



Environment
Canada

Environnement
Canada



DEPARTMENTAL FINANCIAL STATEMENTS 2011-2012

Preface to the Departmental Financial Statements of Environment Canada

The fundamental purpose of the departmental financial statements is to provide information to Parliament, and Canadians, to facilitate an understanding and evaluation of the full nature and extent of the financial affairs and resources for which Environment Canada is responsible.

Environment Canada's unaudited financial statements are a key public financial report, and are published yearly in the fall as part of the *Departmental Performance Report*. They are produced on a basis consistent with the department's annual *Public Accounts* submissions, which are consolidated with the *Government of Canada Public Accounts*.

Public Accounts

Volume I of the *Government of Canada Public Accounts* presents the financial statements of the government, which represent a consolidation of all federal departments and agencies financial statements. The Government of Canada financial statements are presented on an accrual basis of accounting which are based on Canadian public sector accounting standards.

Volume II of the *Public Accounts* is designed to reflect the form and content of Part II of the Main Estimates, which displays the source and disposition of *Parliamentary Appropriation* and spending authorities provided to departments and agencies, and is presented on a modified cash basis of accounting. Under the modified cash basis of accounting, certain specific payables and receivables are accrued while items such as inventories, prepaid expenses, and capital assets are recorded as expenditures when used during the year.

Departmental Financial Statements

Treasury Board policy requires departmental financial statements to be included and published as part of their *Departmental Performance Reports*. The Office of the Comptroller General of Canada determines the presentation and format of the financial statements to ensure consistency across departments of the Government of Canada. Environment Canada's financial statements are presented on an accrual basis of accounting and prepared in accordance with Treasury Board policies (i.e. Treasury Board Accounting Standard or TBAS 1.2) which are based on Canadian public sector accounting standards. The departmental financial statements are derived from the Department's Volumes I and II *Public Accounts* submission, and the reconciliation between Parliamentary Appropriations Used (*modified cash basis*) and the Net Cost of Operations (*accrual basis*) is set out in Note 3 to the financial statements.

Resulting from the revision of TBAS 1.2, the presentation and format have significantly changed since last year. Environment Canada is now including an indicator of net debt on the Statement of Financial Position and presenting a new Statement of Change in Departmental Net Debt. The Statement of Equity of Canada no longer exists and the information formerly presented in this statement is now integrated with the Statement of Operations and Departmental Net Financial Position.

Departmental Performance Report

Departmental Performance Reports are individual department and agency accounts of results achieved against planned performance expectations as set out in respective *Reports on Plans and Priorities*. The *Departmental Performance Reports*, which cover the most recently completed fiscal year, are tabled in Parliament in the fall by the President of the Treasury Board on behalf of ministers who preside over appropriation dependent departments and agencies identified in Schedules I, I.1 and II of the *Financial Administration Act*.

Performance and financial information disclosed in the *Departmental Performance Report*, other than the departmental financial statements, are presented on a modified cash basis as performance results are disclosed based upon the use of *Parliamentary Appropriations*.

Financial information submitted to the *Public Accounts of Canada* and included in the department's *Departmental Performance Report* is consistent with these financial statements.



Statement of Management Responsibility Including Internal Control Over Financial Reporting 2011-2012

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2012, and all information contained in these statements rests with the management of Environment Canada. These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of Environment Canada's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in Environment Canada's *Departmental Performance 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 Environment Canada 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 ICFR for the year ended March 31, 2012 was completed in accordance with the Treasury Board *Policy on Internal Control* and the results and action plans are summarized in the annex.

The effectiveness and adequacy of Environment Canada's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Environment Canada's operations, and by the External Audit Advisory Committee, which reviews and provides guidance to the Deputy Minister for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Minister of Environment Canada.

The financial statements of Environment Canada have not been audited.

Bob Hamilton

Deputy Minister

Date: 29/8/12

Carol Najm

Chief Financial Officer

Date: ^{AUG} 9 2012

Statement of Financial Position (Unaudited)

ENVIRONMENT CANADA

As at March 31

(in thousands of dollars)

| | 2012 | 2011 |
|--|-----------------|-----------------------|
| | | Restated (Note 15) |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 4) | \$161,492 | \$185,644 |
| Vacation pay and compensatory leave | 29,555 | 29,789 |
| Deferred revenue (Note 5) | 6,387 | 5,822 |
| Lease obligation for tangible capital assets (Note 6) | 12,937 | 19,923 |
| Employee future benefits (Note 7) | 98,067 | 114,431 |
| Environmental liabilities (Note 8) | 107,568 | 99,886 |
| Other liabilities | 33,985 | 2,513 |
| Total net liabilities | 449,991 | 458,008 |
| Financial assets | | |
| Due from Consolidated Revenue Fund (Note 2c) | 141,187 | 180,975 |
| Accounts receivable and advances (Note 9) | 15,856 | 30,247 |
| Total gross financial assets | 157,043 | 211,222 |
| Financial assets held on behalf of Government | | |
| Accounts receivable and advances (Note 9) | (590) | (264) |
| Total financial assets held on behalf of Government | (590) | (264) |
| Total net financial assets | 156,453 | 210,958 |
| DEPARTMENTAL NET DEBT | 293,538 | 247,050 |
| Non-financial assets | | |
| Prepaid expenses | 1,555 | 1,513 |
| Inventory | 4,298 | 4,294 |
| Tangible capital assets (Note 10) | 381,332 | 389,180 |
| Total non-financial assets | 387,185 | 394,987 |
| DEPARTMENTAL NET FINANCIAL POSITION | \$93,647 | \$147,937 |

Contingent liabilities (Note 8)

Contractual obligations (Note 11)

The accompanying notes are an integral part of the financial statements

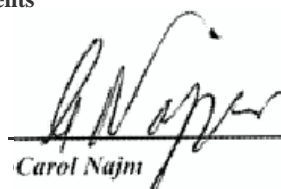


Bob Hamilton
Deputy Minister

Gatineau, Canada

Date:

29/8/12



Carol Najm
Chief Financial Officer

Gatineau, Canada

Date:

AUG 29 2012

Statement of Operations and Departmental Net Financial Position (Unaudited)

ENVIRONMENT CANADA

For the year ended March 31

(in thousands of dollars)

| | Planned results ¹ | | |
|--|---------------------------------|------------------|----------------------------|
| | 2012 | 2012 | 2011 |
| Expenses | | | Restated (Note 13 & 15) |
| Weather and Environmental Services for Targeted Users | \$71,488 | \$67,351 | \$63,165 |
| Biodiversity - Wildlife and Habitat | 139,985 | 146,280 | 136,201 |
| Weather and Environmental Services for Canadians | 184,119 | 178,544 | 179,679 |
| Substances and Waste Management | 70,569 | 139,048 | 128,599 |
| Climate Change and Clean Air | 112,572 | 128,588 | 165,961 |
| Water Resources | 133,616 | 131,348 | 137,588 |
| Compliance Promotion and Enforcement - Pollution | 45,616 | 48,019 | 44,129 |
| Compliance Promotion and Enforcement - Wildlife | 20,998 | 20,326 | 18,984 |
| Sustainable Ecosystems | 81,802 | 68,989 | 68,586 |
| Mackenzie Gas Project | - | - | 1,966 |
| Internal Services | 221,632 | 210,913 | 228,350 |
| Total expenses | 1,082,397 | 1,139,406 | 1,173,208 |
| Revenues | | | |
| Sales of goods and services | 64,301 | 62,182 | 70,170 |
| Other revenues | 11,637 | 11,253 | 7,254 |
| Revenues earned on behalf of Government (Note 2d) | (11,154) | (13,485) | (14,150) |
| Total revenues | 64,784 | 59,950 | 63,274 |
| Net cost from continuing operations | 1,017,613 | 1,079,456 | 1,109,934 |
| Transferred operations (Note 13) | | | |
| Expenses | - | 31,487 | 58,468 |
| Revenues | - | 1,270 | 2,141 |
| Net cost of transferred operations | - | 30,217 | 56,327 |
| Net cost of operations before government funding and transfers | 1,017,613 | 1,109,673 | 1,166,261 |
| Government funding and transfers | | | |
| Net cash provided by Government | | 1,000,816 | 1,124,329 |
| Change in due from Consolidated Revenue Fund | | (39,788) | (40,558) |
| Services provided without charge by other government departments (Note 12) | | 99,689 | 98,841 |
| Transfer of assets and liabilities to other government departments (Note 13) | | (5,334) | - |
| Net cost (revenue) of operations after government funding and transfers | | 54,290 | (16,351) |
| Departmental net financial position - Beginning of year | | 147,937 | 131,586 |
| Departmental net financial position - End of year | | \$93,647 | \$147,937 |

Segmented information (Note 14)

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

1. The planned results amounts in the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-Oriented Financial Statements included in the 2011-12 Report on Plans and Priorities.

Statement of Change in Departmental Net Debt (Unaudited)

ENVIRONMENT CANADA

For the year ended March 31

(in thousands of dollars)

| | <u>2012</u> | <u>2011</u> |
|--|------------------|-------------|
| Net cost (revenue) of operations after government funding and transfers | \$54,290 | (\$16,351) |
| Change due to tangible capital assets | | |
| Acquisition of tangible capital assets (Note 10) | 46,906 | 53,030 |
| Amortization of tangible capital assets (Note 10) | (36,932) | (46,016) |
| Proceeds from disposal of tangible capital assets | (747) | (1,237) |
| Net loss on disposal of tangible capital assets including adjustments | (6,686) | (718) |
| Transfer to other government departments (Note 13) | (10,389) | - |
| Total change due to tangible capital assets | (7,848) | 5,059 |
| Change due to inventories | 4 | (1,100) |
| Change due to prepaid expenses | 42 | 111 |
| Net increase (decrease) in departmental net debt | 46,488 | (12,281) |
| Departmental net debt - Beginning of year | 247,050 | 259,331 |
| Departmental net debt - End of year | \$293,538 | \$247,050 |

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

Statement of Cash Flows (Unaudited)

ENVIRONMENT CANADA

For the year ended March 31

(in thousands of dollars)

| | 2012 | 2011 |
|--|--------------------|-----------------------|
| | | Restated (Note 15) |
| OPERATING ACTIVITIES | | |
| Net cost of operations before government funding and transfers | \$1,109,673 | \$1,166,261 |
| Non-cash items: | | |
| Services provided without charge by other government departments (Note 12) | (99,689) | (98,841) |
| Amortization of tangible capital assets (Note 10) | (36,932) | (46,016) |
| Loss on disposal of tangible capital assets | (5,933) | (3,843) |
| Variations in Statement of Financial Position: | | |
| Decrease (increase) in accounts receivable and advances | (14,717) | 17,208 |
| Increase in prepaid expenses | 42 | 111 |
| Increase (decrease) in inventory | 4 | (1,100) |
| Decrease in accounts payable and accrued liabilities | 24,152 | 41,452 |
| Decrease (increase) in vacation pay and compensatory leave | 234 | (277) |
| Increase in deferred revenue | (565) | (672) |
| Decrease (increase) in employee future benefits | 16,364 | (480) |
| Increase in environmental liabilities | (7,682) | (11,091) |
| Increase in other liabilities | (31,472) | (364) |
| Transfer of liabilities to Other Government Department (Note 13) | (5,055) | - |
| Cash used in operating activities | 948,424 | 1,062,348 |
| CAPITAL INVESTING ACTIVITIES | | |
| Acquisition of tangible capital assets (Note 10) | 46,906 | 53,030 |
| Proceeds from disposal of tangible capital assets | (747) | (1,237) |
| Adjustments to tangible capital assets | (753) | 3,125 |
| Cash used in capital investing activities | 45,406 | 54,918 |
| FINANCING ACTIVITIES | | |
| Lease payments for tangible capital assets | 6,986 | 7,063 |
| Cash used in financing activities | 6,986 | 7,063 |
| NET CASH PROVIDED BY GOVERNMENT OF CANADA | \$1,000,816 | \$1,124,329 |

The accompanying notes are an integral part of the financial statements

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

1. Authority and objectives

Environment Canada was established under legislation by Environment Canada of the Environment Act. Under this Act, the powers, duties and functions of the Minister of the Environment extend to and include matters relating to:

- ✓ The preservation and enhancement of the quality of the natural environment (including water, air and soil quality);
- ✓ Renewable resources, including migratory birds and other non-domestic flora and fauna;
- ✓ Water;
- ✓ Meteorology;
- ✓ Enforcement of any rules or regulations made by the International Joint Commission relating to boundary waters; and
- ✓ Coordination of the policies and programs of the Government of Canada respecting the preservation and enhancement of the quality of the natural environment.

Environment Canada delivers its mandate through the following programs:

- ✓ Weather and Environmental Services for Canadians
- ✓ Biodiversity - Wildlife and Habitat
- ✓ Substances and Waste Management
- ✓ Weather and Environmental Services for Targeted Users
- ✓ Climate Change and Clean Air
- ✓ Water Resources
- ✓ Compliance Promotion and Enforcement - Pollution
- ✓ Compliance Promotion and Enforcement - Wildlife
- ✓ Sustainable Ecosystems
- ✓ Internal Services

In addition, Environment Canada has authority under numerous pieces of legislation which affect how Environment Canada operates. The most significant Acts are as follows:

- ✓ *Antarctic Environmental Protection Act*
- ✓ *Canada Water Act*
- ✓ *Canada Wildlife Act*
- ✓ *Canadian Environmental Assessment Act*
- ✓ *Canadian Environmental Protection Act, 1999*
- ✓ *Department of the Environment Act*
- ✓ *Environmental Enforcement Act*
- ✓ *Fisheries Act (Sections 36-42)*
- ✓ *International River Improvements Act*
- ✓ *Migratory Birds Convention Act, 1994*
- ✓ *Species at Risk Act*
- ✓ *Weather Modification Information Act*
- ✓ *Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act*
- ✓ *Kyoto Protocol Implementation Act (2007, c. 30)*
- ✓ *Federal Sustainable Development Act (2008, c. 33)*

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

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

Environment Canada is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to Environment Canada do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-Oriented Financial Statements included in the 2011-12 Report on Plans and Priorities.

(b) Net Cash Provided by Government

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

Amounts due from or to the CRF are the result of timing differences 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 Environment Canada is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues

- ✓ Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- ✓ Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the related expenses are incurred.
- ✓ Funds that have been received are recorded as deferred revenue, provided the Department has an obligation to other parties for the provision of goods, services or the use of assets in the future.
- ✓ Other revenues are accounted for in the period in which the underlying transaction or event that takes place and gave rise to the revenue.
- ✓ Revenues that are non-respendable are not available to discharge Environment Canada's liabilities. While the Deputy Head 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 in reduction of the entity's gross revenues.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

2. Summary of significant accounting policies (continued)

(e) Expenses

Expenses are recorded on the accrual basis:

- ✓ Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.
- ✓ Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- ✓ Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

- ✓ Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. Environment Canada's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Environment 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.
- ✓ Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivables

Accounts receivable are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for accounts and loans receivable where recovery is considered uncertain.

(h) Contingent liabilities

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

(i) Environmental liabilities

Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, a liability is accrued and an expense recorded when the contamination occurs or when Environment Canada becomes aware of the contamination and is obligated, or is likely to be obligated to incur such costs. If the likelihood of Environment Canada's obligation to incur these costs is not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

(j) Inventory

Inventory consists of parts, material and supplies held for future program delivery. Inventory is valued at cost using the average cost method. If there is no longer any service potential, inventory is valued at the lower of cost or net realizable value.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

2. Summary of significant accounting policies (continued)

(k) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Environment Canada does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

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

| Asset class | Amortization Period |
|--------------------------------|--|
| Buildings | 25 to 40 years |
| Works and Infrastructure | 20 to 40 years |
| Machinery and Equipment | 2 to 30 years |
| Vehicles | 3 to 25 years |
| Leasehold Improvements | Lesser of the remaining term of lease or useful life of the improvement |
| Leased tangible capital assets | Over term of lease/useful life |
| Betterments | Lesser of betterment useful life or useful life of related asset (if not fully amortized) |

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

The amortization periods have been revised this year to be in line with our current business processes. This change has no impact on previous years amortization.

(l) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, environmental liabilities, the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

3. Parliamentary authorities

Environment 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, Environment 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:

| | 2012 | 2011 |
|---|--------------------|-----------------------|
| | | Restated (Note 15) |
| (in thousands of dollars) | | |
| Net cost of operations before government funding and transfers | \$1,109,673 | \$1,166,261 |
| Adjustments for items affecting net cost of operations but not affecting authorities: | | |
| Services provided without charge by other government departments (Note 12) | (99,689) | (98,841) |
| Amortization of tangible capital assets (Note 10) | (36,932) | (46,016) |
| Expenses not being charged to Appropriations ¹ | 17,995 | 21,700 |
| Expenses related to environmental liabilities | (7,681) | (11,091) |
| Loss on disposal of capital assets | (5,933) | (3,843) |
| Expenses related to cost sharing project deposits | (2,185) | (2,579) |
| Adjustments for prior years Payables At Year End | 3,822 | 1,585 |
| Refund of previous year's expenditures | 1,279 | 1,394 |
| Increase (decrease) in inventory | 4 | (1,100) |
| Expenses related to the Environmental Damage Fund | (442) | (671) |
| Expenses related to employee future benefits | 12,597 | (480) |
| Decrease (increase) in vacation pay and compensatory leave | 234 | (277) |
| Expenses for claims pending litigation | (32,976) | (24) |
| Other | (3,362) | 2,780 |
| | (153,269) | (137,463) |
| Adjustments for items not affecting net cost of operations but affecting authorities: | | |
| Acquisition of tangible capital assets (Note 10) | 46,906 | 53,030 |
| Capital lease payments | 5,166 | 7,063 |
| | 52,072 | 60,093 |
| Current year authorities used | \$1,008,476 | \$1,088,891 |

1. This amount represents monies that are kept in trust by Environment Canada for Nature Conservancy of Canada and the obligation for termination benefits for an estimated amount of \$15,700,000 that has been recorded at March 31, 2012 to reflect the estimated workforce adjustment costs.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

3. Parliamentary authorities (continued)

(b) Authorities provided and used:

(in thousands of dollars)

| | 2012 | 2011 |
|--|--------------------|--------------------|
| Authorities Provided | | |
| Vote 1 - Operating expenditures | \$821,643 | \$831,970 |
| Vote 5 - Capital expenditures | 56,550 | 57,176 |
| Vote 10 - Grants & Contributions | 93,928 | 162,250 |
| Statutory amounts | 126,849 | 120,292 |
| | 1,098,970 | 1,171,688 |
| Less: | | |
| Authorities available for future years | (639) | (1,373) |
| Lapsed authorities | (89,855) | (81,424) |
| | (90,494) | (82,797) |
| Current year authorities used | \$1,008,476 | \$1,088,891 |

4. Accounts payable and accrued liabilities

The following table presents details of Environment Canada's accounts payable and accrued liabilities:

(in thousands of dollars)

| | 2012 | 2011 |
|--|------------------|------------------|
| Accounts payable - Other government departments and agencies | \$16,713 | \$16,496 |
| Accounts payable - External parties | 72,554 | 79,280 |
| | 89,267 | 95,776 |
| Accrued liabilities | 72,225 | 89,868 |
| Total accounts payable and accrued liabilities | \$161,492 | \$185,644 |

In *Canada's Economic Action Plan 2012*, the Government announced savings measures to be implemented by departments over the next three fiscal years starting in 2012-2013. As a result, the Department has recorded at March 31, 2012 an obligation for termination benefits for an estimated amount of \$15,700,000 as part of accrued liabilities to reflect the estimated workforce adjustment costs. The actual cost may be different from the estimate.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

5. Deferred revenue

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

| (in thousands of dollars) | <u>2012</u> | 2011 |
|-------------------------------|-----------------------|-----------------------|
| Opening balance | \$5,822 | \$5,150 |
| Donations | 1 | 1 |
| Cost sharing project deposits | 2,319 | 2,824 |
| Permits | 541 | - |
| Revenue recognized | (2,296) | (2,153) |
| Closing balance | <u><u>\$6,387</u></u> | <u><u>\$5,822</u></u> |

6. Lease obligation for tangible capital assets

Environment Canada has entered into agreements to lease certain equipment under capital leases with a cost of \$18,198,560 and accumulated amortization of \$7,278,920 as at March 31, 2012 (\$18,198,560 of cost and \$6,550,945 in accumulated amortization respectively as at March 31, 2011) as reflected in note 10. The obligations related to the upcoming years include Carleton University for which, on October 13, 2000, Environment Canada entered into an agreement to rent office laboratory space for the National Wildlife Research Centre (NWRC), at an annual cost of \$1.3 million under a capital lease which expires in 2028.

| (in thousands of dollars) | <u>2012</u> | 2011 ¹ |
|---|------------------------|------------------------|
| Maturing year | | |
| 2012 | | \$8,051 |
| 2013 | \$1,300 | 1,300 |
| 2014 | 1,300 | 1,300 |
| 2015 | 1,300 | 1,300 |
| 2016 | 1,300 | 1,300 |
| 2017 and thereafter | 14,300 | 14,300 |
| Total future minimum lease payments | <u>19,500</u> | 27,551 |
| Less: imputed interest (5.63%) | <u>6,563</u> | 7,628 |
| Balance of obligation under leased tangible capital assets | <u><u>\$12,937</u></u> | <u><u>\$19,923</u></u> |

1. As a result of new information, comparative information has been revised for 2011 in order to present adjusted imputed interest and future payment on capital lease.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

7. Employee future benefits

(a) Pension benefits

Environment Canada's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. 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 Plans benefits and they are indexed to inflation.

Both the employees and Environment Canada contribute to the cost of the Plan. The 2011-2012 expense amounts to \$65,303,601 (\$67,606,370 in 2010-2011) which represents approximately 1.8 times (1.9 times in 2010-2011) the contributions by employees.

Environment 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.

(b) Severance benefits

Environment Canada provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, measured as at March 31, is as follows:

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation. This explains the expense being negative for the current year.

(in thousands of dollars)

| | 2012 | 2011 |
|---|------------------|-----------|
| Accrued benefit obligation, beginning of year | \$114,431 | \$113,951 |
| Transferred to other government department, effective November 15, 2011 (Note 13) | (4,224) | - |
| | 110,207 | 113,951 |
| Expense for the year | (3,423) | 9,910 |
| Benefits paid during the year | (8,717) | (9,430) |
| Accrued benefit obligation, end of year | \$98,067 | \$114,431 |

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

8. Environmental and contingent liabilities

Environmental and Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into two categories as follows:

(a) Contaminated sites

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where Environment Canada is obligated or likely to be obligated to incur such costs. Environment Canada has identified approximately 18 projects (18 in 2010-2011) where such action is possible and for which a liability of \$107,567,920 (\$99,886,464 in 2010-2011) has been recorded in accrued liabilities.

Environment Canada has estimated additional clean-up costs of \$28,477,893 (\$28,278,745 in 2010-2011) that are not accrued, as these are not considered likely to be incurred at this time. Environment Canada's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued by Environment Canada in the year in which they become likely and are reasonably estimable.

(b) Claims and litigation

Claims have been made against Environment 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. Environment Canada has recorded an allowance for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$11,550,000 (\$11,550,000 in 2010-11) at March 31, 2012.

9. Accounts receivable and advances

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

(in thousands of dollars)

| | 2012 | 2011 |
|--|-----------------|-----------------------|
| | | Restated (Note 15) |
| Receivables - Other government departments and agencies | \$5,036 | \$18,618 |
| Receivables - External parties | 11,178 | 11,917 |
| Employee advances | 96 | 141 |
| Subtotal | 16,310 | 30,676 |
| Allowance for doubtful accounts on receivables from external parties | (454) | (429) |
| Gross accounts receivable | 15,856 | 30,247 |
| Accounts receivable held on behalf of Government | (590) | (264) |
| Net accounts receivable | \$15,266 | \$29,983 |

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

10. Tangible capital assets

| Cost (in thousands of dollars) | 2011 | Acquisitions | Adjustments ³ | Disposals and Write-offs | 2012 |
|--|------------------|-----------------|--------------------------|-----------------------------|------------------|
| Land | \$25,244 | - | - | - | \$25,244 |
| Buildings | 153,527 | 108 | 22,664 | \$1,278 | 175,021 |
| Works and infrastructure | 4,743 | 91 | 1,111 | - | 5,945 |
| Machinery and equipment | 474,642 | 25,805 | (24,529) | \$7,771 | 468,147 |
| Vehicles ² | 40,020 | 2,784 | 435 | \$2,499 | 40,740 |
| Leasehold improvements | 35,324 | - | - | - | 35,324 |
| Assets under construction ¹ | 154,873 | 18,118 | (28,584) | \$4,475 | 139,932 |
| Capital lease (Note 8) | 34,858 | - | (16,659) | - | 18,199 |
| | \$923,231 | \$46,906 | (\$45,562) | \$16,023 | \$908,552 |

| Accumulated amortization (in thousands of dollars) | 2011 | Amortization | Adjustments ³ | Disposals and Write-offs | 2012 |
|--|------------------|-----------------|--------------------------|-----------------------------|------------------|
| Buildings | \$98,256 | \$7,772 | 2,840 | 130 | \$108,738 |
| Works and infrastructure | 2,147 | 228 | - | - | 2,375 |
| Machinery and equipment | 363,977 | 20,280 | (22,678) | 6,727 | 354,852 |
| Vehicles ² | 26,196 | 3,993 | 134 | 2,486 | 27,837 |
| Leasehold improvements | 24,707 | 1,432 | - | - | 26,139 |
| Capital lease | 18,768 | 3,227 | (14,716) | - | 7,279 |
| | \$534,051 | \$36,932 | (\$34,420) | \$9,343 | \$527,220 |

| Net book value (in thousands of dollars) | 2011 | 2012 |
|---|------------------|------------------|
| Land | \$25,244 | \$25,244 |
| Buildings | 55,271 | 66,283 |
| Works and infrastructure | 2,596 | 3,570 |
| Machinery and equipment | 110,665 | 113,295 |
| Vehicles ² | 13,824 | 12,903 |
| Leasehold improvements | 10,617 | 9,185 |
| Assets under construction ¹ | 154,873 | 139,932 |
| Capital lease | 16,090 | 10,920 |
| Net Book Value | \$389,180 | \$381,332 |

1. Assets under construction include: buildings, engineering works, software and other construction.

2. Vehicles include: road motor vehicles, off road vehicles, aircraft, mobile laboratories, ships and boats.

3. Adjustments include assets under construction of \$29,266,400 that have been placed in service. Assets that are still under construction are not treated as depreciable assets as they are not yet available for use.

Effective November 15, 2011, Environment Canada transferred tangible capital assets with a net book value of \$10,389,242 to Shared Services Canada. This transfer is included in the adjustment columns (refer to note 13 for further detail on the transfer).

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

11. Contractual obligations

The nature of Environment Canada's activities can result in large multi-year contracts and obligations that have yet to be recorded as liabilities in the Accounts of Canada but for which Environment Canada is obligated to make future payments in order to meet its legal contractual requirements. Significant contractual obligations that can be reasonably estimated are summarized as follows:

| (in thousands of dollars) | Operating leases | Capital leases | Transfer payments | Other | Total |
|---------------------------|-----------------------------|---------------------------|------------------------------|-----------------|------------------|
| 2013 | \$8,691 | \$1,300 | \$79,611 | \$21,270 | \$110,872 |
| 2014 | 7,915 | 1,300 | 31,166 | 3,981 | \$44,362 |
| 2015 | 7,915 | 1,300 | 2,112 | 2,925 | \$14,252 |
| 2016 | 7,915 | 1,300 | 1,472 | 2,705 | \$13,392 |
| 2017 and thereafter | 206,094 | 14,300 | - | 21,313 | \$241,707 |
| Total | \$238,530 | \$19,500 | \$114,361 | \$52,194 | \$424,585 |

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

12. Related party transactions

Environment Canada is related as a result of common ownership to all Government departments, agencies, and Crown corporations. Environment Canada enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, Environment Canada received common services which were obtained without charge from other Government departments as disclosed below.

(a) Common services provided without charge by other government departments :

During the year, Environment 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 in Environment Canada's Statement of Operations and Departmental Net Financial Position as follows:

| (in thousands of dollars) | 2012 | 2011 |
|--|-----------------|-----------------|
| Employer's contribution to the health and dental insurance plans | \$46,666 | \$46,097 |
| Accommodation | 48,455 | 47,935 |
| Legal services | 3,160 | 3,545 |
| Workers' compensation | 1,408 | 1,264 |
| Total | \$99,689 | \$98,841 |

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 Works and Government Services Canada and audit services provided by the Office of the Auditor General are not included in Environment Canada's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with related parties :

| (in thousands of dollars) | 2012 | 2011 |
|--|-----------|-----------|
| Expenses - Other Government departments and agencies | \$172,170 | \$186,578 |
| Revenues - Other Government departments and agencies | \$22,835 | \$25,124 |

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

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

13. Transfers to other government departments

Effective November 15, 2011, Environment Canada transferred responsibility for some IM/IT and related internal services to the Shared Services Canada (SSC) in accordance with Order-in-Council 2011-1297, including the stewardship responsibility for the assets and liabilities related to the program. Accordingly, Environment Canada transferred the following assets and liabilities related to some IM/IT and related internal services to Shared Services Canada on November 15, 2011:

(in thousands of dollars)

Assets:

| | |
|--|---------------|
| Tangible capital assets (net book value) (Note 10) | \$10,389 |
| Total assets transferred | 10,389 |

Liabilities:

| | |
|--------------------------------------|--------------|
| Vacation pay and compensatory leave | 831 |
| Employee future benefits (Note 7) | 4,224 |
| Total liabilities transferred | 5,055 |

| | |
|--|----------------|
| Adjustment to Environment Canada net financial position | \$5,334 |
|--|----------------|

In addition, the 2011 and 2012 comparative figures have been reclassified on the Statement of Operations and Departmental Net Financial Position to present the revenues and expenses of the transferred operations. In 2011, the revenues and expenses of transferred operations have been estimated to \$2,141,095 and to \$58,467,758 respectively. For fiscal year 2012 before the Order-in-Council has taken effect, these costs have been estimated to \$1,269,862 and to \$31,486,778.

During the transition period, November 15, 2011 to March 31, 2012, Environment Canada continued to administer the transferred activities on behalf of Shared Services Canada. The administered revenues and expenses amounted to \$761,043 and to \$23,653,980 respectively. These revenues and expenses are not recorded in these financial statements.

The planned results presented in these financial statements don't reflect the transfer to Shared Services Canada since the financial information was not available during the preparation of Future Oriented Financial Statements.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

14. Segmented information

Presentation by segment is based on Environment Canada's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the main program activities, by major object of expense and by major type of revenue. The segment results for the period are as follows:

| (in thousands of dollars) | WESTU ¹ | BWH ² | WESC ³ | SWM ⁴ | CCCA ⁵ |
|---|--------------------|------------------|-------------------|------------------|-------------------|
| Operations and administration | | | | | |
| Salaries and employee benefits | \$49,264 | \$55,145 | \$111,623 | \$67,726 | \$74,759 |
| Professional and special services | 2,811 | 10,386 | 13,559 | 11,702 | 10,997 |
| Accommodation | 3,656 | 4,029 | 9,246 | 4,821 | 6,144 |
| Other contracted services | 2,828 | 3,304 | 3,355 | 1,477 | 2,378 |
| Travel | 2,712 | 4,114 | 5,782 | 2,310 | 3,312 |
| Machinery & equipment | 1,207 | 1,227 | 4,784 | 878 | 3,431 |
| Amortization | (347) | 707 | 6,384 | 2,231 | 7,099 |
| Rentals | 722 | 2,339 | 2,267 | 325 | 607 |
| Materials and supplies | 1,801 | 2,072 | 9,858 | 1,723 | 2,661 |
| Telecommunications | 861 | 686 | 2,651 | 574 | 619 |
| Equipment repair and maintenance | 354 | 1,593 | 5,821 | 563 | 3,175 |
| Postage | 168 | 392 | 1,627 | 102 | 266 |
| Information services – communications | 17 | 385 | 369 | 353 | 177 |
| Environmental liabilities | - | - | - | 40,681 | - |
| Loss (gain) on disposal of capital assets | (74) | 59 | 1,296 | 450 | 1,339 |
| Earmarked fees and levies | - | 2 | - | - | - |
| Other | 1,371 | (1,723) | (4,573) | 673 | (2,013) |
| Total Operations and administration | 67,351 | 84,717 | 174,049 | 136,589 | 114,951 |
| Transfer payments | | | | | |
| Non-profit organizations | - | 58,783 | 1,507 | 1,602 | 5,815 |
| Other countries and international organizations | - | 887 | 2,947 | 857 | 7,820 |
| Other levels of governments within Canada | - | 1,826 | - | - | - |
| Other to individuals | - | - | 41 | - | 2 |
| Industry | - | 67 | - | - | - |
| Total transfer payments | - | 61,563 | 4,495 | 2,459 | 13,637 |
| Total Expenses | 67,351 | 146,280 | 178,544 | 139,048 | 128,588 |
| Revenues | | | | | |
| Sales of goods and services | 35,377 | 3,997 | 2,549 | 2,195 | 962 |
| Other revenues | 2,452 | 745 | 1,939 | 199 | 604 |
| Revenues earned on behalf of Government | (3,345) | (3,413) | (1,566) | (242) | (576) |
| Total Revenues | 34,484 | 1,329 | 2,922 | 2,152 | 990 |
| Net cost from continuing operations | \$32,867 | \$144,951 | \$175,622 | \$136,896 | \$127,598 |

¹(WESTU) Weather and Environmental Services for Targeted Users

²(BWH) Biodiversity - Wildlife and Habitat

³(WESC) Weather and Environmental Services for Canadians

⁴(SWM) Substances and Waste Management

⁵(CCCA) Climate Change and Clean Air

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

14. Segmented information (continued)

| WR ⁶ | CPE-P ⁷ | CPE-W ⁸ | SE ⁹ | IS ¹⁰ | 2012 | 2011 |
|-----------------|--------------------|--------------------|-----------------|------------------|--------------------|----------------------------|
| | | | | | | Restated (Note 13 & 15) |
| \$75,370 | \$36,444 | \$14,037 | \$33,153 | \$158,675 | \$676,196 | \$684,614 |
| 9,862 | 2,364 | 881 | 4,658 | 23,112 | 90,332 | 118,301 |
| 7,918 | 2,519 | 975 | 2,439 | 12,314 | 54,061 | 51,846 |
| 3,822 | 273 | 192 | 929 | 19,898 | 38,456 | 28,571 |
| 4,401 | 2,292 | 1,416 | 1,442 | 3,478 | 31,259 | 37,809 |
| 5,292 | 659 | 1,085 | 1,199 | 4,140 | 23,902 | 24,002 |
| 5,293 | 599 | 617 | 524 | 8,707 | 31,814 | 37,093 |
| 12,645 | 356 | 221 | 1,418 | 1,762 | 22,662 | 21,891 |
| 5,547 | 1,311 | 513 | 1,049 | 2,243 | 28,778 | 30,016 |
| 1,348 | 435 | 226 | 245 | 1,739 | 9,384 | 9,420 |
| 2,769 | 668 | 149 | 1,119 | 1,081 | 17,292 | 11,940 |
| 501 | 77 | 20 | 94 | 878 | 4,125 | 4,548 |
| 196 | 96 | 21 | 778 | 295 | 2,687 | 3,107 |
| - | - | - | - | - | 40,681 | 11,115 |
| 939 | 49 | 102 | 106 | 1,667 | 5,933 | 3,843 |
| 14 | - | - | 425 | - | 441 | 671 |
| (5,840) | (158) | (129) | (1,154) | 1,663 | (11,883) | (23,653) |
| 130,077 | 47,984 | 20,326 | 48,424 | 241,652 | 1,066,120 | 1,055,134 |
| 914 | - | - | 12,973 | (33,770) | 47,824 | 85,749 |
| 355 | 35 | - | 42 | - | 12,943 | 17,954 |
| - | - | - | 7,307 | - | 9,133 | 9,909 |
| 2 | - | - | 188 | 3,031 | 3,264 | 3,348 |
| - | - | - | 55 | - | 122 | 1,114 |
| 1,271 | 35 | - | 20,565 | (30,739) | 73,286 | 118,074 |
| 131,348 | 48,019 | 20,326 | 68,989 | 210,913 | 1,139,406 | 1,173,208 |
| 16,456 | 56 | 48 | 602 | (60) | 62,182 | 70,170 |
| 3,082 | 50 | 7 | 1,306 | 869 | 11,253 | 7,254 |
| (3,094) | (116) | (35) | (231) | (867) | (13,485) | (14,150) |
| 16,444 | (10) | 20 | 1,677 | (58) | 59,950 | 63,274 |
| \$114,904 | \$48,029 | \$20,306 | \$67,312 | \$210,971 | \$1,079,456 | \$1,109,934 |

⁶(WR) Water Resources

⁷(CPE-P) Compliance Promotion and Enforcement - Pollution

⁸(CPE-W) Compliance Promotion and Enforcement - Wildlife

⁹(SE) Sustainable Ecosystems

¹⁰(IS) Internal Services

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

15. Accounting changes

During 2011, amendments were made to Treasury Board Accounting Standard 1.2 - Departmental and Agency Financial Statements to improve financial reporting by government departments and agencies. The amendments are effective for financial reporting of fiscal years ending March 31, 2012, and later. The significant changes to Environment Canada's financial statements are described below. These changes have been applied retroactively, and comparative information for 2010/11 has been restated.

Net debt (calculated as liabilities less financial assets) is now presented in the Statement of Financial Position. Accompanying this change, Environment Canada now presents a Statement of Change in Net Debt and no longer presents a Statement of Equity.

Revenue and related accounts receivable are now presented net of non-respendable amounts in the Statement of Operations and Departmental Net Financial Position and Statement of Financial Position. The effect of this change was to increase the net cost of operations before government funding and transfers by \$13,485,000 net of funds deposited in Specified Purpose Accounts (SPA) for 2012 (\$14,150,000 for 2011) and decrease total financial assets by \$590,000 for 2012 (\$264,000 for 2011).

Government funding and transfers, as well as the credit related to services provided without charge by other government departments, are now recognized in the Statement of Operations and Departmental Net Financial Position below "Net cost of operations before government funding and transfers." In previous years, Environment Canada recognized these transactions directly in the Statement of Equity of Canada. The effect of this change was to decrease the net cost of operations after government funding and transfers by \$1,055,383,000 for 2012 (\$1,182,612,000 for 2011).

The table below presents, in thousands of dollars, only 2011 figures that have been restated.

| (in thousands of dollars) | 2011 As previously stated | Effect of change | 2011 Restated |
|--|---------------------------------|---------------------|------------------|
| Statement of Financial Position | | | |
| Assets held on behalf of Government | - | (\$264) | (\$264) |
| Departmental financial position | 148,201 | (264) | 147,937 |
| Statement of Operations and Departmental Net Financial Position | | | |
| Total Revenues | 79,565 | (14,150) | 65,415 |
| Net cost of operations before government funding and transfers | 1,152,111 | 14,150 | 1,166,261 |
| Government funding and transfers | | | |
| Net cash provided by Government | - | 1,124,329 | 1,124,329 |
| Change in due from Consolidated Revenue Fund | - | (40,558) | (40,558) |
| Services provided without charge by other government departments | - | 98,841 | 98,841 |
| Subtotal | | 1,182,612 | 1,182,612 |
| Net revenue of operations after government funding and transfers | - | (16,351) | (16,351) |
| Departmental net financial position - Beginning of year | - | 131,586 | 131,586 |
| Departmental net financial position - End of year | - | 147,937 | 147,937 |

Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

15. Accounting changes (continued)

Statement of Cash Flows

| | | | |
|--|-----------|--------|-----------|
| Net cost of operations before government funding and transfers | 1,152,111 | 14,150 | 1,166,261 |
| Increase in accounts receivable and advances | 17,472 | (264) | 17,208 |
| Cash used in operating activities | 1,048,462 | 13,886 | 1,062,348 |
| Net cash provided by Government of Canada | 1,110,443 | 13,886 | 1,124,329 |

Note 3a - Reconciliation of net cost of operations to current year authorities used

| | | | |
|--|-----------|----------|-----------|
| Net cost of operations before government funding and transfers | 1,152,111 | 14,150 | 1,166,261 |
| Revenues not available for spending | 17,948 | (17,948) | - |
| Other | (\$1,018) | \$3,798 | \$2,780 |

16. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation. This includes amounts reported against program activities in the Statement of Operations and Departmental Net Financial Position which needed to be restated to comply with the Guidance for Shared Services Canada (SSC) disclosure in the departmental financial statements. This also includes the disclosure of planned results prepared for the Future Oriented Financial Statements part of the 2011-2012 Report on Plans and Priorities (RPP).

Environment Canada

**Annex to the
Statement of Management Responsibility
Including Internal Control Over
Financial Reporting 2011-2012**

Environment Canada

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting 2011-2012

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Note to Reader

With the Treasury Board *Policy on Internal Control*, effective April 1, 2009, departments are required to demonstrate the measures they are taking to maintain an effective system of internal control over financial reporting.

As part of this policy departments are expected to conduct annual assessments of their system of internal control over financial reporting, establish action plan(s) to address any necessary adjustments, and to attach to their *Statement of Management Responsibility Including Internal Control over Financial Reporting* a summary of their assessment results and action plan.

Effective systems of internal control over financial reporting aim to achieve reliable financial statements and to provide assurances that:

- transactions are appropriately authorized
- financial records are properly maintained
- assets are safeguarded from risks such as waste, abuse, loss, fraud and mismanagement
- applicable laws, regulations and policies are followed

It is important to note that the system of internal control over financial reporting is not designed to eliminate all risks, rather to mitigate risk to a reasonable level with controls that are balanced with and proportionate to the risks they aim to mitigate.

The system of internal control over financial reporting is designed to mitigate risks to an acceptable level based on an on-going process to identify key risks, to assess the effectiveness of associated key controls and adjust as required, as well as to monitor the system in support of continuous improvement.

Annex to the Statement of Management Responsibility

1. Introduction

This document is attached to the Environment Canada *Statement of Management Responsibility Including Internal Control Over Financial Reporting* for the fiscal-year 2011-2012. As required by Treasury Board *Policy on Internal Control*, this document provides summary information on the measures taken by Environment Canada to maintain an effective system of internal control over financial reporting (ICFR). In particular, it provides summary information on the assessments conducted by Environment Canada as of March 31, 2012, including progress, results and related action plans along with some financial highlights pertinent to understanding the control environment unique to Environment Canada.

ICFR is a process designed to provide reasonable assurance regarding the reliability of financial disclosures and the preparation of financial statements for external purposes in accordance with applicable accounting policies. This is the third ICFR Annex produced by this Department.

1.1 Authority, Mandate and Program Activities

Environment Canada is the federal lead Department on a wide range of environmental issues important to Canadians. Environment Canada addresses these issues through research, policy development, service delivery to Canadians, regulation and enforcement of environmental laws, and strategic partnerships. The Department's programs are focused on conserving and restoring Canada's natural environment; equipping Canadians to make informed decisions on weather, water and climate conditions; and minimizing threats to Canadians and their environment from pollution. The scope of these programs illustrates how the Department is responding to the interdependence between environmental sustainability and economic well-being.

Further information on Environment Canada's authority, mandate and program activities can be found in the [Report on Plans and Priorities](#) and [Departmental Performance Report](#).

1.2 Financial highlights

Below is key financial information for fiscal-year 2011-2012. More information can be found in [Environment Canada's Financial Statements \(unaudited\)](#) and in the [Public Accounts of Canada](#).

- Environment Canada has four departmental accounting offices. Each has a decentralized finance and accounting function where operating expenses are approved and processed.
- Total expenses were \$1,139.4M. Personnel costs were the largest expense, accounting for 59% or \$676.2M.
- Total revenues were \$59.95M. Major revenue items include Weather and Environmental Services for Targeted Users, and Water Resources Scientific and Professional Services.
- Financial assets and non-financial assets each comprise about \$156.5M and \$387.2M (28.8% and 71.2% respectively) of the Department's total assets, which are \$543.6M.
- Total liabilities were \$450M. Accounts payable and accrued liabilities represent the majority of liabilities (35.9%), followed by Environmental liabilities (23.9%).
- Net cash provided by the Government of Canada totaled \$1,000.8M.

1.3 Service arrangements relevant to financial statements

Environment Canada relies on other organizations for the processing of certain transactions that are recorded in its financial statements.

- Public Works and Government Services Canada (PWGSC) centrally administers the payments of salaries and expenditures, and the procurement of goods and services, as per the Department's Delegation of Authority.
- Accommodations are provided without charge from PWGSC totaling \$48.5 million throughout the year.
- The Treasury Board Secretariat provides Environment Canada with information used to calculate some accruals and allowances, such as accrued severance liability.
- The Department of Justice provides legal services to Environment Canada totaling \$3.160 million.
- Shared Services Canada (SSC) was established on August 4, 2011, to consolidate, streamline and improve information technology (IT) infrastructure services across Government. On November 15, 2011, Environment Canada became a partnering organization of SSC through Order in Council and related funds and personnel were transferred at that time. On April 1, 2012, Environment Canada's email, data centre (including the Super Computer), and networks were officially under accountability of SSC.

1.4 Material changes in fiscal-year 2011-2012

Deficit Reduction Action Plan

During 2011-2012, the Department went through a Deficit Reduction exercise with the dual objective of reducing expenditures and ensuring that its resources remained allocated to departmental priorities and core services. In light of fiscal restraints, Environment Canada continues to focus on core priorities and has realigned programs and services throughout the Department.

Governance Oversight

Effective February 1, 2012, Environment Canada's governance structure evolved, introducing new approaches to policy discussions and internal horizontal management with a move away from the previous "board" structure. The model introduces a new Deputy Minister-led forum for policy development. The Governance model supports horizontal collaboration, facilitates Headquarters / Regional interface, and works to address having the right resources address the right issues towards timely decisions. This also resulted in a newly formed Finance Branch.

Senior Management Team

Changes to the senior management team during 2011-2012 reporting directly to the Deputy Minister include:

- Andrea Lyon was appointed Associate Deputy Minister (July 11, 2011);

- Carol Najm, previously the Director General of the Audit and Evaluation Branch and Chief Audit Executive of Environment Canada, was appointed Chief Financial Officer and Assistant Deputy Minister of the new Finance Branch (January 26, 2012);
- George Enei was appointed Assistant Deputy Minister of the new Corporate Services Branch, integrating the former Chief Information Officer Branch services with administrative services including the Asset, Contracting and Environmental Management Directorate which was previously aligned under the Finance and Corporate Branch (January 26, 2012); and
- Robert D'Aoust was appointed Director General of the Audit and Evaluation Branch and Chief Audit Executive of Environment Canada (January 26, 2012).

2. Environment Canada's control environment relative to Internal Control Over Financial Reporting

Senior Management of Environment Canada provide the leadership to help ensure that staff at all levels in the Department understand the purpose and importance of maintaining risk-based effective internal control systems as well as their roles and responsibilities in support of sound stewardship of public resources and reliable financial reporting. Environment Canada's focus relative to ICFR is to ensure that risks are well managed through a responsive and risk-based control environment that enables continuous improvement and innovation.

2.1 Key positions, roles and responsibilities

Below are Environment Canada's key positions and committees with responsibilities for maintaining and reviewing the effectiveness of the system of ICFR.

Deputy Minister – Environment Canada's Deputy Minister, as Accounting Officer, assumes overall responsibility and leadership for the measures taken to maintain an effective system of internal control.

Chief Financial Officer (CFO) – Environment Canada's CFO reports directly to the Deputy Minister and provides leadership for the coordination, coherence and focus on the design and maintenance of an effective and integrated system of ICFR, including its annual assessment. The CFO is also responsible for the *Corporate Risk Profile* of Environment Canada.

Senior Departmental Managers - Environment Canada's Senior Departmental Managers in charge of program delivery are responsible for reviewing and maintaining the effectiveness of their system of ICFR within their mandate.

Chief Audit Executive (CAE) – Environment Canada's CAE reports directly to the Deputy Minister and undertakes periodic reviews of the effectiveness of the system of internal control, including ICFR, as part of the Department's *Risk Based Audit Plan*, and provides assurance through periodic internal audits which are instrumental to the maintenance of an effective system of ICFR.

External Audit Advisory Committee (EAAC) – The EAAC is an independent external advisory committee that provides the Deputy Minister with advice and objective views on the Department's risk management, control and governance frameworks. It provides advice on the adequacy of the

financial reporting, financial disclosures and the systems of internal control, including the review the annual *Statement of Management Responsibility Including Internal Control over Financial Reporting* and on risk-based assessment plans and associated results related to the effectiveness of the departmental system of ICFR.

Executive Management Committee (EMC) – This is the most senior management committee with oversight responsibilities for the Department. EMC is responsible for monitoring the organization's response to corporate risks and ensuring the effectiveness of risk mitigation measures and that controls are in place to address key corporate risks.

2.2 Key measures taken by Environment Canada

Environment Canada's control environment includes a series of measures which focus on ensuring that risks are effectively managed through a responsive and risk-based control environment, and on developing employee knowledge on internal control. Key measures include:

Governance

- A Values, Integrity and Disclosure program designed to reinforce Public Service values and ethics.
- An annual review of the *Delegation of Financial Signing Authorities* matrix.
- An *Integrated Risk Management Framework* and multi-year *Corporate Risk Profile*.
- An Internal Audit Directorate, reporting directly to the Deputy Minister and supported by the independent EAAC, which supports the achievement of departmental objectives and continuous improvement of programs, policies and initiatives, guided by a three-year *Risk Based Audit Plan* reviewed annually.
- Annual *Performance Management Agreements* with Senior Departmental Managers that assess accountabilities and financial management responsibilities.
- A *Letter of Representation for Public Accounts* signed by each Senior Departmental Manager as confirmation that their respective organizations have maintained a system of internal control.

Oversight

- A centralized ICFR program based upon the renewed departmental *Internal Control Framework*.
- A centralized quality assurance unit within Finance Operations that specifically monitors key Financial Transaction and Reporting Controls.
- A *Corporate Accountability and Administrative Renewal (CAAR)* governance structure that includes senior level Steering Committees.
- A *Management Variance Report* process that informs decision making and supports risk-based resource management and decisions, reviewed monthly by Senior Departmental Managers.
- Regular departmental EAAC meetings.

Capacity

- Training programs and regular communication to employees on core areas of financial management and financial policies, including a training strategy on the renewed departmental *Financial Management Framework*.
- Mandatory Canada Public School financial courses incorporated in the learning plan of financial specialists to ensure a skilled workforce.
- Hiring through the Environment Canada version of the Financial Officer Recruitment and Development (FORD) Program to maintain a strong finance community.

3. Assessment of Environment Canada's system of ICFR

To satisfy the requirements of the Treasury Board *Policy on Internal Control*, Environment Canada must be able to maintain an effective system of ICFR with the objective to provide reasonable assurance that: Transactions are appropriately authorized; Financial records are properly maintained; Assets are safeguarded; and Applicable laws, regulations and policies are followed.

3.1 Assessment approach

To meet these objectives, over time, this includes the assessment of documentation, and design and operating effectiveness of the system of ICFR leading to ongoing monitoring and continuous improvement of the departmental system of ICFR.

- **Design effectiveness** means ensuring that key control points are identified, documented, in place and that they are aligned with the risks (i.e. controls are balanced with and proportionate to the risks they aim to mitigate) and that any required remediation is addressed.
- **Operating effectiveness** means that key controls have been tested over a defined period and that any required remediation is addressed. The testing of controls covers all departmental control levels which include corporate or entity, general computer and business process controls.

In 2009, Environment Canada completed an initial audit readiness assessment to determine its ability to sustain a controls-based audit of the departmental financial statements. This assessment, which met the requirements of the Treasury Board *Policy on Internal Control*, was used as the basis from which Environment Canada began to develop an approach to implement ICFR.

Subsequently, Environment Canada employs an annual financial statement risk assessment process that covers all departmental control levels including, Entity Level controls, Information Technology general controls (ITGCs), and Financial Transaction and Reporting (business process) controls.

3.2 Scope of departmental assessment during fiscal year 2011-2012

In the planning and scoping phase, a risk based approach was used to determine which control level, processes and locations were in scope. The table below highlights the areas of assessment focus based upon the assessed risks relative to Environment Canada's expenditures.

| Control Level | Scope |
|---|--|
| Entity Level Controls | Entity Level Control Environment Assessment Corporate Risk Profile and Risk Management Information and Communication Monitoring |
| Information Technology General Controls (ITGCs) | Access Security Change Management Program Development IT Operations End User Computing |
| Financial Transaction and Reporting Controls | Inventory Capital Assets Procure to Payment (Travel, Acquisition Card, and Hospitality processes) Procure to Payment (De-commitment process subsequently added) Pay Administration (<i>subsequently added</i>) Year End Reporting (<i>subsequently added</i>) Transfer Payments (<i>subsequently deferred</i>) |

4. Departmental assessment results during fiscal year 2011-2012

In assessing its key controls, Environment Canada continued to focus on design effectiveness testing which was significantly advanced during the year and will continue in 2012-2013. Also, operating effectiveness testing of controls commenced during 2011-2012 on a number of key Procure to Payment processes.

4.1 Design effectiveness of key controls

Entity Level Controls - Scoping for documentation and design effectiveness of Entity level controls was completed. The results identified four areas to strengthen entity level controls and each recommendation has been incorporated into the 2012-2013 Action Plan. In addition the *Financial Management Framework* and the *Internal Control Framework* were developed which remediated some design gaps identified in the original 2009 assessment.

Information Technology General Controls (ITGCs) - Monitoring of the design and operating effectiveness of 25 key ITGCs related to the existing Oracle Financials enterprise resource planning system was undertaken, the objective of which was to ensure the proper development and implementation of applications, as well as the integrity of programs, data files, and computer operations. Results identified that 7 of the 25 ITGC controls were fully remediated and the remaining 18 controls, the majority of which have been assessed as low risk, require further remediation to be deemed to be effective. These recommendations have been incorporated into the 2012-2013 Action Plan. Scoping for the remaining ITGCs was also completed with respect to controls related to all departmental financial management system elements. This indicated that the Department should focus design and operational effectiveness testing on the higher risk areas of identity, user account, and security controls. As the Department, in consultation with Treasury Board's Chief Information Officer Branch, is migrating to SAP, the focus of its ITGCs testing will be on security, business continuity planning and the remaining access control elements.

Financial Transaction and Reporting Controls - Ongoing documentation continued for Inventory and Capital assets, with design effectiveness testing planned for 2012-2013, as these are both high risk multi-year endeavors. Separately, design effectiveness testing was completed for each of the Travel, Hospitality, and Acquisition Cards Procure to Payment processes and actions plans were developed for residual remediations. In addition, EC continued its quality assurance activities for account verification of key transactions, to support the application of *Financial Administration Act* S.32, S.33 and S.34. Pay Administration business processes were documented, along with the Common Procure to Payment process, the Procure to Payment De-commitment process and the Financial close year-end process.

4.2 Operating effectiveness of key controls

Environment Canada began operating effectiveness testing of certain Financial Transaction and Reporting Controls in 2011-12 and actions plans were developed for residual remediations.

Travel, Acquisition Card, and Hospitality Procure to Payment Financial Transaction and Reporting controls were assessed for operational effectiveness within the National Capital Region.

All controls that required remediation were documented in a remedial action plan and the Business Process Owners developed an action plan. As part of the Environment Canada's ICFR Monitoring plan the remediation actions will be tracked and the controls monitored.

Once design effectiveness assessments of remaining control activities are completed and tested, then Environment Canada will commence operational effectiveness testing of remaining key controls throughout 2012-2013 and thereafter.

4.3 On-going monitoring program

Environment Canada has created a dedicated directorate responsible for managing the documentation and testing of internal controls with a view to sustain a well integrated risk based approach for the ongoing assessment of the Environment Canada's ICFR. This directorate has begun to monitor required remedial actions to its Entity level, ITGCs, and Financial Transaction and Reporting controls based upon recommendations from annual assessments and the results of internal and external audits. This includes ensuring that there is a sustainable enabling program in place that raises awareness and understanding of Environment Canada's system of ICFR at all levels and ensures that employees have the knowledge, skills and tools required to carry out their responsibilities.

Key accomplishments to date include completion of ICFR assessments for Entity level, ITGCs and Financial Transaction and Reporting controls, including the development of an action plan to address identified remediations, and progress in implementing measures to address these remediations.

Monitoring of some ITGCs began in 2010-11, with the remainder of controls monitoring to commence in 2012-13 and will continue as the remaining control activities are completed and tested.

5. Environment Canada's action plan

Environment Canada is in year four of its original ICFR five-year Action Plan, and the Department may add an additional year to adapt for the migration to a hosted SAP integrated financial and materiel management system. The Action Plan is an evergreen document that evolves as risks and capabilities require adjustment, always focused on the lens of compliance with the Treasury Board *Policy on Internal Control*.

5.1 Progress as of March 31, 2012

Environment Canada continues to make progress in assessing and improving its key controls. The status summary below as at March 31, 2012, outlines the Department's progress in 2011-2012 in documenting and assessing the design effectiveness of controls, and commencing testing of the operating effectiveness of certain controls.

Environment Canada conducted the following work to address remediations identified in the 2010-2011 and future plans:

While significant progress was made in some areas, a few areas did not progress as anticipated due to capacity issues. Environment Canada used a consistent approach to assess the status ⁱ of documentation, design, and operational effectiveness testing for each business process and has made the following progress as of March 31, 2012. *Progress status is indicated in (brackets).*

- An assessment of the Department's Entity Level Controls was conducted, and design and operation effectiveness testing will be conducted building on the findings from the assessment – *(Substantially advanced)*;
 - Introduction of a new Governance and reporting structure within Environment Canada which will support better clarity in accountability and decision making – *(Completed)*;
 - The Financial Management Framework (FMF) and Internal Control Framework (ICF) were approved in 2011-2012 by the Deputy Minister and Chief Financial Officer (CFO) and have been combined into one document – *(Completed)*;
 - A high level FMF training plan has been developed, including change management and role clarification for rollout during 2012-2013 and 2013-2014 – *(Substantially advanced)*;
 - Introduction of a Decision Tracking Tool and Management Variance Report which increases transparency in financial information and provides information required for successful decision making – *(Completed)*;
- An annual Financial Statement risk assessment was completed in March 2012 that informed 2012-13 and 2013-2014 remaining ICFR action plans – *(Completed)*;
- The scoping of the remaining ITGCs was completed with respect to controls related to all departmental financial management system elements – *(Completed)*. As the Department, in consultation with Treasury Board's Chief Information Officer Branch, is anticipating

migrating to SAP, design and operational testing will focus on Security, Business Continuity Planning and the remaining access controls in 2012-13;

- Capital Assets represent 79% of departmental assets. Environment Canada's Fixed Asset policy was implemented in January 2012. Environment Canada's ACEMD conducted reconciliation between the Asset Lifecycle Management system and the Fixed Asset module within Oracle, with confirmation by ACEMD of existence of assets, this is 80% complete - (*Substantially advanced*);
- Finance undertook a reconciliation between the Fixed Asset module and the General Ledger, this is 100% complete - (*Completed*); and
- The Travel, Hospitality, Acquisition Cards business processes and their related key controls have been evaluated for their design and operating effectiveness – (*Completed*);
- Environment Canada will continue its quality assurance process for account verification to support application of the *Financial Administration Act* S.32, S.33 and S.34 (*Completed*).

Environment Canada added the following work during 2011-2012 not originally planned:

Specific business processes for Pay Administration, Procure to Payment, Work In Progress, and Financial Close were reviewed with the following status on documentation and design evaluation:

- Pay Administration business processes were documented - (*Completed*);
- Procure to Payment – De-commitment process was documented - (*Completed*);
- The Work In Progress (WIP) account has been examined by Finance and Operations to identify assets that remain under construction. Assets that were active have been transferred from the WIP account to the appropriate capital asset account. Over 50% of the WIP account has been successfully examined – (*Partially completed*); and
- Financial Close processes were documented: - (*Completed*).

Environment Canada conducted the following work to address adjustments identified from prior year assessments as indicated below:

Specific business processes for Capital Assets, Inventory, Procure to Payment, Transfer Payments and Environmental Liabilities were reviewed with the following status on documentation and design evaluation:

- Capital Assets: Capital assets processes and controls have been documented and the Fixed Asset Policy was implemented in April 2012 – (*Substantially advanced*);
 - Capital Assets: the Department has commenced developing and updating detailed procedures and roles and responsibilities based upon the Office of the Comptroller General's Common Financial Management Business Processes for Fixed Assets. An approach and scoping exercise was undertaken for the purposes of Finance conducting

an asset count and valuation project. This is to be completed during 2012-2013 – *(Commenced / Partially Completed)*;

- Inventory: scoping has been conducted to identify documentation and key controls for testing – *(Commenced / Partially Completed)*;
- Procure to Payment: The common Procure to Payment process and the de-commitment process were documented. The procurement / contracting portion of the Procure to Payment process was deferred to 2012-13 – *(Commenced / Partially Completed)*;
- Transfer Payments: Transfer Payments process documentation was completed in respect of recipients and published on the intranet. Documentation and design effectiveness testing of the contract to pay process for transfer payments will be completed in 2012-13. The procurement process for design and operational effectiveness for Transfer Payments was deferred to 2012-13 and 2013-2014 – *(Commenced / Partially Completed)*; and
- Environmental Liabilities: The business process for establishing Environment Liabilities was assessed as low risk and thus deferred for documentation and design effectiveness testing to 2013-2014 and for operational testing to 2014-2015 – *(Deferred)*.

5.2 Action plan for the next fiscal year and subsequent years

In 2012-13 and future years, Environment Canada plans to:

Environment Canada will pursue work in demonstrating sustainable efforts in the maintenance of an effective system of internal controls that comply with Treasury Board policy and direction. Environment Canada will document, evaluate, report and develop action plans to remediate control weaknesses identified. This will be achieved by focusing efforts on:

- Design and operational effectiveness testing of Entity Level Controls to commence in 2012-2013 through 2013-2014;
- Design effectiveness testing of security, business continuity planning and access ITGCs planned to be completed during 2012-13. Complete operational effectiveness testing between 2012-13 and 2013-14;
- Environment Canada's update to the Departmental Financial Management Systems (DFMS) Operational Plan is under development and scheduled for approval by October 2012;
 - Environment Canada is collaborating with Treasury Board's Chief Information Officer Branch to ensure the Department is positioned for compliance with the *Standard on Enterprise Resource Planning Systems* for its financial and materiel management requirements by anticipating a transition to the enterprise resource and planning system SAP;
- Conduct Capital Asset count and valuation project during 2012-2013 and remediate any valuation discrepancies between the Capital Assets module and General Ledger by March 31, 2013;

- A detailed methodology for undertaking the asset count and valuation project is under development, and a team has been established to conduct the project which will be conducted on a Regional basis;
- Complete developing and updating detailed procedures and roles and responsibilities based upon the Office of the Comptroller General's Common Financial Management Business Processes for Fixed Assets;
- For Financial Transaction and Reporting controls, the focus will be on
 - Complete the design and operational testing of the Common Procure to Payment process, Procure to Payment (Procurement), Revenue and Accounts Receivable, Pay Administration (Finance), Pay Administration (HR), Capital Assets, Inventory, Transfer Payments, Environmental Liabilities, and Financial Close - period and year end;
 - Implement remediation action plans to standardize and strengthen key controls;
- Improving and enforcing compliance with the common Financial Management Business Processes (FM-BP), Data architecture and Systems configurations set forth by Office of the Comptroller General of Canada through 2013-2014;
- Continue the monitoring program to ensure internal controls over financial reporting are maintained and that changes to business processes are documented on a timely basis and internal controls are assessed during 2012-2013 and 2013-2014 and beyond.

This timeline is contingent on the level of effort required to address any gaps that will be identified in future design and operating effectiveness phases.

End Note:

ⁱ **Completed** – all necessary documentation has been prepared and all identified gaps remediated from sample testing rendering design effectiveness and operational effectiveness complete.

Substantially advanced – policy statements and procedures have been documented and narratives, flowcharts and control matrices prepared which illustrate and describe the controls linked to the financial statements. This also includes validation and confirmation of the accuracy of documentation by tracing a sample of transactions from the beginning to the end (referred to as “walkthroughs”) of said processes.

Commenced / partially completed - policy statements and procedures have been document and preparation of narratives and business process maps have commenced. However, documentation is not fully completed for the entire business process, control matrices have not yet been finalized and sample transactions have not been tested for accuracy and validity.

Deferred - preparation of the documentation has not commenced.