

Privy Council Office

Quarterly Financial Report

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

For the quarter ended September 30, 2013

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 Report* 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 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 facilitates 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 found 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

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 2013-14 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework (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 were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In 2013-14, the changes to departmental authorities were reflected in the 2013-14 *Main Estimates* tabled in Parliament.

PCO uses the full accrual method of accounting to prepare and present its annual departmental financial statements which 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

Statement of Authorities

As of September 30, 2013, the total authorities available for the year have decreased by \$10.7 million when compared to the same quarter for 2012-13.

As per the Statement of Authorities, the net decrease of \$10.7 million, from \$134.1 million for 2012-13 to \$123.4 million for 2013-14 is mainly related to the following:

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- A decrease of \$7.0 million in PCO's authorities for 2013-14 to implement the savings resulting from PCO's Strategic Review identified in Budget 2011 and the Department's deficit reduction measures identified in Budget 2012;
- A decrease of \$6.0 million in PCO's authorities in 2013-14 compared to 2012-13 due to the Operating Budget Carry Forward that was included in last year's second quarter. This year's Operating Budget Carry Forward has been allocated to departments by the Treasury Board Secretariat after September 30, 2013 and will be reflected in the third quarter report thus eliminating this timing difference;
- A decrease of \$2.5 million relating to the completion of the Commission of Inquiry into the Decline of Sockeye Salmon in the Fraser River since the Commission submitted its final report on October 31, 2012 and operations were completed on December 31, 2012. No authorities were therefore sought in 2013-14 for the Commission; and
- A decrease in funding of \$1.0 million for the Office of the Special Advisor on Human Smuggling and Illegal Migration since, at the time of the preparation of PCO's *2013-14 Main Estimates*, funding for this work had not yet been secured for beyond March 31, 2013. Funding is now being sought through PCO's *Supplementary Estimates B* and if approved, the increase in authorities will be reflected in the next quarter.

These reductions are partially offset by the following:

- An increase of \$2.4 million for the operational activities of the Business Transformation and Renewal Secretariat in pursuing government-wide opportunities for improved services and operational efficiencies;
- An increase of \$1.4 million to continue to support the coordination of a government-wide communications strategy for *Canada's Economic Action Plan*;
- An increase of \$0.9 million for the ratification of specific collective agreements;
- An increase of \$0.9 million to support the government-wide coordination of implementation of the Perimeter Security and Economic Competitiveness Action Plan; and
- An increase of \$0.2 million as the Canada-Australia Exchange Program has ended. Accordingly, PCO is no longer transferring funds to the Department of Foreign Affairs, Trade and Development to support Program costs, leading to a net rise in PCO's reference levels.

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The decrease in authorities in the standard objects for personnel and professional and special services is due to savings resulting from PCO's Strategic Review announced in Budget 2011, the Department's deficit reduction measures identified in Budget 2012, as well as to the Operating Budget Carry Forward which has not yet been received for 2013-14 compared to the same quarter for 2012-13. These decreases are partially offset by a net increase in funding for the new or temporary initiatives mentioned above.

The decrease in authorities for acquisition of machinery and equipment can be explained by the fact that the 2012-13 authorities were based on historical spending trends which included activities that were transferred to the Shared Services Canada (SSC).

In accordance with section 29.1(2)(a) of the *Financial Administration Act*, PCO identified \$49,000 as Vote Net Revenue in its 2013-14 *Main Estimates* to provide internal support services to other government departments. The 2013-14 amount was reduced from \$74,000 in 2012-13 since PCO ceased to provide internal support services to the Public Appointment Commission Secretariat which was abolished.

Statement of Departmental Budgetary Expenditures by Standard Object

The expenditures for the quarter ended September 30, 2013 have decreased by \$0.7 million compared to the same period in fiscal year 2012-13.

As per the Statement of Departmental Budgetary Expenditures by Standard Object, the decrease in the year-to-date used as of September 30, 2013 is \$1.7 million compared to the same quarter for 2012-13. This decrease can mainly be attributed to a decrease in expenditures for personnel, professional and special services and is partially offset by an increase in expenditures for acquisition of machinery and equipment. Details are provided below.

Personnel:

The decrease of \$1.4 million is mainly explained by savings resulting from PCO's Strategic Review announced in Budget 2011, the Department's deficit reduction measures identified in Budget 2012, and a decrease due to the completion of the Commission of Inquiry into the Decline of Sockeye Salmon in the Fraser River. The decrease is partially offset by an increase attributed to the payment of severance pay requested by employees on a voluntary basis following the ratification of specific collective agreements.

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Professional and Special Services:

- The decrease of \$1.0 million in Professional and Special Services is due to the completion of the Commission of Inquiry into the Decline of Sockeye Salmon in the Fraser River in fiscal year 2012-13.

This decrease is partially offset by:

- An increase of \$0.6 million in spending related to one-time strategic investment projects to help advance government priorities, mitigate outstanding operational risks and address workplace requirements.

Acquisition of Machinery and Equipment:

The increase in spending of \$0.5 million in acquisition of machinery and equipment is mainly due to one-time strategic investment projects to help advance government priorities, mitigate outstanding operational risks and address workplace requirements.

RISKS AND UNCERTAINTIES

PCO faces a number of external and internal risks. The dominant financial risks lie in 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 20, 2013. PCO did not request any funding through the 2013-14 *Supplementary Estimates A*.

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SIGNIFICANT CHANGES IN RELATION TO OPERATIONS, PERSONNEL AND PROGRAMS

PCO has managed several budget reduction-related activities in recent years. The combined effect of various savings exercises such as Budget 2010, 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.

The transfer of activities to Shared Services Canada had a significant impact on PCO's spending. PCO transferred all its resources associated with the delivery of email, data centre and network services to Shared Services Canada for \$7.4 million ongoing in 2012-13. An additional transfer approved in *Canada's Economic Action Plan 2013 (Budget 2013)* related to Workplace Technology Devices (formerly known as End User Devices) will occur during 2013-14.

The Commission of Inquiry into the Decline of the Sockeye Salmon in the Fraser River submitted its final report on October 31, 2012 and operations were completed on December 31, 2012. Although no commissions of inquiry are planned for the 2013-14 fiscal year, PCO will provide any commission that may be established throughout the year with the financial and administrative support necessary to fulfil its mandate.

BUDGET 2012 IMPLEMENTATION

This section provides an overview of the savings measures announced in Budget 2012.

As announced in *Canada's Economic Action Plan 2012*, part of the Government's agenda is to refocus government and its programs, make it easier for Canadians and businesses to deal with their government, as well as right-size and modernize back office operations. To support these objectives, PCO has undertaken several deficit reduction measures, including: reviewing business processes across the department to achieve administrative efficiencies and redefining internal service levels accordingly; further integrating the intergovernmental affairs function within the department; modernizing and streamlining the government communications function; and streamlining the Cabinet system to improve the efficiency and effectiveness of decision-making.

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The vast majority of PCO's expenses consist of salaries and associated operational costs. As a result, most of the savings need to be generated by having fewer full time equivalent positions within the department. These reductions were achieved through a fair and transparent Workforce Adjustment process with all affected employees treated with respect and every possible effort made to identify the best possible solution for each individual.

In the first year of implementation which was 2012-13, PCO has achieved savings of approximately \$1.4 million. Incremental savings of \$2.6 million will be achieved in 2013-14 and will result in ongoing annual savings of \$9.2 million by 2014-15.

Approved by Senior Officials:

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

*Ottawa, Canada
November 29, 2013*

Michelle Doucet
Assistant Deputy Minister
Corporate Services
Chief Financial Officer

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STATEMENT OF AUTHORITIES *(unaudited)*

	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Total available for use for the year ending March 31, 2014**	Used during the quarter ended September 30, 2013	Year-to-date used at quarter-end	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
<i>(In thousands of dollars)</i>						
Vote 1 - Net operating expenditures	109,008	25,688	48,133	119,131	26,185	49,526
Budgetary statutory authorities						
Contributions to employee benefits plans	13,997	3,499	6,998	14,578	3,644	7,289
Prime Minister - Salary and motor car allowance	163	41	82	160	40	80
Minister of Intergovernmental Affairs and President of the Queen's Privy Council for Canada - Salary and motor car allowance	-	-	-	78	19	38
Minister of Infrastructure, Communities and Intergovernmental Affairs and Minister of the Economic Development Agency of Canada for the Regions of Quebec - Salary and motor car allowance	79	1	1	-	-	-
Leader of the Government in the Senate - Salary and motor car allowance	79	3	22	78	19	38
Leader of the Government in the House of Commons - Salary and motor car allowance	79	20	39	78	19	38
Minister of State (Democratic Reform) - Motor car allowance	2	-	1	2	1	2
Minister of State and Chief Government Whip - Motor car allowance	2	-	1	2	1	2
Spending of proceeds from the disposal of surplus Crown assets (Note 1)	22	-	-	-	-	-
Total budgetary authorities	123,432	29,252	55,277	134,105	29,928	57,013
TOTAL AUTHORITIES	123,432	29,252	55,277	134,105	29,928	57,013

**Includes only Authorities available for use and granted by Parliament at quarter-end. Total 2012-13 authorities for use does not reflect measures announced in Canada's Economic Action Plan 2012.

Note 1: Fiscal year 2013-14 presents authorities available for Planned Spending of proceeds from the disposal of surplus Crown assets. This information was not presented in PCO's 2012-13 Quarterly Financial Statements.

Note 2: Details may not add to totals due to rounding

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Departmental budgetary expenditures by Standard Object *(unaudited)*

	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014**	Expended during the quarter ended September 30, 2013	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2013**	Expended during the quarter ended September 30, 2012	Year-to-date used at quarter-end
<i>(In thousands of dollars)</i>						
Expenditures						
Personnel	94,847	24,755	48,000	101,065	25,676	49,402
Transportation and communications	5,394	663	1,160	5,810	645	1,360
Information	1,998	412	909	1,956	728	949
Professional and special services	12,530	1,677	2,704	15,205	1,774	3,056
Rentals	1,600	288	591	1,511	410	712
Repair and maintenance	2,287	37	60	2,103	95	109
Utilities, materials and supplies	1,451	175	243	1,173	127	241
Acquisition of machinery and equipment	3,292	1,204	1,336	4,831	186	816
Transfer payments	-	-	-	25	5	5
Other subsidies and payments	82	41	274	500	282	363
Total gross budgetary expenditures	123,481	29,252	55,277	134,179	29,928	57,013
Revenues	(49)	-	-	(74)	-	-
Total revenues netted against expenditures	(49)	-	-	(74)	-	-
TOTAL BUDGETARY EXPENDITURES	123,432	29,252	55,277	134,105	29,928	57,013

**Includes only Authorities available for use and granted by Parliament at quarter-end. Total 2012-13 authorities for use does not reflect measures announced in Canada's Economic Action Plan 2012.

Note 1: Details may not add to totals due to rounding