

Financial Statements of
FISHERIES AND OCEANS CANADA
Year ended March 31, 2022

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Financial Statements of Fisheries and Oceans Canada, Year ended March 31, 2022

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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, 2022, 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 of Canada'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 ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

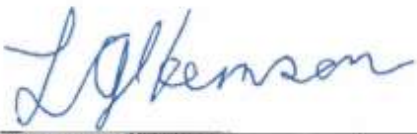
A risk-based assessment of the system of internal control over financial reporting for the year ended March 31, 2022, was completed in accordance with the Treasury Board Policy on Financial Management and the results and action plans are summarized in the annex.

FISHERIES AND OCEANS CANADA

Statement of Management Responsibility Including Internal Control Over Financial Reporting

The effectiveness and adequacy of the Department's system of internal control is reviewed by the 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.

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



Lawrence Hanson
A/Deputy Minister

Ottawa, Canada



Hugo Pagé
Chief Financial Officer

AUG 30 2022

Ottawa, Canada

Year ended March 31, 2022

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

(in thousands of dollars)	2022	2021
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$558,062	\$530,169
Vacation pay and compensatory leave	144,561	145,864
Environmental liabilities (Note 5)	265,505	281,036
Deferred revenues (Note 6)	9,001	11,660
Lease obligations for tangible capital assets (Note 7)	1,198	1,321
Other liabilities (Note 8)	69,483	65,771
Employee future benefits (Note 9)	32,027	35,710
Contingent liabilities (Note 10)	393,504	682,169
	1,473,341	1,753,700
Liabilities held on behalf of Government		
Deferred revenues (Note 6)	(9,001)	(11,660)
	(9,001)	(11,660)
Total net liabilities	1,464,340	1,742,040
Financial Assets		
Due from the Consolidated Revenue Fund	528,479	525,566
Accounts receivable and advances (Note 11)	134,081	81,826
Loans receivable (Note 12)	27,549	15,519
	690,109	622,911
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 11)	(85,332)	(36,355)
Loans receivable (Note 12)	(27,549)	(15,519)
	(112,881)	(51,874)
Total net financial assets	577,228	571,037
Departmental net debt	887,112	1,171,003
Non-financial assets		
Prepaid expenses (Note 13)	19,484	31,851
Inventory (Note 14)	107,637	76,019
Tangible capital assets (Note 15)	6,876,359	6,298,817
Total non-financial assets	7,003,480	6,406,687
Departmental net financial position (Note 16)	\$6,116,368	\$5,235,684

Contractual obligations (Note 17)

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



Lawrence Hanson
A/Deputy Minister
Ottawa, Canada



Hugo Pagé
Chief Financial Officer
Ottawa, Canada

APR 30 2022

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 2022	2022	2021
Expenses			
Fisheries	\$1,697,653	\$913,083	\$992,916
Aquatic Ecosystems	355,829	376,474	372,004
Marine Navigation	341,115	299,299	321,561
Marine Operations and Response	836,313	825,867	864,634
Internal Services	479,531	563,964	517,542
Total expenses	3,710,441	2,978,687	3,068,657
Revenues			
Sales of goods and services	83,942	84,661	81,645
Other revenues	11,809	(835)	6,610
Revenues earned on behalf of Government	(55,740)	(42,248)	(47,248)
Total revenues	40,011	41,578	41,007
Net cost of operations before government funding and transfers	3,670,430	2,937,109	3,027,650
Government funding and transfers			
Net cash provided by Government		3,650,415	3,274,550
Change in due from Consolidated Revenue Fund		2,913	36,453
Services provided without charge by other government departments (<i>Note 18</i>)		164,492	146,084
Transfer of the transition payments for implementing salary payments in arrears		(2)	-
Transfer of assets and liabilities from/(to) other government departments		(25)	10
Net cost of operations after government funding and transfers		(880,684)	(429,447)
Departmental net financial position—Beginning of year		5,235,684	4,806,237
Departmental net financial position—End of year		\$6,116,368	\$5,235,684

Segmented information (*Note 19*)

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)	2022	2021
Net cost of operations after government funding and transfers	(\$880,684)	(\$429,447)
Change due to tangible capital assets		
Acquisition of tangible capital assets	846,886	742,069
Adjustment to leased tangible capital assets	-	145
Amortizations of tangible capital assets	(263,695)	(276,949)
Proceeds from disposal of tangible capital assets	(2,580)	(1,498)
Net loss on disposal of tangible capital assets including adjustments	(3,044)	(13,477)
Transfer from/(to) other government departments	(25)	10
Total change due to tangible capital assets	577,542	450,300
Change due to inventory	31,618	5,687
Change due to prepaid expenses	(12,367)	31,851
Net (decrease) increase in departmental net debt	(283,891)	58,391
Departmental net debt—Beginning of year	1,171,003	1,112,612
Departmental net debt—End of year	\$887,112	\$1,171,003

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)	2022	2021
Operating activities		
Net cost of operations before government funding and transfers	\$2,937,109	\$3,027,650
Non-cash items		
Amortization of tangible capital assets	(263,695)	(276,949)
Net loss on disposal of tangible capital assets including adjustments	(3,044)	(13,477)
Services provided without charge by other government departments <i>(Note 18)</i>	(164,492)	(146,084)
Transition payments for implementing salary payments in arrears	2	-
Financial Assets		
Increase (decrease) in accounts receivable and advances	3,278	(220)
Increase (decrease) in prepaid expenses	(12,367)	31,851
Increase (decrease) in inventory	31,618	5,687
Decrease (increase) in accounts payable and accrued liabilities	(27,893)	(25,455)
Decrease (increase) in vacation pay and compensatory leave	1,303	(24,625)
Decrease (increase) in other liabilities	(3,712)	(21,275)
Decrease (increase) in environmental liabilities	15,531	(13,014)
Decrease (increase) in employee future benefits	3,683	2,474
Decrease (increase) in contingent liabilities	288,665	(12,732)
Cash used in operating activities	2,805,986	2,533,831
Capital investing activities		
Acquisition of tangible capital assets	846,886	742,069
Proceeds from disposal of tangible capital assets	(2,580)	(1,498)
Cash used in capital investing activities	844,306	740,571
Financing activities		
Lease payment for tangible capital assets	123	148
Cash used in financing activities	123	148
Net cash provided by Government of Canada	\$3,650,415	\$3,274,550

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 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.

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

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 does 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 2021-22 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 2021-22 Departmental Plan.

(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.

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

(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-respendable 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-respendable revenues. As a result, non-respendable 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.

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

(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.

(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 15. 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.

(i) Contingent liabilities

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

(j) Contingent assets

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

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

(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 leave 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

(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.

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)	2022	2021
Net cost of operations before government funding and transfers	\$2,937,109	\$3,027,650
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(263,695)	(276,949)
Net loss on disposal of tangible capital assets including adjustments	(3,044)	(13,477)
Service provided without charges by other government departments	(164,492)	(146,084)
Decrease (increase) in vacation pay and compensatory leave	1,303	(24,625)
Decrease (increase) in environmental liabilities	15,531	(13,014)
Decrease (increase) in employee future benefits	3,683	2,474
Decrease (increase) in provision for claims and litigation	288,665	(12,732)
Decrease (increase) in deferred revenue	2,660	(1,051)
Bad debt expense	(504)	3,324
Refunds of previous years' expenditures	57,183	3,780
Increase in earmarked supplementary fines (Note 15)	12	62
Other	13,153	13,479
Total adjustments for items affecting net cost of operations but not affecting authorities	(49,545)	(464,813)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	846,886	742,069
Decrease in lease obligations for tangible capital assets	123	148
Transition payments for implementing salary payments in arrears	2	-
Increase (decrease) in inventory	31,618	5,685
Salary overpayments	5,040	4,397
Increase (decrease) in prepaid expenses	(12,366)	31,851
Total adjustments for items not affecting net cost of operations but affecting authorities	871,303	784,150
Current year authorities used	\$3,758,867	\$3,346,987

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

(b) Authorities provided and used

(in thousands of dollars)	2022	2021
Authorities provided		
Vote 1—Operating expenditures	\$2,165,754	\$2,014,536
Vote 5—Capital expenditures	1,467,223	1,129,771
Vote 10—Grants and contributions	1,280,769	1,004,791
Vote 15—Debt write-off	-	3,028
Statutory amounts	184,957	318,949
Total authorities provided	5,098,703	4,471,075
Less:		
Authorities available for future years	(2,261)	(1,205)
Lapsed authorities:		
Operating	(105,990)	(53,538)
Capital	(632,048)	(356,412)
Grants and Contributions	(599,479)	(712,933)
Proceeds from Crown assets disposal	(58)	-
Current year authorities used	\$3,758,867	\$3,346,987

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)	2022	2021
Accounts payable—Other government departments and agencies	\$62,429	\$70,944
Accounts payable—External parties	212,651	157,127
Total accounts payable	275,080	228,071
Accrued liabilities	282,982	302,098
Total accounts payable and accrued liabilities	\$558,062	\$530,169

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'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 2,036 sites (2,359 sites in 2021) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the Department has identified 887 sites (915 sites in 2021) where action is required and for which a gross liability of \$248,257,370 (\$259,898,348 in 2021) 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 223 unassessed sites (291 sites in 2021) where a liability estimate of \$17,247,315 (\$21,138,139 in 2021) has been recorded using this model.

These two estimates combined, totalling \$265,504,686 (\$281,036,486 in 2021), 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 926 sites (1,153 sites in 2021), 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, 2022, and March 31, 2021. 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% (2.0% in 2021). Inflation is included in the undiscounted amount.

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

5. Environmental liabilities (continued)

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 2022 rates range from 2.24% (0.24% in 2021) for 2-year term to 2.35% (2.01% in 2021) for a 30 or greater year term.

(in thousands of dollars)

	2022				2021			
	Total Number of Sites	Number of sites with liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Total Number of Sites	Number of sites with liability	Estimated Liability	Estimated Total Undiscounted Expenditures
Fuel-related practices ⁽¹⁾	79	69	\$6,157	\$6,670	84	72	\$10,491	\$10,895
Landfill/Waste Sites ⁽²⁾	4	3	2,801	3,051	4	3	2,905	3,028
Engineered Asset/Air & Land Transportation ⁽³⁾	2	2	65	70	2	2	66	68
Marine Facilities/Aquatic Sites ⁽⁴⁾	1,843	990	244,457	263,303	2,145	1,079	254,307	262,535
Office/Commercial/Industrial Operations ⁽⁵⁾	83	37	10,976	11,882	91	36	11,815	12,282
Other ⁽⁶⁾	25	9	1,049	1,149	33	14	1,452	1,515
Total	2,036	1,110	\$265,505	\$286,125	2,359	1,206	\$281,036	\$290,323

1. Contamination primarily associated with fuel storage and handling, e.g., accidental spills related to fuel storage tanks or former fuel handling practices, e.g., petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX (benzene, toluene, ethylbenzene and xylenes).
2. Contamination associated with former landfill/waste site or leaching from materials deposited in the landfill/waste site, e.g., metals, petroleum hydrocarbons, BTEX, other organic contaminants, etc.
3. Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g., metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.
4. Contamination associated with the operations of marine assets, e.g., port facilities, harbours, navigation systems, light stations, hydrometric stations, where activities such as fuel storage/handling, use of metal-based paint (e.g., on light stations) resulted in former or accidental contamination, e.g., metals, petroleum hydrocarbons, polyaromatic hydrocarbons and other organic contaminants. Sites often have multiple sources of contamination.
5. Contamination associated with the operations of the office/commercial/industrial facilities where activities such as fuel storage/handling, waste sites and use of metal-based paint resulted in former or accidental contamination, e.g., metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc. Sites often have multiple sources of contamination.
6. Contamination from other sources, e.g., use of pesticides, herbicides, fertilizers at agricultural sites; use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

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

5. Environmental liabilities (continued)

During the year, 139 sites (71 sites in 2021) 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.

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. 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)	2022	2021
Opening balance	\$11,660	\$10,608
Amounts received	9,001	11,660
Revenue recognized	(11,660)	(10,608)
Gross closing balance	9,001	11,660
Deferred revenues held on behalf of Government	(9,001)	(11,660)
Net closing balance	\$ -	\$ -

7. Lease obligations for tangible capital assets

The department has entered into agreements to lease tangible capital assets under capital lease with a cost of \$5.3 million and accumulated amortization of \$723 thousand as at March 31, 2022. The obligations for the upcoming years include the following:

(in thousands of dollars)	Total future minimum lease payments	Imputed interest (2% to 15%)	2022	2021
Buildings	\$3,155	\$1,957	\$1,198	\$1,321
Total	\$3,155	\$1,957	\$1,198	\$1,321

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

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)	April 1, 2021	Receipts and credits	Payments and charges	March 31, 2022
Research projects deposits	\$11,871	\$22,313	(\$21,320)	\$12,864
Federal/Provincial cost-sharing agreements	51,404	57,083	(55,220)	53,267
Sales of seized assets—Fisheries Act	1,913	953	(200)	2,666
Contractor security deposits	583	583	(480)	686
Net closing balance	\$65,771	\$80,932	(\$77,220)	\$69,483

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

Federal/Provincial cost-sharing agreements: This account was established to record the deposit of funds 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*. Funds received are 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 honour 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 2021-22 expense amounts to \$120,950,238 (\$118,459,854 in 2020-21). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2020-21) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2020-21) 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. 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)	2022	2021
Accrued benefit obligation—Beginning of year	\$35,710	\$38,184
Expense for the year	438	2,826
Benefits paid during the year	(4,121)	(5,300)
Accrued benefit obligation—End of year	\$32,027	\$35,710

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

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 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 \$16,000,000 (\$16,889,610 in 2020-21) at March 31, 2022.

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 47 treaty and non-treaty fisheries and marine safety negotiations ongoing across Canada, including Recognition of Indigenous Rights and Self-Determinations discussions.

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)	2022	2021
Receivables—Other government departments and agencies	\$43,415	\$30,982
Receivables—External parties	98,647	58,460
Accountable advances	301	162
Subtotal	142,363	89,604
Allowance for doubtful accounts on receivables from external parties	(8,282)	(7,778)
Gross accounts receivable and advances	134,081	81,826
Accounts receivable held on behalf of Government	(85,332)	(36,355)
Net accounts receivable and advances	\$48,749	\$45,471

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

12. Loans receivable

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

(in thousands of dollars)	2022	2021
Loans receivable ¹	\$27,549	\$15,519
Accrued interest on loans	-	-
Less: Allowance on loans	-	-
Loans receivable held on behalf of Government	(27,549)	(15,519)
Net loans receivable	\$ -	\$ -

⁽¹⁾ Loans receivable includes unconditionally repayable contributions related to contributions made to outside parties which are repayable based on conditions specified in the contribution agreement that have come into being.

13. Prepaid Expenses

The following table presents details of Fisheries and Oceans Canada's prepaid expenses:

(in thousands of dollars)	2022	2021
National Shipbuilding Procurement Strategy—Offshore Oceanographic Science Vessels	\$19,484	\$31,851

14. Inventory

The following table presents details of Fisheries and Oceans Canada's inventory:

(in thousands of dollars)	2022	2021
Inventory held for future program delivery	\$107,637	\$76,010
Inventory held for resale	-	9
Total inventory	\$107,637	\$76,019

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$27,116,101 in 2021-22 (\$64,023,806 in 2020-21).

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

15. Tangible capital assets

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

<u>Asset Class</u>	<u>Amortization</u>
Buildings	15–40 years
Works 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
Aircraft	10–25 years
Vehicles	6–20 years
Leased tangible capital assets	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
Assets under construction	Assets under construction are recorded in the applicable asset class in the year they are put into service and are not amortized until they are put into service.

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

15. Tangible capital assets (continued)

(in thousands of dollars)												
Capital Asset Class	Costs					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions ⁽¹⁾	Adjustments ⁽²⁾	Disposals and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments ⁽²⁾	Disposal and Write-offs	Closing Balance	2022	2021
Land	\$ 23,252	\$ -	\$ 1,563	\$ 26	\$ 24,790	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,790	\$ 23,252
Buildings	937,307	-	19,793	179	956,921	566,036	20,959	(159)	133	586,703	370,218	371,273
Works and Infrastructure	3,275,504	538	58,378	23,835	3,310,585	1,635,907	77,363	2,714	17,882	1,698,102	1,612,483	1,639,597
Machinery and equipment	74,353	1,274	27,671	1,739	101,559	53,769	5,186	57	1,552	57,459	44,100	20,583
Informatics (Software + Hardware)	112,941	-	46,134	-	159,075	103,422	8,989	9,138	-	121,549	37,526	9,521
Other equipment	436,139	2,635	6,333	3,801	441,306	260,336	22,631	50	3,498	279,519	161,787	175,802
Ships and boats	3,252,216	356	502,382	2,484	3,752,470	1,727,578	96,118	85	2,406	1,821,375	1,931,095	1,524,637
Aircraft	284,201	-	12,985	1,494	295,692	55,950	11,640	-	1,494	66,096	229,596	228,250
Vehicles	96,190	2,202	5,042	3,341	100,094	49,038	6,883	29	3,236	52,714	47,380	47,152
Leasehold improvements	593,789	-	955	2,923	591,821	387,389	13,710	(1,173)	2,402	397,524	194,297	206,399
Work in-progress	2,047,515	839,880	(667,865)	1,061	2,218,469	-	-	-	-	-	2,218,469	2,047,516
Subtotal capital assets	\$ 11,138,408	\$ 846,886	\$ 13,372	\$ 40,883	\$ 11,952,783	\$ 4,839,426	\$ 263,477	\$ 10,742	\$ 32,604	\$ 5,081,041	\$ 6,871,741	\$ 6,293,982
Leased tangible capital assets												
Building	5,341	-	-	-	5,341	506	218	-	-	723	4,618	4,835
Subtotal leased tangible capital assets	\$ 5,341	\$ -	\$ -	\$ -	\$ 5,341	\$ 506	\$ 218	\$ -	\$ -	\$ 723	\$ 4,618	\$ 4,835
Total	\$ 11,138,749	\$ 846,886	\$ 13,372	\$ 40,883	\$ 11,958,124	\$ 4,839,932	\$ 263,695	\$ 10,742	\$ 32,604	\$ 5,081,765	\$ 6,876,359	\$ 6,298,817

Differences may be due to rounding.

While the department has temporarily reduced the use of some of its non-financial assets to provide goods and services during the COVID-19 pandemic, these measures are not expected to be permanent in nature, and therefore the department did not have to revise the amortization method or estimate of the remaining useful life of its non-financial assets.

⁽¹⁾ The acquisition of tangible capital assets included in the work-in-progress category, comprises mainly of projects related to vessels, helicopters and small craft harbour.

⁽²⁾ Adjustments include work in progress of \$667,865,106 that were transferred to other categories upon completion of the assets.

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

16. 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)	2022	2021
Restricted—Supplementary Fines		
<i>Fisheries Act</i>		
Balance—Beginning of year	\$2,335	\$2,273
Revenues	62	63
Expenses	(50)	(1)
Balance—End of year	2,347	2,335
<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	2,382	2,370
Unrestricted	6,113,986	5,233,314
Departmental net financial position—End of year	\$6,116,368	\$5,235,684

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

17. 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 programs.

Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2023	2024	2025	2026	2027 and subsequent	Total
Capital Assets	\$318,810	\$181,432	\$124,966	\$35,660	\$5,309	\$666,177
Purchases	31,352	20,193	20,193	20,194	-	91,932
Total	\$350,162	\$201,625	\$145,159	\$55,854	\$5,309	\$758,109

18. Related party transactions

Fisheries and Ocean 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)	2022	2021
Employer’s contribution to the health and dental insurance plans	\$112,548	\$92,750
Accommodation	46,791	48,087
Legal services	4,492	4,461
Worker’s compensation	661	786
Total	\$164,492	\$146,084

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

18. Related party transactions (continued)

The Government has centralized some of its administrative activities for efficiency, cost effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public 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)	2022	2021
Expenses	\$589,391	\$552,301
Revenues	195	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

19. Segmented information

Presentation by segment is based on Fisheries and Oceans Canada's core responsibilities. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the main core responsibilities, 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 Ecosystem	Marine Navigation	Marine Operations and Response	Internal Services	2022	2021
Transfer Payments							
First Nations and Inuit people	\$311,402	\$8,020	\$ -	\$11,727	\$ -	\$331,149	\$145,668
Non-profit organizations	42,480	87,143	-	6,631	350	136,944	96,597
Other level of government within Canada	283	-	-	-	150	433	-
Individuals	117,716	-	-	-	-	117,924	127,065
Other countries and international organizations	1,604	50	-	-	-	1,654	1,532
Industry	30,237	-	-	-	-	30,237	36,550
Total transfer payments	504,062	95,421	-	18,358	500	618,341	407,412
Operating Expenses							
Salaries and employee benefits	401,218	197,075	170,267	451,750	280,875	1,501,185	1,468,535
Contingent liabilities	(307,128)	2	3	5	18,503	(288,615)	12,731
Professional and special services	123,258	48,018	40,620	74,982	116,766	403,644	381,388
Amortization of tangible capital assets	74,704	4,592	18,426	112,904	53,069	263,695	276,949
Repair and maintenance	43,966	1,241	6,956	77,423	27,985	157,570	183,398
Utilities, material, supplies and fuel	27,728	8,571	35,797	13,989	14,518	100,602	103,470
Travel, relocation and freight	10,471	3,916	5,409	21,502	4,237	45,535	29,250
Machinery and equipment	16,619	10,286	14,313	18,395	23,337	82,951	78,881
Rental	8,671	5,506	3,841	21,909	12,689	52,617	49,061

FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

19. Segmented information (continued)

(in thousands of dollars)	Fisheries	Aquatic Ecosystem	Marine Navigation	Marine Operations and Response	Internal Services	2022	2021
Payments in Lieu of Taxes paid to municipalities	-	-	-	-	11,229	11,229	10,729
Telecommunication	1,839	256	3,189	3,979	14,738	24,001	15,212
Environmental liabilities	-	-	-	-	(15,532)	(15,532)	13,014
Communications services	1,611	1,538	373	819	2,696	7,037	3,797
Other	6,063	52	107	9,851	(1,646)	14,428	34,830
Total operating expenses	409,021	281,053	299,299	807,509	563,464	2,360,346	2,661,245
Total Expenses	\$913,083	\$376,474	\$299,299	\$825,867	\$563,964	\$2,978,687	\$3,068,657
Revenues							
Sales of goods and services	\$40,152	\$52	\$44,264	\$24	\$169	\$84,661	\$81,645
Other revenues	(2,173)	18	3,859	684	(3,223)	(835)	6,610
Revenues earned on behalf of Government	(37,979)	(70)	(6,544)	(708)	3,054	(42,248)	(47,248)
Total Revenue	-	-	41,578	-	-	41,578	41,007
Net cost from continuing operations	\$913,083	\$376,474	\$257,721	\$825,867	\$563,964	\$2,937,109	\$3,027,650

FISHERIES AND OCEANS CANADA

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

FISCAL YEAR 2021–2022

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 - 4.1 Progress during Fiscal Year 2021–22*
 - 4.2 Action Plan for the Next Fiscal Year and Subsequent Years*

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 core responsibilities can be found in the [2020-21 Departmental Results Report](#) and the [2021-22 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 the roles and responsibilities of senior managers for control management in their areas of responsibility;
- 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.

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 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 centre and network services. The scope and responsibilities are addressed in the interdepartmental arrangement between Shared Services Canada and Fisheries and Oceans Canada.

Readers of this annex may refer to the annexes of the above-noted departments for a greater understanding of the systems of internal control over financial reporting related to these specific services.

Fisheries and Oceans Canada relies on other external service providers and departments for the processing of certain information or transactions that are recorded in its financial statements, as follows.

Specific Arrangements:

- External service providers, pursuant to a contract with the Government of Canada, administer the invoicing of marine navigation services fees 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 fees 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;
- 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 services fees via the Receiver General Buy Button (RBB);
- Agriculture and Agri-Food Canada provides platform access to its human resources management system of record (PeopleSoft); and,
- Treasury Board Secretariat provides Fisheries and Oceans Canada a Platform as a Service in order for the Department to operate the SAP S/4HANA financial system to capture and report all financial transactions.

3. Departmental Assessment Results During Fiscal Year 2021–22

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

New or significantly amended key controls:

The implementation of the SAP S/4HANA financial system occurred April 1, 2021, creating significant changes to business processes and impacting many financial system controls. Business processes impacted were identified and documented prior to the implementation. In addition, the design and operating effectiveness testing related to the business process changes are occurring in accordance with the rotational ongoing monitoring plan. The Department deployed additional resources to retest new and updated controls.

Ongoing monitoring program:

As part of its ongoing monitoring plan, the Department completed its reassessment of the financial controls within the following business processes tangible capital assets; marine services fees revenues; fisheries licensing fees revenues; operating expenditures; IT general controls; CFO attestation; investment planning; costing; and budgeting, planning, and forecasting.

For the most part, the key controls that were tested in all business processes performed as intended. For the controls that require remediation, a management action plan addressing the recommendations was developed by the process owners and the remediation plans are underway.

Fisheries and Oceans Canada also completed a risk assessment in fiscal year 2021-22 using an environmental scan including the impact of the implementation of the SAP S/4HANA financial system. The results of the risk assessment were used to update the Department’s risk-based ongoing monitoring plan for the next three fiscal years (refer to section 4.2).

4. Departmental Action Plan

4.1 Progress During Fiscal Year 2021–22

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

Progress During Fiscal Year 2021–22

Previous year’s rotational ongoing monitoring plan for current year	Status
Tangible Capital Assets	Review was completed and identified a high risk item pertaining to system access. Remedial actions are progressing as planned.

Marine Services Fees Revenues	Review was completed and identified high-risk items pertaining to system access and segregation of duties. Remedial actions are progressing as planned.
Fisheries Licensing Revenues	Review was completed and no high-risk items were identified . Remedial actions are progressing as planned for medium risk items.
Operating Expenditures	Review was completed and no high-risk items were identified. Remedial actions are progressing as planned for medium and low risk items.
IT General Controls	Review was completed and identified high-risk items retaining to system access and segregation of duties. Remedial actions are progressing as planned.
Budgeting, Planning, and Forecasting	Review was completed and no high-risk items were identified. Remedial actions are progressing as planned for medium and low risk items.
Financial Close	Scheduled to be completed in fiscal year 2022-23.
Costing	Review was completed and no high-risk items were identified. Remedial actions are progressing as planned for medium and low risk items.
Investment Planning	Review was completed and no high-risk items were identified. Remedial actions are progressing as planned for low risk items.
CFO Attestation	Review was completed. No remediation items were identified.

4.2 Action Plan for the Next Fiscal Year and Subsequent Fiscal Years

Fisheries and Oceans Canada’s rotational ongoing monitoring plan over the next three fiscal years is shown in the following table. The ongoing monitoring plan is based on:

- an annual validation of the high-risk processes and controls; and,
- related adjustments to the ongoing monitoring plan as required.

Rotational Ongoing Monitoring Plan

Key Control Areas	Future Ongoing Monitoring Plan		
	2022–23	2023–24	2024–25
Entity-Level Controls	No	Yes	No
Tangible Capital Assets	Yes	Yes	Yes
Inventory	Yes	Yes	Yes
Financial Close (incl. Contingent Liabilities)	Yes	Yes	No
Revenues			
• Marine Services Fees	Yes	Yes	No
• Fisheries Licensing	Yes	No	Yes
Budgeting, Planning & Forecasting	Yes	No	Yes
CFO Attestation	Yes	No	Yes
Operating Expenditures	Yes	No	Yes
Environmental Liabilities	No	Yes	No
Pay	Yes	Yes	Yes
Grants and Contributions	Yes	No	No
Delegation of Authority	Yes	Yes	Yes
Information Technology General Controls	Yes	Yes	Yes
Costing	Yes	Yes	Yes
Investment Planning	Yes	No	Yes