



**QUARTERLY  
FINANCIAL REPORT  
FOR THE QUARTER  
ENDED DECEMBER 31,  
2018**



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and Economic Development and Minister  
responsible for CED, 2018

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**SECTION 1**  
INTRODUCTION

## INTRODUCTION

This quarterly financial report has been prepared by Canada Economic Development for Quebec Regions (CED) as required under section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by Treasury Board.

This report should be read in conjunction with the [2018–2019 Main Estimates](#) and the [2018–2019 Departmental Plan](#). These documents provide a brief description of CED's mandate and programs.

This report has not been subject to an external audit or review.

### 1.1 Authority, mandate and programs

CED's mission is to promote the long-term economic development of the regions of Quebec by giving special attention to those where economic growth is slow and opportunities for productive employment are inadequate. CED carries out its mandate in accordance with the provisions of the *Economic Development Agency of Canada for the Regions of Quebec Act*, which came into force on October 5, 2005. Furthermore, CED is committed to promoting co-operation and a complementary relationship with Quebec and its communities.

CED is the key federal player in Quebec for the promotion of economic development in the regions and among small and medium-sized enterprises (SMEs). To achieve its core responsibility, which consists of developing the Quebec economy, CED fosters business start-ups and performance. It helps businesses become more innovative, productive and competitive. It supports community engagement efforts in the various regions of Quebec and the attraction of investment aimed at increasing the prosperity of the Quebec and Canadian economies.

CED contributes to the economic vitality of all of Quebec's regions by leveraging their competitive regional advantages. It also supports the transition and diversification of communities that remain dependent on a limited number of sectors or that have been affected by an economic shock such as the closure of the chrysotile mines or the Lac Mégantic tragedy.

CED has three programs to support its core responsibility:

- Business Innovation and Growth
- Community Economic Development and Diversification
- Targeted Transition Support

Additional information on the Agency's authority, mandate and programs can be found in the [2018–2019 Main Estimates](#) and the [2018–2019 Departmental Plan](#).

## 1.2 Basis of presentation

This quarterly report has been prepared by the Agency using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Agency's spending authorities granted by Parliament and used by the Agency in a manner consistent with the Main Estimates for the 2018-2019 fiscal year. This quarterly financial report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

Prior authority from Parliament is required before funds can be spent by the Government. Authorities available for use are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.


CED uses the full accrual method of accounting to prepare and present its annual financial statements, which make up part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis of accounting.

## 1.3 Financial structure of Canada Economic Development for Quebec Regions (CED)

CED manages its expenditures under two annual votes:

- Vote 1 – Net Operating Expenditures, which includes CED authorities related to staff costs, and operating and maintenance expenditures.
- Vote 5 – Grants and Contributions, which includes all authorities related to transfer payments.

Costs under statutory authorities, which represent payments made under legislation previously approved by Parliament and which are not part of the annual appropriation bills, include items such as the employer's share of the Employee Benefits Plan.



**SECTION 2**  
**HIGHLIGHTS OF FISCAL**  
**QUARTER AND FISCAL**  
**YEAR-TO-DATE (YTD)**  
**RESULTS**

## HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR-TO-DATE (YTD) RESULTS

This section provides a variety of financial information for the current fiscal year as at December 31, 2018, including the authorities available for the year and expenditures incurred during the third quarter, as compared with the previous fiscal year and the previous quarter. The explanation of variances in the amounts are based on the premise that discrepancies of less than 5% have a minimal impact on the interpretation of the results.

The details of this financial information can be found in sections 2.1 and 2.2, and in the tables in the Appendix.

### 2.1 Authorities analysis

At the end of the third quarter, as at December 31, 2018, CED's annual authorities totalled \$295M. They stood at \$276.5M as at September 30, 2018. On a year-over-year basis, annual authorities as at as at December 31, 2017, totalled \$313.6M.

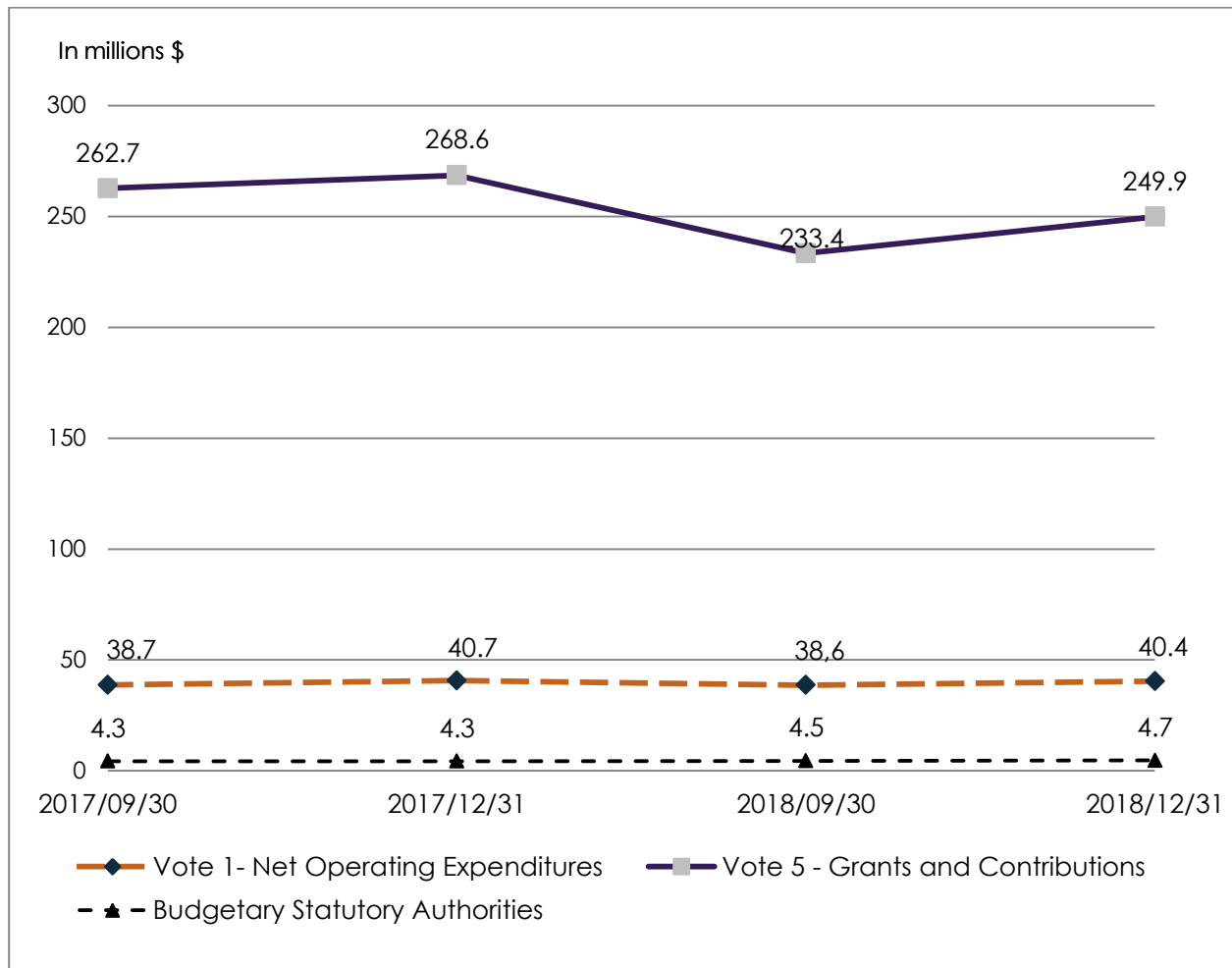
The increase of \$18.5M (6.7%) between the second and third quarters of 2018–2019 can be attributed to the following variances:

- Vote 1 – Net Operating Expenditures: \$1.8M
- Vote 5 – Grants and Contributions: \$16.5M
- Budgetary Statutory Authorities: \$0.2M

The following graph illustrates the annual budgetary appropriation authorities as at September 30, 2018, and as at December 31, 2018, compared with the previous fiscal year.



**Annual budgetary appropriation authorities as at September 30, and as at December 31, fiscal year 2018-2019, compared with 2017-2018**



**Vote 1 authorities (Net Operating Expenditures)**

CED reported a slight decrease in authorities of \$0.3M (-0.7%) as at December 31, 2018, compared with the same period in 2017-2018, from \$40.7M to \$40.4M. The variance is considered insignificant.

Between the second and third quarters of 2018-2019, authorities rose by \$1.8M (4.6%). This increase was mainly due to new funding for the Innovation and Skills Plan, the Women Entrepreneurship initiative, and the 2017-2018 operating budget carry forward.

### **Vote 5 authorities (Grants and Contributions)**

As at December 31, 2018, total grants and contribution authorities amounted to \$249.9M. As at December 31, 2017, funding totalled \$268.6M, indicating a decrease of \$18.7M (-7%) for the current fiscal year. The decrease is primarily due to the end of the CIP 150 initiative on March 31, 2018, and the reduction in funding for the Economic Revitalization Initiative for the Town of Lac-Mégantic and the Canadian Initiative for the Economic Diversification of Communities Reliant on Chrysotile. On the other hand, CED has received funding during the current fiscal year for two new temporary initiatives, namely the Innovation and Skills Plan and the Women Entrepreneurship initiative.

### **Budgetary Statutory Authorities**

Budgetary Statutory Authorities in 2018–2019 rose by \$0.4M as at December 31, 2018, compared with the same date in the previous year. This rise can be attributed to the increase in salary authorities associated with the Women Entrepreneurship initiative and the Innovation and Skills Plan.

## **2.2 Analysis of expenditures**

CED's total expenditures recorded during the third quarter of 2018–2019 totalled \$66.7M, compared with \$66.1M for the same period in 2017–2018, a net increase of \$0.6M (0.1%) year-over-year. The variance is deemed insignificant.

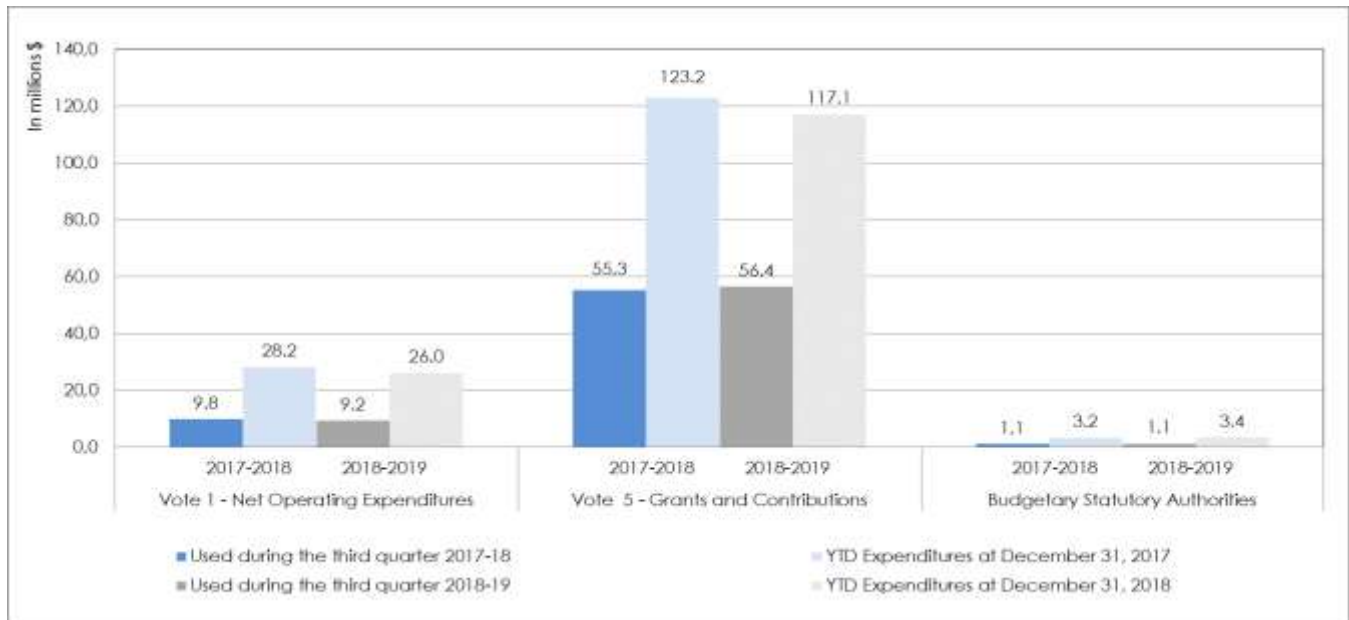
On a year-to-date basis, total expenditures as at December 31, 2018, amounted to \$146.6M, compared with \$154.6M for the same period a year earlier, a net decrease of \$8M (-5.2%) in the current year.

This \$8M variance can be broken down as follows:

- Vote 1 – Net Operating Expenditures: -\$2.2M
- Vote 5 – Grants and Contributions: -\$6.1M
- Budgetary Statutory Authorities: \$0.2M

The following graph illustrates third quarter 2018–2019 expenditures by budgetary appropriation, and year-to-date expenditures, compared with the previous fiscal year.

**Third-quarter and year-to-date expenditures as at December 31 by budgetary appropriation, fiscal year 2018–2019, compared with 2017–2018**



**Vote 1 expenditures (Net Operating Expenditures)**

Net operating expenditures for the third quarters of 2018–2019 and 2017–2018 stood at \$9.2M and \$9.8M, respectively. The decrease of \$0.6M (-6.1%) is primarily due to a slight drop in spending on professional services.

On a year-to-date basis, net operating expenditures as at December 31, 2018, amounted to \$26.0M, compared with \$28.2M as at December 31, 2017. The decrease in Vote 1 expenditures in 2018–2019 is primarily attributable to retroactive payments made in 2017–2018 following the ratification of collective agreements.


(For further details regarding these expenditures, see the table entitled *Departmental budgetary expenditures by Standard Object* in Appendix 6.2.)

### **Vote 5 expenditures (Grants and Contributions)**

During the third quarter of 2018–2019, CED spent \$56.4M on grants and contributions, compared with \$55.3M in 2017–2018. This represents an increase of \$1.1M (2%) compared with the third quarter of 2017–2018. The variance is considered insignificant.

On a year-to-date basis, spending on grants and contributions as at December 31, 2018, totalled \$117.1M, compared with \$123.2M as at December 31, 2017. This represents a decrease of \$6.1M (-5%) for this fiscal year. This diminution is mainly due to the fact that the Canada 150 Community Infrastructure Program ended on March 31, 2018.

(For further details regarding these expenditures, see the table entitled *Departmental budgetary expenditures by Standard Object* in Appendix 6.2.)



**SECTION 3**  
**RISKS AND UNCERTAINTIES**


## RISKS AND UNCERTAINTIES

To achieve its results, CED needs to have an overview of the changing factors that have a marked impact on its environment and activities. It integrates these factors into its decision-making process. Incorporating risk management in departmental planning allows CED to implement appropriate risk management strategies in order to achieve its results.

CED has a mandate to promote economic development; its principal external risk is linked, therefore, to its ability to adapt the delivery of its mandate in a changing economic environment. Many factors, such as global economic growth, the interdependence of global risks, trade tensions, political change, technological innovation and the degree of economic resilience in the regions, are likely to have an impact on the number of business investment projects and the delivery of CED's mandate. These external factors may limit CED's ability to achieve its expected results, including the creation of new businesses and the expansion of existing ones. To mitigate this risk, CED will, for example, continue to develop and implement regional strategies and special initiatives to address region-specific issues.

The internal risk for CED related to the maintenance of functional and secure technological infrastructure has been greatly reduced. Completed on April 23, 2018, the move of CED's head office and the Greater Montreal Business Office allowed DEC to modernize part of its infrastructure, notably by migrating its data centre to more modern facilities, thus partially mitigating the risks. To mitigate the residual risk, the scope of which is beyond CED's control, the Agency has maintained close relationships with the central agencies and the FreeBalance consulting group, and has assessed its options and its plan for maintaining and renewing its technological assets in order to address its needs in terms of infrastructure, technological tools and information management systems.

CED manages its resources within a well-defined framework of responsibilities, policies and procedures, including an appropriate system of budget, reporting, and other controls allowing it to manage its operations within the limits of available resources and parliamentary authorizations. It regularly monitors the progress and effectiveness of their implementation through a number of budgetary review processes and activities, together with the monthly analysis of expenditures and budgetary estimates by organizational unit. The financial risks are mitigated in large part by the implementation of strong internal controls over financial reporting. CED conducts periodic assessments such as entity controls, general IT controls, and business process controls.



**SECTION 4**  
**SIGNIFICANT CHANGES IN**  
**OPERATIONS, STAFF AND**  
**PROGRAMS**

## SIGNIFICANT CHANGES IN OPERATIONS, STAFF AND PROGRAMS

CED has begun implementing the Treasury Board *Policy on Results*. Since April 1, 2018, CED's financial system has been adjusted to reflect the transition. This new policy represents a shift in terms of results-based management and reporting, with an emphasis on streamlining and innovation. It allows CED to better demonstrate to Canadians and parliamentarians how the Agency is contributing to Quebec's economic development by focusing on innovation and clean, inclusive growth.

Some of the leases in CED's real property portfolio will come to term in 2021, giving CED an opportunity to embrace the Government of Canada's vision for modern work environments. Much more than just simple moves, these changes provide an opportunity, not only for workplace modernization, but also for innovation through new ways of doing things.





**SECTION 5**  
**APPROVAL OF SENIOR**  
**OFFICIALS**

## APPROVAL OF SENIOR OFFICIALS

The purpose of this section is to provide the approval of senior officials, as required by the *Policy on Financial Management*, as follows:

Approved by:

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**Manon Brassard**

Deputy Minister / President

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**Guy Lepage**

Chief Financial Officer

Montréal, Quebec

February 28, 2019



**SECTION 6**  
**APPENDICES**

## APPENDICES

### 6.1 Statement of authorities (unaudited)

#### Fiscal year 2018–2019 (\$000's)

	Total available for use for the year ending March 31, 2019*	Used during the quarter ended December 31, 2018	Year to date used at quarter-end
Vote 1 – Net Operating Expenditures	40,406	9,194	26,047
Vote 5 – Grants and Contributions	249,891	56,405	117,146
Total Budgetary Statutory Authorities	4,708	1,126	3,379
<b>Total authorities</b>	<b>295,005</b>	<b>66,725</b>	<b>146,572</b>

#### Fiscal year 2017–2018 (\$000's)

	Total available for use for the year ending March 31, 2018*	Used during the quarter ended December 31, 2017	Year to date used at quarter-end
Vote 1 – Net Operating Expenditures	40,688	9,775	28,188
Vote 5 – Grants and Contributions	268,615	55,251	123,181
Total Budgetary Statutory Authorities	4,332	1,083	3,250
<b>Total authorities</b>	<b>313,635</b>	<b>66,109</b>	<b>154,619</b>

\* Includes only authorities available for use and granted by Parliament at quarter-end.

## 6.2 Departmental budgetary expenditures by Standard Object (unaudited)

### Fiscal year 2018–2019 (\$000's)

	Planned expenditures for the year ending March 31, 2019*	Expenditures during the quarter ended December 31, 2018	Year to date used at quarter-end
Expenditures:			
Staff*	35,362	8,662	24,956
Transport and communication	1,095	259	631
Information	479	32	82
Professional and special services	5,162	1,074	2,683
Leasing	750	136	503
Repair and maintenance services	39	6	18
Public utilities, materials and supplies	221	42	107
Acquisition of equipment and tools	1,986	27	313
Transfer payments	249,891	56,405	117,146
Other grants and payments	20	82	133
<b>Total net budgetary expenditures</b>	<b>295,005</b>	<b>66,725</b>	<b>146,572</b>

\* Includes employee benefit plans (EBPs)

**Fiscal year 2017–2018 (\$000's)**

	Planned expenditures for the year ending March 31, 2018*	Expenditures during the quarter ended December 31, 2017	Year to date used at quarter-end
Expenditures:			
Staff*	31,652	8,726	26,800
Transport and communication	1,452	278	631
Information	641	26	100
Professional and special services	8,371	1,293	2,897
Leasing	1,040	116	402
Repair and maintenance services	59	7	15
Public utilities, materials and supplies	283	52	122
Acquisition of equipment and tools	1,089	27	73
Transfer payments	268,615	55,251	123,181
Other grants and payments	433	333	398
<b>Total net budgetary expenditures</b>	<b>313,635</b>	<b>66,109</b>	<b>154,619</b>

\* Includes employee benefit plans (EBPs)