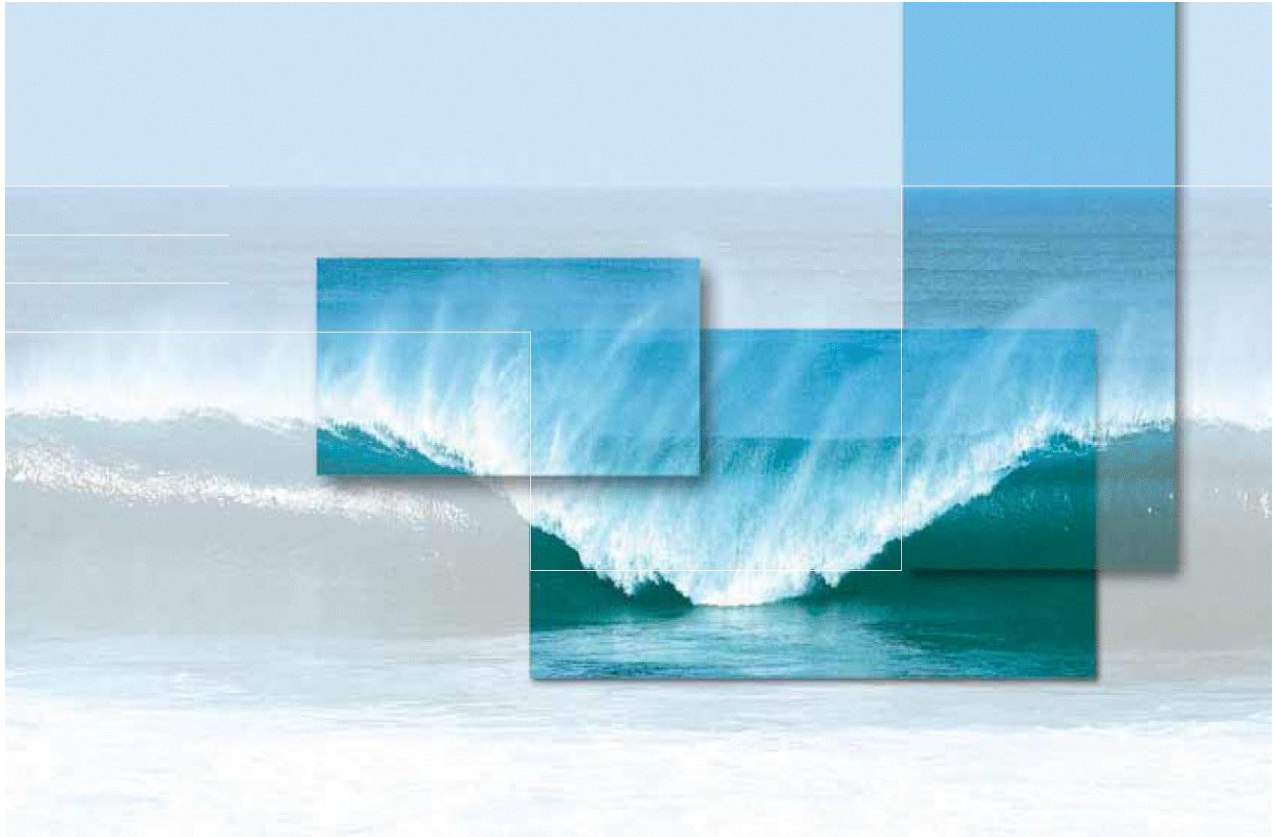




Fisheries and Oceans
Canada

Pêches et Océans
Canada



Financial Statements of
FISHERIES AND OCEANS CANADA
Year ended March 31, 2017



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, 2017, 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, 2017 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)	2017	2016
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 466,553	\$ 335,484
Vacation pay and compensatory leave	75,796	71,275
Environmental liabilities (Note 5)	112,154	108,219
Deferred revenues (Note 6)	7,181	10,272
Other liabilities (Note 7)	24,164	23,013
Employee future benefits (Note 8)	34,319	42,487
Contingent liabilities (Note 9)	299,525	725
Total gross liabilities	1,019,692	591,475
Liabilities held on behalf of Government		
Deferred revenues (Note 6)	(7,181)	(10,272)
Total liabilities held on behalf of Government	(7,181)	(10,272)
Total net liabilities	1,012,511	581,203
Financial assets		
Due from the Consolidated Revenue Fund	451,958	327,679
Accounts receivable and advances (Note 10)	65,969	33,250
Loans receivable (Note 11)	-	-
Total gross financial assets	517,927	360,929
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 10)	(45,057)	(24,505)
Loans receivable (Note 11)	-	-
Total financial assets held on behalf of Government	(45,057)	(24,505)
Total net financial assets	472,870	336,424
Departmental net debt	\$ 539,641	\$ 244,779

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)	2017	2016
Departmental net debt	\$ 539,641	\$ 244,779
Non-financial assets		
Prepaid Expenses (Note 12)	25,000	25,000
Inventory (Note 13)	54,743	49,602
Tangible capital assets (Note 14)	3,773,372	3,194,406
Total non-financial assets	3,853,115	3,269,008
Departmental net financial position (Note 15)	\$ 3,313,474	\$ 3,024,229

Contractual obligations (Note 16)

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

Catherine Blewett
Deputy Minister

Tony Matson, CPA, CMA, MBA
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 2017	2017	2016
Expenses			
Economically Prosperous Maritime Sectors and Fisheries	\$ 480,901	\$ 803,045	\$ 486,764
Sustainable Aquatic Ecosystems	273,665	297,185	269,302
Safe and Secure Waters	750,240	764,306	742,568
Internal Services	286,475	341,459	313,559
Total expenses	1,791,281	2,205,995	1,812,193
Revenues			
Sales of goods and services	86,743	87,347	92,919
Other revenues	4,215	3,390	5,264
Revenues earned on behalf of Government	(43,043)	(50,085)	(55,610)
Total revenues	47,915	40,652	42,573
Net cost of operations before government funding and transfers	1,743,366	2,165,343	1,769,620
Government funding and transfers			
Net cash provided by Government		2,206,936	2,117,036
Change in due from Consolidated Revenue Fund		124,279	51,456
Services provided without charge by other government departments (Note 17)		123,363	117,180
Transfer of the transition payments for implementing salary payments in arrears		(7)	(176)
Transfer of assets and liabilities from (to) other government departments (Note 14)		17	(18)
Total Government funding and transfers		2,454,588	2,285,478
Net cost of operations after government funding and transfers		(289,245)	(515,858)
Departmental net financial position - Beginning of year		3,024,229	2,508,371
Departmental net financial position - End of year		\$ 3,313,474	\$ 3,024,229

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)	2017	2016
Net cost of operations after government funding and transfers	(\$ 289,245)	(\$ 515,858)
Change due to tangible capital assets		
Acquisition of tangible capital assets	793,330	680,873
Amortization of tangible capital assets	(195,958)	(194,059)
Proceeds from disposal of tangible capital assets	(4,462)	(2,656)
Net loss on disposal of tangible capital assets including adjustments	(13,960)	(1,666)
Transfers from (to) other government departments (Note 14)	17	(18)
Total change due to tangible capital assets	578,967	482,474
Change due to inventories	5,140	(1,316)
Change due to prepaid expenses	-	25,000
Net increase (decrease) in departmental net debt	294,862	(9,700)
Departmental net debt - Beginning of year	244,779	254,479
Departmental net debt - End of year	\$ 539,641	\$ 244,779

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)	2017	2016
Operating activities		
Net cost of operations before government funding and transfers	\$ 2,165,343	\$ 1,769,620
Non-cash items:		
Amortization of tangible capital assets	(195,958)	(194,059)
Net loss on disposal of tangible capital assets including adjustments	(13,960)	(1,666)
Services provided without charge by other government departments (Note 17)	(123,363)	(117,180)
Transition payments for implementing salary payments in arrears	7	176
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	12,167	2,160
Increase (decrease) in prepaid expenses	-	25,000
Increase (decrease) in inventory	5,140	(1,316)
Decrease (increase) in accounts payable and accrued liabilities	(131,069)	(49,408)
Decrease (increase) in vacation pay and compensatory leave	(4,521)	(265)
Decrease (increase) in other liabilities	(1,151)	1,794
Decrease (increase) in environmental liabilities	(3,935)	(3,661)
Decrease (increase) in employee future benefits	8,168	4,224
Decrease (increase) in contingent liabilities	(298,800)	3,400
Cash used in operating activities	1,418,068	1,438,819
Capital investing activities		
Acquisitions of tangible capital assets	793,330	680,873
Proceeds from disposal of tangible capital assets	(4,462)	(2,656)
Cash used in capital investing activities	788,868	678,217
Net cash provided by Government of Canada	\$ 2,206,936	\$ 2,117,036

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 the Department do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cashflow 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 *2016-2017 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 *2016-2017 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) 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 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 the Department 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.

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 department 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 Department'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 which is based on the Government's cost of borrowing. 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 Government of Canada's 25 year Consolidated Revenue Fund lending rate is used as the discount rate.

The recorded environmental liabilities are adjusted each year, as required, 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. If measurement uncertainty exists, it is also disclosed in the notes to the financial statements.

(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:

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 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.

(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 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.

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 or retirement. 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.

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)	2017	2016
Net cost of operations before government funding and transfers	\$ 2,165,343	\$ 1,769,620
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	(195,958)	(194,059)
Net loss on disposal of tangible capital assets including adjustments	(13,960)	(1,666)
Services provided without charge by other government departments	(123,363)	(117,180)
Decrease (increase) in accrued liabilities not charged to authorities	-	500
Decrease (increase) in vacation pay and compensatory leave	(4,521)	(265)
Decrease (increase) in environmental liabilities	(3,935)	(3,661)
Decrease (increase) in employee future benefits not charged to authorities	8,168	4,224
Decrease (increase) in provision for claims and litigation	(298,800)	3,400
Decrease (increase) in deferred revenue	3,091	2,589
Increase (decrease) in inventory	5,140	(1,316)
Bad debt expense	(1,703)	(440)
Refunds of previous years expenditures	16,759	4,655
Increase in earmarked supplementary fines (Note 15)	(4)	(65)
Other	(3,190)	413
Total Adjustments for items affecting net cost of operations but not affecting authorities	(612,276)	(302,871)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Acquisitions of tangible capital assets	793,330	680,873
Transition payments for implementing salary payments in arrears	7	176
Salary Overpayments	6,274	-
Increase in prepaid expenses	-	25,000
Total Adjustments for items not affecting net cost of operations but affecting authorities	799,611	706,049
Current year authorities used	\$ 2,352,678	\$ 2,172,798



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)

	2017	2016
Authorities provided:		
Vote 1 - Operating expenditures	\$ 1,457,907	\$ 1,324,552
Vote 5 - Capital expenditures	1,064,919	843,027
Vote 10 - Grants and contributions	101,998	96,921
Statutory amounts	121,775	121,849
Total authorities provided	2,746,599	2,386,349
Less:		
<i>Authorities available for future years</i>	(3,811)	(2,449)
<i>Lapsed authorities:</i>		
Operating	(115,606)	(70,676)
Capital	(272,058)	(137,771)
Grants and Contributions	(2,446)	(2,655)
Current year authorities used	\$ 2,352,678	\$ 2,172,798

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)

	2017	2016
Accounts payable - Other government departments and agencies	\$ 53,425	\$ 41,499
Accounts payable - External parties	220,103	184,936
Total accounts payable	273,528	226,435
Accrued liabilities	193,025	109,049
Total accounts payable and accrued liabilities	\$ 466,553	\$ 335,484



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

5. 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 a total of 3,405 sites (3,878 sites in 2016) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the Department has assessed 871 sites (917 sites in 2016) where action is possible and for which a liability of \$81,507,330 (\$82,144,762 in 2016) has been recorded. This liability estimate has been determined after the sites are assessed and is based on environmental experts reviewing the results of site assessments, and proposing possible remediation solutions.

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 2,083 unassessed sites (2,375 sites in 2016) where a liability estimate of \$30,647,072 (\$26,074,662 in 2016) has been recorded using this model.

These two estimates combined, totalling \$112,154,402 (\$108,219,424 in 2016), 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.

Of the remaining 451 sites (586 sites in 2016), 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, 2017 and March 31, 2016. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast CPI rate of 2%. Inflation is included in the undiscounted amount. 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 2017 rates range from 0.89% for 2 year term to 2.55% for a 25 or greater year term.



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

5. Environmental liabilities (continued)

Nature & Source	NATURE & SOURCE OF LIABILITY							
	Number of Sites 2017	Estimated Liability 2017	Estimated Total Undiscounted Expenditures 2017	Estimated Recoveries 2017	Number of Sites 2016	Estimated Liability 2016	Estimated Total Undiscounted Expenditures 2016	Estimated Recoveries 2016
Fuel Related Practices ⁽¹⁾	81	9,266,827	9,639,279	-	83	9,892,437	10,139,557	-
Landfill/Waste Sites ⁽²⁾	7	1,037,172	1,078,858	-	7	473,345	485,169	-
Engineered Asset/Air & Land Transportation ⁽³⁾	1	50,010	52,020	-	1	49,757	51,000	-
Marine Facilities/Aquatic Sites ⁽⁴⁾	2,804	91,011,229	93,493,052	-	3,125	85,644,424	87,206,459	-
Office/Commercial/Industrial Operations ⁽⁵⁾	46	8,758,857	9,055,222	-	62	11,133,814	11,338,071	-
Other ⁽⁶⁾	15	2,030,307	2,111,909	-	14	1,025,647	1,051,268	-
Totals	2,954	112,154,402	115,430,340	-	3,292	108,219,424	110,271,524	-

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.
2. 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.
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.

The Department's ongoing efforts to assess contaminated sites may result in additional environmental liabilities. Any additional liabilities will be accrued in the year in which they become known and can be reasonably estimated.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

6. Deferred revenues

Deferred revenue from fishing licences 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)	2017	2016
Opening balance	\$ 10,272	\$ 12,861
Amounts received	7,178	10,270
Revenue recognized	(10,269)	(12,859)
Gross closing balance	7,181	10,272
Deferred revenues held on behalf of Government	(7,181)	(10,272)
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	\$ 20,889	\$ 9,911	(\$ 9,195)	\$ 21,605
Federal/Provincial cost-sharing agreements	215	251	(356)	110
Sales of seized assets – <i>Fisheries Act</i>	1,329	827	(404)	1,752
Contractor security deposits	580	422	(305)	697
Total other liabilities	\$ 23,013	\$ 11,411	(\$ 10,260)	\$ 24,164

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 2016-2017 expense amounts to \$80,297,174 (\$80,616,921 in 2015-2016). For Group 1 members, the expense represents approximately 1.12 times (1.25 times in 2015-2016) the employee contributions and, for Group 2 members, approximately 1.08 times (1.24 times in 2015-2016) 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 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, 2017, 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)	2017	2016
Accrued benefit obligation, beginning of year	\$ 42,487	\$ 46,711
Expense for the year	(4,182)	6,649
Benefits paid during the year	(3,986)	(10,873)
Accrued benefit obligation, end of year	\$ 34,319	\$ 42,487



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

9. Contingent liabilities

Claims and Litigations

Claims and pending or threatened litigation cases outstanding against Fisheries and Oceans Canada 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, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

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 Indigenous and Northern Affairs Canada (INAC) 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 75 comprehensive land claims and other treaties and non-treaties under negotiation, accepted for negotiation or under review.

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 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. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$531,228,683 (\$559,414,160 in 2015-2016) at March 31, 2017.

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)	2017	2016
Accounts receivable and advances		
Receivables - Other government departments and agencies	\$ 29,873	\$ 17,567
Receivables - External parties	68,222	46,160
Accountable advances	201	232
Subtotal	98,296	63,959
Less: Allowance for doubtful accounts on receivables from external parties	(32,327)	(30,709)
Gross accounts receivable and advances	65,969	33,250
Accounts receivable held on behalf of Government	(45,057)	(24,505)
Net accounts receivable and advances	\$ 20,912	\$ 8,745



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

11. Loans receivable

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

(in thousands of dollars)	2017	2016
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 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)	2017	2016
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)	2017	2016
Inventory held for future program delivery	\$ 54,561	\$ 49,577
Inventory held for resale	182	25
Total inventory	\$ 54,743	\$ 49,602

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$42,072,764 in 2016-2017 (\$50,364,812 in 2015-2016).



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

14. Tangible capital assets

Cost (in thousands of dollars)	Opening Balance	Acquisitions ⁽¹⁾)	Adjustments ⁽²⁾	Disposals and write-offs	Closing Balance
Land	\$ 22,217	\$ -	\$ -	\$ 117	\$ 22,100
Buildings	730,337	48	11,317	1,225	740,477
Works and infrastructure	2,493,801	-	109,483	4,835	2,598,449
Machinery and equipment	388,804	11,099	27,145	12,189	414,859
Informatics	100,550	164	2,748	652	102,810
Other equipment	46	-	-	-	46
Ships and boats	2,005,709	59	82,590	29,635	2,058,723
Aircraft	176,437	60	129,112	2,824	302,785
Vehicles	66,874	8,023	1,386	5,896	70,387
Leasehold improvements	507,260	-	10,692	104	517,848
Work in progress	713,479	773,877	(381,232)	7,611	1,098,513
	\$ 7,205,514	\$ 793,330	(\$ 6,759)	\$ 65,088	\$ 7,926,997

Accumulated amortization (in thousands of dollars)	Opening Balance	Amortization	Adjustments ⁽²⁾	Disposals and write-offs	Closing Balance
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	475,909	20,959	209	899	496,178
Works and infrastructure	1,355,773	64,403	(2,956)	3,923	1,413,297
Machinery and equipment	257,528	19,063	(6)	11,681	264,904
Informatics	90,278	6,403	-	636	96,045
Other equipment	38	3	-	-	41
Ships and boats	1,401,217	62,821	(4,549)	19,983	1,439,506
Aircraft	32,085	6,782	-	2,823	36,044
Vehicles	51,449	3,409	2	5,961	48,899
Leasehold improvements	346,831	12,115	(148)	87	358,711
	\$ 4,011,108	\$ 195,958	(\$ 7,448)	\$ 45,993	\$ 4,153,625



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

14. Tangible capital assets (continued)

Net book value

	2016	2017
(in thousands of dollars)		
Land	\$ 22,217	\$ 22,100
Buildings	254,428	244,299
Works and infrastructure	1,138,028	1,185,152
Machinery and equipment	131,276	149,955
Informatics	10,272	6,765
Other equipment	8	5
Ships and boats	604,492	619,217
Aircraft	144,352	266,741
Vehicles	15,425	21,488
Leasehold improvements	160,429	159,137
Work in progress	713,479	1,098,513
	\$ 3,194,406	\$ 3,773,372

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

⁽²⁾ Adjustments include work in progress of \$381,224,093 that were transferred to other categories upon completion of the assets, net transfers to other departments for a net book value of \$16,573 and other adjustments for a net book value of \$672,367.

Difference may be due to rounding.

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* 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.



FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

15. Departmental net financial position (continued)

Activity in the aforementioned accounts is as follows:

(in thousands of dollars)

	2017	2016
Restricted - Supplementary Fines		
<i>Fisheries Act</i>		
Balance - Beginning of year	\$ 1,611	\$ 1,676
Revenues	103	44
Expenses	(107)	(109)
Balance - End of year	1,607	1,611
<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	1,642	1,646
Unrestricted	3,311,832	3,022,583
Departmental net financial position - End of year	\$ 3,313,474	\$ 3,024,229

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)	2018	2019	2020	2021	2022	Total
Capital Assets	\$ 248,795	\$ 107,837	\$ 13,840	\$ 2,975	\$ 259	\$ 373,706
Purchases	15,174	15,174	-	-	-	30,348
Total	\$ 263,969	\$ 123,011	\$ 13,840	\$ 2,975	\$ 259	\$ 404,054



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. 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)	2017	2016
Employer's contribution to the health and dental insurance plans	\$ 71,877	\$ 65,433
Accommodation	44,950	46,028
Legal services	5,561	4,738
Workers' compensation	975	981
Total	\$ 123,363	\$ 117,180

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 related parties

(in thousands of dollars)	2017	2016
Expenses - Other Government departments and agencies	\$ 246,069	\$ 228,223
Revenues - Other Government departments and agencies	22	(750)

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	2017	2016
Transfer Payments						
First Nations and Inuit people	\$ 66,411	\$ 2,744	\$ -	\$ -	\$ 69,155	\$ 65,720
Non-profit organizations	6,217	13,458	5,536	282	25,493	26,871
Other levels of governments within Canada	-	-	-	90	90	725
Individuals	99	474	-	83	656	705
Other countries and international organizations	110	-	76	-	186	140
Industry	3,293	120	-	-	3,413	105
Total transfer payments	76,130	16,796	5,612	455	98,993	94,266
Operating Expenses						
Salaries and employee benefits	196,959	168,696	418,634	161,846	946,135	937,053
Variation in contingent liabilities	298,800	-	-	-	298,800	(3,400)
Professional and special services	60,489	61,378	55,352	74,020	251,239	226,206
Amortization of tangible capital assets	57,718	6,866	90,189	41,185	195,958	194,059
Repair and maintenance	41,046	5,383	93,511	18,763	158,703	139,174
Utilities, materials, supplies and fuel	38,039	13,470	30,734	8,568	90,811	90,980
Travel, relocation and freight	12,024	12,797	23,047	5,452	53,320	46,563
Machinery and equipment	6,369	6,428	25,398	10,397	48,592	39,668
Rental	6,317	2,887	2,813	5,742	17,759	16,175
Payments in Lieu of Taxes paid to municipalities	41	74	-	10,302	10,417	9,662
Telecommunications	848	1,068	6,701	961	9,578	6,534
Variation in environmental liabilities	-	-	-	3,935	3,935	3,661
Communications services	643	419	650	833	2,545	2,078
Other	7,622	923	11,665	(1,000)	19,210	9,514
Total operating expenses	726,915	280,389	758,694	341,004	2,107,002	1,717,927
Total expenses	803,045	297,185	764,306	341,459	2,205,995	1,812,193



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	2017	2016
Revenues						
Sales of goods and services	56,186	212	30,854	95	87,347	92,919
Other revenues	72	2,784	28	506	3,390	5,264
Revenues earned on behalf of Government	(43,849)	(2,921)	(2,714)	(601)	(50,085)	(55,610)
Total revenues	12,409	75	28,168	-	40,652	42,573
Net cost of operations	\$ 790,636	\$ 297,110	\$ 736,138	\$ 341,459	\$ 2,165,343	\$ 1,769,620

19. Comparative information

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



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FISHERIES AND OCEANS CANADA

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

FISCAL YEAR 2016-2017



FISHERIES AND OCEANS CANADA

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting Fiscal Year 2016-2017

Table of Contents

1. Introduction.....	3
2. Departmental system of internal control over financial reporting.....	3
2.1 <i>Internal Control Management.....</i>	3
2.2 <i>Service arrangements relevant to financial statements.....</i>	4
3. Departmental assessment results during fiscal year 2016-2017.....	5
4. Departmental action plan.....	6
4.1 <i>Progress during fiscal year 2016-2017.....</i>	6
4.2 <i>Action plan for the next fiscal year and subsequent years.....</i>	7



FISHERIES AND OCEANS CANADA

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting Fiscal Year 2016-2017

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 2016-2017 Departmental Results Report and the 2016-2017 [*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 2016-2017

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 have the authority and responsibility to ensure that billing of the Eastern Region's Marine Navigation Services Fee for foreign vessels is 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 2016-2017

3. Departmental assessment results during fiscal year 2016-2017

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 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 continue to reassess the business process and the controls in 2017-2018.

As of the October 1, 2016, Fisheries and Oceans Canada performs the billing and collection of the Marine Navigation Services Fee in Canadian western waters and no longer relies on a third-party provider. The first business process review since these new controls came into effect was conducted in 2016-2017. The results of the review are stated below.

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, Marine Services Fee revenue, capital assets, operating expenditures, as well as information technology general controls.

Salary and benefits were scheduled to be reviewed this fiscal year. However preliminary review of the business process following Phoenix pay system implementation, determined that the process has not reached a mature state that would support testing. The business process will be reviewed in the coming year.

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 2016-2017**

4. Departmental action plan

4.1 Progress during fiscal year 2016-2017

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 2016-2017

Previous year’s rotational ongoing monitoring plan for current year	Status
Budgeting and Forecasting	Completed as planned; no remedial actions required.
Financial Close (Inventory), Marine Service Fee Revenue, Capital Assets and Information Technology General Controls	Completed as planned; remedial actions underway.
Salary and Benefits	Preliminary review completed of new business process as planned; remedial actions underway and further review to be completed next year.
Previous year’s outstanding remediation action	
Environmental Liabilities	Completed as planned; with one item currently being remediated.
Integrated Technology General Controls of the Salary Management System	Several items completed as planned with other action items outstanding.



FISHERIES AND OCEANS CANADA

**Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting
Fiscal Year 2016-2017**

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		
	2017-2018	2018-2019	2019-2020
Entity Level Controls	Yes	No	No
Tangible Capital Assets	Yes	Yes	Yes
Inventory	Yes	Yes	Yes
Financial Close	Yes	No*	Yes
Revenue	Yes	No*	Yes
- Marine services	Yes	No	No
- Fisheries Licensing	Yes	No	No
Budgeting and Forecasting	Yes	No*	Yes
Operating Expenditures	No	Yes	No
Environmental Liabilities	No	No*	Yes
Salaries and Benefits	Yes	Yes	Yes
Grants and Contributions	No	Yes	No
Delegation of authority	Yes	Yes	Yes
Information Technology General Controls			
Financial system	No	Yes	No
Salary Management	No	No	Yes

*Rotational schedule updated as a result of the annual Internal Control Risk Assessment.