

Privy Council Office

Quarterly Financial Report

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

For the quarter ended June 30, 2014

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*, previous Quarterly Financial Reports as well as Canada's Economic Action Plan 2012 (Budget 2012).

A summary description of the Privy Council Office (PCO) programs 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-bcp.gc.ca>.

This quarterly report has not been subject to an external audit or review but has been shared with the PCO Departmental Audit Committee and it reflects the committee members' comments.

BASIS OF PRESENTATION

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes PCO's spending authorities granted by Parliament and those used by the department, consistent with the *Main Estimates* for the 2014-15 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.

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

Privy Council Office

Quarterly Financial Report

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

For the quarter ended June 30, 2014

HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR TO DATE RESULTS

This section highlights the significant items that contributed to the net increase or decrease in authorities available for the year and actual expenditures for the quarter ended June 30, 2014.

Statement of Authorities

Authorities available for use:

The net decrease of \$4.6 million, from \$123.4 million for 2013-14 to \$118.8 million for 2014-15 is mainly related to the following:

- A decrease of \$4.4 million in savings identified as part of the Budget 2012 Spending Review;
- A decrease of \$1.4 million related to statutory authorities mostly for contributions to employee benefit plans; and
- A decrease of \$0.3 million related to efficiencies exercises, such as the consolidation of pay services, and measures announced in Canada's Economic Action Plan 2013 for the consolidation of the procurement of Workplace Technology Device Software as well as a reduction of travel costs.

These reductions are partially offset by the following:

- An increase of \$1.1 million in funding for the Office of the Special Advisor on Human Smuggling and Illegal Migration; and
- An increase of \$0.4 million for the wage and salary increases resulting from collective agreements that took effect in 2013-14.

Authorities used during the quarter:

Overall, PCO's 2014-15 expenditures for the quarter ended June 30, 2014 have increased by \$2.0 million when compared to the 2013-14 expenditures for the same quarter. Further information related to this increase is provided in the section below addressing the Statement of Departmental Budgetary Expenditures by Standard Object.

Privy Council Office

Quarterly Financial Report

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

For the quarter ended June 30, 2014

Statement of Departmental Budgetary Expenditures by Standard Object

Authorities available for use:

The decrease of \$4.6 million in authorities by Standard Object from 2013-14 to 2014-15 is mainly explained as follows:

Personnel

The decrease of \$4.7 million in personnel is mostly due to savings resulting from the Department's deficit reduction measures identified in Budget 2012, a decrease in contributions to employee benefit plans and other efficiencies exercises such as the consolidation of pay services. These decreases are partially offset by an increase in funding for the Office of the Special Advisor on Human Smuggling and Illegal Migration, and for funding received for the ongoing effect of the ratification of specific collective agreements which took effect in 2013-14.

All other standard objects

PCO has realigned some of the planned expenditures by standard object for 2014-15 when compared to 2013-14 to better reflect upcoming spending trends. As a result, the planned expenditures for Transportation and Communications and for Purchased Repair and Maintenance have decreased mostly to reflect the transfer of functions to Shared Services Canada. The increase in planned expenditures for Information and for Acquisition of Machinery and Equipment is mostly explained by a realignment of expenses by the Receiver General for Canada for electronic subscriptions and by anticipated spending in key multi-dependency IT/IM initiatives which are Government-wide driven. Some of these initiatives are: Desktop and InfoXpress Modernization and the Email Transformation Initiative.

Revenues

PCO has increased its amount identified for Vote Net Revenue in order to better reflect the service level provided by PCO to the Security Intelligence Review Committee, in accordance with section 29.1(2)(a) of the *Financial Administration Act*. PCO adjusted its Vote Net Revenue during the third quarter of 2013-14, through the Estimates process.

Authorities used during the quarter:

The increase of \$2.0 million in authorities used during the quarter by Standard Object from 2013-14 to 2014-15 is mainly explained as follows:

Other subsidies and payments

The increase of \$2.4 million is mainly due to a one-time transition payment of \$2.6 million for implementing salary payment in arrears by the Government of Canada.

Acquisition of machinery and equipment

The increase of \$0.6 million is mainly explained by resources invested to modernize and strengthen PCO's classified networks.

Privy Council Office

Quarterly Financial Report

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

For the quarter ended June 30, 2014

These increases are partially offset by:

Personnel

A decrease in spending of \$1.0 million for contributions to employee benefit plans, payments in lieu of leave and severance pay.

RISKS AND UNCERTAINTIES

PCO's complex, fast-paced and ever-evolving operating environment unavoidably creates a broad spectrum of management and operational risks. Accordingly, PCO has adopted an Integrated Risk Management Strategy that is supported by a comprehensive governance and oversight regime. The risk management structure ensures that PCO has the information, analysis and management direction required to detect, prevent and, if necessary, actively mitigate emerging and evolving risks.

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 reflects the results of the current fiscal period in relation to the *2014-15 Main Estimates* (full supply was released on June 19, 2014). PCO did not request any funding through the *2014-15 Supplementary Estimates (A)*.

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 Budget 2012 have resulted in a reduction to PCO's workforce.

PCO is subject to the operating Budget Freeze announced in the 2013 Speech from the Throne and Fall Update. The department will need to absorb wage and salary increases that take effect in 2014-15 and 2015-16, or for the ongoing impact of those adjustments.

Privy Council Office

Quarterly Financial Report

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

For the quarter ended June 30, 2014

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: transforming 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.

The vast majority of PCO's expenses consist of salaries and associated operational costs. As a result, most of the savings needed 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. Additional savings of \$2.6 million were achieved in 2013-14. Further reductions are being implemented in 2014-15 to achieve ongoing savings target of \$9.2 million set for PCO in Budget 2012.

There are no major variance between PCO's authorities used during the quarter compared to the same quarter last year, related to the Budget 2012 implementation as PCO fully implemented its savings ahead of schedule.

Approved by Senior Officials: (original signed by)

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

*Ottawa, Canada
August 29, 2014*

Michelle Doucet
Assistant Deputy Minister
Corporate Services Branch
Chief Financial Officer

Privy Council Office

Quarterly Financial Report

For the quarter ended June 30, 2014

STATEMENT OF AUTHORITIES *(unaudited) (note 2)*

(In thousands of dollars)

	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Total available for use for the year ending March 31, 2015 (note 1)	Used during the quarter ended June 30, 2014	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2014 (note 1)	Used during the quarter ended June 30, 2013	Year-to-date used at quarter-end
Vote 1 - Net operating expenditures	105,755	24,794	24,794	109,009	22,445	22,445
Budgetary statutory authorities						
Contributions to employee benefits plans	12,722	3,181	3,181	13,997	3,499	3,499
Prime Minister - Salary and motor car allowance	166	41	41	163	41	41
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	80	-	-	79	-	-
Leader of the Government in the Senate - Salary and motor car allowance	-	-	-	79	19	19
Leader of the Government in the House of Commons - Salary and motor car allowance	80	20	20	79	19	19
Minister of State (Democratic Reform) - Motor car allowance	2	1	1	2	1	1
Minister of State and Chief Government Whip - Motor car allowance	2	1	1	2	1	1
Spending of proceeds from the disposal of surplus Crown assets	6	-	-	18	-	-
Total budgetary authorities	118,813	28,037	28,037	123,428	26,025	26,025
TOTAL AUTHORITIES	118,813	28,037	28,037	123,428	26,025	26,025

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

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

Privy Council Office

Quarterly Financial Report

For the quarter ended June 30, 2014

Departmental budgetary expenditures by Standard Object *(unaudited) (note 2)*

(In thousands of dollars)

	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015 (note 1)	Expended during the quarter ended June 30, 2014	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2014 (note 1)	Expended during the quarter ended June 30, 2013	Year-to-date used at quarter-end
Expenditures						
Personnel	90,157	22,240	22,240	94,847	23,245	23,245
Transportation and communications	3,314	450	450	5,394	497	497
Information	4,088	449	449	1,998	497	497
Professional and special services	12,541	1,122	1,122	12,530	1,027	1,027
Rentals	1,817	311	311	1,600	303	303
Repair and maintenance	971	14	14	2,287	23	23
Utilities, materials and supplies	1,417	93	93	1,451	68	68
Acquisition of machinery and equipment	4,291	693	693	3,288	132	132
Other subsidies and payments	293	2,665	2,665	82	233	233
Total gross budgetary expenditures	118,889	28,037	28,037	123,476	26,025	26,025
Less revenues netted against expenditures						
Revenues	(75)	-	-	(49)	-	-
Total revenues netted against expenditures	(75)	-	-	(49)	-	-
TOTAL BUDGETARY EXPENDITURES	118,813	28,037	28,037	123,427	26,025	26,025

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

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