



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

AGRICULTURE AND AGRI-FOOD CANADA

**Consolidated Financial Statements (Unaudited)
For the year ended March 31, 2020**

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements for the year ended March 31, 2020, and all information contained in these statements rests with the management of Agriculture and Agri-Food Canada. These consolidated 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 consolidated financial statements. Some of the information in the consolidated 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 Agriculture and Agri-Food Canada's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in Agriculture and Agri-Food Canada's *Departmental Results Report*, is consistent with these consolidated financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its consolidated 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 Agriculture and Agri-Food Canada and through conducting an annual risk-based assessment of the effectiveness of the system of internal control over financial reporting.

The system of internal control over financial reporting is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of internal control over financial reporting for the year ended March 31, 2020 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 Agriculture and Agri-Food Canada's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Agriculture and Agri-Food Canada's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The consolidated financial statements of Agriculture and Agri-Food Canada have not been audited.



Chris Forbes, Deputy Minister



Christine Walker, Chief Financial Officer

Ottawa, Canada

October 7, 2020

Date

AGRICULTURE AND AGRI-FOOD CANADA

Consolidated Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)

	2020	2019
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 817,225	\$ 859,956
Vacation pay and compensatory leave	36,512	29,208
Environmental liabilities (Note 5)	9,284	5,979
Deferred revenue (Note 6)	13,254	12,653
Employee future benefits (Note 7)	16,651	17,979
Other liabilities (Note 8)	57,043	59,405
Total liabilities	<u>949,969</u>	<u>985,180</u>
Financial assets		
Due from Consolidated Revenue Fund	847,679	892,240
Accounts receivable and advances (Note 9)	38,359	35,962
Loans receivable (Note 10)	287,873	226,043
Total gross financial assets	<u>1,173,911</u>	<u>1,154,245</u>
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 9)	(1,367)	(2,006)
Loans receivable (Note 10)	(287,873)	(226,043)
Total financial assets held on behalf of Government	<u>(289,240)</u>	<u>(228,049)</u>
Total net financial assets	<u>884,671</u>	<u>926,196</u>
Departmental net debt	65,298	58,984
Non-financial assets		
Prepaid expenses and inventory	1,465	1,452
Tangible capital assets (Note 11)	444,253	439,249
Total non-financial assets	<u>445,718</u>	<u>440,701</u>
Departmental net financial position (Note 12)	<u>\$ 380,420</u>	<u>\$ 381,717</u>

Contractual obligations and contractual rights (Note 13)

Contingent liabilities and contingent assets (Note 14)

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



Chris Forbes, Deputy Minister



Christine Walker, Chief Financial Officer

Ottawa, Canada

October 7, 2020

Date

AGRICULTURE AND AGRI-FOOD CANADA

Consolidated Statement of Operations and Departmental Net Financial Position (Unaudited)

For the year ended March 31

(in thousands of dollars)

	<u>2020</u> Planned Results	<u>2020</u>	<u>2019</u>
Expenses			
Sector Risk	\$ 1,511,632	\$ 1,128,570	\$ 1,136,371
Domestic and International Markets	241,810	623,757	290,056
Science and Innovation	566,140	544,097	526,559
Internal Services	271,253	303,436	284,400
Expenses incurred on behalf of Government	<u>(86)</u>	<u>39</u>	<u>(91)</u>
Total expenses	2,590,749	2,599,899	2,237,295
Revenues			
Sale of goods and services	65,354	63,980	66,591
Interest	11,453	13,147	11,221
Gain on disposal of assets	1,545	10,233	1,126
Joint project and cost sharing agreements	8,648	6,782	8,274
Miscellaneous revenues	1,864	2,139	2,180
Crop Reinsurance Fund	900	25	572
Revenues earned on behalf of Government	<u>(21,651)</u>	<u>(41,761)</u>	<u>(32,334)</u>
Total revenues	68,113	54,545	57,630
Net cost of operations before government funding and transfers	<u>2,522,636</u>	<u>2,545,354</u>	<u>2,179,665</u>
Government funding and transfers			
Net cash provided by Government of Canada		2,527,458	2,121,159
Change in due from Consolidated Revenue Fund		(44,561)	43,061
Services provided without charge by other government departments (Note 15)		61,374	55,361
Other transfers of assets (to) / from other government departments		<u>(214)</u>	<u>(48)</u>
Net cost of operations after government funding and transfers		1,297	(39,868)
Departmental net financial position - Beginning of year		381,717	341,849
Departmental net financial position - End of year		<u>\$ 380,420</u>	<u>\$ 381,717</u>

Segmented information (Note 16)

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

AGRICULTURE AND AGRI-FOOD CANADA

Consolidated Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Net cost of operations after government funding and transfers	\$ 1,297	\$ (39,868)
Change due to tangible capital assets		
Acquisition of tangible capital assets	48,353	59,212
Amortization of tangible capital assets	(42,805)	(43,266)
Proceeds from disposal of tangible capital assets	(10,390)	(1,304)
Net (loss) or gain on disposal of tangible capital assets including adjustments	9,790	537
Non-cash changes of tangible capital assets	242	399
Transfer (to) / from other government departments	(186)	(49)
Total change due to tangible capital assets	<u>5,004</u>	<u>15,529</u>
Change due to prepaid expenses and inventory	13	(3,498)
Net increase (decrease) in departmental net debt	<u>6,314</u>	<u>(27,837)</u>
Departmental net debt - Beginning of year	58,984	86,821
Departmental net debt - End of year	<u>\$ 65,298</u>	<u>\$ 58,984</u>

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

AGRICULTURE AND AGRI-FOOD CANADA

Consolidated Statement of Cash Flows (Unaudited)

For the year ended March 31

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Operating activities		
Net cost of operations before government funding and transfers	\$ 2,545,354	\$ 2,179,665
Non-cash items:		
Amortization of tangible capital assets	(42,805)	(43,266)
Gain (Loss) on disposal of tangible capital assets	9,790	537
Non-cash changes of tangible capital assets	242	399
Services provided without charge by other government departments (Note 15)	(61,374)	(55,361)
Other transfers of assets to / (from) other government departments	28	(1)
Variations in Consolidated Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	3,036	1,056
Increase (decrease) in prepaid expenses and inventory	13	(3,498)
Decrease (increase) in accounts payable and accrued liabilities	42,731	(16,553)
Decrease (increase) in vacation pay and compensatory leave	(7,304)	589
Decrease (increase) in environmental liabilities	(3,305)	651
Decrease (increase) in deferred revenue	(601)	5,058
Decrease (increase) in employee future benefits	1,328	(99)
Decrease (increase) in other liabilities	<u>2,362</u>	<u>(5,926)</u>
Cash used in operating activities	2,489,495	2,063,251
Capital investing activities		
Acquisition of tangible capital assets	48,353	59,212
Proceeds from disposal of tangible capital assets	<u>(10,390)</u>	<u>(1,304)</u>
Cash used in capital investing activities	37,963	57,908
Net cash provided by Government of Canada	<u>\$ 2,527,458</u>	<u>\$ 2,121,159</u>

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

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 1 – Authority and objectives

The Department of Agriculture and Agri-Food was established in 1868. Under the *Department of Agriculture and Agri-Food Act*, the Minister is responsible for agriculture, products derived from agriculture and research related to agriculture, and products derived from agriculture including the operation of experimental farm stations unless they have been assigned by law to another department, board, or agency.

The Department provides information, research and technology, and policies and programs to achieve security of the food system, health of the environment and innovation for growth through the following core responsibilities:

Sector Risk

Agriculture and Agri-Food Canada provides tools to mitigate the financial impact of risks beyond producers' control that threaten the viability of their operations. Agriculture and Agri-Food Canada also works with the sector to ensure that systems, standards and tools are developed to support its ability to prevent and control risks and address market demands.

Domestic and International Markets

Agriculture and Agri-Food Canada provides programs and services and works in collaboration with the sector to support its competitiveness at home and abroad. Agriculture and Agri-Food Canada also works to increase opportunities for the sector to export its products by maintaining and expanding market access and advancing agricultural interests internationally.

Science and Innovation

Agriculture and Agri-Food Canada conducts scientific research, develops new knowledge and new technologies, and transfers the results to the Agriculture and Agri-Food sector. Agriculture and Agri-Food Canada also works with industry and other partners to strengthen the sector's capacity to develop and adopt innovative practices, products and processes.

Internal Services

Internal Services are those groups of related activities and resources that the federal government considers to be services in support of Programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the 10 distinct services that support Program delivery in the organization, regardless of the Internal Services delivery model in a department. These services are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Management Services; Materiel Management Services; and Acquisition Management Services.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 2 – Summary of significant accounting policies

These consolidated 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

The Department is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Department 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 Consolidated Statement of Operations and Departmental Net Financial Position and in the Consolidated 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 Consolidated Statement of Operations and Departmental Net Financial Position are the amounts reported in the Consolidated Future-Oriented Statement of Operations included in the *2019-2020 Departmental Plan*. Planned results are not presented in the "Government funding and transfers" section of the Consolidated Statement of Operations and Departmental Net Financial Position and in the Consolidated Statement of Change in Departmental Net Debt because these amounts were not included in the *2019-2020 Departmental Plan*.

(b) Consolidation

These consolidated financial statements include the accounts of the sub-entities for which the Deputy Minister is accountable for. The accounts of these sub-entities have been consolidated with those of the Department, and all inter-organizational balances and transactions have been eliminated. The accounting entity comprises the Department of Agriculture and Agri-Food, the Farm Products Council of Canada and the Canadian Pari-Mutuel Agency. The consolidated financial statements do not include the accounts of the Canadian Grain Commission, the Canadian Dairy Commission and Farm Credit Canada because they are not under the control of Agriculture and Agri-Food Canada and therefore are not consolidated.

(c) Net Cash Provided by Government of Canada

The Department operates within the Consolidated Revenue Fund, which is administered by the Receiver General for Canada. All cash received by the Department is deposited to the Consolidated Revenue Fund, and all cash disbursements made by the Department are paid from the Consolidated Revenue Fund. The net cash provided by Government of Canada is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

(d) Amounts due from or to the Consolidated Revenue Fund

Amounts due from or to the Consolidated Revenue Fund are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the Consolidated Revenue Fund. Amounts due from the Consolidated Revenue Fund represent the net amount of cash that the Department is entitled to draw from the Consolidated Revenue Fund without further authorities to discharge its liabilities.

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Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

(e) Revenues

- Revenues from regulatory fees are recognized based on the services provided in the year.
- Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue.
- Revenues are then recognized in the period in which the related expenses are incurred.
- Deferred revenue consists of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned.
- Other revenues are recognized in the period the event giving rise to the revenues occurred.
- Revenues that are non-respendable are not available to discharge the Department's liabilities. While the Deputy Minister is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction to the entity's gross revenues.

(f) Expenses

- Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient.
- Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- Services provided without charge by other government departments for the employer's contribution to the health and dental insurance plans, accommodation, legal services, and workers' compensation are recorded as operating expenses at their carrying value.

(g) Employee future benefits

- (i) Pension benefits – Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. The Department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The Department's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the consolidated financial statements of the Government of Canada, as the Plan's sponsor.
- (ii) Severance benefits – The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(h) Accounts and loans receivable

Accounts and loans receivable are initially recorded at cost and where necessary, are discounted to reflect their concessionary terms. Concessionary terms of loans include cases where loans are made on a long-term, low interest or interest-free basis. Transfer payments that are unconditionally repayable are recognized as loans receivable. When necessary, an allowance for valuation is recorded to reduce the carrying value of accounts and loans receivable to amounts that approximate their net recoverable value.

(i) Tangible capital 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,

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

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 collections and Crown land to which no acquisition cost is attributable; and intangible assets.

(j) **Contingent liabilities**

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

For loan or price guarantees, an allowance is recorded when it is likely that a payment will be made to honour a guarantee and where the amount of the anticipated loss can be reasonably estimated. The amount of the allowance for losses is determined based on historical loss experience and economic conditions adversely affecting the capacity of borrowers to reimburse the loan. The allowance is reviewed on a regular basis with any changes being charged or credited to current year expenses.

(k) **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 consolidated financial statements.

(l) **Environmental liabilities**

An environmental liability for the remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the Department is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the Department's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination. When the future cash flows required to settle or otherwise extinguish a liability are estimable, predictable and expected to occur over extended future periods, a present value technique is used. The discount rate used reflects the Government's cost of borrowing, associated with the estimated number of years to complete remediation.

The recorded liabilities are adjusted each year, for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred.

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

(m) **Measurement uncertainty**

The preparation of these consolidated 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 consolidated financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Department's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are contingent liabilities, environmental liabilities, the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the consolidated 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.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 3 – Parliamentary authorities

The Department receives most of its funding through annual parliamentary authorities. Items recognized in the Consolidated Statement of Operations and Departmental Net Financial Position and the Consolidated Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the Department has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

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

	<u>2020</u>	<u>2019</u>
Net cost of operations before government funding and transfers	\$ 2,545,354	\$ 2,179,665
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(42,805)	(43,266)
Gain (Loss) on disposal of tangible capital assets	9,790	537
Non-cash changes of tangible capital assets	242	399
Services provided without charge by other government departments	(61,374)	(55,361)
Increase (decrease) in prepaid expenses and inventory	13	(3,498)
Decrease (increase) in vacation pay and compensatory leave	(7,304)	589
Decrease (increase) in accrued liabilities	755	26,766
Decrease (increase) in environmental liabilities	(3,305)	651
Decrease (increase) in employee future benefits	1,360	(228)
Decrease (increase) in allowances for bad debt expenses	3,291	(13,386)
Refund and adjustment of prior years' expenditures	65,971	16,567
Respendable revenue	3,313	4,761
Other	<u>13,602</u>	<u>12,165</u>
Total items affecting net cost of operations but not affecting authorities	(16,451)	(53,304)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	48,353	59,212
Proceeds from disposal of tangible capital assets	(10,390)	(1,304)
Increase (decrease) in accounts receivable and advances	1,373	2,362
Increase (decrease) in loans receivable	<u>(309)</u>	<u>(28,685)</u>
Total items not affecting net cost of operations but affecting authorities	39,027	31,585
Current year authorities used	<u>\$ 2,567,930</u>	<u>\$ 2,157,946</u>

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

(b) Authorities provided and used

	<u>2020</u>	<u>2019</u>
Authorities provided:		
Vote 1 - Operating expenditures	\$ 610,572	\$ 622,435
Vote 5 - Capital expenditures	63,036	68,942
Vote 10 - Transfer payments	477,341	426,625
Vote 15 - Budget Implementation	17,486	-
Statutory amounts	<u>1,504,081</u>	<u>1,152,226</u>
	2,672,516	2,270,228
Less:		
Authorities available for future years	16,421	18,066
Lapsed authorities	<u>88,165</u>	<u>94,216</u>
	104,586	112,282
Current year authorities used	<u><u>\$ 2,567,930</u></u>	<u><u>\$ 2,157,946</u></u>

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 4 – Accounts payable and accrued liabilities

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

	<u>2020</u>	<u>2019</u>
Accounts payable - Other government departments and agencies	\$ 15,228	\$ 10,675
Accounts payable - External parties	<u>785,279</u>	<u>831,441</u>
Total accounts payable	800,507	842,116
Accrued liabilities	16,718	17,840
Total accounts payable and accrued liabilities	<u><u>\$ 817,225</u></u>	<u><u>\$ 859,956</u></u>

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 5 – Environmental liabilities

Remediation of contaminated sites

The Government's "Federal Approach to Contaminated Sites" sets out a framework for management of contaminated sites using a risk-based approach. Under this approach the Government has inventoried the contaminated sites identified on federal lands, allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aids in identification of the high risk sites in order to allocate limited resources to those sites which pose the highest risk to human health and the environment.

The Department has identified a total of 63 sites (82 sites in 2018-2019) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the Department has identified 14 sites (10 sites in 2018-2019) where action is required and for which a liability of \$8,536,000 (\$4,784,000 in 2018-2019) has been recorded. This liability estimate has been determined based on site assessments performed by environmental experts.

In addition, there are 17 sites that have not been assessed by environmental experts (26 sites in 2018-2019) for which the department has estimated and recorded a liability of \$748,000 (\$1,195,000 in 2018-2019).

These two estimates combined, totalling \$9,284,000 (\$5,979,000 in 2018-2019), 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 32 sites (46 sites in 2018-2019), no liability for remediation has been recognized. Some of these sites are closed and some are at various stages of testing and evaluation and if remediation is required, liabilities will be reported as soon as a reasonable estimate can be determined. For other sites, the Department does not expect to give up any future economic benefits (there is likely no significant environmental impact or human health threats). These sites will be re-examined and a liability for remediation will be recognized if future economic benefits will be given up.

The following table presents the total estimated amounts of these liabilities by nature and source, the associated expected recoveries and the total undiscounted future expenditures as at March 31, 2020 and March 31, 2019. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast CPI rate of 2.0% (2.2% in 2018-2019). 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 2020 rates range from 0.45% for a 2 year term to 1.37% for a 30 or greater year term.

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Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Nature and Source of Liability										
Nature and Source	2020					2019				
	Total Number of Sites	Number of Sites with a liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Estimated Recoveries	Total Number of Sites	Number of Sites with a liability	Estimated Liability	Estimated Total Undiscounted Expenditures	Estimated Recoveries
Fuel Related Practices ⁽¹⁾	24	13	563	575	-	34	13	995	1,039	-
Landfills/Waste Sites ⁽²⁾	18	7	260	267	-	27	6	417	443	-
Engineered Asset/Air & Land Transportation ⁽³⁾	11	2	68	70	-	11	10	383	417	-
Other ⁽⁴⁾	10	7	8,393	8,476	-	10	7	4,184	4,391	-
Totals	63	29	9,284	9,388	-	82	36	5,979	6,290	-

(1) Contamination primarily associated with fuel storage and handling, e.g. accidental spills related to fuel storage tanks or former fuel handling practices, e.g. petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX (benzene, toluene, ethylbenzene and xylenes).

(2) Contamination associated with former landfill/waste site or leaching from materials deposited in the landfill/waste site, e.g. metals, petroleum hydrocarbons, BTEX, other organic contaminants, etc.

(3) Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.

(4) Contamination from other sources, e.g. use of pesticides, herbicides, fertilizers at agricultural sites; use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

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

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Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 6 – Deferred revenue

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

	<u>2020</u>	<u>2019</u>
Opening balance	\$ 12,653	\$ 17,711
Amounts received	7,383	3,225
Revenue recognized	<u>(6,782)</u>	<u>(8,283)</u>
Closing balance	<u>\$ 13,254</u>	<u>\$ 12,653</u>

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 7 – Employee future benefits

(a) Pension benefits

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

Both the employees and the Department contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2019-2020 expense amounts to \$44,507,000 (\$42,144,000 in 2018-2019). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2018-2019) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2018-2019) the employee contributions.

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

(b) Severance benefits

Severance benefits provided to the Department's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2020, 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:

	<u>2020</u>	<u>2019</u>
Accrued benefit obligation - Beginning of year	\$ 17,979	\$ 17,880
Expense for the year	1,607	4,171
Benefits paid during the year	<u>(2,935)</u>	<u>(4,072)</u>
Accrued benefit obligation - End of year	<u>\$ 16,651</u>	<u>\$ 17,979</u>

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 8 – Other liabilities

The Department holds funds in trust from the AgriInvest program, the AgriStability program as well as security and other deposits.

AgriInvest is a self-managed producer-government savings account that allows producers to set money aside which can be used to recover from small income shortfalls, or to make investments to reduce on-farm risks. Program payments are cost-shared with the province or territory, which producers can withdraw under specific terms and conditions. Producers make their AgriInvest deposits at a participating financial institution of their choice. Existing funds held by the federal government are being transferred to the producers' AgriInvest accounts held at the financial institutions.

The AgriStability program helps producers protect their farming operations against larger drops in income. Program payments are shared 60% federally and 40% provincially/territorially. The provincial/territorial share of the contributions and interest paid on the contributions are held in a specified purpose account until the producers draw down their funds.

AgriInvest, AgriStability and security and other deposit account activity during the year was as follows:

	<u>2020</u>	<u>2019</u>
Opening balance	\$ 59,405	\$ 53,479
Deposits	257,842	296,153
Withdrawals	<u>(260,204)</u>	<u>(290,227)</u>
Ending balance	<u>\$ 57,043</u>	<u>\$ 59,405</u>

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 9 – Accounts receivable and advances

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

	<u>2020</u>	<u>2019</u>
Receivables - Other government departments and agencies	\$ 14,291	\$ 13,193
Receivables - External parties	33,819	36,629
Employee advances	<u>131</u>	<u>108</u>
Subtotal	48,241	49,930
Allowance for doubtful accounts on receivables from external parties	<u>(9,882)</u>	<u>(13,968)</u>
Gross accounts receivable	<u>38,359</u>	<u>35,962</u>
Accounts receivable held on behalf of Government	1,483	2,100
Allowance for doubtful accounts held on behalf of Government	<u>(116)</u>	<u>(94)</u>
Net accounts receivable held on behalf of Government	1,367	2,006
Net accounts receivable	<u>\$ 36,992</u>	<u>\$ 33,956</u>

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 10 – Loans receivable

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

	<u>2020</u>	<u>2019</u>
Unconditionally repayable contributions	\$ 152,312	\$ 140,071
Loans resulting from loan guarantee programs	<u>271,127</u>	<u>262,219</u>
Subtotal	423,439	402,290
Less: Allowance for uncollectibility	<u>(135,566)</u>	<u>(176,247)</u>
Gross loans receivable	<u>287,873</u>	<u>226,043</u>
Loans receivable held on behalf of Government	287,873	226,043
Net loans receivable	<u>\$ -</u>	<u>\$ -</u>

(a) Unconditionally repayable contributions

Unconditionally repayable contributions relate to contributions made to outside parties which are repayable based on conditions specified in the contribution agreement that have come into being. An allowance of \$25,666,000 (\$28,243,000 in 2018-2019) has been recorded.

(b) Loans resulting from loan guarantee programs

The Department's loan receivables are the result of the exercise of loan guarantees by the initial lender under the terms of various loan guarantee programs. These loans are in default with the initial lender and due immediately to the Department. Interest rates on these loans vary according to the initial terms of the loans and applicable government regulations. An allowance of \$109,900,000 (\$148,004,000 in 2018-2019) relating to these loans has been recorded.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 11 – 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	20 to 30 years
Works and infrastructure	15 to 40 years
Machinery and equipment	3 to 20 years
Vehicles	7 to 25 years
Computer hardware and software	3 to 5 years
Leasehold improvements	Over the useful life of the improvement or the lease term, whichever is shorter
Assets under construction	Once in service, in accordance with asset type

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.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Capital Asset Class	Cost					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions	Adjustments (1)	Disposals and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments (1)	Disposals and Write-Offs	Closing Balance	2020	2019
Land	\$ 13,190	\$ -	\$ 214	\$ 234	\$ 13,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,170	\$ 13,190
Buildings	768,983	185	5,952	550	774,570	513,423	20,562	(263)	550	533,172	241,398	255,560
Works and infrastructure	37,443	35	2,510	-	39,988	18,868	1,371	-	-	20,239	19,749	18,575
Machinery and equipment	248,351	13,933	2,253	3,564	260,973	167,118	14,409	(35)	3,471	178,021	82,952	81,233
Vehicles	66,975	3,443	(472)	2,791	67,155	47,649	4,325	(369)	2,762	48,843	18,312	19,326
Computer hardware and software	49,735	236	78	180	49,869	48,774	649	(11)	180	49,232	637	961
Leasehold improvements	33,295	-	589	-	33,884	22,478	1,489	-	-	23,967	9,917	10,817
Assets under construction	39,587	30,521	(11,746)	244	58,118	-	-	-	-	-	58,118	39,587
Total	\$ 1,257,559	\$ 48,353	\$ (622)	\$ 7,563	\$ 1,297,727	\$ 818,310	\$ 42,805	\$ (678)	\$ 6,963	\$ 853,474	\$ 444,253	\$ 439,249

(1) Adjustments include assets under construction of \$11,746,000 that were transferred to the other categories upon completion of the assets.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 12 – Departmental net financial position

A portion of the Department's net financial position is used for a specific purpose. Related revenues and expenses are included in the Consolidated Statement of Operations and Departmental Net Financial Position. The Department operates two programs which under legislation require that the revenues be earmarked to offset the expenses of the program.

The Crop Reinsurance Fund was established pursuant to the *Farm Income Protection Act* and provides insurance to participating provinces for costs they incur in operating crop insurance programs. The fund records receipts and disbursements under the terms of reinsurance agreements. When there are insufficient revenues to meet payments, the Minister of Finance may authorize an advance of additional funds to cover these obligations.

The Agricultural Commodities Stabilization Accounts were established pursuant to the *Agricultural Stabilization Act*, under which the commodity accounts formerly operated, and has since been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991. The purpose of these accounts was to reduce income loss to producers from market risks through stabilizing prices. Premiums were shared equally by the Government of Canada, the governments of participating provinces and participating producers. Current activities are limited to collection of accounts receivable.

Activity in the accounts is as follows:

	<u>2020</u>	<u>2019</u>
Crop Reinsurance Fund - Restricted		
Balance - Beginning of year - Restricted	\$ 299,862	\$ 299,290
Revenues	25	572
Expenses	-	-
Balance - End of year - Restricted	<u>299,887</u>	<u>299,862</u>
Agricultural Commodities Stabilization Accounts - Restricted	647	647
Unrestricted	79,886	81,208
Departmental net financial position - End of year	<u>\$ 380,420</u>	<u>\$ 381,717</u>

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 13 – Contractual obligations and contractual rights

(a) Contractual obligations

The nature of the Department's activities can result in some large multi-year contracts and obligations whereby the Department will be obligated to make future payments in order to carry out its transfer payment programs. Significant non revocable contractual obligations that can be reasonably estimated are summarized as follows:

	Transfer payments
2021	\$ 330,257
2022	311,108
2023	265,437
2024	-
2025	-
2026 and subsequent	-
Total	<u>\$ 906,802</u>

(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 interest on loans receivable and revenue/profit sharing arrangement from research agreements. Major contractual rights that will generate revenues in future years and that can be reasonably estimated are summarized as follows:

	Interest on loans receivable	Research agreements	Total
2021	\$ 11,757	\$ 17,940	\$ 29,697
2022	11,757	11,824	23,581
2023	11,757	8,531	20,288
2024	11,757	39	11,796
2025	11,758	-	11,758
2026 and subsequent	58,787	-	58,787
Total	<u>\$ 117,573</u>	<u>\$ 38,334</u>	<u>\$ 155,907</u>

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 14 – Contingent liabilities and contingent assets

(a) Contingent liabilities

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

Claims and litigation

Claims have been made against the Department 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. The Department records an allowance for claims and litigations when it is likely that there will be a future payment and a reasonable estimate of the loss can be made.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

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(tabular amounts in thousands of dollars)

Loan or price guarantees

	Authorized Limit	Outstanding Guarantees		Allowance as at March 31	
		2020	2019	2020	2019
Loans according to the Advance Payments Program under the <i>Agricultural Marketing Programs Act</i>	\$ 7,500,000	\$ 1,946,279	\$ 1,674,656	\$ 15,685	\$ 16,494
Loans to farmers under the <i>Canadian Agricultural Loans Act</i>	3,000,000	94,788	97,909	948	979
Price guarantee agreements with marketing agencies pursuant to the Price Pooling Program under the <i>Agricultural Marketing Programs Act</i>	No limit	-	-	-	-
National Biomass Ethanol Program	140,000	-	-	-	-
Total		<u>\$ 2,041,067</u>	<u>\$ 1,772,565</u>	<u>\$ 16,633</u>	<u>\$ 17,473</u>

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

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(tabular amounts in thousands of dollars)

Under the Advance Payments Program of *Agricultural Marketing Programs Act*, the Department guarantees the repayment of advances made by producer organizations to farmers in the spring and in the fall, creating a more stable business environment. The maximum cash advance of the program for 2019-2020 was \$1,000,000. The loans generally have a repayment term of 18 to 24 months.

Under the *Canadian Agricultural Loans Act*, the Department guarantees loans by financial institutions to farmers for improvement and development of farms, and the processing, distribution or marketing of farm products. This program guarantees 95 percent of the value of loans provided to farms and co-operatives by financial institutions. For individual applicants, including corporations, the maximum amount for a *Canadian Agricultural Loans Act* loan is \$500,000. Most loans are repayable within ten years. For loans on land purchases, the repayment period is 15 years.

Under the Price Pooling Program of the *Agricultural Marketing Programs Act*, the Department provides a price guarantee that protects marketing agencies and producers against unanticipated declines in the market price of their products.

The Minister of Agriculture and Agri-Food is authorized to guarantee Line of Credit Agreements entered into by Farm Credit Canada under the National Biomass Ethanol Program.

The allowance for losses is the amount recorded for estimated losses on outstanding loan guarantees and which is included in accrued liabilities. No allowance has been recorded for the Price Pooling Program of the *Agricultural Marketing Programs Act* and for the National Biomass Ethanol Program as no costs are likely to occur.

(b) Contingent assets

Transfer payments - Conditionally repayable contributions

Under the EcoAgriculture Biofuels Capital Initiative, conditionally repayable contributions which are outstanding in 2019-2020 total \$42,434,000 (\$42,434,000 in 2018-2019). Repayments are determined by a project's profitability, and have a maximum repayment period of 10 years. The final repayment is due no later than June 30, 2022.

Under the Slaughter Improvement Program, conditionally repayable contributions which are outstanding in 2019-2020 total \$20,901,000 (\$24,125,000 in 2018-2019). Repayments are determined by a project's profitability, and have a maximum repayment period of 10 years. The final repayment is due no later than June 1, 2024.

Under the Slaughter Waste Innovation Program, conditionally repayable contributions which are outstanding in 2019-2020 total \$14,816,000 (\$16,202,000 in 2018-2019). Repayments are determined by a project's profitability as well as whether and how a project demonstrates the destruction or deactivation of Specified Risk Material. Contributions have a maximum repayment period of 10 years. The final repayment is due no later than September 1, 2023.

As these are conditionally repayable contributions, the amounts that will become repayable cannot be currently estimated as contribution agreements are subject to specific program requirements, which require annual determinations as to the value which must be repaid each year. Thus, to forecast a specific amount repayable each year is not possible due to the varying factors facing each recipient as it relates to their economic and production performances.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

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Contingent recoveries

AgriStability and Canadian Agricultural Income Stabilization programs are federally and provincially/territorially cost shared programs and the Canadian Agricultural Income Stabilization Inventory Transition Initiative is a federally funded program. When provincial/territorial governments deliver these programs and overpayments occur, the federal government is entitled to recover its share of funding if and when overpayments are recovered. The Department has estimated the contingent recoverable amount as \$6,327,000 (\$6,714,000 in 2018-2019). Contingent recoveries are not recorded in the consolidated financial statements.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

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Note 15 – Related party transactions

The Department is related as a result of common ownership to all Government departments, agencies, and Crown Corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual.

The Department enters into transactions with Government departments, agencies, and Crown Corporations in the normal course of business and on normal trade terms.

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

During the year, the Department received services without charge from certain common service organizations, related to the employer's contribution to the health and dental insurance plans, accommodation, legal services, and workers' compensation coverage. These services provided without charge have been recorded at the carrying value in the Department's Consolidated Statement of Operations and Departmental Net Financial Position as follows:

	<u>2020</u>	<u>2019</u>
Employer's contribution to the health and dental insurance plans	\$ 41,330	\$ 35,482
Accommodation	18,392	18,261
Legal services	870	707
Workers' compensation	<u>782</u>	<u>911</u>
Total	<u>\$ 61,374</u>	<u>\$ 55,361</u>

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 Consolidated Statement of Operations and Departmental Net Financial Position.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

(b) Other transactions with other government departments and agencies

	<u>2020</u>	<u>2019</u>
Expenses	\$ 129,118	\$ 134,093
Revenues	20,183	17,924

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

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

(tabular amounts in thousands of dollars)

Note 16 – Segmented information

Presentation by segment is based on the Department'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:

	Sector Risk	Domestic and International Markets	Science and Innovation	Internal Services	2020 Total	2019 Total
Expenses						
Transfer payments	\$ 1,077,250	\$ 538,834	\$ 147,734	\$ -	\$ 1,763,818	\$ 1,387,418
Salaries and employee benefits	34,308	61,175	283,825	175,272	554,580	515,061
Professional and other services	10,504	19,463	32,175	50,473	112,615	111,881
Allowance for loan guarantees and bad debts	5,175	-	1,622	(10)	6,787	23,303
Materials and supplies	426	570	35,039	5,450	41,485	44,510
Amortization of tangible capital assets	-	277	-	42,528	42,805	43,266
Accommodation and other	181	437	10,538	27,057	38,213	69,120
Travel	576	2,786	6,311	1,536	11,209	12,217
Repairs and maintenance	111	173	11,611	462	12,357	13,859
Electricity and other public services	39	42	15,242	668	15,991	16,751
Expenses incurred on behalf of Government	-	-	-	39	39	(91)
Total expenses	1,128,570	623,757	544,097	303,475	2,599,899	2,237,295
Revenues						
Sale of goods and services	1,333	9,391	31,727	21,529	63,980	66,591
Interest	12,943	-	-	204	13,147	11,221
Gain on disposal of assets	-	-	-	10,233	10,233	1,126
Joint project and cost sharing agreements	-	-	-	6,782	6,782	8,274
Miscellaneous revenues	1,244	7	120	768	2,139	2,180
Crop Reinsurance Fund	25	-	-	-	25	572
Revenues earned on behalf of Government	(15,209)	(236)	(8,045)	(18,271)	(41,761)	(32,334)
Total revenues	336	9,162	23,802	21,245	54,545	57,630
Net cost of operations	\$ 1,128,234	\$ 614,595	\$ 520,295	\$ 282,230	\$ 2,545,354	\$ 2,179,665

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

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Note 17 – Subsequent events

The outbreak of the Coronavirus disease [“COVID-19”] has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time. As a result, it is not possible to reliably estimate the length and severity of the impact on Agriculture and Agri-Food Canada’s financial position and financial results in future periods.

During the first half of fiscal year 2020-21, Agriculture and Agri-Food Canada received approval and funding for the following new programs and initiatives in support of Canada’s COVID-19 pandemic response:

- (a) Local Food Infrastructure Fund – Phase III (emergency funding in support of food security). The program provides funding to Canadian food banks and local food organizations to help improve access to food for people experiencing food insecurity in Canada due to the COVID-19 pandemic (\$175 million);
- (b) Mandatory Isolation Support for Temporary Foreign Workers Program. The program is available to help farmers, fish harvesters, and all food production and processing employers, to put in place the measures necessary to follow the mandatory 14-day isolation period required of all workers arriving from abroad (\$50 million);
- (c) Emergency Processing Fund. This fund is intended to incent strategic investments to maintain and increase domestic food production and processing capacity of goods critical to domestic food security during the COVID-19 pandemic, including supporting food processors manage new challenges and adapt to health protocols that protect the health and safety of workers and respond to emerging pressures from COVID-19 (\$77.5 million);
- (d) Surplus Food Rescue Program. This program is designed to help redistribute existing and unsold inventories, which could include products such as potatoes and poultry, to local food organizations who are serving vulnerable Canadians (\$50 million);
- (e) Youth Employment and Skills Program will provide agriculture employers up to 50 per cent of the cost of hiring a Canadian youth to assist with labour shortages brought on by the pandemic (\$9.2 million); and
- (f) Emergency On-Farm Support Fund. This fund will enhance on-farm health and safety activities (\$35 million).

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Financial Statements (Unaudited)

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(tabular amounts in thousands of dollars)

Note 18 – Comparative information

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

Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting of Agriculture and Agri-Food Canada for Fiscal Year 2019-2020 (Unaudited)

1. Introduction

This document provides summary information on the measures taken by Agriculture and Agri-Food Canada to maintain an effective system of internal control over financial reporting, including information on internal control management, assessment results and related action plans.

Detailed information on the Department's authority, mandate and Core Responsibilities can be found in the [Departmental Plan](#) and [Departmental Results Report](#).

2. Agriculture and Agri-Food Canada's System of Internal Control Over Financial Reporting

Agriculture and Agri-Food Canada recognizes the importance of setting the tone from the top to help ensure that staff at all levels understand their roles in maintaining effective systems of internal control over financial reporting and are well equipped to exercise these responsibilities effectively. Agriculture and Agri-Food Canada's focus is to ensure risks are well managed through a responsive and risk-based control environment that enables continuous improvement and innovation.

2.1 Internal Control Management

Agriculture and Agri-Food Canada has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. A departmental internal control management framework, approved by the Deputy Minister, is in place and comprises:

- 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;
- Values and ethics;
- Ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control; and
- Monitoring of, and regular updates to, 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 Departmental Audit Committee.

Key Positions, Roles and Responsibilities

Below are Agriculture and Agri-Food Canada's key positions and committees with responsibilities for maintaining and reviewing the effectiveness of its system of internal control over financial reporting.

Deputy Minister - Agriculture and Agri-Food Canada's Deputy Minister, as Accounting Officer, assumes overall responsibility and leadership for the measures taken to maintain an effective system of internal control. In this role, the Deputy Minister is advised by the Departmental Audit Committee and the Departmental Management Committee.

Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting of Agriculture and Agri-Food Canada for Fiscal Year 2019-2020 (Unaudited)

Chief Financial Officer (CFO) - Agriculture and Agri-Food Canada's CFO reports directly to the Deputy Minister and provides leadership for the coordination, coherence and focus on the design and maintenance of an effective and integrated system of internal control over financial reporting, including its annual assessment. Falling under the CFO responsibilities is also the management of the Corporate Risk Profile of Agriculture and Agri-Food Canada.

Senior Departmental Managers - Agriculture and Agri-Food Canada's senior departmental managers in charge of program delivery are responsible for maintaining and reviewing the effectiveness of the system of internal control over financial reporting falling within their mandate.

Chief Audit Executive (CAE) - Agriculture and Agri-Food Canada's CAE reports directly to the Deputy Minister and provides assurance through periodic internal audits which are instrumental to the maintenance of an effective system of internal control over financial reporting.

Departmental Audit Committee (DAC) - The DAC is an advisory committee that provides objective views on the Department's risk management, control and governance frameworks and processes. It is comprised of three external members and two ex-officio members, the Deputy Minister and Associate Deputy Minister. The DAC formally meets at least three times per year.

Departmental Management Committee (DMC) - The DMC is chaired by the Deputy Minister and serves as an executive forum to address departmental management and operational issues such as human resources, finance, assets, information management/information technology, and public affairs.

Policy and Programs Management Committee (PPMC) - The PPMC is chaired by the Deputy Minister and is responsible for guiding the development and implementation of cohesive and comprehensive policies, programs and services, and monitoring of results.

2.1.1 Key Measures taken by Agriculture and Agri-Food Canada

Agriculture and Agri-Food Canada's control environment also includes a series of measures to equip its staff to manage risks through raising awareness, providing appropriate knowledge and tools as well as developing skills. The most relevant are:

- Departmental Values and Ethics Policy Centre and Values and Ethics Code which provide information and support to staff on ethical issues;
- Security Guidelines relating to the overall security program including elements of information and personnel security;
- Guidelines for managers, supervisors, and employees for the internal disclosure of wrongdoing;
- Departmental policies tailored to the Department's control environment;
- Regularly updated delegated authorities matrix;
- Training program and communications in core areas of financial management; and
- Documentation and testing of main business processes and related key controls.

Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting of Agriculture and Agri-Food Canada for Fiscal Year 2019-2020 (Unaudited)

2.2 Service arrangements relevant to financial statements

Agriculture and Agri-Food Canada relies on other organizations for processing certain transactions that are recorded in its financial statements, as follows:

Common Service Arrangements

- Public Services and Procurement Canada, which administers the payments of salaries and the procurement of goods and services, and provides accommodation services;
- Shared Services Canada, which provides information technology (IT) infrastructure services;
- Department of Justice Canada, which provides legal services; and
- Treasury Board of Canada Secretariat, which provides information on public sector insurance and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans.

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

Specific Arrangements

- Agriculture and Agri-Food Canada administers a shared instance of SAP, the financial and material management system, on behalf of the Department, the Canadian Food Inspection Agency, Environment and Climate Change Canada, Natural Resources Canada, Northern Pipeline Agency, Impact Assessment Agency of Canada, Canadian Nuclear Safety Commission and Canadian Dairy Commission;
- Agriculture and Agri-Food Canada provides SAP hosting services to Canadian Space Agency, Canadian Heritage and Parks Canada; and
- Agriculture and Agri-Food Canada, administers PeopleSoft, the Human Resources management system, on behalf of the Department, the Canadian Food Inspection Agency, Department of Fisheries and Oceans, Health Canada, the Public Health Agency of Canada, and Shared Services Canada.

3. Agriculture and Agri-Food Canada's assessment results for the 2019-2020 fiscal year

The Department has adopted an ongoing risk-based monitoring approach to support testing of internal control over financial reporting. The level of risk impacts the extent and frequency of testing required for key control activities. High risk areas are assessed annually, medium risk at least every two to three years, and low risk, at least every three to four years.

3.1 New or significantly amended key controls

In the current fiscal year, there were no new or significantly amended key controls in existing processes that required reassessment.

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The Internal Control over Financial Reporting business process - year-end close occurred solely after the start of the COVID-19 pandemic. As a result, the effectiveness of these controls were reviewed for changes and the identification of new risks within the process that could potentially impact the validity, accuracy and completeness of the Financial Statements. It was determined, that our controls for year-end close operated effectively and no new risks were identified.

3.2 Ongoing Monitoring Program

For 2019-2020, adjustments were not required to the rotational ongoing monitoring plan and the Department adopted the ongoing monitoring plan outlined in the Department's Annex for 2018-2019 and validated and reassessed internal controls in the following areas:

Previous fiscal year's rotational ongoing monitoring plan for the current fiscal year	Status
Financial Close and Reporting	Completed as planned. Where required, remedial actions have either been completed or are planned during 2020-2021.
Section 33	
Forecasting	
Payroll	
Budgeting	
Loan Guarantees	
Information Technology General Controls (ITGCs) for SAP, PeopleSoft and Advance Payments Program Electronic Delivery System (APPEDS)	

The ITGCs testing for SAP and PeopleSoft also includes the process and controls performed by the Department as an administrator and service provider to other federal government departments and agencies.

The testing period covered January 1, 2019 to December 31, 2019. Based on areas assessed in the current year, no high risk findings were identified. Therefore, for the most part, the key controls that were tested performed as intended. Remediation points that were identified primarily focused on system access controls and monitoring. Where feasible, corrective actions were implemented shortly after adjustments were identified and management action plans either have been or are currently being developed to fully address the recommendations. A follow-up will be performed to ensure action plans are being implemented as planned.

4. Action plan for the next fiscal year and subsequent fiscal years

Agriculture and Agri-Food Canada's rotational ongoing monitoring plan over the next three fiscal years, based on an annual validation of the high-risk processes and controls and related adjustments to the ongoing monitoring plan as required, is shown in the following table.

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Key Control Areas		Fiscal Year 2020-2021	Fiscal Year 2021-2022	Fiscal Year 2022-2023
Business Processes				
Higher Risk (Annual)	Financial Close and Reporting	X	X	X
	Section 33	X	X	X
	Forecasting	X	X	X
	Payroll	X	X	X
Medium Risk (2-3 years)	Capital Assets	X		X
Low Risk (3-4 years)	AgriInsurance		X	
	AgriStability/AgriInvest	X		
	Budgeting			X
	Generic Grants and Contributions		X	
	Loan Guarantees			X
	Operating Expenditures		X	
	Revenues	X		
IT Processes				
Higher Risk (Annual)	PeopleSoft	X	X	X
	SAP (ECC/BW/BPC)	X	X	X
Medium Risk (2-3 years)	Advance Payments Program Electronic Delivery System (APPEDS)			X
	Business Risk Management Suite (BRMS)	X		
	Production Insurance National Statistical System (PINSS)		X	
Low Risk (3-4 years)	Entity Level Controls	X		

High risk control areas will continue to be assessed annually, medium risk at least every 2-3 years and low risk at least every 3-4 years.