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# Privy Council Office

## Quarterly Financial Report

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

**For the quarter ended September 30, 2012**

### 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 and with the previous Quarterly Financial Statements as well as Canada's Economic Action Plan 2012 (Budget 2012)*.

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 mandate of the Privy Council Office (PCO) is to serve Canada and Canadians by providing professional, non-partisan advice and support to the Prime Minister, the ministers within the Prime Minister's portfolio and the Cabinet. PCO supports the development of the Government of Canada's policy agenda; coordinates responses to issues facing the Government and the country; and supports the effective operation of the Cabinet.

As Head of the Public Service of Canada, the Clerk of the Privy Council sets strategic direction and oversees all major issues for the Public Service. Led by the Clerk of the Privy Council, PCO helps the Government to implement its vision and respond effectively and quickly to issues facing the Government and the country. PCO's three primary roles are:

1. **Advice to the Prime Minister:** PCO provides impartial advice to the Prime Minister, portfolio ministers, Cabinet and Cabinet committees on matters of national and international importance;
2. **Secretariat to the Cabinet:** PCO ensures the smooth functioning of the Cabinet decision-making process and facilitate the implementation of the Government's agenda; and
3. **Public Service Leadership:** PCO fosters a high-performing and accountable public service.

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>.

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### **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 2012-13 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.

The authority of Parliament is required before moneys 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.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, 2012 after the tabling of the Main Estimates on February 28, 2012. As a result, the measures announced in the Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-13, frozen allotments will be established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In future years, the changes to departmental authorities will be implemented through the Annual Reference Level Update, as approved by Treasury Board, and reflected in the subsequent Main Estimates tabled in Parliament.

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.

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

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#### **Statement of Authorities**

As of September 30, the total authorities available for the year have decreased by \$12.9 million when compared to the same quarter in 2011-12.

As per the Statement of Authorities, the net decrease of \$12.9 million, from \$147 million for 2011-12 to \$134.1 million for 2012-13 is mainly related to the following:

- A reduction of \$7.4 million for a transfer to the Shared Services Canada Agency which was created on August 4, 2011. PCO transferred all of its resources associated with the delivery of email, data centre and network services;
- A reduction of \$3.9 million for the conclusion of the Afghanistan Task Force, which sunsetted in March 2012;
- A reduction of \$2.2 million for Strategic Review in order to reflect the savings to be achieved in the second year of implementation for Strategic Review;
- A reduction of \$1.1 million for the funding received to enhance security to focus exclusively on the highest priority elements directly related to the security of the Department. This reduction in 2012-13 is explained by the fact that for the previous two years, PCO incurred one-time fit-up and start-up costs for some initiatives; and
- A reduction of \$0.5 million for adjustments to employee benefit plans in which the rate of the employee benefit plan changed from 18% to 17.6%. Yearly statutory authorities are directly affected by variations in the annual employee benefit rate.

Partially offset by the following:

- An increase of \$1.8 million for the operation of the Commission of Inquiry into the Decline of Sockeye Salmon in the Fraser River. For 2012-13, this increase is explained by the Commission receiving funding in the amount of \$2.5 million as of the second quarter of 2012-13 compared to \$0.7 million for the same period in 2011-12 when most of the funding was received after the second quarter for a total amount of funding of \$12.7 million. Therefore, even though funding has increased for 2012-13 as of the second quarter, overall the Commission will have significantly less funding available in 2012-13 than in 2011-12 since the Commissioner tabled his report on October 31, 2012; and

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- An increase of \$1.0 million for the operation of the Office of the Special Advisor on Human Smuggling and Illegal Migration. The Special Advisor is responsible for coordinating the Government's overall strategy and response to migrant smuggling by sea, including through engagement with key domestic and international partners to promote cooperation.

The main variances in the authorities by standard object of expenditure are mainly related to transportation and communications, professional and special services as well as the acquisition of machinery and equipment standard objects. They are largely due to the transfer of activities to Shared Services Canada, sunsetting of the Afghanistan Task Force as well as the implementation of the savings to be achieved for the second year of the Strategic Review exercise.

In accordance with section 29.2 of the *Financial Administration Act*, PCO identified \$74,000 as Vote Net Revenue in its 2012-13 Main Estimates to provide internal support services to other departments.

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

As of September 30, 2012, the expenditure for the quarter ended September 30, 2012, has decreased by \$10.1 million compared to the same period for fiscal year 2011-12. Furthermore, the year to date used at quarter end as of September 30, 2012, has decreased by \$13.1 million compared to the same quarter of 2011-12 which can mainly be explained by the following items:

- As per the Statement of Departmental Budgetary Expenditures by Standard Object, a decrease of \$3.1 million in the year-to-date used at quarter-end is attributed to changes in personnel, transportation and communications and acquisition of machinery and equipment related to the transfer of a portion of PCO's responsibility for the information technologies activities to Shared Services Canada Agency and the completion of the Afghanistan Task Force.

Furthermore, a decrease of \$10 million is also mainly attributed to changes in personnel, professional and special services and transfer payments, as explained below.

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### **Personnel:**

- The decrease is mainly explained by a decrease of \$ 4.8 million due to less payments made for the cash out of severance pay compared to last year. This decrease is partially offset by an increase of \$500 thousand related to the Work Force Adjustment Lump Sum Payments.
- A decrease of \$230 thousand is attributed to the adjustments to employee benefit plans in which the rate of the employee benefit plan changed from 18% to 17.6%.

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

- The decrease can mainly be attributed to the decrease of \$2.7 million in legal costs, research costs and translation costs that is mainly due to the decrease in the operations of the Commission of Inquiry into the Decline of Sockeye Salmon in the Fraser River for 2012-13 since the wrap-up of the commission is expected by December 31, 2012.

### **Transfer Payments:**

- A decrease of \$975 thousand is attributed to the decrease of operations in 2012-13 of the Commission of Inquiry into the Decline of Sockeye Salmon in the Fraser River.

## **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.

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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 29, 2012 and also includes the \$1.3 million received in the 2012-13 Supplementary Estimates A.

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

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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 implementing various options to adjust to this constraint in funding.

PCO has taken several budget reduction-related activities in recent years. The combined effect of various savings exercises such as Budget 2010, Strategic Review, and measures to modernize and reduce the cost of government announced in Canada's Economic Action Plan 2012 (Budget 2012) have resulted in a reduction to PCO's workforce.

### **BUDGET 2012 IMPLEMENTATION**

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This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and businesses to deal with their government; and, modernize and reduce the back office.

PCO will achieve Budget 2012 savings of \$9.2M by fiscal year 2014-15 through efficiency measures that align resources to its core mandate; scaling back where the need is reduced; transforming how it works internally and by consolidating and streamlining. With these changes, PCO will focus on supporting management excellence and accountability across government.

In the first year of implementation, PCO will achieve savings of approximately \$1.4M. Savings will increase to \$2.6M in 2013-14 and will result in ongoing savings of \$9.2M by 2014-15.

The savings for 2012-13 have already started to be reflected in the expenditures during this quarter. The savings have been generated by adjusting internal service levels and by the employees affected by the Work Force Adjustment leaving earlier than planned.

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PCO does not administer programs, and thus the major expenses are salaries and associated operational costs. Therefore, most of the savings will need to be generated by having fewer jobs at PCO.

The 2012-13 savings are to be achieved by the following initiatives:

- Streamlining of the Cabinet system to improve the efficiency and effectiveness of decision-making that will result in reduced workload;
- Modernization and streamlining of the Government communications function which includes a new approach to media monitoring and analysis;
- Reviewing the business processes of the Corporate Services Branch and adjust service levels accordingly;
- Modernization of business processes in other Branches within PCO and achieve administrative efficiencies.

**Approved by Senior Officials:**

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

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Michelle Doucet  
Assistant Deputy Minister  
Corporate Services

*Ottawa, Canada  
November 29, 2012*



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### STATEMENT OF AUTHORITIES *(unaudited)*

	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Total available for use for the year ending March 31, 2013 **	Used during the quarter ended September 30, 2012	Year-to-date used at quarter-end	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
<i>(In thousands of dollars)</i>						
<b>Vote 1 - Net operating expenditures</b>	<b>119,131</b>	<b>26,185</b>	<b>49,526</b>	131,459	36,175	62,410
<b>Budgetary statutory authorities</b>	<b>14,974</b>	<b>3,743</b>	<b>7,487</b>	15,513	3,887	7,758
<b>Total budgetary authorities</b>	<b>134,105</b>	<b>29,928</b>	<b>57,013</b>	146,972	40,062	70,168
<b>TOTAL AUTHORITIES</b>	<b>134,105</b>	<b>29,928</b>	<b>57,013</b>	146,972	40,062	70,168

\*\*includes only Authorities available for use and granted by Parliament at quarter-end; Total authorities for use does not reflect measures announced in Budget 2012.

Note: Details may not add to totals due to rounding

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

	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended September 30, 2012	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended September 30, 2011	Year-to-date used at quarter-end
<i>(In thousands of dollars)</i>						
<b>Expenditures</b>						
Personnel	101,065	25,676	49,402	102,012	31,460	56,044
Transportation and communications	5,810	645	1,360	8,142	1,203	2,251
Information	1,956	728	949	2,529	390	516
Professional and special services	15,205	1,774	3,056	20,570	4,045	6,838
Rentals	1,511	410	712	1,578	363	735
Repair and maintenance	2,103	95	109	2,754	307	556
Utilities, materials and supplies	1,173	127	241	1,771	149	257
Acquisition of machinery and equipment	4,831	186	816	7,038	803	1,598
Transfer payments	25	5	5	-	979	979
Other subsidies and payments	500	282	363	578	363	394
<b>Total gross budgetary expenditures</b>	<b>134,179</b>	<b>29,928</b>	<b>57,013</b>	<b>146,972</b>	<b>40,062</b>	<b>70,168</b>
Revenues	(74)	-	-	-	-	-
<b>Total revenues netted against expenditures</b>	<b>(74)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGETARY EXPENDITURES</b>	<b>134,105</b>	<b>29,928</b>	<b>57,013</b>	<b>146,972</b>	<b>40,062</b>	<b>70,168</b>

\*\*Planned expenditures do not reflect measures announced in Budget 2012.

Note: Details may not add to totals due to rounding