



Financial Statements of
FISHERIES AND OCEANS CANADA
Year ended March 31, 2023

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Financial Statements of Fisheries and Oceans Canada, Year ended March 31, 2023

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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, 2023, and all information contained in these financial statements rests with the management of Fisheries and Oceans Canada (the “Department”). 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 Departmental Results Report, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) 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 ICFR.

The system of ICFR 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, 2023, 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.

Original signed by Kevin Brosseau for
Annette Gibbons, Deputy Minister
Ottawa, Canada
September 13, 2023

Original signed by
Richard Goodyear, Chief Financial
Officer

For the year ended March 31, 2023

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

(in thousands of dollars)	2023	2022 Restated (note 3)
Liabilities		
Accounts payable and accrued liabilities (note 5)	\$640,173	\$558,062
Vacation pay and compensatory leave	135,560	144,561
Environmental liabilities and asset retirement obligations (note 6)	860,804	853,090
Deferred revenues (note 7)	11,591	9,001
Lease obligations for tangible capital assets (note 8)	1,098	1,198
Other liabilities (note 9)	52,727	69,483
Employee future benefits (note 10)	28,513	32,027
Contingent liabilities (note 11)	351,914	393,504
	2,082,380	2,060,926
Liabilities held on behalf of Government		
Deferred revenues (note 7)	(11,591)	(9,001)
	(11,591)	(9,001)
Total net liabilities	2,070,789	2,051,925
Financial Assets		
Due from the Consolidated Revenue Fund	629,904	528,479
Accounts receivable and advances (note 12)	103,327	134,081
Loans receivable (note 13)	33,411	27,549
	766,642	690,109
Financial assets held on behalf of Government		
Accounts receivable and advances (note 12)	(59,593)	(85,332)
Loans receivable (note 13)	(33,411)	(27,549)
	(93,004)	(112,881)
Total net financial assets	673,638	577,228
Departmental net debt	1,397,151	1,474,697
Non-financial assets		
Prepaid expenses (note 15)	19,466	19,484
Inventory (note 16)	123,422	107,637
Tangible capital assets (note 17)	7,667,086	7,087,767
Total non-financial assets	7,809,974	7,214,888
Departmental net financial position (note 18)	\$6,412,823	\$5,740,191

Contractual obligations (note 19)

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

Original signed by Kevin Brosseau for
Annette Gibbons, Deputy Minister

Original signed by
Richard Goodyear, Chief Financial Officer

Ottawa, Canada
September 13, 2023

FISHERIES AND OCEANS CANADA

Statement of Operations and Departmental Net Financial Position (Unaudited)

For the Year Ended March 31

	2023 Planned Results	2023 Actual	2022 Actual Restated (note 3)
(in thousands of dollars)			
Expenses			
Fisheries	\$1,210,181	\$1,003,219	\$913,083
Aquatic Ecosystems	408,485	421,534	376,474
Marine Navigation	309,741	334,692	299,299
Marine Operations and Response	794,709	912,239	825,867
Internal Services	523,599	649,055	609,698
Total expenses	3,246,715	3,320,739	3,024,421
Revenues			
Sales of goods and services	83,096	89,803	84,661
Other revenues	9,584	8,058	(835)
Revenues earned on behalf of Government	(52,669)	(52,148)	(42,248)
Total revenues	40,011	45,713	41,578
Net cost of operations before government funding and transfers	3,206,704	3,275,026	2,982,843
Government funding and transfers			
Net cash provided by Government		3,680,270	3,650,415
Change in due from Consolidated Revenue Fund		101,425	2,913
Services provided without charge by other government departments (note 20)		165,831	164,492
Transfer of the transition payments for implementing salary payments in arrears		-	(2)
Transfer of assets and liabilities from/(to) other government departments		132	(25)
Net cost of operation after government funding and transfers		(672,632)	(834,950)
Departmental net financial position—Beginning of year		5,740,191	4,905,241
Departmental net financial position—End of year		\$6,412,823	\$5,740,191

Segmented information (note 22)

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

	2023	2022 Restated (note 3)
(in thousands of dollars)		
Net cost of operations after government funding and transfers	(\$672,632)	(\$834,950)
Change due to tangible capital assets		
Acquisition of tangible capital assets	982,637	846,886
Amortizations of tangible capital assets	(347,255)	(296,041)
Proceeds from disposal of tangible capital assets	(3,266)	(2,580)
Net loss on disposal of tangible capital assets including adjustments	(26,817)	(3,044)
Adjustment to cost of asset retirement obligations	(26,112)	9,016
Transfer from/(to) other government departments	132	(25)
Total change due to tangible capital assets	579,319	554,212
Change due to inventory	15,785	31,618
Change due to prepaid expenses	(18)	(12,367)
Net (decrease) increase in departmental net debt	(77,546)	(261,487)
Departmental net debt—Beginning of year	1,474,697	1,736,184
Departmental net debt—End of year	\$1,397,151	\$1,474,697

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)	2023	2022 Restated (note 3)
Operating activities		
Net cost of operations before government funding and transfers	\$3,275,026	\$2,982,843
Non-cash items		
Amortization of tangible capital assets	(347,255)	(296,041)
Net loss on disposal of tangible capital assets including adjustments	(26,817)	(3,044)
Services provided without charge by other government departments	(165,831)	(164,492)
Transition payments for implementing salary payments in arrears	-	2
Environmental liabilities and asset retirement obligations	(33,826)	2,143
Variations in statement of financial position		
Increase (decrease) in accounts receivable and advances	(5,015)	3,278
Increase (decrease) in prepaid expenses	(18)	(12,367)
Increase (decrease) in inventory	15,785	31,618
Decrease (increase) in accounts payable and accrued liabilities	(82,111)	(27,893)
Decrease (increase) in vacation pay and compensatory leave	9,001	1,303
Decrease (increase) in other liabilities	16,756	(3,712)
Decrease (increase) in employee future benefits	3,514	3,683
Decrease (increase) in contingent liabilities	41,590	288,665
Cash used in operating activities	2,700,799	2,805,986
Capital investing activities		
Acquisition of tangible capital assets	982,637	846,886
Proceeds from disposal of tangible capital assets	(3,266)	(2,580)
Cash used in capital investing activities	979,371	844,306
Financing activities		
Lease payment for tangible capital assets	100	123
Cash used in financing activities	100	123
Net cash provided by Government of Canada	\$3,680,270	\$3,650,415

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.

The Department'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.

The Department 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 Department'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

The Department 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 4 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 2022-2023 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 2022-2023 Departmental Plan.

(b) Net Cash Provided by Government

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

2. Summary of significant accounting policies (continued)

(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 the Department's liabilities. While the Deputy Minister is expected to maintain accounting control, she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented 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. The Department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The Department's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

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

2. Summary of significant accounting policies (continued)

(g) Financial instruments

A contract establishing a financial instrument creates, at its inception, rights, and obligations to receive or deliver economic benefits. The financial assets and financial liabilities portray these rights and obligations in the financial statements. The Department recognizes a financial instrument when it becomes a party to a financial instrument contract.

Financial instruments consist of accounts and loans receivable, and accounts payable and accrued liabilities.

All financial assets and liabilities are recorded at cost or amortized cost. Any associated transaction costs are added to the carrying value upon initial recognition.

For financial instruments measured at amortized cost, the effective interest method is used to determine interest revenue or expense.

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 17. 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.

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

2. Summary of significant accounting policies (continued)

(i) Contingent liabilities

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

(j) Contingent assets

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

(k) Environmental liabilities and asset retirement obligations

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. If the likelihood of the Department's responsibility is not determinable, a contingent liability is disclosed in the notes to the financial statements.

An asset retirement obligation is recognized when all of the following criteria are satisfied: there is a legal obligation to incur retirement costs in relation to a tangible capital asset, the past event or transaction giving rise to the retirement liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The costs to retire an asset are normally capitalized and amortized over the asset's estimated remaining useful life. An asset retirement obligation may arise in connection with a tangible capital asset that is not recognized or no longer in productive use. In this case, the asset retirement cost would be expensed. The measurement of the liability is the government's best estimate of the amount required to retire a tangible capital asset.

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, as required, for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred.

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

2. Summary of significant accounting policies (continued)

(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 and asset retirement obligations, 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 and asset retirement obligations are subject to measurement uncertainty as discussed in note 6 due to the evolving technologies used in the estimation of the costs for remediation of contaminated sites or asset retirements, the use of discounted present value of future estimated costs, inflation, interest rates and the fact that not all sites have had a complete assessment of the extent and nature of remediation or asset retirement costs. 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.

(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. Change in accounting standards

Asset Retirement Obligations

Effective April 1, 2022, the Department adopted the new Public Sector Accounting Standard PS3280 Asset Retirement Obligations. This standard requires public sector entities to recognize legally obligated costs associated with the retirement of tangible capital assets on acquisition, construction or development and expense those costs systematically over the life of the asset.

The Department applied the modified retrospective application transitional approach. On initial application of the standard, the Department recognized:

- i. a liability for any existing asset retirement obligations, adjusted for accumulated accretion to that date;
- ii. an asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets;
- iii. accumulated amortization on that capitalized cost; and
- iv. an adjustment to the opening balance of the accumulated surplus / deficit.

Asset retirement obligations associated with assets no longer in productive use were recognized as a liability and a corresponding adjustment was made to the opening accumulated surplus / deficit.

These amounts were measured using information, assumptions and discount rates that are current at the beginning of the fiscal year. The amount recognized as an asset retirement cost is measured as of the date the asset retirement obligation was incurred. Accumulated accretion and amortization are measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect to the date as of which this standard is first applied.

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

3. Change in accounting standards (continued)

Asset Retirement Obligations (continued)

A reconciliation of the restatement for the significant financial statement line items follows:

(in thousands of dollars)	2022		
	As previously reported	Effects of change in accounting policy	As restated
Statement of Financial Position			
Environmental liabilities and asset retirement obligations	\$265,505	\$587,585	\$853,090
Total gross liabilities	1,473,341	587,585	2,060,926
Total net liabilities	1,464,340	587,585	2,051,925
Departmental net debt	887,112	587,585	1,474,697
Tangible capital assets	6,876,359	211,408	7,087,767
Total non-financial assets	7,003,480	211,408	7,214,888
Departmental net financial position	6,116,368	(376,177)	5,740,191
Statement of Operations and Departmental Net Financial Position			
Expenses – Internal Services	\$563,964	\$45,734	\$609,698
Total expenses	2,978,687	45,734	3,024,421
Net cost of operations before government funding and transfers	2,937,109	45,734	2,982,843
Net cost of operations after government funding and transfers	(880,684)	45,734	(834,950)
Departmental net financial position – Beginning of year	5,235,684	(330,443)	4,905,241
Departmental net financial position – End of year	6,116,368	(376,177)	5,740,191
Statement of Change in Departmental Net Debt			
Net cost of operations after government funding and transfers	(\$880,684)	\$45,734	(\$834,950)
Amortization of tangible capital assets	(263,695)	(32,346)	(296,041)
Adjustment to cost of asset retirement obligations	-	9,016	9,016
Total change due to tangible capital assets	577,542	(23,330)	554,212
Net (decrease) increase in departmental net debt	(283,891)	22,404	(261,487)
Departmental net debt – Beginning of year	1,171,003	565,181	1,736,184
Departmental net debt – End of year	887,112	587,585	1,474,697
Statement of Cash Flows			
Net cost of operations before government funding and transfers	\$2,937,109	\$45,734	\$2,982,843
Amortization of tangible capital assets	(263,695)	(32,346)	(296,041)
Environmental liabilities and asset retirement obligations	15,531	(13,388)	2,143

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

4. Parliamentary authorities

The Department 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, the Department 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)	2023	2022 Restated (note 3)
Net cost of operations before government funding and transfers	\$3,275,026	\$2,982,843
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(347,255)	(296,041)
Net loss on disposal of tangible capital assets including adjustments	(26,817)	(3,044)
Services provided without charge by other government departments	(165,831)	(164,492)
Decrease in vacation pay and compensatory leave	9,001	1,303
Environmental liabilities and asset retirement obligations	(33,826)	2,143
Decrease in employee future benefits	3,514	3,683
Decrease in contingent liabilities	41,590	288,665
Decrease (increase) in deferred revenue	(2,590)	2,660
Bad debt expense	(2,732)	(504)
Refunds of previous years' expenditures	15,207	57,183
Increase in earmarked supplementary fines (note 18)	7	12
Other	2,493	848
Total adjustments for items affecting net cost of operations but not affecting authorities	(507,239)	(107,584)

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

4. Parliamentary authorities (continued)

(a) Reconciliation of net cost of operations to current year authorities used (continued)

(in thousands of dollars)	2023	2022 Restated (note 3)
Adjustments for items not affecting net cost of operations but affecting authorities		
Acquisition of tangible capital assets	982,637	846,886
Decrease in lease obligations for tangible capital assets	100	123
Transition payments for implementing salary payments in arrears	-	2
Increase in inventory	15,785	31,618
Salary overpayments	2,426	5,040
Loans issued	8,111	12,305
Decrease in prepaid expenses	(18)	(12,366)
Total adjustments for items not affecting net cost of operations but affecting authorities	1,009,041	883,608
Current year authorities used	\$3,776,828	\$3,758,867

(b) Authorities provided and used

(in thousands of dollars)	2023	2022
Authorities provided		
Vote 1—Operating expenditures	\$2,248,101	\$2,165,754
Vote 5—Capital expenditures	1,471,650	1,467,223
Vote 10—Grants and contributions	967,405	1,280,769
Statutory amounts	200,166	184,957
Total authorities provided	4,887,322	5,098,703
Less:		
Authorities available for future years	(3,265)	(2,261)
Lapsed authorities:		
Operating	(56,400)	(105,990)
Capital	(485,526)	(632,048)
Grants and Contributions	(565,303)	(599,479)
Proceeds from Crown assets disposal	-	(58)
Current year authorities used	\$3,776,828	\$3,758,867

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

5. Accounts payable and accrued liabilities

The following table presents the details of the Department’s accounts payable and accrued liabilities:

(in thousands of dollars)	2023	2022
Accounts payable—Other government departments and agencies	\$55,382	\$62,429
Accounts payable—External parties	286,062	212,651
Total accounts payable	341,444	275,080
Accrued liabilities	298,729	282,982
Total accounts payable and accrued liabilities	\$640,173	\$558,062

6. Environmental liabilities and asset retirement obligations

Environmental liabilities and asset retirement obligations include:

(in thousands of dollars)	2023	2022 Restated (note 3)
Remediation liability for contaminated sites	\$285,371	\$265,505
Asset retirement obligations	575,433	587,585
Total	\$860,804	\$853,090

a) 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.

The Department has identified approximately 1,836 sites (2,036 sites in 2022) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the Department has identified 883 sites (887 sites in 2022) where action is required and for which a gross liability of \$270,666,430 (\$248,257,370 in 2022) has been recorded. This liability estimate has been determined based on site assessments performed by environmental experts.

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

6. Environmental liabilities and asset retirement obligations (continued)

a) Remediation of contaminated sites (continued)

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 178 unassessed sites (223 sites in 2022) where a liability estimate of \$14,704,806 (\$17,247,315 in 2022) has been recorded using this model.

These two estimates combined, totalling \$285,371,236 (\$265,504,686 in 2022), 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 775 sites (926 sites in 2022), 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, 2023, and March 31, 2022. 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 2022). 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 31, 2023 rates range from 4.50% (1.88% in 2022) for 1-year term to 3.01% (2.35% in 2022) for a 30 or greater year term.

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6. Environmental liabilities and asset retirement obligations (continued)

a) Remediation of contaminated sites (continued)

(in thousands of dollars)	2023				2022			
	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⁾	73	63	\$6,070	\$6,912	79	69	\$6,157	\$6,670
Landfill/Waste Sites ⁽²⁾	4	3	2,799	3,177	4	3	2,801	3,051
Engineered Asset / Air & Land Transportation ⁽³⁾	2	2	67	73	2	2	65	70
Marine Facilities / Aquatic Sites ⁽⁴⁾	1,668	947	261,836	291,136	1,843	990	244,457	263,303
Office / Commercial / Industrial Operations ⁽⁵⁾	67	38	13,536	15,287	83	37	10,976	11,882
Other ⁽⁶⁾	22	8	1,063	1,225	25	9	1,049	1,149
Total	1,836	1,061	\$285,371	\$317,810	2,036	1,110	\$265,505	\$286,125

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

6. Environmental liabilities and asset retirement obligations (continued)

a) Remediation of contaminated sites (continued)

During the year, 105 sites (139 sites in 2022) were closed or zeroed out 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.

b) Asset retirement obligations

The Department has recorded asset retirement obligations for the removal of asbestos and other hazardous materials in buildings, closure and post-closure obligations associated with other works and infrastructure, removal of leasehold improvements, retirement activities linked to machinery and equipment and retirement activities linked to ships, boats, aircraft and other vehicles.

The changes in the asset retirement obligations for the Department during the year are as follows:

	2023						2022 Restated (note 3)
(in thousands of dollars)	Buildings	Works and infrastructure	Leasehold improvements	Machinery and equipment	Ships and boats	Total	Total
Opening balance	\$69,011	\$234,885	\$10,718	\$3,685	\$269,286	\$587,585	\$565,181
Liabilities incurred	-	-	-	43	10,801	10,844	9,016
Liabilities settled	-	-	-	-	-	-	-
Revisions in estimates	(4,588)	(16,168)	(546)	(507)	(15,147)	(36,956)	-
Accretion expense ⁽¹⁾	1,657	5,603	255	87	6,358	13,960	13,388
Closing balance	\$66,080	\$224,320	\$10,427	\$3,308	\$271,298	\$575,433	\$587,585

⁽¹⁾ Accretion expense is the increase in the carrying amount of an asset retirement obligation due to the passage of time.

The undiscounted future expenditures, adjusted for inflation, for the planned projects comprising the liability are \$844,724,844 (\$820,860,634 at March 31, 2022).

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

6. Environmental liabilities and asset retirement obligations (continued)

b) Asset retirement obligations (continued)

Key assumptions used in determining the provision are as follows:

	2023	2022 Restated (note 3)
Discount rates	4.50% - 3.01%	1.88% - 2.35 %
Discount period and timing of settlement:		
Buildings	5-60 years	5-60 years
Works and infrastructure	2-70 years	2-71 years
Leasehold improvements	2-55 years	2-55 years
Machinery and equipment	2-40 years	3-40 years
Ships and boats	5-35 years	5-30 years
Long-term rate of inflation	2.00%	2.00%

7. 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)	2023	2022
Opening balance	\$9,001	\$11,660
Amounts received	11,591	9,001
Revenue recognized	(9,001)	(11,660)
Gross closing balance	11,591	9,001
Deferred revenues held on behalf of Government	(11,591)	(9,001)
Net closing balance	\$—	\$—

FISHERIES AND OCEANS CANADA
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8. Lease obligations for tangible capital assets

The Department has entered into agreements to lease tangible capital assets under capital lease with a cost of \$5.2 million and accumulated amortization of \$919 thousand as at March 31, 2023 (\$5.3 million and \$723 thousand respectively 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%)	2023	2022
Buildings	\$2,908	\$1,810	\$1,098	\$1,198
Total	\$2,908	\$1,810	\$1,098	\$1,198

9. Other liabilities

Other liabilities represent deferred revenue funds received by the Department 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, 2022	Receipts and credits	Payments and charges	March 31, 2023
Research projects deposits	\$12,864	\$6,241	(\$6,561)	\$12,544
Federal/Provincial cost-sharing agreements	53,267	12,539	(29,348)	36,458
Sales of seized assets—Fisheries Act	2,666	892	(405)	3,153
Contractor security deposits	686	221	(335)	572
Net closing balance	\$69,483	\$19,894	(\$36,649)	\$52,727

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.

FISHERIES AND OCEANS CANADA
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9. Other liabilities (continued)

Sale of seized assets: This account was established to record the proceeds of sale of seized items by the Department 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, Oceans and the Canadian Coast Guard 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.

10. Employee future benefits

(a) Pension benefits

The Department'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 2022-23 expense amounts to \$127,041,438 (\$120,950,238 in 2021-22). For Group 1 members, the expense represents approximately 1.02 times (1.01 times in 2021-22) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2021-22) 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.

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

10. Employee future benefits (continued)

(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)	2023	2022
Accrued benefit obligation—Beginning of year	\$32,027	\$35,710
Expense for the year	476	438
Benefits paid during the year	(3,990)	(4,121)
Accrued benefit obligation—End of year	\$28,513	\$32,027

11. 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 Department 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. The Department 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 \$8,625,000 at March 31, 2023 (\$16,000,000 as 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-Determination discussions.

FISHERIES AND OCEANS CANADA
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12. Accounts receivable and advances

The following table presents details of the Department's accounts receivable and advances balances:

(in thousands of dollars)	2023	2022
Receivables—Other government departments and agencies	\$23,672	\$43,415
Receivables—External parties	88,593	98,647
Accountable advances	547	301
Subtotal	112,812	142,363
Valuation allowance	(9,485)	(8,282)
Gross accounts receivable and advances	103,327	134,081
Accounts receivable held on behalf of Government	(59,593)	(85,332)
Net accounts receivable and advances	\$43,734	\$48,749

The following table provides an aging analysis of accounts receivable from external parties and the associated valuation allowances used to reflect their net recoverable value:

(in thousands of dollars)	2023	2022
Receivables – External parties		
Not past due	\$41,035	\$46,099
Number of days past due		
1 to 30	32,130	37,407
31 to 60	531	62
61 to 90	296	430
91 to 365	2,369	3,667
Over 365	12,232	10,982
Subtotal	88,593	98,647
Less: Valuation allowance	(9,485)	(8,282)
Total	\$79,108	\$90,365

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

13. Loans receivable

The following table presents details of the Department's loans receivable balances:

(in thousands of dollars)	2023	2022
Loans receivable	\$33,941	\$27,549
Less: Allowance on loans	(530)	-
Gross loans receivable	33,411	27,549
Loans receivable held on behalf of Government	(33,411)	(27,549)
Net loans receivable	\$—	\$—

The Department's loans receivable represent unconditionally repayable contributions which are, in substance, loans aimed at stimulating economic development. These unconditionally repayable contributions are non-interest bearing and have annual repayment terms of 5 to 10 years.

14. Risk management

The Department has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

(a) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss.

The Department's maximum exposure to credit risk at March 31, 2023 and March 31, 2022 is the carrying amount of its financial assets.

The Department has determined that there is no significant concentration of credit risk related to accounts receivable from external parties. An analysis of the age of these financial assets and the associated valuation allowances used to reflect these accounts at their net recoverable value is disclosed in note 12.

The Department intentionally takes on counterparty risk related to certain loans receivable with concessionary terms in order to support various policy aims. Valuation allowances are applied accordingly to reflect these accounts at their net recoverable value, as explained in note 13.

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

14. Risk management (continued)

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates.

The Department has determined that there is no significant concentration of currency risk related to foreign denominated financial instruments.

ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Department’s loans receivable do not bear interest. Although the fair value of these financial instruments will be affected by changes in market interest rates, there is no impact on the Department’s financial statements as these items are measured at cost.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities.

As the funding for the Department’s financial liabilities is drawn from the Consolidated Revenue Fund, its exposure to liquidity risk is fully mitigated.

15. Prepaid Expenses

The following table presents details of the Department’s prepaid expenses:

(in thousands of dollars)	2023	2022
National Shipbuilding Procurement Strategy—Offshore		
Oceanographic Science Vessels	\$19,466	\$19,484

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16. Inventory

The following table presents details of the Department's inventory:

(in thousands of dollars)	2023	2022
Inventory held for future program delivery	\$123,422	\$107,637

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$85,459,597 in 2022-23 (\$27,116,101 in 2021-22).

17. 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:

Asset Class	Amortization
Buildings	15–40 years
Works and infrastructure	5–75 years
Machinery and equipment	3–30 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.

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For the Year Ended March 31

17. Tangible capital assets (continued)

(in thousands of dollars)												
Capital Asset Class	Costs					Accumulated Amortization					Net Book Value	
	Opening Balance Restated (Note 3)	Acquisitions ⁽¹⁾	Adjustments ⁽²⁾	Disposal and Write-Offs	Closing Balance	Opening Balance Restated (Note 3)	Amortization	Adjustments ⁽²⁾	Disposal and Write-Offs	Closing Balance	2023	2022 Restated (Note 3)
Land	\$ 24,790	\$ -	\$ 1,897	\$ -	\$ 26,687	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,687	\$ 24,790
Buildings	989,529	25	17,763	199	1,007,118	609,279	22,604	-	186	631,697	375,420	380,250
Works and Infrastructure	3,408,954	25	129,197	17,980	3,520,196	1,764,812	79,466	-	15,452	1,828,826	1,691,369	1,644,142
Machinery and equipment	104,533	3,344	1,055	1,303	107,629	58,362	5,682	17	1,053	63,008	44,621	46,171
Informatics (Software + Hardware)	159,075	23	6,001	18	165,081	121,549	9,215	-	18	130,746	34,335	37,526
Other equipment	441,306	6,823	14,457	3,200	459,386	279,519	23,326	27	2,968	299,904	159,482	161,787
Ships and boats	4,004,804	60	560,379	23,920	4,541,323	1,907,382	174,718	126	22,841	2,059,385	2,481,938	2,097,422
Aircraft	295,692	11	1,027	9,879	286,851	66,096	11,696	-	2,701	75,091	211,760	229,596
Vehicle	100,094	8,022	5,530	3,433	110,213	52,714	7,637	6	3,241	57,116	53,097	47,380
Leasehold improvements	597,004	-	47,034	537	643,501	401,389	12,698	-	496	413,591	229,910	195,615
Work in-progress	2,218,470	964,304	(809,336)	19,234	2,354,204	-	-	-	-	-	2,354,204	2,218,470
Subtotal capital assets	12,344,251	982,637	(24,996)	79,703	13,227,189	5,261,102	347,042	176	48,956	5,559,364	7,662,823	7,083,149
Leased tangible capital assets												
Building	5,341	-	-	159	5,182	723	213	-	17	919	4,263	4,618
Subtotal leased tangible capital assets	5,341	-	-	159	5,182	723	213	-	17	919	4,263	4,618
Total	\$ 12,349,592	\$ 982,637	\$ (24,996)	\$ 79,862	\$ 13,227,371	\$ 5,261,825	\$ 347,255	\$ 176	\$ 48,973	\$ 5,560,283	\$ 7,667,086	\$ 7,087,767

Differences may be due to rounding.

⁽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 \$809,335,756 that were transferred to other categories upon completion of the assets.

FISHERIES AND OCEANS CANADA
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For the Year Ended March 31

18. Departmental net financial position

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

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

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

Activity in the aforementioned accounts is as follows:

(in thousands of dollars)	2023	2022 Restated (note 3)
Restricted—Supplementary Fines		
Fisheries Act:		
Balance—Beginning of year	\$2,347	\$2,335
Revenues	19	62
Expenses	(12)	(50)
Balance—End of year	2,354	2,347
Species at Risk Act:		
Balance—Beginning of year	35	35
Revenues	-	-
Expenses	-	-
Balance—End of year	35	35
Total balance – End of year—Restricted	2,389	2,382
Unrestricted – End of year	6,410,434	5,737,809
Departmental net financial position—End of year	\$6,412,823	\$5,740,191

FISHERIES AND OCEANS CANADA
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19. Contractual obligations

The nature of the Department's activities can result in some large multi-year contracts and obligations whereby the Department 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)	2024	2025	2026	2027	2028 and subsequent	Total
Capital Assets	\$497,091	\$401,079	\$183,380	\$5,096	\$213	\$1,086,859
Purchases	34,876	15,280	15,280	-	-	65,436
Transfer payments	9,900	9,900	9,900	9,900	-	39,600
Total	\$541,867	\$426,259	\$208,560	\$14,996	\$213	\$1,191,895

20. 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)	2023	2022
Employer's contribution to the health and dental insurance plans	\$111,905	\$112,548
Accommodation	48,667	46,791
Legal services	4,601	4,492
Worker's compensation	658	661
Total	\$165,831	\$164,492

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20. 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)	2023	2022
Expenses	\$558,953	\$589,391
Revenues	155	195

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

21. Comparative information

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

FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

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22. Segmented information

Presentation by segment is based on the Department'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	2023	2022 Restated (note 3)
Transfer Payments							
First Nations and Inuit people	\$3,868	\$19,352	\$ —	\$12,019	\$—	\$35,239	\$331,149
Non-profit organizations	51,003	83,418	30	5,832	148	140,431	136,944
Other level of government within Canada	-	-	-	-	-	-	433
Individuals	180,295	8,196	-	-	-	188,491	117,924
Other countries and international organizations	717	175	-	-	-	892	1,654
Industry	27,704	-	-	-	-	27,704	30,237
Total transfer payments	263,587	111,141	30	17,851	148	392,757	618,341
Operating Expenses							
Salaries and employee benefits	409,168	222,904	176,767	452,358	282,011	1,543,208	1,501,185
Professional and special services	128,626	36,061	37,779	84,225	126,126	412,817	403,644
Amortization of tangible capital assets	70,223	4,793	19,576	163,280	89,383	347,255	296,041
Repair and maintenance	57,380	1,881	6,064	58,340	22,845	146,510	157,570
Utilities, material, supplies and fuel	35,368	12,808	59,937	45,783	12,649	166,545	100,602
Travel, relocation and freight	19,891	9,986	8,734	32,760	8,561	79,932	45,535
Machinery and equipment	12,467	11,922	13,954	19,068	16,201	73,612	82,951
Rental	12,442	7,759	5,961	20,763	13,927	60,852	52,617

FISHERIES AND OCEANS CANADA

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

22. Segmented information (continued)

(in thousands of dollars)	Fisheries	Aquatic Ecosystem	Marine Navigation	Marine Operations and Response	Internal Services	2023	2022 Restated (note 3)
Telecommunication	1,447	609	2,369	905	10,692	16,022	24,001
Information services	3,472	1,772	808	1,124	3,094	10,270	7,037
Payments in lieu of taxes paid to municipalities	-	-	-	-	11,982	11,982	11,229
Contingent liabilities	(13,787)	4	2	215	(26,780)	(40,346)	(288,615)
Environmental liabilities and asset retirement obligations	-	-	-	-	33,826	33,826	(2,143)
Other	2,935	(106)	2,711	15,567	44,390	65,497	14,426
Total operating expenses	739,632	310,393	334,662	894,388	648,907	2,927,982	2,406,080
Total expenses	\$1,003,219	\$421,534	\$334,692	\$912,239	\$649,055	\$3,320,739	\$3,024,421
Revenues							
Sales of goods and services	\$41,322	\$98	\$48,088	\$110	\$185	\$89,803	\$84,661
Other revenues	5,187	29	2,731	2,407	(2,296)	8,058	(835)
Revenues earned on behalf of Government	(46,509)	(127)	(5,106)	(2,517)	2,111	(52,148)	(42,248)
Total revenue	-	-	45,713	-	-	45,713	41,578
Net cost of operations before government funding and transfers	\$1,003,219	\$421,534	\$288,979	\$912,239	\$649,055	\$3,275,026	\$2,982,843

FISHERIES AND OCEANS CANADA

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

**FISCAL YEAR 2022–2023
(UNAUDITED)**

FISHERIES AND OCEANS CANADA

Annex to the Statement of Management Responsibility (Unaudited)

For the Year Ended March 31, 2023

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FISHERIES AND OCEANS CANADA

Annex to the Statement of Management Responsibility (Unaudited)

For the Year Ended March 31, 2023

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, as well as 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 Departmental Plans for the 2022-23 fiscal year ([2022-23 Departmental Plan](#)) and the Departmental Results Report for the 2021 to 2022 fiscal year ([2021-22 Departmental Results Report](#)).

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 overall system of internal control. A departmental internal control management framework, is in place and comprises:

- organizational accountability structures as they relate to internal control management to support sound financial management, including the roles and responsibilities of senior departmental managers for control management in their areas of responsibility;
- values and ethics;
- ongoing communication and training on the legislative and policy requirements for sound financial management and control; and,
- monitoring and regular updates on internal control management, as well as 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 is an independent advisory committee to the Deputy Minister. It is responsible to provide advice to the Deputy Minister on the adequacy and functioning of the Department's risk management, control and governance frameworks and processes.

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For the Year Ended March 31, 2023

2.2 Service Arrangements Relevant to Financial Statements

Fisheries and Oceans Canada relies on other departments for processing certain transactions that are recorded in its financial statements, as follows.

Common Service 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 center 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;

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Annex to the Statement of Management Responsibility (Unaudited)

For the Year Ended March 31, 2023

2.2 Service Arrangements Relevant to Financial Statements (continued)

Specific Arrangements (continued):

- 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 services fees via the Receiver General Buy Button (RBB);
- Public Services and Procurement Canada provides Fisheries and Oceans Canada with platform access to its human resources management system of record (MyGCHR); 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 for the 2022-23 Fiscal Year

The following table summarizes the status of the ongoing monitoring activities according to the previous fiscal year's rotational plan.

Progress During the 2022-23 Fiscal Year

Previous fiscal year's rotational ongoing monitoring plan for the current fiscal year	Status
Tangible Capital Assets	Review was completed. Remedial actions are progressing as planned and includes a high risk item pertaining to system access that could impact asset values.
Financial Close (including Contingent Liabilities)	Review was completed. Remedial actions are progressing as planned, there are no high risk items.
Marine Services Fees Revenues	Review was completed. Remedial actions are progressing as planned and includes a high risk item pertaining to system access and segregation of duties of one role in accounts receivable.

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For the Year Ended March 31, 2023

Fisheries Licensing Revenues	Review was completed. Remedial actions are progressing as planned, there are no high risks items.
Operating Expenditures	Review was completed. Remedial actions are progressing as planned, there are no high risks items.
Inventory	Review was completed. Remedial actions are progressing as planned and includes high risk items pertaining to the documentation of procedures, periodic inventory cycle counts, the consistent use of and access to the departmental inventory management system.
Delegation of Authority	Review was completed. Remedial actions are progressing as planned, there are no high risk items.
Grants and Contributions	Review was completed. Remedial actions are progressing as planned, there are no high risk items.
IT General Controls	Review was completed. Remedial actions are progressing as planned and includes high risk items pertaining to system access and segregation of duties.
Pay Administration	Review was completed. Remedial actions are progressing as planned, there are no high risk items.
Planning and Budgeting	Review was completed. Remedial actions are progressing as planned, there are no high risk items.
Forecasting	Review was completed. Remedial actions are progressing as planned, there are no high risk items.
Costing	Review was completed. Remedial actions are progressing as planned, there are no high risk items.
Investment Planning	Review was completed. Remedial actions are progressing as planned, there are no high risk items.
CFO Attestation	Review was completed. No remediation items were identified.

FISHERIES AND OCEANS CANADA

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For the Year Ended March 31, 2023

3. Departmental Assessment Results for the 2022-23 Fiscal Year (continued)

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 fiscal year, the Department continued to perform design and operating effectiveness testing related to business process changes brought on by the SAP S/4HANA financial system implementation in accordance with the rotational ongoing monitoring plan. In addition, the Department documented its new key internal controls over financial reporting related to Asset Retirement Obligations and Service Fee remissions. Testing for these new key controls will be performed in accordance with the rotational on-going monitoring plan. Lastly, key controls within the Pay Administration business process were updated to reflect the implementation of MyGCHR and tested in accordance with the rotational ongoing monitoring plan.

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; financial close including contingent liabilities; marine services fees revenues; fisheries licensing fees revenues; operating expenditures; inventory; delegation of authority; grants and contributions; IT general controls; pay administration; CFO attestation; investment planning; costing; planning and budgeting, 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 completed a departmental and regional risk assessment in fiscal year 2022-23 using an environmental scan and by conducting interviews with senior management in various regions. The results of the risk assessments were used to update the Department's risk-based ongoing monitoring plan for the next three fiscal years (Refer to section 4).

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Annex to the Statement of Management Responsibility (Unaudited)

For the Year Ended March 31, 2023

4. Departmental 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		
	2023-2024	2024-2025	2025-2026
Entity Level Controls	Yes	No	No
Tangible Capital Assets	Yes	Yes	Yes
Inventory	Yes	Yes	Yes
Financial Close (incl. Contingent Liabilities)	Yes	No	Yes
Revenues			
• Marine Services Fees	Yes	No	Yes
• Fisheries Licensing	No	Yes	No
Planning and Budgeting	No	Yes	No
Forecasting	No	Yes	No
CFO Attestation	No	Yes	Yes
Operating Expenditures	No	Yes	No
Environmental Liabilities	Yes	No	No
Pay	Yes	Yes	Yes
Grants and Contributions	Yes	No	Yes
Delegation of Authority	Yes	Yes	Yes
Information Technology General Controls	Yes	Yes	Yes
Costing	No	Yes	Yes
Investment Planning	No	Yes	No