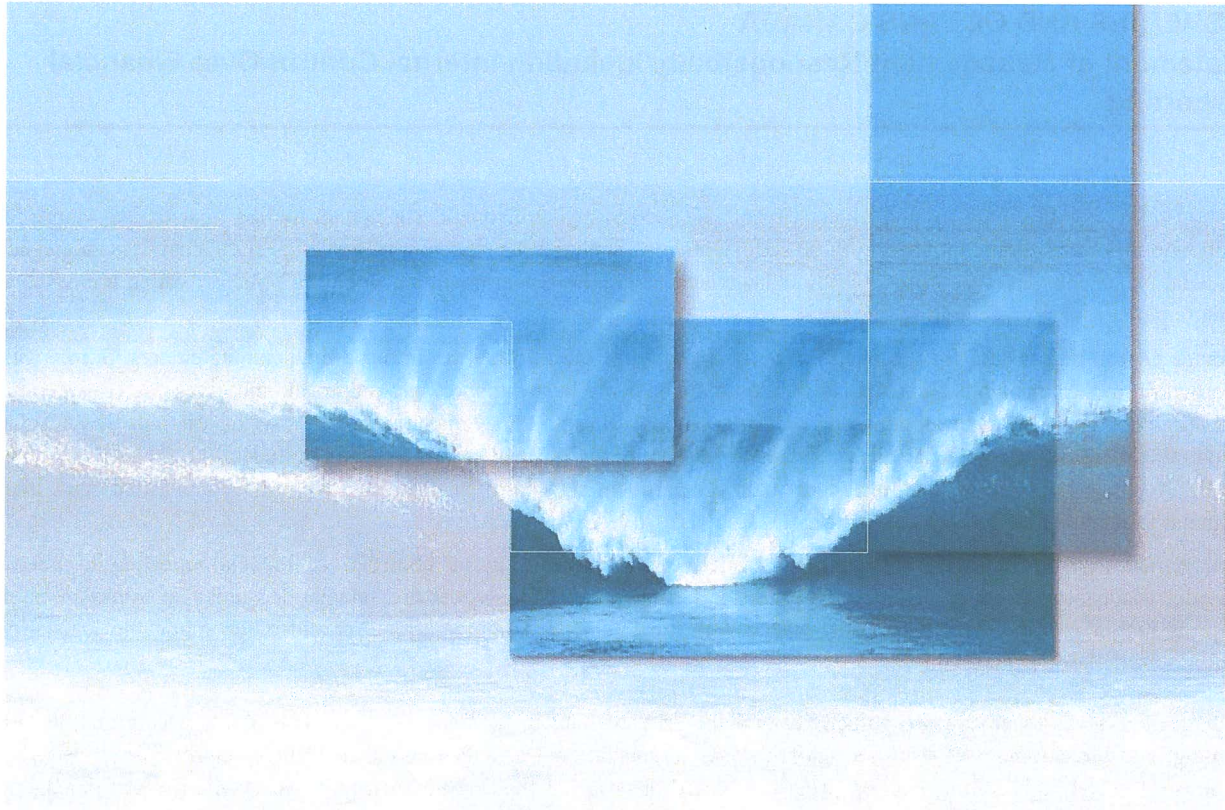




Fisheries and Oceans
Canada

Pêches et Océans
Canada



Financial Statements of
FISHERIES AND OCEANS CANADA
Year ended March 31, 2020



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, 2020, 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, 2020 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.

Tim Sargent
Deputy Minister

Ottawa, Canada

Hugo Pagé
Chief Financial Officer

Ottawa, Canada

Year ended March 31, 2020

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

(in thousands of dollars)	2020	2019
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 504,714	\$ 493,366
Vacation pay and compensatory leave	121,239	103,761
Environmental liabilities (Note 5)	268,022	226,346
Deferred revenues (Note 6)	10,608	9,103
Lease obligations for tangible capital assets (note 7)	1,325	-
Other liabilities (Note 8)	44,496	29,330
Employee future benefits (Note 9)	38,184	38,118
Contingent liabilities (Note 10)	669,437	549,538
Total gross liabilities	1,658,025	1,449,562
Liabilities held on behalf of Government		
Deferred revenues (Note 6)	(10,608)	(9,103)
Total liabilities held on behalf of Government	(10,608)	(9,103)
Total net liabilities	1,647,417	1,440,459
Financial assets		
Due from the Consolidated Revenue Fund	489,114	489,132
Accounts receivable and advances (Note 11)	87,898	65,578
Loans receivable (Note 12)	4,325	1,850
Total gross financial assets	581,337	556,560
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 11)	(42,207)	(29,657)
Loans receivable (Note 12)	(4,325)	(1,850)
Total financial assets held on behalf of Government	(46,532)	(31,507)
Total net financial assets	534,805	525,053
Departmental net debt	\$ 1,112,612	\$ 915,406

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)	2020	2019
Departmental net debt	\$ 1,112,612	\$ 915,406
Non-financial assets		
Inventory (Note 13)	70,332	57,583
Tangible capital assets (Note 14)	5,848,517	5,389,424
Total non-financial assets	5,918,849	5,447,007
Departmental net financial position (Note 15)	\$ 4,806,237	\$ 4,531,601

Contractual obligations (Note 16)

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

Tim Sargent
Deputy Minister

Hugo Pagé
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 2020	2020	2019
Expenses			
Fisheries	\$ 847,364	\$ 954,101	\$ 882,768
Aquatic Ecosystems	275,834	328,578	251,815
Marine Navigation	321,201	329,230	328,274
Marine Operations and Response	720,794	838,567	762,870
Internal Services	424,569	567,742	516,766
Total expenses	2,589,762	3,018,218	2,742,493
Revenues			
Sales of goods and services	86,970	92,078	85,161
Other revenues	4,244	11,685	13,898
Revenues earned on behalf of Government	(51,203)	(56,586)	(55,239)
Total revenues	40,011	47,177	43,820
Net cost of operations before government funding and transfers	2,549,751	2,971,041	2,698,673
Government funding and transfers			
Net cash provided by Government		3,095,549	3,215,271
Change in due from Consolidated Revenue Fund		(18)	37,913
Services provided without charge by other government departments (Note 17)		149,581	135,881
Transfer of the transition payments for implementing salary payments in arrears		(2)	(3)
Transfer of assets and liabilities from / (to) other government departments		567	4,543
Total Government funding and transfers		3,245,677	3,393,605
Net cost of operations after government funding and transfers		(274,636)	(694,932)
Departmental net financial position - Beginning of year		4,531,601	3,836,669
Departmental net financial position - End of year		\$ 4,806,237	\$ 4,531,601

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)	2020	2019
Net cost of operations after government funding and transfers	(\$ 274,636)	(\$ 694,932)
Change due to tangible capital assets		
Acquisition of tangible capital assets	702,138	1,306,183
Adjustment to leased tangible capital assets	1,500	-
Amortization of tangible capital assets	(242,331)	(227,284)
Proceeds from disposal of tangible capital assets	(3,682)	(9,181)
Net gain (loss) on disposal of tangible capital assets including adjustments	901	(40,848)
Transfers from / (to) other government departments	567	4,543
Total change due to tangible capital assets	459,093	1,033,413
Change due to inventory	12,749	(1,316)
Change due to prepaid expenses	-	(25,000)
Net increase in departmental net debt	197,206	312,165
Departmental net debt - Beginning of year	915,406	603,241
Departmental net debt - End of year	\$ 1,112,612	\$ 915,406

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)	2020	2019
Operating activities		
Net cost of operations before government funding and transfers	\$ 2,971,041	\$ 2,698,673
Non-cash items:		
Amortization of tangible capital assets	(242,331)	(227,284)
Net gain (loss) on disposal of tangible capital assets including adjustments	901	(40,848)
Services provided without charge by other government departments (Note 17)	(149,581)	(135,881)
Transition payments for implementing salary payments in arrears	2	3
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	9,770	2,803
Increase (decrease) in prepaid expenses	-	(25,000)
Increase (decrease) in inventory	12,749	(1,316)
Decrease (increase) in accounts payable and accrued liabilities	(11,348)	(37,610)
Decrease (increase) in vacation pay and compensatory leave	(17,478)	(12,758)
Decrease (increase) in other liabilities	(15,166)	(381)
Decrease (increase) in environmental liabilities	(41,676)	(96,800)
Decrease (increase) in employee future benefits	(66)	206
Decrease (increase) in contingent liabilities	(119,899)	(205,538)
Cash used in operating activities	2,396,918	1,918,269
Capital investing activities		
Acquisitions of tangible capital assets	702,138	1,306,183
Proceeds from disposal of tangible capital assets	(3,682)	(9,181)
Cash used in capital investing activities	698,456	1,297,002
Financing activities		
Lease payment for tangible capital assets	175	-
Cash used in financing activities	175	-
Net cash provided by Government of Canada	\$ 3,095,549	\$ 3,215,271



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 and the Canadian Coast Guard.

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 is currently organized into the following core responsibilities:

Fisheries: Manage Canada's fisheries, Indigenous fisheries programs, aquaculture activities and supports commercial fishing harbours while applying relevant legislation.

Aquatic Ecosystems: Conserve and protect Canada's oceans and other aquatic ecosystems and species from human impact and invasive species.

Marine Navigation: Provide information and services to facilitate navigation in Canadian waters.

Marine Operations and Response: Provide marine response services and operates Canada's civilian maritime fleet.

Internal Services are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the 10 distinct service categories that support Program delivery in the organization, regardless of the Internal Services delivery model in a department. The 10 service categories 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 2019-2020 **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 2019-2020 **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, he 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

(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)	2020	2019
Net cost of operations before government funding and transfers	\$ 2,971,041	\$ 2,698,673
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	(242,331)	(227,284)
Net (loss) / gain on disposal of tangible capital assets including adjustments	901	(40,848)
Services provided without charge by other government departments	(149,581)	(135,881)
Decrease (increase) in vacation pay and compensatory leave	(17,478)	(12,758)
Decrease (increase) in environmental liabilities	(41,676)	(96,800)
Decrease (increase) in employee future benefits	(66)	206
Decrease (increase) in provision for claims and litigation	(119,899)	(205,538)
Decrease (increase) in deferred revenue	(1,504)	(1,393)
Bad debt expense	(612)	(629)
Refunds of previous years expenditures	7,017	7,828
Increase in earmarked supplementary fines (Note 15)	(27)	682
Other	6,782	5,635
Total Adjustments for items affecting net cost of operations but not affecting authorities	(558,473)	(706,780)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Acquisitions of tangible capital assets	702,138	1,306,183
Decrease in lease obligations for tangible capital assets	175	-
Transition payments for implementing salary payments in arrears	2	3
Increase (decrease) in inventory	12,749	(1,316)
Salary Overpayments	8,438	11,148
Increase (decrease) in prepaid expenses	-	(25,000)
Total Adjustments for items not affecting net cost of operations but affecting authorities	723,502	1,291,018
Current year authorities used	\$ 3,136,070	\$ 3,282,911



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)

	2020	2019
Authorities provided:		
Vote 1 - Operating expenditures	\$ 2,030,502	\$ 1,700,861
Vote 5 - Capital expenditures	1,141,336	1,641,325
Vote 10 - Grants and contributions	374,869	272,933
Statutory amounts	158,934	157,979
Total authorities provided	3,705,641	3,773,098
Less:		
<i>Authorities available for future years</i>	<i>(2,864)</i>	<i>(4,104)</i>
<i>Lapsed authorities:</i>		
Operating	(31,162)	(37,887)
Capital	(439,733)	(360,639)
Grants and Contributions	(95,812)	(87,557)
Current year authorities used	\$ 3,136,070	\$ 3,282,911

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)	2020	2019
Accounts payable - Other government departments and agencies	\$ 65,116	\$ 51,023
Accounts payable - External parties	231,749	225,638
Total accounts payable	296,865	276,661
Accrued liabilities	207,849	216,705
Total accounts payable and accrued liabilities	\$ 504,714	\$ 493,366

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 2,579 sites (2,902 sites in 2019) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the Department has identified 888 sites (866 sites in 2019) where action is required and for which a gross liability of \$ 246,407,800 (\$205,553,120 in 2019) 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 318 unassessed sites (330 sites in 2019) where a liability estimate of \$21,614,278 (\$20,792,560 in 2019) 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 \$268,022,078 (\$226,345,680 in 2019), 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 1,373 sites (1,706 sites in 2019), 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, 2020 and March 31, 2019. 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 2.0% (1.9% in 2019). 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 2020 rates range from 0.45% (1.46% in 2019) for 2 year term to 1.37% (1.86% in 2019) for a 30 or greater year term.

NATURE AND SOURCE OF LIABILITY										
Name and Source	2020					2019				
	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⁾	91	71	\$ 10,723,403	\$ 10,827,011	-	94	74	\$ 8,097,763	\$ 8,779,176	-
Landfill/Waste Sites ⁽²⁾	6	4	2,668,939	2,680,425	-	6	5	2,597,742	2,750,147	-
Engineered Asset/Air & Land Transportation ⁽³⁾	2	2	63,784	65,296	-	2	1	48,240	54,016	-
Marine Facilities/Aquatic Sites ⁽⁴⁾	2,340	1,079	242,126,096	245,555,763	-	2,650	1,067	204,333,717	220,677,915	-
Office/Commercial/Industrial Operations ⁽⁵⁾	102	35	9,240,832	9,390,887	-	111	33	9,748,423	10,787,825	-
Other ⁽⁶⁾	38	15	3,199,024	3,220,273	-	39	16	1,519,795	1,591,639	-
	2,579	1,206	\$ 268,022,078	\$ 271,739,655	\$ -	2,902	1,196	\$ 226,345,680	\$ 244,640,718	\$ -

- 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).
- 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.
- Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as, fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.
- Contamination associated with the operations of marine assets, e.g. port facilities, harbours, navigation systems, light stations, hydrometric stations, where activities such as fuel storage/handling, use of metal based paint (e.g. on light stations) resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons and other organic contaminants. Sites often have multiple sources of contamination.
- Contamination associated with the operations of the office/commercial/industrial facilities where activities such as fuel storage/handling, waste sites and use of metal-based paint resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc. Sites often have multiple sources of contamination.
- Contamination from other sources, e.g. use of pesticides, herbicides, fertilizers at agricultural sites; use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

Also during the year 104 sites (316 sites in 2019) 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 from fishing licenses represents the balance at year-end of unearned revenues stemming from fees received 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)	2020	2019
Opening balance	\$ 9,103	\$ 7,710
Amounts received	10,608	9,103
Revenue recognized	(9,103)	(7,710)
Gross closing balance	10,608	9,103
Deferred revenues held on behalf of Government	(10,608)	(9,103)
Net closing balance	\$ -	\$ -

7. Lease obligations for tangible capital assets

The department has entered into an agreement to lease tangible capital asset under capital lease with a cost of \$5.2 millions and accumulated amortization of \$280 thousands as at March 31, 2020. The obligations for the upcoming years include the following:

(in thousands of dollars)	Total future minimum lease payments	Imputed interest (8.45% to 15%)	Balance of obligations 2020	Balance of obligations 2019
Buildings	\$3,549	\$2,224	\$1,325	\$ -
Total	\$3,549	\$2,224	\$1,325	\$ -

8. 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	\$ 21,147	\$ 5,828	(\$ 11,134)	\$ 15,841
Federal/Provincial cost-sharing agreements	\$ 5,951	34,571	(14,437)	26,085
Sales of seized assets – <i>Fisheries Act</i>	\$ 1,502	929	(423)	2,008
Contractor security deposits	\$ 731	586	(754)	563
Total other liabilities	\$ 29,330	\$ 41,914	(\$ 26,748)	\$ 44,496

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

9. 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 2019-2020 expense amounts to \$105,119,408 (\$100,139,369 in 2018-2019). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2018-2019) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2018-2019) 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, 2020, 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)	2020	2019
Accrued benefit obligation - Beginning of year	\$ 38,118	\$ 38,324
Expense for the year	5,428	5,482
Benefits paid during the year	(5,362)	(5,688)
Accrued benefit obligation - End of year	\$ 38,184	\$ 38,118

10. 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. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$11,300,000 (\$7,634,018 in 2018-2019) at March 31, 2020.

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

Treaty and non-treaty related negotiation processes are led by Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) with Fisheries and Oceans leading negotiations with respect to fisheries and marine safety issues. These negotiations 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 72 treaty and non-treaty fisheries and marine safety negotiations ongoing across Canada, including Recognition of Indigenous Rights and Self-Determinations discussions.

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

11. Accounts receivable and advances

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

(in thousands of dollars)	2020	2019
Receivables - Other government departments and agencies	\$ 31,981	\$ 20,309
Receivables - External parties	64,427	54,269
Accountable advances	190	201
Subtotal	96,598	74,779
Allowance for doubtful accounts on receivables from external parties	(8,700)	(9,201)
Gross accounts receivable and advances	87,898	65,578
Accounts receivable held on behalf of Government	(42,207)	(29,657)
Net accounts receivable and advances	\$ 45,691	\$ 35,921

12. Loans receivable

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

(in thousands of dollars)	2020	2019
Loans receivable ⁽¹⁾	\$ 5,797	\$ 3,322
Accrued interest on loans	1,556	1,556
Less: Allowance on loans	(3,028)	(3,028)
Loans receivable held on behalf of Government	(\$ 4,325)	(\$ 1,850)
Net loans receivable	\$ -	\$ -

¹⁾ Loans receivable includes:

a) Unconditionally repayable contributions amount to \$4,324,831 relate to contributions made to outside parties which are repayable based on conditions specified in the contribution agreement that have come into being.

b) 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.



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

13. Inventory

The following table presents details of inventory:

(in thousands of dollars)	2020	2019
Inventory held for future program delivery	\$ 70,278	\$ 57,553
Inventory held for resale	54	30
Total inventory	\$ 70,332	\$ 57,583

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$49,964,982 in 2019-2020 (\$49,118,557 in 2018-2019).



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	
Leased tangible capital asset	Over term of lease or useful life, whichever is shorter	
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.	

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⁾	Disposal and Write-offs	Closing Balance	2020	2019
Land	\$ 22,662	\$ -	\$ 77	\$ -	\$ 22,739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,739	\$ 22,662
Buildings	834,134	98	79,594	2,332	911,494	532,904	24,235	392	2,297	555,234	356,260	301,229
Works and Infrastructure	3,031,748	-	140,437	21,397	3,150,788	1,511,427	75,437	6,632	18,377	1,575,119	1,575,669	1,520,321
Machinery and equipment	446,430	11,225	31,385	11,557	477,483	285,065	23,281	73	10,362	298,057	179,426	161,365
Informatics	102,126	32	15,802	3,521	114,439	99,057	8,948	-	3,521	104,484	9,955	3,069
Other equipment	306	36	(215)	-	127	46	8	(4)	-	50	77	260
Ships and boats	2,450,907	300	606,177	2,188	3,055,196	1,555,020	79,592	(70)	2,122	1,632,420	1,422,776	895,888
Vehicles	78,050	10,357	673	4,597	84,483	46,720	4,724	37	4,451	47,030	37,453	31,330
Aircraft	279,558	46	1,527	-	281,131	33,317	11,343	218	-	44,660	236,471	246,241
Leasehold improvements	559,289	-	15,866	510	574,645	372,085	14,482	(753)	378	385,436	189,209	187,204
Work in-progress	2,019,855	680,044	(874,599)	11,719	1,813,581	-	-	-	-	-	1,813,581	2,019,855
Subtotal capital assets	\$ 9,825,065	\$ 702,138	\$ 16,724	\$ 57,821	\$ 10,486,106	\$ 4,435,641	\$ 242,051	\$ 6,307	\$ 41,508	\$ 4,642,490	\$ 5,843,615	\$ 5,389,424
Leased tangible capital assets												
Buildings	\$ -	\$ -	\$ 5,182	\$ -	\$ 5,182	\$ -	\$ 280	\$ -	\$ -	\$ 280	\$ 4,902	\$ -
Subtotal leased tangible capital assets	-	-	5,182	-	5,182	-	280	-	-	280	4,902	-
Total	\$ 9,825,065	\$ 702,138	\$ 21,906	\$ 57,821	\$ 10,491,288	\$ 4,435,641	\$ 242,331	\$ 6,307	\$ 41,508	\$ 4,642,771	\$ 5,848,517	\$ 5,389,424

⁽¹⁾ The acquisition of tangible capital assets included in the work-in-progress category, comprises mainly of projects related to Vessels projects, Helicopters and Small Craft Harbour improvement projects.

⁽²⁾ Adjustments include work in progress of \$874,599,000 that were transferred to other categories upon completion of the assets. 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)	2020	2019
Restricted - Supplementary Fines		
<i>Fisheries Act</i>		
Balance - Beginning of year	\$ 2,300	\$ 1,618
Revenues	30	802
Expenses	(57)	(120)
Balance - End of year	2,273	2,300
<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	2,308	2,335
Unrestricted	4,803,929	4,529,266
Departmental net financial position - End of year	\$ 4,806,237	\$ 4,531,601

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)	2021	2022	2023	2024	2025 and subsequent	Total
Capital Assets	\$ 242,540	\$ 125,320	\$ 13,930	\$ 1,314	\$ -	\$ 383,104
Purchases	28,576	25,659	25,659	25,659	36,351	\$ 141,904
Total	\$ 271,116	\$ 150,979	\$ 39,589	\$ 26,973	\$ 36,351	\$ 525,008



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)	2020	2019
Employer's contribution to the health and dental insurance plans	\$ 97,760	\$ 85,213
Accommodation	46,951	45,874
Legal services	4,138	3,935
Workers' compensation	732	859
Total	\$ 149,581	\$ 135,881

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)	2020	2019
Expenses	\$ 361,072	\$ 320,469
Revenues	9	16

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)	Fisheries	Aquatic Ecosystems	Marine Navigation	Marine Operations and Response	Internal Services	2020	2019
Transfer Payments							
First Nations and Inuit people	\$ 141,107	\$ 3,587	\$ 19	\$ 6,698	\$ -	\$ 151,411	\$ 91,706
Non-profit organizations	16,459	57,783	-	6,928	100	81,270	73,997
Other levels of governments within Canada	4,143	-	-	-	-	4,143	715
Individuals	2,667	284	-	-	400	3,351	2,815
Other countries and international organizations	2,388	-	73	-	(200)	2,261	516
Industry	28,496	1,482	-	-	-	29,978	11,822
Total transfer payments	195,260	63,136	92	13,626	300	272,414	181,571
Operating Expenses							
Salaries and employee benefits	332,331	170,148	177,490	432,135	219,206	1,331,310	1,229,266
Contingent liabilities (Note 10)	119,899	-	-	-	-	119,899	205,538
Professional and special services	84,232	24,712	41,699	127,480	79,718	357,841	290,418
Amortization of tangible capital assets	72,385	3,463	24,038	91,932	50,513	242,331	227,284
Repair and maintenance	69,409	16,694	11,370	75,623	25,838	198,934	145,732
Utilities, materials, supplies and fuel	28,574	15,548	34,338	29,583	9,758	117,801	115,682
Travel, relocation and freight	21,604	11,479	11,120	29,205	6,537	79,945	76,991
Machinery and equipment	14,690	7,890	16,142	15,670	28,703	83,095	62,670
Rental	13,268	7,831	2,610	19,080	8,409	51,198	27,821
Payments in Lieu of Taxes paid to municipalities	-	-	-	-	10,880	10,880	10,593
Telecommunications	1,336	296	3,567	4,000	3,438	12,637	11,068
Environmental liabilities (Note 5)	-	-	-	-	41,676	41,676	96,800
Communications services	649	686	769	507	874	3,485	3,609
Other	464	6,695	5,995	(274)	81,892	94,772	57,450
Total operating expenses	758,841	265,442	329,138	824,941	567,442	2,745,804	2,560,922
Total expenses	\$ 954,101	\$ 328,578	\$ 329,230	\$ 838,567	\$ 567,742	\$ 3,018,218	\$ 2,742,493



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

18. Segmented information (continued)

(in thousands of dollars)	Fisheries	Aquatic Ecosystems	Marine Navigation	Marine Operations and Response	Internal Services	2020	2019
Revenues							
Sales of goods and services	\$ 42,047	\$ 62	\$ 31,969	\$ 17,925	\$ 75	\$ 92,078	\$ 85,161
Other revenues	8,806	8	3	2,215	653	11,685	13,898
Revenues earned on behalf of Government	(50,809)	(70)	(2,763)	(2,216)	(728)	(56,586)	(55,239)
Total revenues	44	-	29,209	17,924	-	47,177	43,820
Net cost from continuing operations							
	\$ 954,057	\$ 328,578	\$ 300,021	\$ 820,643	\$ 567,742	\$ 2,971,041	\$ 2,698,673



Fisheries and Oceans
Canada

Pêches et Océans
Canada



FISHERIES AND OCEANS CANADA

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

FISCAL YEAR 2019-2020



FISHERIES AND OCEANS CANADA

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

Fiscal Year 2019-2020

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 2019-2020.....	5
4. Departmental Action Plan.....	6
4.1 <i>Progress during Fiscal Year 2019-2020.....</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 2019-2020

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 2019-20 Departmental Results Report and the 2020-21 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 2019-2020

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 licenses and Marine Service fees via the Receiver General Buy Button (RBBB)



FISHERIES AND OCEANS CANADA

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

Fiscal Year 2019-2020

3. Departmental Assessment Results during Fiscal Year 2019-2020

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

New or significantly amended key controls:

In the current year, there were no significantly amended key controls in existing processes which required a reassessment.

The pandemic had an impact on the department's control environment without impairing the effectiveness of key controls. Some manual processes have been replaced with digital or electronic processes. This is the case of most of handwriting signatures that are replaced with digital signatures when approving documents.

The implementation of the SAP financial system scheduled for April 1st, 2021 will result in major changes in some of the key controls. Business processes impacted are identified and planned for design and operating effectiveness testing based on the rotational on-going monitoring plan.

Ongoing monitoring program:

As part of its ongoing monitoring plan, the department completed the assessment of the financial controls within the business processes of the delegation of spending and financial authority, procure to pay, inventory, pay administration, revenue generated from marine services fees and Environmental liabilities. For the most part, the key controls that were tested performed as intended. Remediation is required and underway for items identified.

Further to these assessments, the department continued to carry out projects to improve accounting processes relating to the collection of accounts receivable, physical inventory and work in progress for capital assets. This will help respond to recommendations from reviews, strengthen key controls and support the transition to the new SAP financial system.

The department also completed a risk assessment in fiscal year 2019-20 using an environmental scan including the impact of the implementation of the SAP financial system scheduled for April 1st, 2021. The results of the risk assessment were used to update the department's risk-based on-going monitoring plan for the next three years (Refer to section 4).



FISHERIES AND OCEANS CANADA

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

Fiscal Year 2019-2020

4. Departmental action plan

4.1 Progress during Fiscal Year 2019-2020

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 2019-2020

Previous year’s rotational ongoing monitoring plan for current year	Status
Delegation of Spending and Financial Authority	Review was completed. Remedial action is progressing as planned and includes high risk items pertaining to the Delegation of Spending and Financial Authority (DSFA) instruments (DSFA Charts and the supporting notes), and the design of the specimen signature card. Other lower risk items will be addressed with increased training and the inception of the new financial system (SAP).
Procure to Pay	Review was completed. Remedial action is underway in the area of access rights to financial system and vendor reviews. Complete remediation will be eased once the new financial system (SAP) becomes operational.
Inventory	Review was completed. Remedial action is progressing as planned and includes high risk items in the areas of inventory management.
Pay Admin	Review was completed. Remedial action is progressing as planned and includes findings pertaining to access rights to systems (Phoenix and People Soft), the delegation of authority and segregation of duties
Revenue Marine Services Fees	Review was completed. Remedial action underway for weaknesses reported (Customer Master file review) and are business requirements for the new financial system (SAP)
Environmental Liabilities	Review was completed, no weaknesses have been identified.

In addition to these assessments, the department conducted an update of its Fraud Risk Assessment framework. The objective was to evaluate the fraud risk factors present in department in order to risk-prioritize areas for which a subsequent in-depth may be required.

Also, the departmental Account verification framework was updated with the main objective of outlining the department’s approach to its account verification framework as part of its quality assurance program, including approach to pre-payment and post-payment verification for both pay and no-pay transactions. The framework has been integrated with the annual testing of internal control over financial management as appropriate, including coordination of testing and sample selection.



FISHERIES AND OCEANS CANADA

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

Fiscal Year 2019-2020

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		
	2020-2021	2021-2022	2022-2023
Entity Level Controls	Yes	No	No
Tangible Capital Assets	Yes (Assets under construction)	No	Yes
Inventory	No	Yes	No
Financial Close	No	Yes	No
Revenues			
- Marine Services Fees	No	No	Yes
- Fishing licensing	No	Yes	No
Budgeting and Forecasting	Yes	No	No
Operating expenses and accounts payable	No	Yes	No
Environmental Liabilities	No	No	No
Pay	No	No	Yes
Grants and Contributions	No	Yes	Yes
Delegation of authority	No	No	Yes
Information Technology General Controls			
Financial System	No	Yes	No
Salary Management System	No	No	Yes