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# Privy Council Office

## Quarterly Financial Report

**Statement outlining results, risks and significant changes in operations,  
personnel and program**

**For the quarter ended September 30, 2011**

### INTRODUCTION

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This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board Accounting Standard 1.3. This quarterly financial report should be read in conjunction with the *Main Estimates and Supplementary Estimates*.

This quarterly report has not been subject to an external audit or review but has been reviewed by the Privy Council Office Audit Committee.

### AUTHORITY, MANDATE AND PROGRAM AUTHORITIES

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The Privy Council Office (PCO) provides non-partisan, public service support to the Prime Minister and to the Cabinet and its decision-making structures. Led by the Clerk of the Privy Council, PCO helps the Government to implement its vision and to respond effectively and quickly to issues facing the Government and the country. PCO has three main roles:

1. Advice to the Prime Minister: PCO brings together quality, objective policy advice and information to support the Prime Minister, the ministers within the Prime Minister's portfolio and the Cabinet;
2. Secretariat to the Cabinet: PCO facilitates the smooth, efficient and effective functioning of Cabinet and the Government of Canada on a day-to-day basis; and,
3. Public Service Leadership: PCO supports the development and maintenance of a high quality Public Service that meets the highest standards of accountability, transparency and efficiency, one that is able to deliver the best advice to government and excellent services to Canadians.

Further information on PCO's program activities can be located in Part II of the Main Estimates. For more information on PCO's main roles, please visit PCO's website <http://www.pco.gc.ca/>.

### BASIS OF PRESENTATION

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This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the department's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2011-12 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework (using a cash basis) designed to meet financial information needs with respect to the use of spending authorities.

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The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through appropriations acts or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purpose 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.

The Department uses the full accrual method of accounting to prepare and present its departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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

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#### **Statement of Authorities**

As of September 30, 2011, total authorities available for the year have decreased by \$16.3 million when compared to the same quarter of 2010-11.

As per the Statement of Authorities, the net decrease of \$16.3 million can be attributed to changes in funding approvals from year to year. Due to the election in 2011-12, the approval of the authorities have been delayed thus affecting the amount of authorities granted at second quarter. By third quarter PCO authorities will be more comparable from year to year. The decrease of \$16.3 million is mainly attributed to the following:

- A decrease of \$14.0 million is mainly related to the funding for the Commission of Inquiry into the Decline of Sockeye Salmon in the Fraser River as a result of the Commission of Inquiry operating for a full year in 2010-11 as opposed to an expected partial year for 2011-12. An amount of \$0.8 million was included in the 2011-12 Main Estimates and additional funding in the amount of \$10.6 million was sought in Supplementary B Estimates. This resulted in timing differences in the funding received for the Commission of Inquiry;
- A reduction of \$3.6 million to support the implementation and coordination of a government-wide communications strategy for Canada's Economic Action Plan (EAP). PCO has a central role in the coordination and management of government communications as determined by the Prime Minister and Cabinet. The vast majority of measures contained in the EAP were temporary, and funding was sought until March 31, 2011. Following the Prime Minister's announcement of an extension for four large infrastructure programs until October 31, 2011, to allow for the completion of project construction, PCO requested the reprofiling of unspent funds from 2010-11 which was sought in the 2011-12 Supplementary B Estimates.

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- A reduction of \$1.7 million for Ministers' Offices budgets. The amendments to Ministers' Offices budgets have been approved effective April 1, 2010, and ongoing. The budgets for the five Ministers and Ministers of State within the Prime Minister's portfolio were reduced accordingly.
- A reduction of \$1.0 million for the Office of the Coordinator for the 2010 Olympics and G8 Security. The Office completed its operations in 2010-11, coordinating security for the G20 and the G8 Leaders' Summits;

The above were partially offset by the following:

- an increase of \$3.1 million to enhance PCO's security posture in order to focus on the highest priority elements directly related to the protection of the Department's personnel, information and assets;
- an increase of \$0.6 million to the Statutory Authorities from \$14.9 million in 2010-11 to \$15.5 million in 2011-12 due to a 1% increase in the rate for employee benefit plans in 2011-12; and
- an increase of \$0.5 million attributed to the increase in PCO's carry forward amount in 2011-12 due to an increase in the gross operating budget that resulted in a higher carry forward amount.

The main variances within the authorities by standard objects were created as a result of the funding for Commission of Inquiry being much lower in 2011-12 compared to 2010-11. However, funding is being sought in the 2011-12 Supplementary B Estimates. The funding for the Commission of Inquiries is mostly for salaries, professional services and transfer payments.

### **Statement of Departmental Budgetary Expenditures by Standard Object**

As of September 30, 2011, the expenditure for the quarter ended September 30, 2011, has increased by \$5.2 million compared to the same period for fiscal year 2010-11. Furthermore, the year to date used at quarter end as of September 30, 2011, has increased by \$4.5 million compared to the same quarter of 2010-11.

As per the Statement of Departmental Budgetary Expenditures by Standard Object, the increase in the year-to-date used at quarter end can mainly be attributed to timing differences and changes in personnel, professional and special services and transfer payments. You will find below a summary of the main variances by standard object for the year-to-date used at quarter end.

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### **Personnel:**

- Mostly due to an increase of \$4.5 million attributed to the renegotiation of collective agreements related to the cash out of severance pay.

### **Professional and Special Services:**

- Mostly due to an increase of \$1 million in translation costs related to the full operation in 2011-12 of the Commission of Inquiry into the Decline of Sockeye Salmon in the Fraser River.

### **Transfer Payments:**

- An increase of \$978 thousand in transfer payments related to the full operation in 2011-12 of the Commission of Inquiry into the Decline of Sockeye Salmon in the Fraser River.

### **Information:**

- A decrease of \$454 thousand in information related to a reduction in the activities of Commissions of Inquiry attributed to the Commission of Inquiry into Certain Allegations Respecting Business and Financial Dealings Between Karlheinz Schreiber and the Right Honourable Brian Mulroney and the Commission of Inquiry into the Investigation of the Bombing of Air India Flight 182 that are no longer in operation in 2011-2012.
- A decrease of \$109 thousand in expenditures is mainly due to the reduction of the activities related to the implementation and coordination of government-wide communications strategy for Canada's Economic Action Plan in 2011-12.

## **RISKS AND UNCERTAINTIES**

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PCO faces a number of external and internal risks. The dominant financial risks lie in the area of funding initiatives to deal with issues that emerge unexpectedly. As part of its coordinating role, PCO is expected to launch these initiatives on short notice, and either manage the necessary expenditures within its own spending authorities, or cash manage until increased spending authorities are approved.

This Departmental Quarterly Financial Report (QFR) reflects the results of the current fiscal period in relation to the Main Estimates for which full supply was released on June 27, 2011. The department received no additional funding authorities in Supplementary Estimates A.

Budget 2010 announced that the operating budgets of departments would be frozen at their 2010-11 levels for the fiscal years 2011-12 and 2012-13. Management is reviewing various options to adjust to this constraint in funding. Attrition should provide PCO with the necessary flexibility to manage this budget reduction.

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### SIGNIFICANT CHANGES IN RELATION TO OPERATIONS, PERSONNEL AND PROGRAMS

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There have been no significant changes in relation to operations, personnel and programs over the last year except for:

1. The Chief Financial Officer of PCO who occupied the position of Assistant Deputy Minister, Corporate Services retired at the end of September 2011. A staffing process has started and until the staffing action has been completed, this position has been staffed on an acting basis.
2. The fluctuations in the number of Commissions of Inquiry and the winding down of the Office of the Coordinator for the 2010 Olympics and G8 Security. The following Commissions of Inquiry have now finalized their reports in 2010-11: Commission of Inquiry into Certain Allegations Respecting Business and Financial Dealings Between Karlheinz Schreiber and the Right Honourable Brian Mulroney; the Commission of Inquiry into the Investigation of the Bombing of Air India Flight 182 and the Internal Inquiry into the Actions of Canadian Officials in relation to Abdullah Almaki, Ahmad Abou-Elmaati and Muayyed Nureddin; they are no longer in operation in 2011-12. The Commission of Inquiry into the Decline of Sockeye Salmon in the Fraser River is the only one that is in full operation for fiscal year 2011-12.

**Approved by Senior Officials:**

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Wayne G. Wouters  
Clerk of the Privy Council and  
Secretary to the Cabinet

*Ottawa, Canada*  
*Date*

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Marc Bélisle, CA  
A/Assistant Deputy Minister  
Corporate Services

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### STATEMENT OF AUTHORITIES *(unaudited)*

	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Total available for use for the year ending March 31, 2012 **	Used during the quarter ended September 30, 2011	Year to date used at quarter end	Total available for use for the year ending March 31, 2011 **	Used during the quarter ended September 30, 2010	Year to date used at quarter end
<i>(In thousands of dollars)</i>						
<b>Vote 1 - Net operating expenditures</b>	<b>131,459</b>	<b>36,175</b>	<b>62,410</b>	148,377	31,093	58,194
<b>Budgetary statutory authorities</b>	<b>15,513</b>	<b>3,887</b>	<b>7,758</b>	14,922	3,738	7,460
<b>Total budgetary authorities</b>	<b>146,972</b>	<b>40,062</b>	<b>70,168</b>	163,299	34,831	65,654
<b>TOTAL AUTHORITIES</b>	<b>146,972</b>	<b>40,062</b>	<b>70,168</b>	163,299	34,831	65,654

\*\*includes only Authorities available for use and granted by Parliament at quarter-end

Note: Details may not add to totals due to rounding

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**TABLE 1: Departmental budgetary expenditures by Standard Object (*unaudited*)**

	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Planned expenditures for the year ending March 31, 2012 **	Expended during the quarter ended September 30, 2011	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2011 **	Expended during the quarter ended September 30, 2010	Year to date used at quarter end
<i>(In thousands of dollars)</i>						
<b>Expenditures</b>						
Personnel	102,012	31,460	56,044	104,799	27,416	52,123
Transportation and communications	8,142	1,203	2,251	7,138	1,482	2,776
Information	2,529	390	516	3,694	599	1,110
Professional and special services	20,570	4,045	6,838	29,425	3,257	5,544
Rentals	1,578	363	735	3,743	560	866
Repair and maintenance	2,754	307	556	2,204	291	564
Utilities, materials and supplies	1,771	149	257	1,493	312	468
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	7,038	803	1,598	6,897	882	2,065
Transfer payments	-	979	979	3,423	1	1
Other subsidies and payments	578	363	394	483	31	137
<b>Total gross budgetary expenditures</b>	<b>146,972</b>	<b>40,062</b>	<b>70,168</b>	<b>163,299</b>	<b>34,831</b>	<b>65,654</b>
<b>TOTAL NET BUDGETARY EXPENDITURES</b>	<b>146,972</b>	<b>40,062</b>	<b>70,168</b>	<b>163,299</b>	<b>34,831</b>	<b>65,654</b>

\*\*includes only Authorities available for use and granted by Parliament at quarter-end

Note: Details may not add to totals due to rounding