



Environment and
Climate Change Canada

Environnement et
Changement climatique Canada

DEPARTMENTAL FINANCIAL STATEMENTS (unaudited)

2023-2024



Canada 

Statement of Management Responsibility Including Internal Control over Financial Reporting 2023-24

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2024, and all information contained in these financial statements rests with the management of Environment and Climate Change Canada (ECCC). 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 ECCC's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada and included in the ECCC's *Departmental Results Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (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 (FAA)* 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 ECCC 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, 2024, was completed in accordance with the Treasury Board *Policy on Financial Management* and the results and action plans are summarized in the annex.

The effectiveness and adequacy of ECCC's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of ECCC's operations, and by the Departmental Audit Committee (DAC), which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which reviews and provides advice on the financial statements to the Deputy Minister.

The financial statements of ECCC have not been audited.

(Original signed by)

Jean-François Tremblay
Deputy Minister

Gatineau, Canada

Date: September 11, 2024

(Original signed by)

Linda Drainville, CPA, CFF, CFE
Chief Financial Officer

Gatineau, Canada

Date: September 3, 2024

Statement of Financial Position (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

As at March 31

(in thousands of dollars)

	2024	2023
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$938,164	\$733,245
Vacation pay and compensatory leave	62,055	57,408
Deferred revenue (Note 7)	47,557	46,563
Lease obligation for tangible capital assets (Note 8)	3,499	4,543
Employee future benefits (Note 9)	18,502	18,663
Environmental liabilities and asset retirement obligations (Note 5)	296,428	197,547
Provision for contingent liabilities (Note 15)	22,292	22,292
Other liabilities	18,987	15,211
Total net liabilities	1,407,484	1,095,472
Financial assets		
Due from Consolidated Revenue Fund	914,604	715,373
Accounts receivable and advances (Note 10)	48,233	52,420
Total gross financial assets	962,837	767,793
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 10)	(33,595)	(36,534)
Total net financial assets	929,242	731,259
DEPARTMENTAL NET DEBT	478,242	364,213
Non-financial assets		
Prepaid expenses	18,378	18,465
Inventory (Note 11)	26,577	27,125
Tangible capital assets (Note 12)	659,650	607,989
Total non-financial assets	704,605	653,579
DEPARTMENTAL NET FINANCIAL POSITION (Note 13)	\$226,363	\$289,366

Contractual obligations and contractual rights (Note 14)

Contingent liabilities (Note 15)

The accompanying notes form an integral part of these financial statements

(Original signed by)

Jean-François Tremblay

Deputy Minister

Gatineau, Canada

Date: September 11, 2024

(Original signed by)

Linda Drainville, CPA, CFF, CFE

Chief Financial Officer

Gatineau, Canada

Date: September 3, 2024

Statement of Operations and Departmental Net Financial Position (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

For the year ended March 31

(in thousands of dollars)

	Planned results (Note 2a)		
	2024	2024	2023
Expenses			
Taking Action on Clean Growth and Climate Change	\$883,660	\$576,935	\$417,663
Preventing and Managing Pollution	498,565	653,051	469,656
Conserving Nature	688,546	732,435	598,104
Predicting Weather and Environmental Conditions	275,007	342,872	301,466
Internal services	257,344	341,724	319,796
Total expenses	2,603,122	2,647,017	2,106,685
Revenues			
Sales of goods and services	73,475	77,331	73,327
Other revenues	277,358	253,888	445,104
Revenues earned on behalf of Government	(245,714)	(240,085)	(311,898)
Total revenues (Note 6)	105,119	91,134	206,533
Net cost of operations before government funding and transfers	2,498,003	2,555,883	1,900,152
Government funding and transfers			
Net cash provided by Government		2,158,384	1,713,829
Change in due from Consolidated Revenue Fund		199,231	92,351
Services provided without charge by other government departments (Note 16)		135,108	123,726
Transfer of tangible capital assets from (to) other government departments (Note 17)		67	(111)
Transfer of salary overpayments and emergency salary advances from (to) other government departments (Note 17)		90	227
Net cost of operations after government funding and transfers		63,003	(29,866)
Departmental net financial position - Beginning of year		289,366	259,500
Departmental net financial position - End of year		\$226,363	\$289,366

Segmented information (Note 18)

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

Statement of Change in Departmental Net Debt (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

For the year ended March 31

(in thousands of dollars)

	2024	2023
Net cost of operations after government funding and transfers	\$63,003	(\$29,866)
Change due to tangible capital assets		
Acquisition of tangible capital assets (Note 12)	95,922	80,798
Amortization of tangible capital assets (Note 12)	(44,521)	(41,589)
Proceeds from disposal of tangible capital assets	(1,366)	(1,030)
Net loss on disposals, write-off and adjustments to tangible capital assets	1,559	1,373
Transfer from (to) other government departments (Note 17)	67	(111)
Total change due to tangible capital assets	51,661	39,441
Change due to inventories (Note 11)	(548)	1,816
Change due to prepaid expenses	(87)	(2,088)
Net increase in departmental net debt	114,029	9,303
Departmental net debt - Beginning of year	364,213	354,910
Departmental net debt - End of year	\$478,242	\$364,213

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

Statement of Cash Flows (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

For the year ended March 31

(in thousands of dollars)

	2024	2023
OPERATING ACTIVITIES		
Net cost of operations before government funding and transfers	\$2,555,883	\$1,900,152
Non-cash items:		
Services provided without charge by other government departments (Note 16)	(135,108)	(123,726)
Amortization of tangible capital assets (Note 12)	(44,521)	(41,589)
Net loss on disposals, write-off and adjustments to tangible capital assets	1,559	1,373
Transition payments for implementing salary payments in arrears	-	4
Variations in Statement of Financial Position:		
Decrease (increase) in accounts payable and accrued liabilities (Note 4)	(204,919)	(90,113)
Decrease (increase) in vacation pay and compensatory leave	(4,647)	3,241
Decrease (increase) in deferred revenue (Note 7)	(994)	(683)
Decrease (increase) in employee future benefits (Note 9)	161	2,101
Decrease (increase) in environmental liabilities and asset retirement obligations (Note 5)	(98,881)	(7,162)
Decrease (increase) in provision for contingent liabilities (Note 15)	-	300
Decrease (increase) in other liabilities	(3,776)	(5,381)
Increase (decrease) in accounts receivable and advances (Note 10)	(1,248)	(4,946)
Increase (decrease) in prepaid expenses	(87)	(2,088)
Increase (decrease) in inventory (Note 11)	(548)	1,816
Transfer of salary overpayments and emergency salary advances (from) to other government departments (Note 17)	(90)	(227)
Cash used in operating activities	2,062,784	1,633,072
CAPITAL INVESTING ACTIVITIES		
Acquisition of tangible capital assets (Note 12)	95,922	80,798
Proceeds from disposal of tangible capital assets	(1,366)	(1,030)
Cash used in capital investing activities	94,556	79,768
FINANCING ACTIVITIES		
Lease payments for tangible capital assets	1,044	989
Cash used in financing activities	1,044	989
NET CASH PROVIDED BY GOVERNMENT OF CANADA	\$2,158,384	\$1,713,829

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

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

1. Authority and objectives

Environment and Climate Change Canada was established under *Department of the Environment Act*. Under this Act, the powers, duties and functions of the Minister of the Environment and Climate Change Canada 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 and Climate Change Canada delivers its mandate by promoting the four (4) following Core Responsibilities:

- ✓ **Taking Action on Clean Growth and Climate Change**

Support and coordinate the development and implementation of Canada's environmental and climate change policies, programs, and plans to reduce greenhouse gas emissions and support a transition to a resilient, inclusive low-carbon economy. This will be achieved by developing and implementing climate mitigation measures; supporting adaptation to climate change; contributing to international environment and climate-related actions and initiatives; and engaging with other federal government departments, Indigenous partners, provinces and territories, domestic and international partners and stakeholders, non-governmental organizations, and other interested parties.

- ✓ **Preventing and Managing Pollution**

Develop measures to reduce releases of harmful substances into the environment; monitor levels of pollutants and pollution precursors in air, water and soil; promote and enforce compliance with environmental laws and regulations; and implement pollution reduction and restoration actions and programs. This will be achieved by coordinating, collaborating and consulting with other federal government departments, provinces and territories, Indigenous partners, non-governmental organizations, international partners and other stakeholders.

- ✓ **Conserving Nature**

Protect and recover species at risk and their critical habitat, maintain and restore healthy populations of migratory birds and other wildlife, and manage and expand Canada's network of protected areas to conserve biodiversity, contribute to climate change mitigation and adaptation and support human health and well-being. This will be accomplished through evidence-based decision making that considers cumulative effects, promoting and enforcing applicable laws and regulations, engaging meaningfully with Indigenous peoples, and collaborating with provinces and territories, other domestic and international stakeholders and the public.

- ✓ **Predicting Weather and Environmental Conditions**

Provide authoritative forecasts, warnings, data, and information services related to weather, hydrological, and environmental conditions using a wide range of dissemination systems to help Canadians, public authorities, and targeted weather sensitive sectors make informed decisions about health, safety, and economic prosperity. This will be achieved by: monitoring weather, water quantity, ice, air quality and climate conditions; conducting research and development activities targeting continuous improvement; operating advanced integrated weather and environmental prediction models using high performance computing platforms; exchanging data in near real time, on a continual basis, with members of the World Meteorological Organization to ensure accurate and timely predictions; and collaborating closely with other nations' weather and hydrologic institutions, and international organizations, to improve services for citizens everywhere.

The Internal Services Program includes groups of related activities and resources that are administered to support the Department's Core Responsibilities and Programs. It is the basis for a common government-wide approach to planning, designing, budgeting, reporting and communicating all Government of Canada internal services.

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

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

1. Authority and objectives (continued)

- ✓ *Antarctic Environmental Protection Act*
- ✓ *Arctic Waters Pollution Prevention Act*
- ✓ *Bridge to Strengthen Trade Act*
- ✓ *Canadian Emission Reduction Incentives Agency Act*
- ✓ *Canada Foundation for Sustainable Development Technology Act*
- ✓ *Canada Net-Zero Emissions Accountability Act*
- ✓ *Canada-Newfoundland and Labrador Atlantic Accord Implementation Act*
- ✓ *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act*
- ✓ *Canada Oil and Gas Operations Act*
- ✓ *Canada Water Act*
- ✓ *Canada Wildlife Act*
- ✓ *Canadian Environment Week Act*
- ✓ *Canadian Environmental Protection Act, 1999*
- ✓ *Department of the Environment Act*
- ✓ *Emergency Management Act*
- ✓ *Energy Supplies Emergency Act*
- ✓ *Environmental Enforcement Act*
- ✓ *Environmental Violations Administrative Monetary Penalties Act*
- ✓ *Federal Sustainable Development Act*
- ✓ *Fisheries Act (Sections 36-42)*
- ✓ *Greenhouse Gas Pollution Pricing Act*
- ✓ *Impact Assessment Act*
- ✓ *Income Tax Act*
- ✓ *International River Improvements Act*
- ✓ *Lac Seul Conservation Act, 1928*
- ✓ *Lake of the Woods Control Board Act, 1921*
- ✓ *Manganese-Based Fuel Additives Act*
- ✓ *Marine Liability Act*
- ✓ *Migratory Birds Convention Act, 1994*
- ✓ *National Strategy for Safe and Environmentally Sound Disposal of Lamps Containing Mercury Act*
- ✓ *National Wildlife Week Act*
- ✓ *Nunavut Planning and Project Assessment Act*
- ✓ *Perfluorooctane Sulfonate Virtual Elimination Act*
- ✓ *Resources and Technical Surveys Act*
- ✓ *Species at Risk Act*
- ✓ *Weather Modification Information Act*
- ✓ *Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act*
- ✓ *Yukon Environmental and Socio-economic Assessment Act*

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

2. Summary of significant accounting policies

These financial statements are 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

Environment and Climate Change Canada is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to Environment and Climate Change 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 “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 2023-24 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 2023-24 Departmental Plan.

(b) Net Cash Provided by Government

Environment and Climate Change Canada operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by Environment and Climate Change Canada is deposited to the CRF, and all cash disbursements made by Environment and Climate Change 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 or to 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 and Climate Change Canada is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues and deferred revenues

- ✓ Revenues are comprised of revenues earned from non-tax sources. They include exchange transactions where goods or services are provided for consideration where a performance obligation exists, and non-exchange transactions where no performance obligations exist to provide a good or service. These transactions can be recurring or non-recurring in nature. Recurring transactions are viewed as ongoing, routine activities that form part of the normal course of operations and can be used to indicate if they can be reasonably expected to be earned again in future years.
- ✓ Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue and the 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.
- ✓ The compensation for excess emissions provided for under the *Greenhouse Gas Pollution Pricing Act* are recognized upon confirmation by the registered facility that the compensation is to be provided.
- ✓ Other revenues are recognized in the period the event giving rise to the revenues occurred.
- ✓ Revenues that are non-responsible are not available to discharge Environment and Climate Change Canada's liabilities. While the Deputy Head is expected to maintain accounting control, he has no authority regarding the disposition of non-responsible revenues. As a result, non-responsible revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues. Revenues earned on behalf of Government consist of the sale of services and gains on the sale of assets. These are recognized when earned.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

2. Summary of significant accounting policies (continued)

(e) Expenses

- ✓ Transfer payments are recorded as an expense in the year the transfer is authorized and 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

- ✓ Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. Environment and Climate Change Canada's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Environment and Climate Change 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: The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivable

Accounts receivable are initially recorded at cost and when necessary, an allowance for valuation is recorded to reduce the carrying value of accounts 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 11. 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 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 and supplies 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.

(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 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.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

2. Summary of significant accounting policies (continued)

(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 management's best estimate of the amount required to remediate the sites to the current minimum environmental standard for its use prior to contamination.

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.

(l) Transaction involving foreign currencies

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the rate of exchange in effect at March 31. The Government has elected to recognize gains and losses resulting from foreign currency translation directly on the Statement of Operations and Departmental Net Financial Position according to the activities to which they relate.

(m) 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.

(n) 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.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

3. Parliamentary authorities

Environment and Climate Change 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 and Climate Change Canada has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

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

(in thousands of dollars)

	2024	2023
Net cost of operations before government funding and transfers	\$2,555,883	\$1,900,152
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets (Note 12)	(44,521)	(41,589)
Net loss on disposals, write-off and adjustments to tangible capital assets	907	1,373
Common services provided without charge by other government departments (Note 16)	(135,108)	(123,726)
Refunds/adjustments to previous years' expenses	20,135	11,892
Timing differences between revenues earned and collected	(569)	3,021
Increase (decrease) in consolidated specified purpose accounts (Note 13)	(26,472)	87,002
Decrease (increase) in accrued liabilities not charged to authorities	(2,179)	214
Increase (decrease) in accrued revenues not charged to authorities	2,977	11,211
Decrease (increase) in vacation pay and compensatory leave	(4,647)	3,241
Decrease (increase) in employee future benefits (Note 9)	161	2,101
Decrease (increase) in environmental liabilities and asset retirement obligation (Note 5)	(98,304)	(7,162)
Decrease (increase) in provision for contingent liabilities (Note 15)	-	300
Other	(3,892)	(787)
Total items affecting net cost of operations but not affecting authorities	(291,512)	(52,909)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets (Note 12)	95,922	80,798
Transition payments for implementing salary payments in arrear	-	4
Increase (decrease) in inventory (Note 11)	(548)	1,816
Increase (decrease) in prepaid expenses	(87)	(2,088)
Accounts receivable related to salary overpayments	1,398	888
Other loans and advances to employees	29	32
Lease payments for tangible capital assets	1,044	989
Total items not affecting net cost of operations but affecting authorities	97,758	82,439
Current year authorities used	\$2,362,129	\$1,929,682

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

3. Parliamentary authorities (continued)

(b) Authorities provided and used:

(in thousands of dollars)

	2024	2023
Authorities provided		
Vote 1 - Operating expenditures	\$1,250,316	\$1,100,991
Vote 5 - Capital expenditures	137,455	147,052
Vote 10 - Grants & Contributions	1,255,692	865,562
Statutory amounts	211,161	124,645
	2,854,624	2,238,250
Less:		
Authorities available for future years	(1,305)	(1,107)
Lapsed authorities	(491,190)	(307,461)
	(492,495)	(308,568)
Current year authorities used	\$2,362,129	\$1,929,682

4. Accounts payable and accrued liabilities

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

(in thousands of dollars)	2024	2023
Accounts payable - Other government departments and agencies	\$38,654	\$16,420
Accounts payable - External parties	226,025	166,734
Total accounts payable	264,679	183,154
Accrued liabilities	673,485	550,091
Total accounts payable and accrued liabilities	\$938,164	\$733,245

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

5. Environmental liabilities and asset retirement obligations

Environmental liabilities and asset retirement obligations include:

(in thousands of dollars)	2024	2023
Remediation liability for contaminated sites	\$283,601	\$185,668
Asset retirement obligations	12,827	11,879
Total environmental liabilities and asset retirement obligations	\$296,428	\$197,547

(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.

Environment and Climate Change Canada has identified approximately 244 sites (260 sites in 2022-23) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the Department has identified approximately 76 sites (81 sites in 2022-23) where action is required and for which a gross liability of \$282,019 thousand (\$184,100 thousand in 2022-23) has been recorded. This liability estimate has been determined based on site assessments performed by environmental experts.

In addition, a statistical model based upon a projection of the number of sites that will proceed to remediation and upon which current and historical costs are applied is used to estimate the liability for a group of unassessed sites. As a result, there are 45 unassessed sites (45 sites in 2022-23) where a liability estimate of \$1,582 thousand (\$1,568 thousand in 2022-23) has been recorded using this model.

These estimates combined, totalling \$283,601 thousand (\$185,668 in 2022-23), represents management's best estimate of the costs required to remediate sites to the current minimum standard for its use prior to contamination, based on information available at the financial statement date.

For the remaining 123 sites (134 sites in 2022-23), 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, Environment and Climate Change Canada 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, 2024, and March 31, 2023. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using an expected (CPI) rate of 2.0% (2.0% in 2022-23). 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 2024 rates range from 4.03% (3.64% in 2023) for 2 year term to 3.29% (3.01% in 2023) for a 30 or greater year term.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

5. Environmental liabilities and asset retirement obligations (continued)

Nature and Source (in thousands of dollars)	2024				2023			
	Number of Sites	Number of sites with a liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Number of Sites	Number of sites with a liability	Estimated Liability	Estimated Total Undiscounted Expenditures
Former Mineral Exploration Sites (¹)	1	-	-	-	-	-	-	-
Military and Former Military Sites (²)	2	-	-	-	1	-	-	-
Fuel Related Practices (³)	18	8	84,057	99,309	19	8	91,360	101,984
Marine Facilities / Aquatic Sites (⁴)	195	100	191,127	232,400	207	107	87,618	96,646
Parks and Protected Areas (⁵)	15	9	5,239	5,598	21	8	3,458	3,731
Office / commercial / industrial operations (⁶)	13	4	3,178	3,431	12	3	3,232	3,496
Totals	244	121	\$283,601	\$340,738	260	126	\$185,668	\$205,857

(¹) Contamination associated with former mine activities, e.g., heavy metals, petroleum hydrocarbons, etc. Sites often have multiple sources of contamination.

(²) Contamination associated with the operations of military and former military sites where activities such as fuel handling and storage activities, waste sites, metals/PCB-based paint used on buildings resulted in former or accidental contamination, e.g. petroleum hydrocarbons, PCBs, heavy metals. Sites often have multiple sources of contamination.

(³) 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).

(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 and maintenance of parks and protected areas 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, PCBs and other organic contaminants. Sites often have multiple sources of contamination.

(⁶) 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.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

5. Environmental liabilities and asset retirement obligations (continued)

(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, retirement activities linked to machinery and equipment, and other asset retirement obligations.

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

(in thousands of dollars)

	2024					2023
	Asbestos and other hazardous material in buildings	Closure and post-closure obligations - other works and infrastructure	Retirement activities - machinery and equipment	Underground storage tanks	Total	
Opening balance	\$6,180	\$246	\$5,215	\$238	\$11,879	\$11,944
Liabilities incurred	-	-	658	334	992	183
Liabilities settled	-	-	-	-	-	-
Revision in estimate	(117)	(9)	(256)	(32)	(414)	(543)
Accretion expense ⁽¹⁾	183	7	164	16	370	295
Closing balance	\$6,246	\$244	\$5,781	\$556	\$12,827	\$11,879

⁽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 \$17,517 thousand (\$15,836 thousand as at March 31, 2023).

Key assumptions used in determining the provision are as follows:

(in thousands of dollars)

	2024	2023
Discount rate	3.41 - 3.32%	2.89 - 3.02%
Discount period and timing settlement	8 to 27 years	10 to 28 years
Long-term rate of inflation	2.00%	2.00%

The Department's ongoing efforts to assess contaminated sites and asset retirement obligations may result in additional environmental liabilities and asset retirement obligations.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

6. Revenues

The department has the following major types of revenues: Regulatory fees, miscellaneous revenues, and revenues earned on behalf of the Government. Regulatory fees are recorded when they are earned. Miscellaneous revenues include the lease and use of public property, the sale of goods and information products, and other fees and charges. These are recorded when as performance obligations are satisfied.

(a) Disaggregated revenues

(in thousands of dollars)	2024	2023
Revenues		
Sales of goods and services (exchange)	\$77,331	\$73,327
Leases and use of public property	5,289	5,747
Services of a regulatory nature	6,680	5,046
Services of a non-regulatory nature	39,253	16,827
Sale of goods and information products	22,516	43,330
Other fees and charges	3,593	2,377
Other revenues (exchange and non-exchange)	28,713	143,472
Revenues - Excess Emission Charges (non-exchange)	225,175	301,632
Revenues earned on behalf of Government (exchange and non-exchange)	(240,085)	(311,898)
Total revenues	\$91,134	\$206,533

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

7. Deferred revenue

Departmental deferred revenues for the year consist of the following balances:

(in thousands of dollars)

	2024				2023
	Opening balance	Receipts and other credits	Earned and other charges	Closing balance	Closing balance
Disposal at sea permit fees	\$450	-	93	357	\$450
Specified purpose accounts - Endangered species - Donations	13	1	-	14	13
Specified purpose accounts - Miscellaneous project deposits	46,100	5,080	3,994	47,186	46,100
Deferred revenues	46,563	5,081	4,087	\$47,557	\$46,563

8. Lease obligation for tangible capital assets

Environment and Climate Change Canada has entered into agreements to lease certain space and equipment under capital leases with a cost of \$18,199 thousand and accumulated amortization of \$16,014 thousand as at March 31, 2024 (\$18,199 thousand of cost and \$15,286 thousand in accumulated amortization respectively as at March 31, 2023). The obligations related to the upcoming years include Carleton University for which, on October 13, 2000, Environment and Climate Change Canada entered into an agreement to rent office laboratory space for the National Wildlife Research Centre (NWRC), at an annual cost of \$1,300 thousand under a capital lease which expires in 2027.

(in thousands of dollars)

	2024
Maturing year	
2025	\$1,300
2026	1,300
2027	1,300
2028	-
Total future minimum lease payments	3,900
Less: imputed interest (5.63%)	401
Balance of obligation under leased tangible capital assets	\$3,499

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

9. Employee future benefits

(a) Pension benefits

Environment and Climate Change Canada's employees participate in the Public Service Pension Plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and the Department contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to *Economic Action Plan 2012*, employee contributors have been divided into two groups - Group 1 related 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 2023-24 expense amounts to \$77,588 thousand (\$72,047 thousand in 2022-23). For Group 1 members, the expense represents approximately 1.02 times (1.02 times in 2022-23) the employee contributions and, for Group 2 members, approximately 1.00 time (1.00 time in 2022-23) the employee contributions.

Environment and Climate Change Canada's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Consolidated Financial Statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits

Severance benefits provided to the Environment and Climate Change Canada's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2024, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

(in thousands of dollars)	2024	2023
Accrued benefit obligation, beginning of year	\$18,663	\$20,764
Adjustment for the year	2,752	(319)
Benefits paid during the year	(2,913)	(1,782)
Accrued benefit obligation, end of year	\$18,502	\$18,663

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

10. Accounts receivable and advances

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

(in thousands of dollars)	2024	2023
Receivables - Other government departments and agencies	\$5,811	\$4,290
Receivables - External parties	47,023	48,989
Employee advances	556	564
Subtotal	53,390	53,843
Allowance for doubtful accounts on receivables from external parties	(5,157)	(1,423)
Gross accounts receivable	48,233	52,420
Accounts receivable held on behalf of Government	(33,595)	(36,534)
Net accounts receivable	\$14,638	\$15,886

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)	2024	2023
Accounts receivable from external parties		
Not past due	\$44,351	\$44,904
Number of days past due		
1 to 30	1,513	1,611
31 to 60	59	27
61 to 90	149	927
91 to 365	261	1,395
Over 365	690	125
Sub-total	47,023	48,989
Less: Valuation allowance	(5,157)	(1,423)
Total	\$41,866	\$47,566

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

11. Inventory

The following table presents details of the inventory:

(in thousands of dollars)	2024	2023
Printed material, books, maps and forms	\$8	\$18
Stationery and office paper supplies	194	194
Meteorological supplies	18,019	18,841
Electric lighting	35	38
Compressed gases and acetylene	9	6
Chemicals and related products	4	6
Scientific & technical equipment	868	881
Radar Equipment	4,184	4,228
General purpose machinery and equipment	39	10
Computer equipment	78	70
Laboratory materials and supplies	294	327
Test vehicles	2,845	2,506
Total inventory	\$26,577	\$27,125

Inventory is valued using the moving average price.

12. Tangible capital assets

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

Asset class	Amortization Period
Buildings	25 to 40 years
Works and Infrastructure	20 to 40 years
Machinery and Equipment	3 to 30 years
Informatics Hardware	3 to 10 years
Informatics Software	3 to 9 years
Other Equipment	5 to 10 years
Ships and Boats	10 to 15 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

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.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

12. Tangible capital assets (continued)

Cost

(in thousands of dollars)

	2023	Acquisitions	Adjustments ⁽³⁾	Disposals	Write-offs	2024
Land	\$25,858	-	\$3,125	-	-	\$28,983
Buildings	280,913	-	25,427	203	34	306,103
Works and infrastructure	55,514	-	2,597	-	-	58,111
Machinery and equipment	661,513	10,748	44,823	15,106	3,047	698,931
Vehicles ⁽²⁾	48,315	7,306	(236)	2,573	598	52,214
Leasehold improvements	22,332	-	10,610	11	-	32,931
Assets under construction ⁽¹⁾	222,636	77,868	(86,393)	-	326	213,785
Leased tangible capital asset - building	18,199	-	-	-	-	18,199
	\$1,335,280	\$95,922	(\$47)	\$17,893	\$4,005	\$1,409,257

Accumulated amortization

(in thousands of dollars)

	2023	Amortization	Adjustments ⁽³⁾	Disposals	Write-offs	2024
Buildings	\$186,647	\$7,654	(\$669)	\$203	34	\$193,395
Works and infrastructure	26,073	2,481	-	-	-	28,554
Machinery and equipment	448,280	30,495	2	15,062	3,005	460,710
Vehicles ⁽²⁾	33,998	2,431	(127)	2,564	532	33,206
Leasehold improvements	17,007	732	-	11	-	17,728
Leased tangible capital asset - building	15,286	728	-	-	-	16,014
	\$727,291	\$44,521	(\$794)	\$17,840	\$3,571	\$749,607

Net book value

(in thousands of dollars)

	2023	2024
Land	\$25,858	\$28,983
Buildings	94,266	112,708
Works and infrastructure	29,441	29,557
Machinery and equipment	213,233	238,221
Vehicles ⁽²⁾	14,317	19,008
Leasehold improvements	5,325	15,203
Assets under construction ⁽¹⁾	222,636	213,785
Leased tangible capital asset - building	2,913	2,185
Net Book Value	\$607,989	\$659,650

(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 constructions of (\$86,393) thousand that were transferred to the other categories upon completion of the assets, new asset retirement obligations and change in estimates of \$577 thousand and post-capitalization for a net book value of \$170 thousand.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

13. Departmental net financial position

A portion of Environment and Climate Change Canada's net financial position is restricted for specific purposes. Related revenues and expenses are included in the Statement of Operations and Departmental Net Financial Position. Environment and Climate Change Canada has two accounts which fall under this category:

a) The Environmental Damages Fund account was established for the management of court orders/awards or other financial compensation to the Department for damages to the environment.

b) The Deposits - Other than Environmental Damages Fund account was established for the management of court orders/awards or other financial compensation to the Department that are not under the legal authority of the Environmental Damages Fund.

(in thousands of dollars)	2024	2023
Environmental Damages Fund		
Balance - Beginning of year - Restricted	\$263,798	\$281,874
Revenues	10,877	7,518
Expenses	(37,334)	(25,594)
Balance - End of year - Restricted	237,341	263,798
Deposits - Other than Environmental Damages Fund		
Balance - Beginning of year - Restricted	105,621	543
Revenues	20	105,078
Expenses	(35)	-
Balance - End of year - Restricted	105,606	105,621
Total Balance - End of year - Restricted	342,947	369,419
Unrestricted	(116,584)	(80,053)
Departmental net financial position - End of year	\$226,363	\$289,366

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

14. Contractual obligations and contractual rights

a) Contractual obligations

The nature of the Department's activities may 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 transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	Operating leases	Transfer payments	Capital Assets	Other	Total
2025	\$18,000	\$1,228,482	-	-	\$1,246,482
2026	18,000	458,952	-	-	476,952
2027	18,000	177,404	-	-	195,404
2028	18,000	50,038	-	-	68,038
2029	18,000	19,249	-	-	37,249
2030 and subsequent	270,000	-	-	-	270,000
Total	\$360,000	\$1,934,125	-	-	\$2,294,125

b) Contractual rights

The activities of the department sometimes involve the negotiation of contracts or agreements with outside parties that result in the department having rights to both assets and revenues in the future. They principally involve leases of property, royalties, and sales of goods and services. Major contractual rights that will generate revenues in future years and that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	Leases of property	Royalties	Sales of goods and services	Other	Total
2025	-	-	\$13,448	-	\$13,448
2026	-	-	13,677	-	13,677
2027	-	-	13,126	-	13,126
2028	-	-	-	-	-
2029	-	-	-	-	-
2030 and subsequent	-	-	-	-	-
Total	-	-	\$40,251	-	\$40,251

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

15. 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 Environment and Climate Change Canada in the normal course of operations. These claims include items with pleading amounts and other for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. Environment and Climate Change 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 remain nil at March 31, 2024.

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

16. Related party transactions

Environment and Climate Change 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.

Environment and Climate Change Canada 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, Environment and Climate Change 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 the Department's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2024	2023
Accommodation	\$53,602	\$52,657
Employer's contribution to the health and dental insurance plans	80,165	69,632
Workers' compensation	592	606
Legal services	749	831
Total	\$135,108	\$123,726

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 the Department's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with other government departments and agencies :

(in thousands of dollars)	2024	2023
Accounts receivable	\$5,811	\$4,290
Accounts payable	38,654	16,420
Expenses	262,054	254,716
Revenues	30,630	26,977

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 AND CLIMATE CHANGE CANADA

17. Transfers from/to other government departments

During the year, Environment and Climate Change Canada received tangible capital assets with Public Health Agency of Canada with a net effect of \$66,808 (-\$110,947 in 2022-23) on the departmental net financial position affecting categories machinery and equipment. Environment and Climate Change Canada also received salary overpayments and emergency salary advances with a net effect of \$90,109 (\$226,621 in 2022-23).

(in thousands of dollars)

Assets:

Tangible capital assets (Note 12)

2024

\$67

Salary overpayments and emergency salary advances

90

Total assets received

157

Adjustment to Departmental net financial position

\$157

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

18. Segmented information

Presentation by segment is based on Environment and Climate Change Canada's core responsibility. 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)	Taking Action on Clean Growth and Climate Change	Preventing and Managing Pollution	Conserving Nature	Predicting Weather and Environmental Conditions	Internal Services	2024	2023
Operations and administration							
Personnel	\$143,078	\$309,034	\$207,937	\$239,287	\$236,503	\$1,135,839	\$963,720
Professional and special services	19,146	74,633	27,539	22,535	41,826	185,679	179,381
Accommodation	6,890	18,322	10,231	13,655	11,955	61,053	60,301
Amortization of tangible capital assets	1,434	18,055	2,989	16,562	5,480	44,520	41,589
Materials and supplies	706	9,186	4,499	10,824	44	25,259	19,464
Rentals	800	2,943	5,932	8,206	22,714	40,595	40,946
Transportation and communications	4,061	7,825	8,514	10,245	5,221	35,866	36,083
Acquisition of machinery, equipment, land, buildings and works	477	3,931	8,870	3,646	8,970	25,894	27,351
Environmental liability and Asset Retirement Obligations adjustments	-	97,933	-	-	371	98,304	7,162
Repair and maintenance	160	4,426	1,347	6,512	1,233	13,678	12,707
Information	9,956	1,934	2,080	705	3,539	18,214	31,361
Earmarked fees and levies	-	37,334	35	-	-	37,369	25,594
Contingent liabilities	-	-	-	-	-	-	(300)
Other subsidies and payments	133	2,562	1,503	1,911	3,868	9,977	13,377
Total Operations and administration	186,841	588,118	281,476	334,088	341,724	1,732,247	1,458,736
Transfer payments							
Non-profit organizations	62,756	61,235	355,822	2,876	-	482,689	363,644
Other countries and international organizations	40,739	612	2,615	5,878	-	49,844	35,255
Other levels of governments within Canada	242,531	1,814	91,270	15	-	335,630	217,909
Other to individuals	1,015	-	515	15	-	1,545	387
Industry	43,053	1,272	737	-	-	45,062	30,754
Total Transfer payments	390,094	64,933	450,959	8,784	-	914,770	647,949
Total Expenses	576,935	653,051	732,435	342,872	341,724	2,647,017	2,106,685
Revenues							
Sales of goods and services	32	16,610	5,900	53,825	964	77,331	73,327
Other revenues	225,344	17,578	962	9,760	244	253,888	445,104
Revenues earned on behalf of Government	(226,721)	(1,260)	(1,629)	(9,573)	(902)	(240,085)	(311,898)
Total Revenues	(1,345)	32,928	5,233	54,012	306	91,134	206,533
Net cost of operations	\$578,280	\$620,123	\$727,202	\$288,860	\$341,418	\$2,555,883	\$1,900,152

Notes to the Financial Statements (Unaudited)

ENVIRONMENT AND CLIMATE CHANGE CANADA

19. Comparative information

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

Environment and Climate Change Canada

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting 2023-24

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Annex to the Statement of Management Responsibility

1. Introduction

This document provides summary information on the measures taken by ECCC to maintain an effective system of ICFR assessment results and related action plans.

Detailed information on ECCC's authority, mandate and program activities can be found in the last [Departmental Results Report](#) and the current [Departmental Plan](#).

2. Environment and Climate Change Canada's System of Internal Control Over Financial Reporting

2.1 Internal Control Management

ECCC has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. A departmental internal control management framework is in place and includes:

- Organizational accountability structures as they relate to internal control management to support sound financial management, including roles and responsibilities of senior departmental managers for control management in their areas of responsibility;
- A values and ethics code;
- Ongoing communication and training on statutory requirements, policies and procedures for sound financial management and control;
- An internal financial attestation process in support of certification by the Deputy Minister and the Chief Financial Officer (CFO), whereby senior departmental managers who report to the Deputy Minister attest that they have implemented and maintained a risk-based system of ICFR in their areas of responsibility;
- A Fraud Risk Management program that is designed to protect the departments' resources from fraud, waste and abuse through a prevention and detection framework; and
- semi-annual monitoring of, and regular updates on, internal control management, as well as the provision of related assessment results and action plans to the Deputy Minister and senior departmental management and, as applicable, the DAC.

The DAC is an independent advisory committee to the Deputy Minister. It is responsible to provide advice to the deputy head on the adequacy and functioning of the department's risk management, control and governance frameworks and processes.

2.2 Service Arrangements Relevant to Financial Statements

ECCC relies on other organizations for the processing of certain transactions that are recorded in its financial statements as follows:

Common Service Arrangements

- Public Services and Procurement Canada (PSPC) provides accommodation services and administers the procurement of goods and services, and the payments of salaries in accordance with ECCC's delegation of authorities. PSPC also administers the Receiver General Central Systems used to issue cheques on behalf of the department. ECCC relies on the effectiveness of the PSPC Phoenix pay system and related activities and practices;

- Shared Services Canada (SSC) provides information technology (IT) infrastructure services to ECCC in the areas of data centre and network services. The scope and responsibilities are addressed in the interdepartmental arrangement between SSC and ECCC;
- The Department of Justice provides legal services to ECCC;
- The Public Prosecution Service of Canada provides prosecution services to ECCC; and
- The Treasury Board of Canada Secretariat provides services related to public sector insurance for ECCC employees and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans on behalf of ECCC.

Specific Arrangements

- Agriculture and Agri-Food Canada (AAFC) provides ECCC with a System Applications Products (SAP) financial system platform to capture and report all financial transactions. Under this arrangement, ECCC relies on AAFC for the management of certain IT controls and procedures (e.g., security, configuration, change management, business continuity) and of various master data functions in SAP.

Readers of this Annex may refer to the Statement of Management Responsibility Annexes of the above-noted organizations for a greater understanding of the systems of ICFR related to these specific services.

3. Departmental Assessment Results During Fiscal Year 2023-24

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

Progress during the 2023-24 fiscal year	
Previous year's rotational ongoing monitoring plan for the current year	Status
Entity-Level Controls	Completed
IT General Controls	Completed
Travel, Hospitality, Conferences and Events	Completed
Stewardship of Financial Management Systems	Completed (Design Effectiveness)
Real Property	Postponed

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

3.1 New or significantly amended key controls

As part of the risk mitigation strategy and as a best practice, risks and key controls continued to be assessed at ECCC by:

- Evaluating changes in governance, risk management and internal controls, including those related to resource allocation, procurement, and financial management in times of budgetary uncertainty, to delegation of authority and to reporting structure;
- Documenting and communicating the results of the assessment of processes and controls and supporting business process owners and senior management in addressing them;

- Applying fraud scenarios identified through the updated ECCC Fraud Risk Assessment (FRA) to strengthen control-based fraud detection;
- Providing close support to AAFC financial systems team for the implementation of the SAP S/4HANA changes, innovation practices and alignment with the Office of the Comptroller General (OCG) Digital Comptrollership Program, to support the new Directive on the Stewardship of Financial Management Systems; and
- Liaising with the Departmental Chief Data Officer to ensure implementation of departmental data, analytics and Artificial Intelligence strategy for the financial management area.

Departmental audit of the System of ICFR

In 2023-24, the Departmental Audit Team performed an audit of the System of ICFR (results and Management Response and Action Plan presented to DAC in March 2024) and provided three recommended improvements, namely, to update the methodology of this Statement to provide more details information on the status of remedial actions. This ensures our stakeholders have a clear view of our progress and the effectiveness of our controls.

Focused review on procurement and payment processes

The Departmental Internal Control Team performed a focused review of its controls and assessed the effectiveness and efficiency of procurement and payment processes to determine if current practices, policies, and procedures were being followed.

The review found generally adequate adherence to procurement directives and financial controls, and compliance with *Financial Administration Act (FAA)* Sections 32, 33 and 34, including Section 41 on contracting.

The review also highlighted some opportunities to improve documentation and monitoring of service delivery. These improvements should allow for alignment with the Auditor General's recommendations and achieving a verification process that is transparent, accountable, and meets the statutory requirements and standards of prudence and probity expected by Canadians.

A plan was developed to address the following:

1. Enhancing statement of work details for effective deliverable monitoring.
2. Strengthening invoice and timesheet requirements for clearer service documentation.
3. Improving guidance and training for Section 34 managers to ensure diligent service delivery review.
4. Implementing a checklist within the SAP Invoice to Payment, to document Section 34 reviews.
5. Adjusting the Section 33 review process to ensure detailed verification in alignment with contractual requirements.

3.2 Ongoing Monitoring Program

In 2023-24, the rotational ongoing monitoring plan of ICFR at ECCC was performed by assessing the following ICFR business processes and detailed further below: Entity-Level Controls (ELC), IT General Controls (ITGC), Travel, Hospitality, Conferences and Events and Stewardship of Financial Management Systems. Additionally, an enhancement was made to the Delegation of Spending and Financial Authorities process as a result of closing an outstanding management action plan.

Entity-Level Controls

The ELC assessment was performed with the support of external consultants. Observations align with risk drivers in the Corporate Risk Profile (CRP), providing an additional layer of assurance. They specifically contribute to the CRP risk areas of Management Practices (drivers observed: organizational silos and

varying degrees of risk tolerance) and People (drivers observed: potential erosion of values and ethics and cumbersome staffing and classification processes).

No recommendations were made by the Departmental Internal Control Team, but opportunities for improvement were identified.

Proposed management actions to reduce related risks are identified within the CRP and will be monitored over time in accordance with ECCC's Integrated Risk Monitoring Strategy.

Fraud Risk Assessment

The ECCC ICFR FRA update in 2022-23 addressed a series of mitigation measures and through the biannual follow-up process of the management action plans, two FRA recommendations were completed and closed, strengthening the following controls:

- ECCC has an established transfer payment (Grants and Contributions) recipient audit function, with defined business processes and clear roles and responsibilities.
- A report of write-offs and obsolescence reclassifications for capital assets and inventory is reviewed on a periodic basis using a risk-based approach.

One further recommendation was issued relating to fraud analytics testing and vendor data management, with progress ongoing.

IT General Controls

AAFC has provided the reports from their latest independent audit engagement of our shared SAP system as part of the Annual Testing of Internal Controls over Financial Management (ICFM). This includes the regular ITGC Assessment for the calendar year 2023 as well as the new CSAE 3416 Service Auditor Report for the period of January 1, 2023, to January 31, 2024. No recommendations were made, however ECCC will follow up with SSC regarding their controls related to SAP operating system-level password parameters, to ensure alignment with Treasury Board Secretariat (TBS) guidance and industry standards.

Note that the ECCC Departmental Financial Systems Team performs two annual reviews of SAP user accesses and provides their report to AAFC. The Departmental Internal Control Team also performs a validation of the Phoenix Security Access Control Officer review of roles and accesses report provided to the CFO for attestation, as required by PSPC.

Travel, Hospitality, Conferences and Events Expenditures

The Travel, Hospitality, Conference and Events Expenditures process was assessed at the ongoing monitoring stage via a self-assessment. Controls were enhanced by implementing and revising guidance and tools to ensure consistent application to TBS Directives and to improve expenditure planning processes, and by implementing a more coordinated approach to enterprise participation at conferences.

Stewardship of Financial Management Systems

The design effectiveness of this process was completed with the support of external consultants. The assessment found that ECCC is aligned with the TBS Digital Comptrollership Program SAP templates (version 2) at approximately 70%. The gaps were communicated to the SAP host at AAFC, and a roadmap was established to address those gaps, namely:

- Financial Coding review
- Planning, Budgeting and Forecasting module in SAP
- Enterprise Asset Management
- Investment Management module

This process will be tested for Operating Effectiveness in 2024-25.

Delegation of Spending and Financial Authorities

Through the biannual follow-up process of the management action plans, the delegation of authority recommendation was completed and closed, strengthening the following control:

- The Delegation of Spending and Financial Authorities is in place in compliance with Treasury Board directives and guidance, including an escalation process for managing non-compliance in the application of spending and financial authorities.

Real Property

The assessment of the Real Property process has been postponed, given that significant process changes were reported for the departmental management of Real Property, including the full SAP implementation of the Real Property solution named RE-FX.

4. Departmental action plan for the next fiscal year and subsequent years

In 2016, ECCC business processes related to ICFR reached the ongoing monitoring status. Subsequently, a risk-based ongoing monitoring program was implemented, and an annual risk-based assessment is conducted to monitor the effectiveness of its ICFR.

Ongoing monitoring of internal controls begins after completion of initial control assessment and should reoccur every three to five years. The control assessment involves:

- Using a risk-based approach
- Documenting the controls
- Testing for design effectiveness and operating effectiveness
- Developing a management action plan to correct gaps or weaknesses.

ECCC's five-year risk-based ongoing monitoring plan is rotational and is based on the 2023-24 risk assessment results of ICFR processes, departmental priorities, available resources and workload, and other considerations, such as other relevant assessments, health checks and follow-ups performed by the Office of the Auditor General (namely their report on COVID-19 PANDEMIC-ArriveCAN), the OCG or other relevant departments or central agencies (i.e.: providing common services or specific arrangements).

The annual risk-based assessment resulted in the following ICFR business processes to be assessed in 2024-25:

- IT General Controls
- Stewardship of Financial Management Systems
- Inventory
- Capital Assets
- Public Money and Receivables
- Financial Close
- Purchasing, Payables and Payments

Notable changes to the plan:

- *Real Property* assessment is postponed to 2025-26 considering the ongoing changes in the Real Property process.
- *Purchasing, Payables and Payments* assessment was added in 2024-25 and will address the common key controls (*FAA* S32, S34 and S33) around Grants and Contributions and the enhanced controls on Procurement (*FAA* S41).

The Department will continue to prioritize and realign its ICFR assessments to assist the organization in effectively navigating through the careful economic and fiscal management environment:

ICFR Rotational ongoing monitoring plan					
Key control areas	2024-25	2025-26	2026-27	2027-28	2028-29
Entity-Level Controls	No	No	No	No	Yes
IT General Controls	Yes	Yes	Yes	Yes	Yes
Stewardship of Financial Management Systems	Yes	No	No	Yes	Yes
Real Property	No	Yes	No	No	No
Inventory	Yes	No	No	Yes	No
Capital Asset	Yes	No	No	Yes	No
Grants and Contributions (Transfer Payments)	No	Yes	No	No	Yes
Public Money and Receivables	Yes	No	No	No	No
Financial Close and Reporting	Yes	No	No	No	No
Travel, Hospitality, Conferences and Events	No	No	No	Yes	No
Delegation of Financial Authorities	No	Yes	No	No	No
Purchasing, Payables and Payments	Yes	No	Yes	No	Yes