred revenues held on behalf of Government	(7,710)	(7,181)
Net closing balance	\$ -	\$ -

7. 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	\$ 21,605	\$ 8,020	(\$ 7,067)	\$ 22,558
Federal/Provincial cost-sharing agreements	110	4,377	(208)	4,279
Sales of seized assets – <i>Fisheries Act</i>	1,752	450	(739)	1,463
Contractor security deposits	697	263	(311)	649
Total other liabilities	\$ 24,164	\$ 13,110	(\$ 8,325)	\$ 28,949

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.

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.



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

8. Employee future benefits

(a) Pension benefits

Fisheries and Oceans Canada's employees participate in the Public Service Pension Plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and the Department 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 2017-2018 expense amounts to \$87,397,694 (\$80,297,174 in 2016-2017). For Group 1 members, the expense represents approximately 1.01 times (1.12 times in 2016-2017) the employee contributions and, for Group 2 members, approximately 1.00 times (1.08 times in 2016-2017) the employee contributions.

The Department's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Consolidated Financial Statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits

Severance benefits provided to the Department'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, 2018, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

(in thousands of dollars)	2018	2017
Accrued benefit obligation - Beginning of year	\$ 34,319	\$ 42,487
Expense for the year	8,274	(4,182)
Benefits paid during the year	(4,269)	(3,986)
Accrued benefit obligation - End of year	\$ 38,324	\$ 34,319

9. Contingent liabilities

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

Claims and litigation

Claims have been made against the Fisheries and Oceans 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. Fisheries and Oceans Canada has recorded an allowance 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. For claims where the estimate of loss is based on a range of possible outcomes and the amount accrued was less than the maximum of the range, the exposure to liability in excess of the amount accrued is estimated at \$35,000,000. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$518,814,126 (\$531,228,683 in 2016-2017) at March 31, 2018.

There are two significant types of claims faced by Fisheries and Oceans Canada: modern treaty, other treaty and non-treaty negotiations, and general litigation claims.

Modern treaty, other treaty and non-treaty related negotiations are led by Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) and arise in areas of the country where Aboriginal rights and title have not been resolved by treaty or by other legal means. There are currently 86 comprehensive land claims and treaties, and non-treaties, including Recognition of Indigenous Rights and Self-Determinations discussions, under negotiation.

General litigation 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
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

10. Accounts receivable and advances

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

(in thousands of dollars)	2018	2017
Receivables - Other government departments and agencies	\$ 19,469	\$ 29,873
Receivables - External parties	73,776	68,222
Accountable advances	210	201
Subtotal	93,455	98,296
Allowance for doubtful accounts on receivables from external parties	(32,406)	(32,327)
Gross accounts receivable and advances	61,049	65,969
Accounts receivable held on behalf of Government	(27,931)	(45,057)
Net accounts receivable and advances	\$ 33,118	\$ 20,912

11. Loans receivable

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

(in thousands of dollars)	2018	2017
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 as follows: 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.

12. Prepaid Expenses

The following table presents details of prepaid expenses:

(in thousands of dollars)	2018	2017
National Shipbuilding Procurement Strategy - Offshore Fisheries Science Vessels	\$ 25,000	\$ 25,000

13. Inventory

The following table presents details of inventory:

(in thousands of dollars)	2018	2017
Inventory held for future program delivery	\$ 58,717	\$ 54,561
Inventory held for resale	182	182
Total inventory	\$ 58,899	\$ 54,743

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$44,598,851 in 2017-2018 (\$42,072,764 in 2016-2017).



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

14. Tangible capital assets

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

Asset Class	Amortization Period
Buildings	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	10-25 years
Vehicles	6-20 years
Leasehold improvements	Over the useful life of the improvement or the lease term, whichever is shorter
Work in progress	Work in progress is recorded in the applicable asset class in the year that it becomes available for use and are not amortized until it becomes available for use.

Work in progress is recorded in the applicable asset class in the year it is put into service and is not amortized until it is put into service.

Capital Asset Class	Costs					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions ⁽¹⁾	Adjustments ⁽²⁾	Disposal and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments ⁽²⁾	Disposals and Write-Offs	Closing Balance	2018	2017
Land	\$ 22,100	\$ -	\$ 36	\$ 4	\$ 22,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,132	\$ 22,100
Buildings	740,477	416	13,031	3,296	750,628	496,178	16,133	-	2,783	509,528	241,100	244,299
Works and infrastructure	2,598,449	32	186,318	18,737	2,766,062	1,413,297	66,638	-	15,074	1,464,861	1,301,201	1,185,152
Machinery and equipment	414,859	13,239	7,892	10,571	425,419	264,904	19,968	(93)	8,896	275,883	149,536	149,955
Informatics	102,810	385	(34)	(514)	103,675	96,045	4,298	(34)	323	99,986	3,689	6,765
Other equipment	46	-	-	-	46	41	3	-	-	44	2	5
Ships and boats	2,058,723	20	76,308	1,846	2,133,205	1,439,506	59,086	70	1,809	1,496,853	636,352	619,217
Aircraft	302,785	159	-	21,764	281,180	36,044	11,088	-	21,763	25,369	255,811	266,741
Vehicles	70,387	11,373	402	5,760	76,402	48,899	3,502	(33)	5,629	46,739	29,663	21,488
Leasehold improvements	517,848	34	14,032	10,110	521,804	358,711	12,274	-	9,079	361,906	159,898	159,137
Work in progress	1,098,513	760,460	(297,799)	4,547	1,556,627	-	-	-	-	-	1,556,627	1,098,513
	\$ 7,926,997	\$ 786,118	\$ 187	\$ 76,122	\$ 8,637,180	\$ 4,153,625	\$ 192,990	(\$ 90)	\$ 65,356	\$ 4,281,169	\$ 4,356,011	\$ 3,773,372

⁽¹⁾ The acquisition of tangible capital assets included in the work-in-progress category, comprises mainly of work in progress, such as the Offshore Fisheries Science Vessels projects, Small Craft Harbour improvement projects, and helicopters.

⁽²⁾ Adjustments include work in progress of \$296,245,610 that were transferred to other categories upon completion of the assets and adjustment to costs of \$1,552,911, net transfers from other departments for a net book value of \$35,920 and other adjustments for a net book value of \$241,787.

Difference may be due to rounding.



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

15. 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)	2018	2017
Restricted - Supplementary Fines		
<i>Fisheries Act</i>		
Balance - Beginning of year	\$ 1,607	\$ 1,611
Revenues	83	103
Expenses	(72)	(107)
Balance - End of year	1,618	1,607
<i>Species at Risk Act</i>		
Balance - Beginning of year	35	35
Revenues	-	-
Expenses	-	-
Balance - End of year	35	35
Total Balance - End of year - Restricted	1,653	1,642
Unrestricted	3,835,016	3,311,832
Departmental net financial position - End of year	\$ 3,836,669	\$ 3,313,474

16. 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)	2019	2020	2021	2022	2023 and subsequent	Total
Capital Assets	\$ 98,151	\$ 53,480	\$ 8,745	\$ 133	\$ -	\$ 160,509
Purchases	16,829	10,829	-	-	-	27,658
Total	\$ 114,980	\$ 64,309	\$ 8,745	\$ 133	\$ -	\$ 188,167



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

17. Related party transactions

Fisheries and Oceans Canada is related as a result of common ownership to all government departments, agencies, and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual.

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

a) Common services provided without charge by other government departments

During the year, 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 recorded at the carrying value in Fisheries and Oceans Canada's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2018	2017
Employer's contribution to the health and dental insurance plans	\$ 84,993	\$ 71,877
Accommodation	39,399	44,950
Legal services	3,956	5,561
Workers' compensation	940	975
Total	\$ 129,288	\$ 123,363

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 Fisheries and Oceans Canada's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with other government departments and agencies

(in thousands of dollars)	2018	2017
Expenses	\$ 317,677	\$ 246,069
Revenues	4	22

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



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	2018	2017
Transfer Payments						
First Nations and Inuit people	\$ 69,793	\$ 3,591	\$ 527	\$ -	\$ 73,911	\$ 69,155
Non-profit organizations	6,875	24,753	7,114	221	38,963	25,493
Other levels of governments within Canada	1,205	-	-	-	1,205	90
Individuals	11,836	684	-	-	12,520	656
Other countries and international organizations	76	5	78	-	159	186
Industry	221	120	20	-	361	3,413
Total transfer payments	90,006	29,153	7,739	221	127,119	98,993
Operating Expenses						
Salaries and employee benefits	239,651	208,241	505,199	201,931	1,155,022	946,135
Contingent liabilities (Note 9)	44,475	-	-	-	44,475	298,800
Professional and special services	62,213	56,078	62,155	101,729	282,175	251,239
Amortization of tangible capital assets	60,453	6,690	90,372	35,475	192,990	195,958
Repair and maintenance	32,806	2,895	72,815	31,247	139,763	158,703
Utilities, materials, supplies and fuel	43,010	15,141	31,431	9,874	99,456	90,811
Travel, relocation and freight	15,306	17,051	31,718	6,740	70,815	53,320
Machinery and equipment	6,991	7,093	26,623	18,539	59,246	48,592
Rental	10,396	4,448	6,428	6,273	27,545	17,759
Payments in Lieu of Taxes paid to municipalities	-	137	-	10,379	10,516	10,417
Telecommunications	799	1,370	8,091	907	11,167	9,578
Environmental liabilities (Note 5)	-	-	-	17,392	17,392	3,935
Communications services	832	556	1,026	651	3,065	2,545
Other	11,593	3,589	7,812	576	23,570	19,210
Total operating expenses	528,525	323,289	843,670	441,713	2,137,197	2,107,002
Total expenses	\$ 618,531	\$ 352,442	\$ 851,409	\$ 441,934	\$ 2,264,316	\$ 2,205,995



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	2018	2017
Revenues						
Sales of goods and services	\$ 53,540	\$ 256	\$ 33,652	\$ 97	\$ 87,545	\$ 87,347
Other revenues	398	4,463	32	1,929	6,822	3,390
Revenues earned on behalf of Government	(42,848)	(4,639)	(3,410)	(2,026)	(52,923)	(50,085)
Total revenues	11,090	80	30,274	-	41,444	40,652
Net cost from continuing operations	\$ 607,441	\$ 352,362	\$ 821,135	\$ 441,934	\$ 2,222,872	\$ 2,165,343

19. Comparative information

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



Fisheries and Oceans
Canada

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FISHERIES AND OCEANS CANADA

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

FISCAL YEAR 2017-2018



FISHERIES AND OCEANS CANADA

**Annex to the Statement of Management Responsibility Including Internal Control Over
Financial Reporting**

Fiscal Year 2017-2018

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FISHERIES AND OCEANS CANADA

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting

Fiscal Year 2017-2018

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 2017-2018 Departmental Results Report and the 2017-18 [Departmental Plan](#).

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 2017-2018

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

- External service providers, pursuant to a contract with the Government of Canada, administer the invoicing of Marine Navigation Services Fee revenues for the east coast on behalf of the Canadian Coast Guard Marine Navigation program for foreign vessels. The service providers ensure that appropriate fees are invoiced. The external service providers has the authority and responsibility to ensure that billing of the Eastern Region's Marine Navigation Services Fee for foreign vessels are 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 these external service providers; 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 licences and Marine Service Fees via the Receiver General Buy Button (RBB).



FISHERIES AND OCEANS CANADA

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting

Fiscal Year 2017-2018

3. Departmental assessment results during fiscal year 2017-2018

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

New or significantly amended key controls:

In 2015-16, Fisheries and Oceans Canada 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 continues to re-assess the business process and the controls.

Ongoing monitoring program:

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, capital assets, fisheries licensing revenue, entity level controls and delegation of authority.

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 for estimating the consumable inventory account valuation. 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 2017-2018

4. Departmental action plan

4.1 Progress during fiscal year 2017-2018

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 2017-2018

Previous year’s rotational ongoing monitoring plan for current year	Status
Budgeting and Forecasting	Completed as planned; no remedial actions required.
Financial Close (Inventory)	Completed as planned with low/medium risk action items completed.
Delegation of Authority	Completed as planned; remedial action will occur in the coming year for high risk items in the area of verification for financial transactions and pre-approved invoices.
Capital Assets	Substantially completed; remedial action will occur in the coming year for high risk items in the areas of system access, verification of moveable assets, as well as segregation of duties related to custody of assets and approvals of asset disposals.
Fisheries Licensing Revenue	Substantially completed; remedial action will occur in the coming year for high risk items in the areas of controls over the payment amount, and verification of accuracy of data input.
Entity Level Controls	Substantially completed; remedial action will occur in the coming year.
Previous year’s outstanding remediation action	Status
Integrated Technology General Controls	Completed as planned.
Marine Service Fee Revenue	Several items completed as planned with no high risk items requiring remediation.



FISHERIES AND OCEANS CANADA

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting

Fiscal Year 2017-2018

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		
	2018-2019	2019-2020	2020-2021
Entity Level Controls	No	No	Yes
Tangible Capital Assets	Yes	Yes	Yes
Inventory	Yes	Yes	Yes
Financial Close	No	Yes	No
Revenue			
- Marine services	No	Yes	No
- Fisheries Licensing	No	No	Yes
Budgeting and Forecasting	No	Yes	No
Operating Expenditures	Yes	No	Yes
Environmental Liabilities	No	Yes	No
Salaries and Benefits	Yes	Yes	Yes
Grants and Contributions	Yes	No	Yes
Delegation of authority	Yes	Yes	Yes
Information Technology General Controls			
Financial system	Yes	No	Yes
Salary Management	No	Yes	No