



Commentary on the
2023–2024
Financial Audits



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

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Introduction

1. This report provides a commentary based on the results of the Auditor General of Canada’s **financial audits*** of federal organizations for the **fiscal years** ended between 31 July 2023 and 30 April 2024 (referred to here as the 2023–2024 financial audits). This commentary includes the Auditor General’s observations on significant findings identified as part of our audit of the **Government of Canada’s consolidated financial statements**. We also provide insights on **environmental, social, and governance reporting** done by federal organizations.
2. The commentary contains information that will help readers better understand the results of our audits and how the government manages its finances. Our financial audits support the **accountability relationship** between Parliament and the government organizations that spend taxpayer dollars to deliver programs and services. This accountability aims to ensure that the spending of taxpayer dollars serves the best interests of the public. Our work also supports Parliament’s oversight of the government, supports good financial management, and promotes transparency.

Results of our 2023–2024 financial audits

Audit opinions

The government’s consolidated financial statements were credible, but there were delays in tabling the Public Accounts of Canada in Parliament

3. This year, we provided the Government of Canada with an **unmodified audit opinion** on its 2023–24 consolidated financial statements, which are included in the **Public Accounts of Canada**. This means that we concluded that the statements were **credible** and **fairly presented**.
4. There were delays in the finalization of the consolidated financial statements, which delayed the completion of our audit and the tabling of the Public Accounts of Canada in Parliament until mid-December 2024. The Public Accounts were tabled before the deadline required by legislation of 31 December 2024. However, in the prior year, the financial

* Bolded terms are defined in the [Glossary](#).

statements and our audit were completed in early September and the Public Accounts were tabled in Parliament on 24 October 2023. In response to a recommendation from the House of Commons Standing Committee on Public Accounts, the government has committed to having the 2024–25 Public Accounts ready for tabling by 15 October 2025. In addition to the delays, our audit found weaknesses in the financial reporting process. These weaknesses are explained later in our report in the section on the [Auditor General’s observations on the preparation of the consolidated financial statements](#).

5. When the Public Accounts, including the audited consolidated financial statements, are not available on a timely basis, it impacts their usefulness and relevance as a key accountability document to help parliamentarians and Canadians understand how public funds are spent and the government’s financial performance. It also limits the ability to use this information for decision making.

6. Each year, the government must consider whether there are any important events subsequent to the date of its consolidated financial statements up to the date of the completion and approval of those statements. The government performed the required analysis and adjusted the notes to the consolidated financial statements where required in accordance with accounting standards. One such event did arise in late November 2024 when it was announced that there was a \$1.9-billion non-permitted surplus in the Public Service Pension Fund. A surplus occurs when pension assets exceed pension liabilities. When this surplus grows to be more than 25% of the total pension liabilities, the government must take steps to reduce it. The government disclosed information about this event in Note 12 of the consolidated financial statements as a subsequent event and will include the impact of this amount in next year’s financial statements.

Audited financial statements of federal organizations were credible, and most were provided on time

7. This year, we were satisfied with the timeliness and credibility of the financial statements prepared by 68 of the 69 federal organizations we audit. One of our **audit opinions**, for the Reserve Force Pension Plan, was delayed because the plan had challenges in the preparation of its financial statements. We have reported on the delays in issuing an opinion for this pension plan several times in the past because management of the pension plan had challenges in providing documentation to support the estimated pension obligations. In the current year, there were issues with the accuracy and completeness of transfers of some member pension amounts from the Reserve Force Pension Plan to the Canadian Forces Pension Plan. As such, our audit has been ongoing as management of the pension plan was continuing to

investigate and determine the extent of the data issues. These transfers were not significant for the Canadian Forces Pension Plan financial statements. Therefore, the audit of those statements was completed on time.

8. The list of the federal organizations that we audit is found on [our website](#). This list includes 2 additions in the current fiscal year. We were appointed auditor of VIA HFR-TGF Inc. and a joint auditor of the Canada Growth Fund Inc. These 2 Crown corporations are wholly owned subsidiaries of VIA Rail and the Canada Development Investment Corporation, respectively.

9. For 3 audits—the Trans Mountain Corporation, the Freshwater Fish Marketing Corporation, and the Canada Post Corporation—we included an additional paragraph in our respective **independent auditor’s reports** for each of these Crown corporations to draw attention to specific matters of significance to the corporations this fiscal year.

We again drew attention to a material uncertainty about the continuing operations of the Trans Mountain Corporation

10. For the third year, the Trans Mountain Corporation’s year-end consolidated financial statements disclosed a **material** uncertainty about its ability to continue operating. We drew attention to this disclosure in the independent auditors’ report, which we issued jointly with another independent auditor, on the corporation’s 31 December 2023 consolidated financial statements. The uncertainty was related to the corporation’s ability to fund the remaining construction costs and other current obligations of the Trans Mountain expansion project and to make the necessary payments on its existing debt. This disclosure did not cause us to modify the audit opinion on the Trans Mountain Corporation’s 31 December 2023 consolidated financial statements. However, we assessed the uncertainty to be important enough to mention it in the independent auditors’ report.

11. We also assessed that the corporation appropriately described the uncertainty about its ability to continue operating in a note in its consolidated financial statements.

12. Funding for the purchase and a portion of the ongoing construction of the Trans Mountain expansion project was initially provided by the Government of Canada. As at 31 December 2023, the amount owed to the government was \$16.9 billion, due 29 August 2025, as disclosed in the consolidated financial statements of the Canada Development Investment Corporation (the Trans Mountain Corporation’s parent Crown corporation).

13. In February 2022, the Government of Canada announced it would spend no additional public money on the pipeline. Since the announcement, the Trans Mountain Corporation has had to obtain external financing to fund the remaining costs of the project. The corporation has **credit facilities** with a group of financial institutions that are guaranteed by the Government of Canada. As at 31 December 2023, the borrowing limit for the facilities was \$18.0 billion, with an unused portion of \$1.9 billion, and the overall total debt relating to the pipeline was \$33.0 billion.

14. The amount spent on the pipeline as at 31 December 2023 was \$31.3 billion. Further construction costs of \$2.9 billion were expected to be incurred in the first half of 2024 based on the project’s total estimated cost of \$34.2 billion.

15. The pipeline began operations on 1 May 2024. The borrowing limit on the Trans Mountain Corporation’s existing credit facilities was increased to \$19.0 billion on 17 May 2024. The maturity date was extended to 31 August 2026, which the corporation judged would provide sufficient funds for it to meet its obligations as they become due.

16. The Trans Mountain Corporation reported in its first 3 quarterly unaudited financial statements for 2024 that the material uncertainty about its ability to continue operations has been resolved. In the next annual audit of the consolidated financial statements, we will continue to assess the risks of the Trans Mountain Corporation’s ability to repay its debt obligations and fund its ongoing operations.

We drew attention to the government’s planned divestiture of the Freshwater Fish Marketing Corporation

17. In November 2023, the Government of Canada announced its intention to divest of the Freshwater Fish Marketing Corporation. The government has stated that the corporation will continue to operate under its current mandate during the divestiture process. In its approved 2024–25 to 2028–29 corporate plan, no changes were expected to its existing activities.

18. Given that this will be a significant change for the corporation, we drew attention to the planned divestiture in our independent auditor’s report that we issued on the Freshwater Fish Marketing Corporation’s 30 April 2024 financial statements. The corporation’s financial statements included disclosure about the status of the divestiture process. This matter did not cause us to modify our audit opinion.

Approval of corporate plans

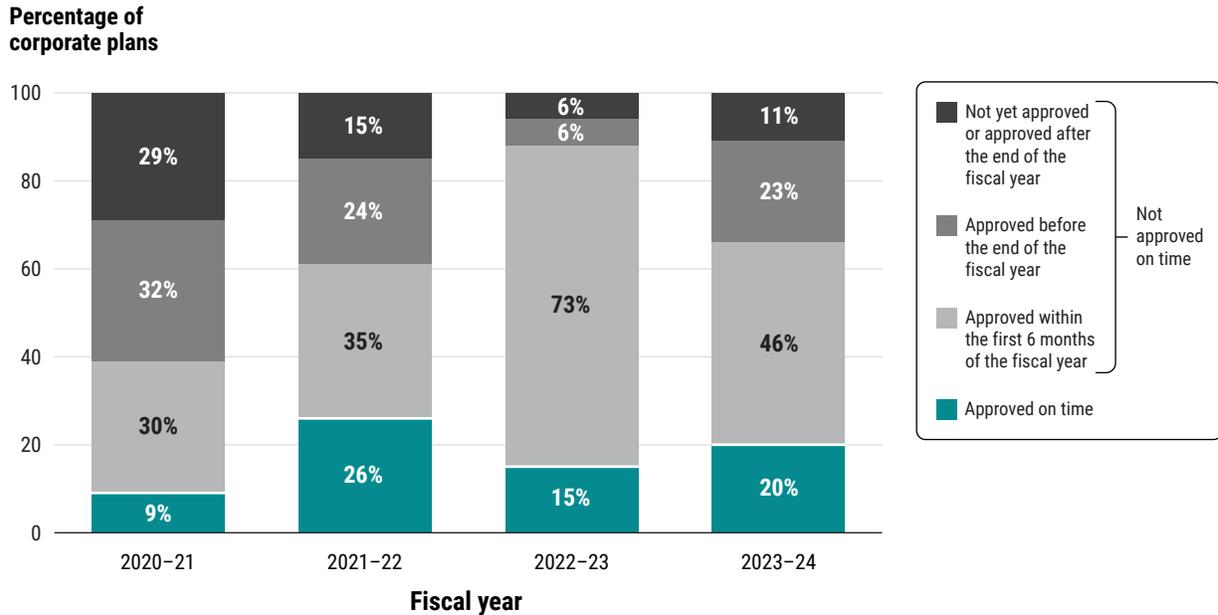
The majority of Crown corporations' corporate plans were not approved before the start of their fiscal year

19. Crown corporations, which operate at arm's length from government, have corporate plans that set out their planned activities, objectives, strategies, and operational and performance measures, targets, and risks. Most Crown corporations submit their corporate plans to the responsible minister every year for approval by the Treasury Board. A corporate plan sets out a Crown corporation's planned activities for the upcoming 5 fiscal years. If a Crown corporation wants to implement changes or additional activities to help it fulfill its mandate, it needs timely decisions from the government about its corporate plan.

20. We reported in our commentary on the 2018–2019 and 2020–2021 financial audits that most corporate plans were not approved before the start of a corporation's fiscal year. In our 2020–2021 report, we indicated that 91% of Crown corporations subject to submitting such plans did not have theirs approved on time. This was partly due to the fact that many of these corporate plans came up for approval by the Treasury Board when the COVID-19 pandemic began. However, we have continued to note challenges in the timeliness of approvals in recent years. In this report, we provide an update.

21. For the 2023–2024 financial audits, 80% of Crown corporations did not have an approved corporate plan at the start of their fiscal year. This is concerning. While it was an improvement over the figure of 85% in the previous year, there was an increase in the number of corporate plans that were outstanding for 6 months or longer after the start of a Crown corporation's fiscal year ([Exhibit 1](#)).

Exhibit 1—Percentage of corporate plans approved at various points during the Crown corporation’s fiscal year



Source: Based on the Office of the Auditor General of Canada’s analysis of data on approval dates for Crown corporations’ corporate plans

Exhibit 1—Percentage of corporate plans approved at various points during the Crown corporation’s fiscal year—Text description

This stacked bar chart shows the percentage of Crown corporation corporate plans approved on time from the 2020–21 to 2023–24 fiscal years and the percentage of corporate plans not approved on time in the same period, divided into 3 categories:

- Not yet approved or approved after the end of the fiscal year
- Approved before the end of the fiscal year
- Approved within the first 6 months of the fiscal year

Overall, the majority of the corporate plans were not approved on time.

The corporate plans that were not yet approved or approved after the end of the fiscal year decreased from 29% in 2020–21 to 15% in 2021–22 and 6% in 2022–23, then increased to 11% in 2023–24.

The corporate plans approved before the end of the fiscal year decreased from 32% in 2020–21 to 24% in 2021–22 and 6% in 2022–23, then increased to 23% in 2023–24.

The corporate plans approved within the first 6 months of the fiscal year increased from 30% in 2020–21 to 35% in 2021–22 and 73% in 2022–23, then decreased to 46% in 2023–24.

The corporate plans approved on time increased from 9% in 2020–21 to 26% in 2021–22, then decreased to 15% in 2022–23, and increased to 20% in 2023–24.

Source: Based on the Office of the Auditor General of Canada’s analysis of data on approval dates for Crown corporations’ corporate plans

22. While awaiting approval of a new corporate plan, a Crown corporation continues to operate under its last approved plan. However, if a corporation wants to implement changes or additional activities that are not consistent with its current corporate plan, such as investing in major infrastructure, it needs approval of a new or amended plan. Delays in government approval can result in project delays or possible additional costs. It can also result in inefficiencies or require the corporation to reassess its work because of the shifts in priorities. As noted in the section below for the [Canada Post Corporation](#), a delay in approving its corporate plan has had negative financial impacts on the corporation.

23. It is important for the government to work with Crown corporations so that they can obtain timely approval of their corporate plans to avoid potential consequences.

The Canada Post Corporation has been operating without an approved corporate plan since 2020

24. The Canada Post Corporation has been operating without an approved corporate plan since 2020. In the meantime, the corporation continues to operate under its last approved plan. We noted this in the independent auditors' report that we issued jointly with another independent auditor on the 31 December 2023 consolidated financial statements. The lack of an approved corporate plan is particularly important given the length of time elapsed since the last approved plan and the corporation's current financial challenges.

25. Over the past few years, the Canada Post Corporation has had recurring financial losses and a deteriorating **liquidity** position. In its most recent **annual report** for 2023, the corporation stated that changes to its operations are needed to remain competitive and financially self-sustaining. Without action from the Government of Canada, there is a risk that the corporation's liquidity will deteriorate further and its remaining cash could be depleted by July 2025. This matter did not cause us to modify our audit opinion. However, the lack of a recently approved corporate plan, the impact of the challenges the corporation is facing, and the threat to its ability to be financially self-sustaining were important enough that we drew attention to it in the independent auditors' report.

Key audit matters

Our independent auditor's report on the government's financial statements is required to communicate key audit matters

26. Auditors of financial statements of **listed entities** are required to report key audit matters—that is, matters of most significance in the audit. The Government of Canada is considered a listed entity because its bonds are quoted on a stock exchange and publicly traded. Therefore, we report on key audit matters in our independent auditor's report on the Government of Canada's consolidated financial statements in Volume I of the 2023–24 Public Accounts of Canada. In that report, we describe each matter and our audit procedures.

27. These key audit matters are intended to help readers of the financial statements, such as parliamentarians, better understand the audit work we carried out in support of the audit opinion.

28. Auditors use professional judgment to identify key audit matters, using criteria that include areas of significant risk, estimates with a high degree of uncertainty, or significant events or transactions that occurred during the year. The key audit matters included in this year's independent auditor's report of the government's consolidated financial statements were the following:

- Measurement of tax revenues
- Accuracy of personnel expenses
- Recognition and valuation of **contingent liabilities**
- Completeness and valuation of **asset retirement obligations**
- Valuation of public sector pensions and other future benefit liabilities
- Valuation of loans and advances
- Valuation, classification, and existence of military-related inventory and **asset pooled items**

29. The valuation of loans and advances is a new key audit matter this year. This matter was added because of judgments required by the government in determining the methodology to estimate the amount and the key assumptions used in that methodology. In addition, for certain categories of loans and advances, there was limited historical experience on how much of these loans and advances might be recoverable, further adding to the uncertainty in these estimates.

30. In last year’s independent auditor’s report, we included a key audit matter related to the adoption of new standards on **financial instruments** because it was a significant change to the consolidated financial statements. We did not consider this to be a key audit matter for this year because the new standards were fully implemented.

COVID-19 benefits programs

The government reported on the overpayments and ineligible payments of COVID-19 benefits

31. In March 2020, the Government of Canada announced Canada’s COVID-19 Economic Response Plan. To minimize the impact of the COVID-19 pandemic on the health of Canada’s population, businesses, and economy, the plan included emergency income support programs for individuals and businesses in Canada. The plan also included a program to provide loans to small businesses and not-for-profit corporations through the [Canada Emergency Business Account](#), which we discuss in the next section.

32. In our commentaries on financial audits since the COVID-19 income support programs were launched, we summarized the effects of these programs on the government’s consolidated financial statements. In addition, we completed 13 COVID-related **performance audits**. We continue to follow up on the recommendations we made in past audits.

33. Most of these support programs relied on applicants attesting that they were eligible to receive funds. There were limited verification controls before the government issued payments, with the intention that departments and agencies would verify recipient eligibility after issuing payment. Given the limited pre-payment controls when the payments were issued, the **post-payment verifications** are important.

34. In our 2022 performance audit [Report 10—Specific COVID-19 Benefits](#), we recommended that Employment and Social Development Canada and the Canada Revenue Agency update their post-payment verification plans to identify overpayments or payments to ineligible recipients, keeping in mind the legislated time frames. The legislation for most COVID-19 benefit programs specified that verifications of benefits paid to recipients had to be completed within 36 months of receiving the benefits. In cases where either the department or the agency suspects that recipients misrepresented information, then the verification time frame can be extended to a maximum of 72 months.

35. Employment and Social Development Canada and the Canada Revenue Agency developed action plans in response to our audit recommendations, which they provided to Parliament. They also provided status updates on these plans. The most recent update was provided to Parliament in November 2024. However, both organizations only partially agreed with a key recommendation from our 2022 performance audit Report 10—Specific COVID-19 Benefits to increase the extent of verifications to be performed for cases identified as being at risk of being ineligible. As we noted in our prior year’s commentary, despite the work carried out by the government, we remain concerned that it may not be investigating significant amounts of payments made to ineligible individuals or businesses, which it therefore may not identify or recover.

36. In cases where the government determined that it had overpaid eligible recipients or paid benefits to recipients who were not eligible, it recorded the amounts as **accounts receivable** ([Exhibit 2](#)). The government provided information about these payments in the notes to its consolidated financial statements. For example, in note 6, the government stated that it expects post-payment verification activities to continue for years and that the total value of overpayments has not been determined but could be material. In addition, as with any accounts receivable, because some of the amounts are at risk of not being repaid, the government estimated an allowance for anticipated losses. As at 31 March 2024, the allowance is \$6.3 billion. This amount is included within the **allowance for doubtful accounts** disclosed in note 17 of the consolidated financial statements.

Exhibit 2—COVID-19 benefit overpayments or ineligible payments determined by the government

	Amount in the 2020–21 fiscal year	Amount in the 2021–22 fiscal year	Amount in the 2022–23 fiscal year	Amount in the 2023–24 fiscal year
Beginning balance of accounts receivable of COVID-19 benefits	-	\$3,742 million	\$5,119 million	\$6,962 million
Overpayments or ineligible payments to individuals determined by the government	\$4,832 million	\$1,630 million	\$3,730 million	\$5,261 million
Overpayments or ineligible payments to businesses determined by the government	\$435 million	\$281 million	\$330 million	\$660 million
Repayments made by recipients	(\$1,525) million	(\$534) million	(\$2,217) million	(\$1,527) million
Ending balance of accounts receivable of COVID-19 benefits	\$3,742 million	\$5,119 million	\$6,962 million	\$11,356 million
Allowance for doubtful accounts	(\$909) million	(\$1,250) million	(\$2,261) million	(\$6,291) million
Net receivables of COVID-19 benefit overpayments	\$2,833 million	\$3,869 million	\$4,701 million	\$5,065 million

Benefits to individuals include the Canada Emergency Response Benefit, Canada Emergency Student Benefit, Canada Recovery Benefit, Canada Recovery Caregiving Benefit, Canada Recovery Sickness Benefit, Canada Worker Lockdown Benefit, and Employment Insurance Emergency Response Benefit. Benefits to businesses include the Canada Emergency Rent Subsidy and Canada Emergency Wage Subsidy.

Source: Based on the Office of the Auditor General of Canada’s audit of the consolidated financial statements of the Government of Canada

The government estimated the collection of amounts receivable from recipients of Canada Emergency Business Account loans

37. As part of its COVID-19 Economic Response Plan, the government provided interest-free loans of up to \$60,000 to small businesses and not-for-profit corporations, totalling \$49.1 billion, through the Canada Emergency Business Account program. The government forgave a portion of the loans, up to 33%, as an incentive if the recipient repaid the required portion of the loans by 18 January 2024,

or by 28 March 2024 if a refinancing plan was negotiated with the recipient’s financial institution. If not repaid by that time, the loans were no longer interest-free and began accruing interest.

38. In the government’s consolidated financial statements, when the loans were first issued, estimated loan incentives were recorded as an expense and as a reduction of the amount of loans owed. Now that the repayment deadline has passed, total loan incentives recorded for the program were \$12.4 billion. The remaining outstanding loan balance as at 31 March 2024 was \$8.5 billion, which is included in note 20 of the government’s consolidated financial statements.

39. Because some of the remaining loans are at risk of not being repaid, the government also estimates an allowance for potential losses. As at 31 March 2024, the estimate of the allowance was \$4.9 billion with a net balance of loans receivable of \$3.6 billion ([Exhibit 3](#)). These amounts are disclosed in note 20 to the consolidated financial statements within the amount of the valuation allowance for the Canada Emergency Business Account program.

Exhibit 3—Canada Emergency Business Account program

	Amount in the 2020–21 fiscal year	Amount in the 2021–22 fiscal year	Amount in the 2022–23 fiscal year	Amount in the 2023–24 fiscal year	Total for the program
Beginning balance of loans receivable	-	\$44,881 million	\$44,666 million	\$40,153 million	-
Loans issued	\$45,282 million	\$3,767 million	-	-	\$49,049 million
Loans repaid	(\$401) million	(\$3,160) million	(\$3,159) million	(\$21,340) million	(\$28,060) million
Loans written off	-	-	(\$5) million	(\$83) million	(\$88) million
Loan incentives recorded	-	(\$822) million	(\$1,349) million	(\$10,223) million	(\$12,394) million
Ending balance of loans receivable	\$44,881 million	\$44,666 million	\$40,153 million	\$8,507 million	-
Estimated remaining loan incentives and provision	(\$15,807) million	(\$16,221) million	(\$15,572) million	(\$4,942) million	-
Net balance	\$29,074 million	\$28,445 million	\$24,581 million	\$3,565 million	-

Source: Based on the Office of the Auditor General of Canada’s audit of the consolidated financial statements of the Government of Canada

40. In our 2024 performance audit [Report 8—Canada Emergency Business Account](#), we noted that while loans to small businesses were disbursed quickly, some amounts were paid to ineligible recipients. Based on our audit work, we estimated the total amount paid to ineligible recipients to be \$3.5 billion. Of that amount, Export Development Canada had already identified \$2.0 billion. As at 31 March 2024, \$0.9 billion had been repaid.

41. We recommended that Export Development Canada take the necessary actions to identify the full population of ineligible recipients and recover those amounts. Export Development Canada only partially agreed with our recommendation. We are concerned that significant amounts paid to ineligible recipients may not be identified or recovered.

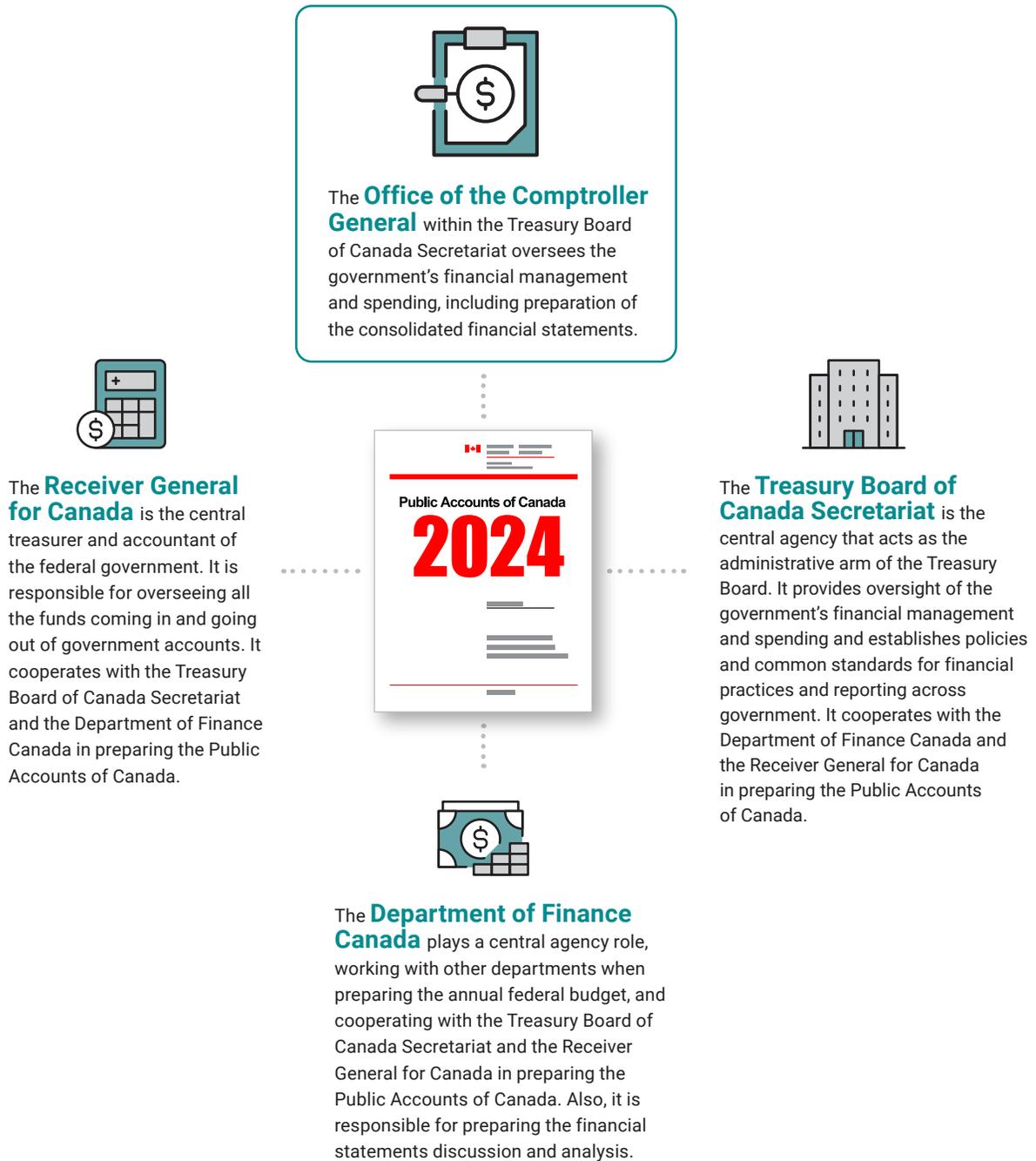
Auditor General’s observations on the Government of Canada’s 2023–24 consolidated financial statements

Preparation of the consolidated financial statements

Improvements were needed in the financial reporting process for the consolidated financial statements

42. The Government of Canada’s consolidated financial statements is a key accountability document that helps parliamentarians understand the outcome of the government’s financial transactions and overall financial situation. These statements also show Canadians how the government is managing public funds. The Public Accounts of Canada, which include the government’s consolidated financial statements, are prepared under the joint direction of the Treasury Board of Canada Secretariat, the Office of the Comptroller General, the Department of Finance Canada, and the Receiver General for Canada ([Exhibit 4](#)).

Exhibit 4—Roles and responsibilities for the Public Accounts of Canada



Source: Based on information from the Treasury Board of Canada Secretariat, Department of Finance Canada, and Receiver General for Canada

Exhibit 4—Roles and responsibilities for the Public Accounts of Canada—Text description

This graphic shows an illustration of the cover page for Public Accounts of Canada 2024 in the centre. Text with an illustration for each of the 4 entities are above, below, and on both sides of the cover page.

Above in a text box: The Office of the Comptroller General within the Treasury Board of Canada Secretariat oversees the government’s financial management and spending, including preparation of the consolidated financial statements. Illustration: A clipboard with a magnifying glass over a dollar sign.

To the right: The Treasury Board of Canada Secretariat is the central agency that acts as the administrative arm of the Treasury Board. It provides oversight of the government’s financial management and spending and establishes policies and common standards for financial practices and reporting across government. It cooperates with the Department of Finance Canada and the Receiver General for Canada in preparing the Public Accounts of Canada. Illustration: An office building.

Below: The Department of Finance Canada plays a central agency role, working with other departments when preparing the annual federal budget, and cooperating with the Treasury Board of Canada Secretariat and the Receiver General for Canada in preparing the Public Accounts of Canada. Also, it is responsible for preparing the financial statements discussion and analysis. Illustration: A dollar bill and stack of coins.

To the left: The Receiver General for Canada is the central treasurer and accountant of the federal government. It is responsible for overseeing all the funds coming in and going out of government accounts. It cooperates with the Treasury Board of Canada Secretariat and the Department of Finance Canada in preparing the Public Accounts of Canada. Illustration: A calculator and a dollar sign.

Source: Based on information from the Treasury Board of Canada Secretariat, Department of Finance Canada, and Receiver General for Canada

43. The Office of the Comptroller General within the Treasury Board of Canada Secretariat has responsibility for providing leadership and oversight for financial accounting and reporting across the federal government. This includes

- providing oversight of the preparation of the government’s consolidated financial statements
- developing guidance or providing advice on the implementation of new accounting standards and on how to record significant unusual transactions
- monitoring, providing guidance on, and recommending corrective actions regarding the accounting practices of departments

44. The Office of the Comptroller General’s leadership and oversight role is key to ensuring the accuracy and timeliness of the consolidated financial statements. This role is becoming even more important given new government programs involving multiple departments and agencies and the increasing complexity of financial reporting requirements.

45. We identified opportunities to improve the Office of the Comptroller General’s process to identify, assess, and respond to key risks in the preparation of the consolidated financial statements. Responsibilities for financial management within the Government of Canada are detailed in the Policy on Financial Management. While chief

financial officers across federal entities are required to analyze and apply accounting standards to accurately report transactions throughout the year, the Office of the Comptroller General has an important role to ensure consistency in accounting treatment and exercise oversight over important estimates. Examples of opportunities to improve that we identified include the following:

- We continued to find inconsistencies in how departments accounted for certain items. For example, there were differences in how departments estimated their asset retirement obligations, a new accounting standard that was implemented last year. This is explained further in a [separate observation](#) in this report.
- The Canada Emergency Business Account program reached a significant milestone this year when the repayment deadline for loan forgiveness passed. This required the estimate for the allowance for potential losses to be revised, which involved several parties. We noted that there were many changes made to the methodology for the estimate until late in the finalization of the consolidated financial statements. The Office of the Comptroller General should provide more oversight of departments and agencies to ensure consistency across government for important accounting estimates. As noted above, the valuation of loans and advances was a [key audit matter](#) highlighted in our independent auditor’s report.
- We identified errors in the cash flow statement, as we had during our audits over the past few years. These errors, while corrected, were often a result of incomplete data from departments and agencies used by the Receiver General for Canada and the Office of the Comptroller General to prepare the cash flow statement. To avoid such errors, all federal entities involved need to better understand the types of transactions impacting the cash flow statement. In the future, the Office of the Comptroller General and the Receiver General for Canada should provide clear guidance to departments and agencies on the information to be gathered and submitted to accurately prepare the consolidated cash flow statement.

46. Given these weaknesses, we performed additional audit work, where necessary, to reach our audit opinion. We concluded that the government’s consolidated financial statements were credible and fairly presented.

47. The Office of the Comptroller General should improve its process to prepare the consolidated financial statements to enable an earlier understanding and greater oversight of the significant transactions and new programs across the government so that the Office of the Comptroller General could be involved on a timely basis.

Pay administration

Our audit again found weaknesses in internal controls of pay processes

48. Pay processing in the Government of Canada is currently centralized for 49 departments and agencies through the Public Service Pay Centre, using the Phoenix pay system. Weaknesses in **internal controls** of the **HR-to-pay process** prevented us, again this year, from testing and relying on those controls in our audit work. As a result, we examined a sample of federal employees' pay transactions reported in the government's consolidated financial statements. The [results of our sampling](#) are described in the sections below.

49. We expect the government to have pay processes with internal controls that ensure employees are paid accurately and on time. This expectation remains regardless of whether the government keeps its current pay system or puts a new one in place, as discussed in the section below on the [next-generation pay system](#).

Pay errors continued for many employees

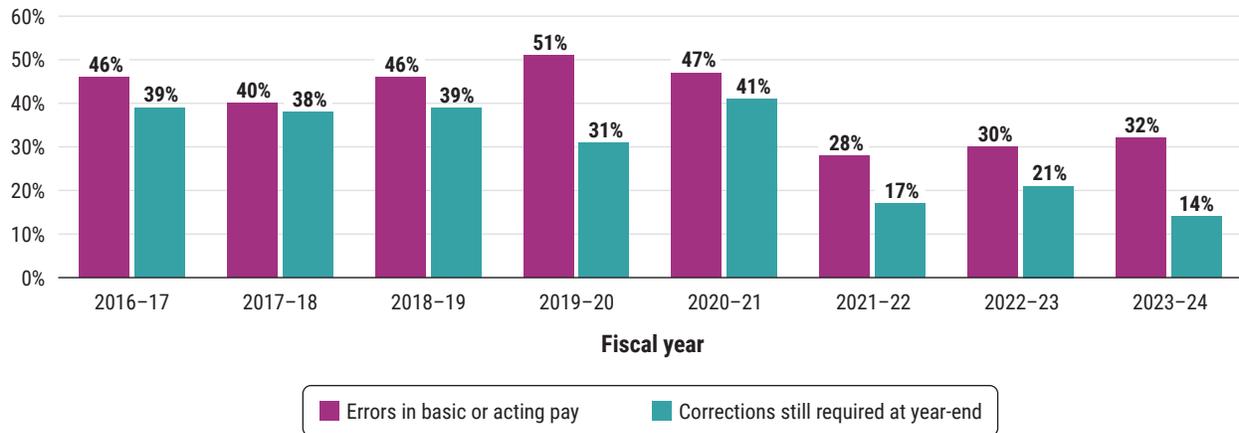
50. In our audit work, we found that

- 32% of employees we sampled had an error in their basic or acting pay during the 2023–24 fiscal year, compared with 30% in the prior year
- 14% of employees we sampled still required corrections to their pay as of 31 March 2024, a decrease from the 21% reported in the prior year ([Exhibit 5](#))

51. Similar to last year, we assessed that these errors were not due to problems with the way the pay system performed calculations, but rather were due mainly to inaccurate data being entered into the pay system and to delays in processing pay. Of the 32% of employees in our sample that had errors, roughly one third had errors because of inaccurate data and roughly two thirds had errors because of delays in processing pay.

Exhibit 5—Percentage of employees in our sample with an error in basic or acting pay and who were awaiting a correction at year-end

Employees



Source: Based on the Office of the Auditor General of Canada’s analysis of a sample of employees’ pay transactions used in the audit of the consolidated financial statements of the Government of Canada for the 8 fiscal years ending March 31 from 2017 to 2024

Exhibit 5—Percentage of employees in our sample with an error in basic or acting pay and who were awaiting a correction at year-end—Text description

This bar chart shows for each fiscal year from 2016–17 to 2023–24 the percentage of employees in our sample with an error in basic or acting pay and who were awaiting a correction at year-end.

The chart shows that the percentage of employees in our sample who had an error in basic or acting pay during the fiscal year decreased from 46% in 2016–17 to 40% in 2017–18 and then increased to 46% in 2018–19 and to 51% in 2019–20. The percentage then decreased to 47% in 2020–21 and to 28% in 2021–22. In 2022–23, the percentage increased to 30% and increased again in 2023–24 to 32%.

The chart also shows that the percentage of employees in our sample who were awaiting a correction at year-end was steady at either 38% or 39% for the 3 fiscal years from 2016–17 to 2018–19 and then decreased to 31% in 2019–20. The percentage then increased to 41% in 2020–21, decreased to 17% in 2021–22, and increased to 21% in 2022–23. In 2023–24, the percentage decreased to 14%.

Source: Based on the Office of the Auditor General of Canada’s analysis of a sample of employees’ pay transactions used in the audit of the consolidated financial statements of the Government of Canada for the 8 fiscal years ending March 31 from 2017 to 2024

52. At the beginning of the 2023–24 fiscal year, some employees were on strike for up to 2 weeks. We found that the majority of employees were paid while they were on strike when they should have been on leave without pay based on guidance provided by the Treasury Board of Canada Secretariat. This resulted in unnecessary overpayments, and to correct pay, the responsible department had to submit **pay action requests** to the pay centre. Although there were delays in submitting the changes, the majority of the overpayments were recovered before 31 March 2024. However, this situation created additional work.

53. While the pay centre, within Public Services and Procurement Canada, is responsible for processing payroll transactions, we note that departments also play an important role in providing timely and accurate information about changes to employee pay.

54. Overall, the errors noted did not have a significant effect on the consolidated financial statements. The government also made year-end accounting adjustments to further improve the accuracy of pay expenses. Therefore, we concluded that pay expenses were fairly presented in the government’s 2023–24 consolidated financial statements.

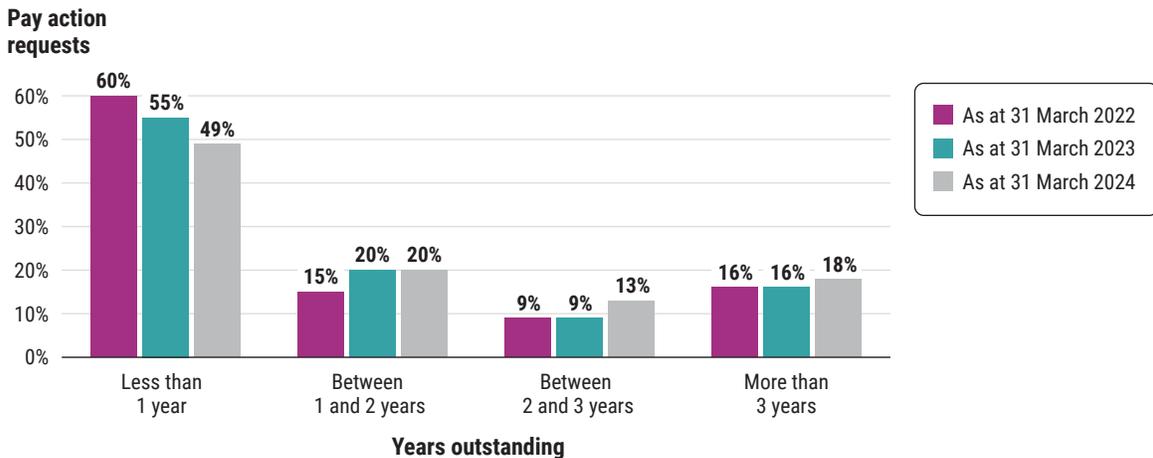
The number of outstanding pay action requests increased

55. As of 31 March 2024, there were 424,000 outstanding pay action requests. This was an increase from 405,000 reported as of 31 March 2023.

56. We analyzed how long pay action requests remained unresolved. We found that as of 31 March 2024, 18% of pay action requests, or approximately 78,000, were outstanding more than 3 years ([Exhibit 6](#)). This was slightly higher than the 16%, or approximately 65,000 requests, a year ago. The situations where requests remained unresolved for years varied. For example, some requests resulted from situations where an employee was

- underpaid and may have been granted a salary advance
- overpaid and the government was in the process of recovering the overpayment

Exhibit 6—Percentage of pay action requests in the departments and agencies served by the Public Service Pay Centre, by number of years outstanding



Source: Based on the Office of the Auditor General of Canada’s analysis of data in Public Services and Procurement Canada’s Case Management Tool

Exhibit 6—Percentage of pay action requests in the departments and agencies served by the Public Service Pay Centre, by number of years outstanding—Text description

This chart shows the percentage of pay action requests in the departments and agencies served by the Public Service Pay Centre by number of years outstanding as at 31 March 2022, as at 31 March 2023, and as at 31 March 2024. The percentage of pay action requests that were outstanding for less than 1 year decreased from 60% as at 31 March 2022 to 55% as at 31 March 2023, and to 49% as at 31 March 2024. The percentage of pay action requests that were outstanding for between 1 and 2 years increased from 15% as at 31 March 2022 to 20% as at 31 March 2023, and remained steady at 20% as at 31 March 2024. The percentage of pay action requests that were outstanding for between 2 and 3 years remained steady at 9% as at 31 March 2022 and 31 March 2023, then increased to 13% as at 31 March 2024. The percentage of pay action requests that were outstanding for more than 3 years also remained steady at 16% as at 31 March 2022 and 31 March 2023, then increased to 18% as at 31 March 2024.

Source: Based on the Office of the Auditor General of Canada’s analysis of data in Public Services and Procurement Canada’s Case Management Tool

57. When the government does not resolve cases involving overpayments over many years, the options to recover the amounts owed decrease over time. This could result in the government writing off some amounts. As of 31 March 2024, on the basis of data in the pay system, Public Services and Procurement Canada reported that

- the Public Service Pay Centre was working to collect outstanding overpayments totalling more than \$488 million (compared with \$500 million as at 31 March 2023) from more than 100,000 employees (the same number as at 31 March 2023)
- approximately 40% of these overpayments had been outstanding for more than 5 years (compared with 33% in the prior year)

58. For several years, we have reported on the total number of outstanding pay action requests in the departments and agencies served by the pay centre. To help reduce this number, the pay centre has introduced changes such as

- hiring additional compensation advisors
- performing reviews of its internal controls to ensure that the internal controls have been implemented and are working as intended
- performing quality assurance reviews

59. Although the pay centre has taken action to resolve pay action requests, more work needs to be done.

Work continued on the initiative for the next-generation pay system

60. As part of our annual financial audit work, we stay aware of the government’s plans for developing new information systems that could affect financial reporting. In 2018, the government announced its intention to replace the current pay system with the Next Generation Human Resources and Pay (NextGen) system—a large, multi-year, multi-phase initiative.

61. In February 2024, the government published a report on the results of a pilot project for the NextGen system. That report outlines results from testing a system that could replace Phoenix. The report concluded that the system being piloted could be a viable option for an integrated human resources (HR) and pay system. In addition, the report identified factors that could improve the overall accuracy of pay transactions that are independent of the information technology system used to process pay transactions.

62. In our previous commentary reports, we observed that simplifying the complexity and volume of pay rules could improve the accuracy of pay transactions. We encourage the government to continue to address the factors resulting in inaccurate pay. As progress is made, we will assess when we should carry out audit work on the NextGen system.

Information technology general controls

Deficiencies that we identified last year in general controls over key government IT systems continued

63. The Government of Canada uses its information technology (IT) systems to support the delivery of programs and services to Canadians and to maintain necessary records. It also uses the data stored in these systems to prepare financial reporting documents, such as the Public Accounts of Canada. Every year as part of our audit, we examine certain **IT general controls** to assess the risks to the integrity of information processing and stored data.

64. IT general controls consist of restrictions to help manage access to systems and data, changes to the system, and system operations. If IT general controls are ineffectively designed or poorly implemented, the data stored in the government’s databases has an increased risk of being incomplete, inaccurate, or compromised.

65. In last year’s audit of IT general controls, we found deficiencies in controls over access to key systems that store and process data related to payments, receipts, and accounting records. The data in these systems is essential to the government’s preparation of its consolidated financial statements. Certain users had access to government systems and databases that they did not need to fulfill their duties. Controls should have been in place to deny this access or to detect it later. This access gave these users the ability to make changes to the government’s systems and data, which increases the risk of fraud, privacy breaches, or other wrongdoing.

66. In May 2023, the government started to remove access for users who did not require it and was reconsidering the access required for different user responsibilities. In February 2024, the government provided us with an action plan to address all our observations from the prior year by 31 March 2025.

67. Because the actions needed to address the deficiencies were not completed before 31 March 2024, we could not rely on those controls again this year.

68. We had to perform additional audit work to reach our audit opinion on the government’s consolidated financial statements. During that work, we did not find any inappropriate changes made to data or any data breaches because of the inappropriate access. However, this additional audit work does not itself lessen the risks.

69. We noted that since March 2024, the government has made significant progress in addressing access risks. In next year’s annual audit, we will assess the impact of this progress and any remaining actions on our work.

Asset retirement obligations

Weaknesses remained in the government’s process to estimate its asset retirement obligations

70. The Government of Canada owns **tangible capital assets**, such as buildings, equipment, and vehicles. As of 31 March 2024, these assets had a value of \$105 billion. When it comes time to retire or **demilitarize**

some of these tangible capital assets, the government will legally have to take certain actions. For example, it may have to remove asbestos from buildings or clean up and dismantle nuclear facilities. The costs of this type of future legal obligation are known as asset retirement obligations.

71. In the prior year, to meet the requirements of a new Canadian public sector accounting standard, federal organizations analyzed and recorded estimated liabilities for asset retirement obligations in their accounting records. Federal organizations will update these estimates annually and consider whether new obligations exist until all obligations are fulfilled.

72. As of 31 March 2024, the government estimated that it had asset retirement obligations of \$12.5 billion. It disclosed information about these obligations in note 10 to its consolidated financial statements. Because of the significant amounts of the government’s asset retirement obligations and the complexity of reporting on them, we considered the completeness and valuation of these obligations to be a key audit matter. We described how we addressed the matter in our independent auditor’s report.

73. In the prior year, our audit noted weaknesses in the government’s process for analyzing and determining the amount of its asset retirement obligations. In the current year, the government started to implement some changes to improve these processes. For example, starting in February 2024, the Office of the Comptroller General provided additional guidance to departments. This continued into the 2024–25 fiscal year, and therefore, we will audit the impact of the implementation of this guidance in that year’s audit.

74. Despite these changes aimed at improving the process, there was limited progress this year in other areas of weakness we previously identified, such as the following:

- There were data quality issues at some federal departments, which means their estimates of asset retirement obligations may not be accurate.
- There was a need for increased oversight from the Office of the Comptroller General. Without strong oversight, inconsistencies can arise. We noted examples of inconsistencies again this year in estimation processes, selection and applications of methodologies, and the guidance provided across federal organizations.

75. We did not modify our audit opinion as a result of our audit findings in this area. Overall, these weaknesses did not have a significant impact on the consolidated financial statements. We concluded that the government fairly presented the asset retirement obligations in its consolidated financial statements. However, improvements are still needed, and we encourage the government to address the weaknesses in its estimation process.

National Defence inventory and asset pooled items

There were additional delays in the department implementing its long-term action plan

76. For over 2 decades, we have raised concerns about National Defence's ability to properly account for the quantities and values of its inventory and asset pooled items. The department manages 61% of the value of the Government of Canada's inventory and all its asset pooled items. In this year's audit, we found errors in either the quantities, valuation, or classification in 20% of the samples we tested, compared with 17% in the prior year. This resulted in a combined estimated understatement of inventory and asset pooled items of \$194 million, as compared with a \$42-million estimated understatement a year earlier. In our view, these continued errors indicate that further improvements to internal controls are needed.

77. In 2016, the department produced an action plan with changes aiming to better manage its inventory. As we reported in last year's commentary, the final commitment to be actioned was the implementation of a modern scanning and barcoding system. Work to implement this system is ongoing, and the department projects the system will be fully operational in the 2030–31 fiscal year, a 4-year delay from its original expected implementation date.

78. Managing and reporting on inventory and asset pooled items requires a significant level of effort. It is important for the department to

- maintain adequate records and improve controls over these assets to efficiently and cost-effectively manage its operations
- address the root causes of discrepancies and strengthen internal controls to improve data quality, which can also provide opportunities to improve decision making

79. Consistent with previous commentary reports, it is important that the department take these necessary actions to benefit from future investments in technology such as its scanning and barcoding system, and a planned new enterprise resource planning system.

Additional insights

Environmental, social, and governance reporting

Reporting standards for climate-related financial disclosures continued to evolve

80. Federal organizations have increasingly been reporting on sustainability because of requirements in federal legislation or in government policies. This is to report to Canadians and other interested parties how their actions impact people and the planet.

81. The federal government requested in 2021 that Crown corporations holding more than \$1 billion of assets report on climate-related financial risks for their financial years beginning in 2022 using the framework from the Task Force on Climate-related Financial Disclosures. This environmental, social, and governance reporting currently applies to 17 of the Crown corporations whose financial statements we audit. Crown corporations with less than \$1 billion in assets are expected to start reporting on their climate-related financial risks for their financial years beginning in 2024.

82. We reviewed a sample of the disclosures of the 17 Crown corporations that began or continued their reporting in 2023–2024 on climate-related risks and opportunities as well as other sustainability matters. We noted the following:

- The format of the reporting varied by entity, as some opted to include such information in their annual report while others opted to use a separate report.
- As entities assessed which matters they viewed as relevant to their business and industry, the information reported on such disclosures varied in depth and breadth across Crown corporations.
- We noted that some disclosures were not always linked to the Crown corporation's strategic objectives. In addition, many corporations had established measurable indicators but had yet to consistently link them to their financial risks and opportunities.

83. There have been important international developments on climate-related reporting. To support consistency and comparability of disclosures, in June 2023, the International Sustainability Standards Board issued its inaugural global reporting standards, the International Framework for Reporting Standards (IFRS) S1 General Requirements for Disclosure of Sustainability-related Financial Information and

S2 Climate-related Disclosures. IFRS S1 and S2 became effective for annual reporting periods beginning on or after 1 January 2024 if required by a given jurisdiction.

84. Although Canadian federal organizations are not required to report under IFRS S1 and S2, the standards provide important guidance about sustainability reporting. In March 2024, the Canadian Sustainability Standards Board released 2 draft reporting standards that are aligned with the international standards with some amendments to reflect the Canadian context. The standards are planned to be published by the end of 2024.

Assurance standards related to environmental, social, and governance reporting were in development

85. An international **assurance standard**, the International Standard on Sustainability Assurance 5000, will be adopted concurrently in Canada as the Canadian Standard on Sustainability Assurance 5000, subject to certain local modifications. These assurance standards, along with the [reporting standards](#) mentioned above, will help to increase the consistency and accuracy of environmental, social, and governance reporting. As reporting on environmental, social, and governance disclosures continues to evolve, assurance on these disclosures is important to validate the reported information. Currently, when environmental, social, and governance reporting is disclosed in the annual report of a Crown corporation, Canadian Auditing Standards require that we review annual reports to check that they are consistent with the audited financial statements and that the information disclosed is not misleading.

86. We will continue to monitor developments in this area, which includes meeting with interested parties to understand their needs and perspectives.

Glossary

Accountability relationship—The obligation of government to inform elected officials and the public on how it spent taxpayer dollars to deliver programs and services. (Obligation de reddition de comptes)

Accounts receivable—Financial claims arising from amounts owed to the Government of Canada: for example, for the use of its assets or from the proceeds for provision of services. (Créances)

Allowance for doubtful accounts—Management’s estimate of the amount of accounts receivable that is unlikely to be paid. It reduces the amount of accounts receivable in the financial statements. (Provision pour créances douteuses)

Annual report—A document prepared annually that informs the public of an organization’s operations, financial results, and financial position as set out in its financial statements. (Rapport annuel)

Asset pooled items—Tangible capital assets that are managed like inventory. (Éléments d’actif groupés)

Asset retirement obligations—A legal obligation associated with the retirement of a tangible capital asset. (Obligations liées à la mise hors service d’immobilisations)

Assurance standard— A pre-established framework of standardized guidelines used in conducting an audit and ensuring consistency between assurance engagements. (Norme d’assurance)

Audit opinion—An opinion expressed by an auditor as to whether the financial statements gave a fair presentation of the underlying transactions and events according to accounting requirements. (Opinion d’audit)

Contingent liabilities—Potential debt that may become an actual financial obligation if certain events occur or fail to occur. (Passifs éventuels)

Credibility—The characteristic of financial statements when they are said to faithfully represent the financial results in accordance with the applicable financial reporting standards. (Crédibilité)

Credit facility—A type of loan made in a business or corporate finance context that allows the borrower to take out money over an extended period of time rather than reapplying for a loan each time it needs money. (Facilité de crédit)

Demilitarize—The process of removing the functional capabilities and military design features from military assets. (Démilitariser)

Environmental, social, and governance reporting—The use of quantifiable and measurable factors that represent sustainable practices to assess an organization on its performance related to environmental, social, or governance matters. (Présentation de l'information sur les questions environnementales, sociales et de gouvernance)

Fairly presented—The characteristic of information in financial statements that faithfully represents the underlying transactions and events. (Image fidèle)

Financial audit—An examination as to whether the numbers presented in financial statements, or other financial information, are reasonably accurate. It is not designed to examine each dollar received or spent, to identify instances of fraud or wrongdoing, or to assess the merits of government policy decisions. (Audit financier)

Financial instruments—Contracts that give rise to financial assets on the part of one organization and financial liabilities or equity instruments on the part of another organization. (Instruments financiers)

Financial statements—A representation of a government organization's financial position and financial performance. Financial statements include the notes and schedules (such as tables) supporting the statements. (États financiers)

Fiscal year—A year as defined for accounting purposes, which may differ from a calendar year. (Exercice fiscal)

Government of Canada's consolidated financial statements—A presentation of the financial statements of the Government of Canada and all organizations it controls. These statements are in Volume I of the Public Accounts of Canada. (États financiers consolidés du gouvernement du Canada)

HR-to-pay process—The process from hiring an employee and entering the employee's pay data into the human resource system up to and including issuing payment and recording the employee's pay expense in the financial statements. (Processus des RH à la paye)

Independent auditor's report—A report attached to the front of an organization's financial statements to show that they have been scrutinized by an independent auditor. It contains, among other things, the written opinion of the auditor of whether the statements meet accepted accounting principles. The report is written in a standard format as mandated by generally accepted auditing standards. (Rapport de l'auditeur indépendant)

Information technology general controls—The policies and procedures that govern how an organization's information technology systems operate. These controls ensure that data is secure, confidential, reliable, and available. (Contrôles généraux informatiques)

Internal control—An activity designed to mitigate risks and provide reasonable assurance that an organization’s objectives, including compliance with applicable laws, regulations, and policies, will be achieved. (Contrôle interne)

Liquidity—The ease with which an asset, or security, can be converted into ready cash without affecting its market price. (Liquidité)

Listed entities—Entities whose shares, stock, or debt are quoted or listed on a recognized stock exchange or are marketed under the regulations of a recognized stock exchange or other equivalent body. (Entités cotées)

Material—The characteristic of information in financial statements that could reasonably be expected to influence the economic decisions of users of those financial statements. (Significatif)

Pay action request—Anything from a request to change an employee’s address or bank account information, to a request to enter parental leave or a promotion, or a request to fix a pay error. (Demande d’intervention de paye)

Performance audit—An audit that seeks to determine whether government programs are being managed with due regard for economy, efficiency, and environmental impact and whether measures are in place to determine their effectiveness. (Audit de performance)

Post-payment verification—Confirmation of eligibility and accuracy after a benefit has been paid. (Vérification après paiement)

Public Accounts of Canada—The government’s annual report, in 3 volumes, that includes the audited consolidated financial statements of the Government of Canada and other unaudited financial information, such as the financial statements discussion and analysis and supporting tables. (Comptes publics du Canada)

Tangible capital assets—Non-financial assets with physical substance that are acquired, constructed, or developed and are intended to be used on a continuing basis. Their useful life typically extends beyond an accounting period. (Immobilisations corporelles)

Unmodified audit opinion—An opinion expressed by an auditor when the auditor concludes that the financial statements give a fair presentation of the underlying transactions and events according to accounting requirements. (Opinion d’audit non modifiée)

