

Privy Council Office

Quarterly Financial Report

**Statement outlining results, risks and significant changes in operations,
personnel and programs
For the quarter ended December 31, 2012**

INTRODUCTION

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 Reports 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

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 Cabinet. PCO supports the development of the Government of Canada's policy and legislative agenda; coordinates responses to issues facing the Government and the country; and, supports the effective operation of 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 and Cabinet 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 programs can be located in Part II of the Main Estimates on the Treasury Board of Canada Secretariat's website <http://www.tbs.gc.ca>. 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

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 appropriation 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. However, they were reflected in the 2012-13 Supplementary Estimates B.

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

Statement of Authorities

As of December 31, 2012, the total authorities available for the year have decreased by \$20.7 million when compared to the same quarter of 2011-12.

As per the Statement of Authorities, the net decrease of \$20.7 million, from \$162 million for 2011-12 to \$141.3 million for 2012-13 is mainly explained by the following items:

- A reduction of \$8.5 million in funding for the Commission of Inquiry into the Decline of Sockeye Salmon in the Fraser River (The Fraser Commission). The Fraser Commission submitted its final report on October 31, 2012 and operations were completed on December 31, 2012;
- A net reduction of \$5.4 million in funding from 2011-12 to 2012-13 due to reduced expenditures on severance pay. These expenditures were greater in 2011-12 following the ratification of new collective agreements which resulted in the cash-out of severance benefits;
- A reduction of \$3.9 million for the conclusion of the Afghanistan Task Force, which sunsetted in March 2012;
- A reduction of \$3.3 million for a transfer to the Shared Services Canada Agency which was created on August 4, 2011 with an effective transfer date of November 15, 2011. PCO transferred all of its resources associated with the delivery of email, data centre and network services. This reduction is explained by PCO transferring \$4.1 million to the Shared Services Canada Agency in 2011-12 compared to \$7.4 million in 2012-13;
- A reduction of \$1.3 million for Canada's Economic Action Plan 2012 (Budget 2012);
- A further reduction of \$1.1 million for Strategic Review (Budget 2011) in order to reflect the savings to be achieved in the second year of implementation of the Strategic Review Exercise;
- A reduction of \$1.1 million in the funding received to enhance 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,

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- 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 \$1.4 million to support the operational activities of the Business Transformation and Renewal Secretariat in pursuing government-wide opportunities for improved services and operational efficiencies;
- An increase of \$1.3 million to support the government-wide coordination of implementation of the Perimeter Security and Economic Competitiveness Action Plan which sets out a shared work plan for securing the North American perimeter while facilitating legitimate trade and travel; and,
- An increase of \$2.1 million to support the Regulatory Cooperation Council to eliminate unnecessary burdens on cross-border trade, reduce costs, foster cross-border investment, and promote certainty for businesses and the public, by coordinating, simplifying and ensuring the compatibility of regulations, where feasible.

The main variances in authorities by standard object of expenditure are mostly in professional and special services, personnel, transfer payments as well as transportation and communications standard objects. The majority of these variances can be attributed to the items listed above in the Statement of Authorities.

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.

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Statement of Departmental Budgetary Expenditures by Standard Object

As of December 31, 2012, the expenditure for the quarter ended December 31, 2012, has decreased by \$4.7 million compared to the same period for fiscal year 2011-12. Furthermore, the year-to-date used at quarter end as of December 31, 2012, has decreased by \$17.9 million compared to the same quarter of 2011-12 which can mainly be explained by the following items:

Personnel:

- A decrease of \$4.9 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 \$0.4 million related to the Work Force Adjustment Lump Sum Payments;
- A decrease of \$0.9 million related to the transfer of a portion of PCO's responsibility for the information technology activities to Shared Services Canada Agency and the reduction of PCO's informatic technology activities;
- A decrease of \$1.2 million for the conclusion of the Afghanistan Task Force;
- A decrease of \$0.4 million is attributed to the adjustments to employee benefit plans in which the rate of the employee benefit plan changed from 18% to 17.6%; and,
- A decrease of \$0.3 million for The Fraser Commission. The Fraser Commission submitted its final report on October 31, 2012 and operations were completed on December 31, 2012.

Transportation and communications:

- A decrease of \$1.0 million related to the transfer of a portion of PCO's responsibility for the information technology activities to Shared Services Canada Agency and the reduction of PCO's informatic technology activities.

Professional and special services:

- A decrease of \$3.6 million for The Fraser Commission; and,
- A decrease of \$0.6 million related to the transfer of a portion of PCO's responsibility for the information technology activities to Shared Services Canada Agency and the reduction of PCO's informatic technology activities.

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Acquisition of machinery and equipment:

- A decrease of \$0.9 million related to the transfer of a portion of PCO's responsibility for the information technology activities to Shared Services Canada Agency and the reduction of PCO's informatic technology activities.

Transfer payments:

- A decrease of \$1.5 million for The Fraser Commission.

RISKS AND UNCERTAINTIES

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 29, 2012 and also includes the \$6.1 million received in the 2012-13 Supplementary Estimates A and B.

SIGNIFICANT CHANGES IN RELATION TO OPERATIONS, PERSONNEL AND PROGRAMS

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 has implemented 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 Strategic Review (Budget 2011), 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.

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BUDGET 2012 IMPLEMENTATION

This section provides an overview of the savings measures announced in Canada's Economic Action Plan 2012 (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 Canada's Economic Action Plan 2012 (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.

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 last 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.

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.

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The 2012-13 savings are being 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 adjusting service levels accordingly; and,
- Modernization of business processes in other Branches within PCO and achievement of administrative efficiencies.

Approved by Senior Officials:

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

Michelle Doucet
Assistant Deputy Minister
Corporate Services

Ottawa, Canada
March 1, 2013

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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 ¹	Used during the quarter ended December 31, 2012	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2012 ^{1 & 2}	Used during the quarter ended December 31, 2011 ³	Year-to-date used at quarter-end ³
<i>(In thousands of dollars)</i>						
Vote 1 - Net operating expenditures	126,297	28,093	77,619	146,509	32,669	95,079
Budgetary statutory authorities	14,974	3,744	11,231	15,513	3,863	11,621
Total budgetary authorities	141,271	31,837	88,850	162,022	36,532	106,700
TOTAL AUTHORITIES	141,271	31,837	88,850	162,022	36,532	106,700

Note 1: Includes only Authorities available for use in the fiscal year and granted by Parliament at quarter-end.

Note 2: Pursuant to section 31.1 of the Financial Administration Act and Order-in-Council P.C. 2011-1297 effective November 15, 2011 (for PWGSC refer to Order-in-Council P.C. 2011-877 effective August 4, 2011), \$4,113 thousand is deemed to have been appropriated to Shared Services Canada (Operating), which results in a reduction for the same amount in the Privy Council Office, Vote 1, Appropriation Act No.1, 2011-12.

Note 3: Excludes an amount of \$570 thousand incurred on behalf of Shared Services Canada from the date of transfer of November 15, 2011 to December 31, 2011.

Note 4: 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 December 31, 2012	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2012 ¹	Expended during the quarter ended December 31, 2011 ²	Year-to-date used at quarter-end ²
<i>(In thousands of dollars)</i>						
Expenditures						
Personnel	106,434	27,296	76,698	111,062	28,983	85,027
Transportation and communications	6,059	793	2,153	7,912	1,379	3,630
Information	2,017	743	1,692	2,629	279	795
Professional and special services	15,722	2,351	5,407	26,034	4,493	11,331
Rentals	1,551	378	1,090	2,061	313	1,048
Repair and maintenance	2,120	98	207	2,356	188	744
Utilities, materials and supplies	1,193	213	454	1,836	309	566
Acquisition of machinery and equipment	4,846	76	892	4,455	231	1,829
Transfer payments	125	-	5	3,100	558	1,537
Other subsidies and payments	1,278	(37)	326	578	(201)	193
Total gross budgetary expenditures	141,345	31,911	88,924	162,022	36,532	106,700
Total revenues netted against expenditures	(74)	(74)	(74)	-	-	-
TOTAL BUDGETARY EXPENDITURES	141,271	31,837	88,850	162,022	36,532	106,700

Note 1: Pursuant to section 31.1 of the Financial Administration Act and Order-in-Council P.C. 2011-1297 effective November 15, 2011 (for PWGSC refer to Order-in-Council P.C. 2011-877 effective August 4, 2011), \$4,113 thousand is deemed to have been appropriated to Shared Services Canada (Operating), which results in a reduction for the same amount in the Privy Council Office, Vote 1, Appropriation Act No.1, 2011-12.

Note 2: Excludes an amount of \$570 thousand incurred on behalf of Shared Services Canada from the date of transfer of November 15, 2011 to December 31, 2011.

Note 3: Details may not add to totals due to rounding