

# Privy Council Office

## Quarterly Financial Report

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

**For the quarter ended December 31, 2014**

### 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*, 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 based on PCO's Program Alignment Architecture 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

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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 Appropriation 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.

### HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR TO DATE RESULTS

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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 December 31, 2014.

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### **Statement of Authorities**

#### **Authorities available for use**

The net decrease of \$5.6 million, from \$130.1 million for 2013-14 to \$124.5 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 \$1.5 million related to statutory authorities mostly for the contributions to employee benefit plans. The salary and motor car allowance for the Minister of Infrastructure, Communities and Intergovernmental Affairs and Minister of the Economic Development Agency of Canada for the Regions of Quebec was transferred to the Office of Infrastructure of Canada to reflect a machinery of Government change. The salary and motor car allowance for the Leader of the Government in the Senate (LGS) has been removed from PCO's statutory authorities since the LGS's position is not held by a Minister since July 2013; and
- A decrease of \$0.2 million related to the consolidation of pay services, and three Government-wide initiatives: the new business model of the Canada School of Public Service, the Web Renewal Initiative and the initiative to eliminate late fees and interest charges.

These decreases are partially offset by the wage and salary increases of \$0.6 million resulting from collective agreements that took effect in 2013-14.

#### **Authorities used during the quarter**

PCO's 2014-15 expenditures for the quarter ended December 31, 2014 have decreased by \$0.4 million when compared to the 2013-14 expenditures for the same quarter (from \$29.8 million in 2013-14 to \$29.4 million in 2014-15). Further information related to this decrease is provided in the section below addressing the Statement of Departmental Budgetary Expenditures by Standard Object.

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### **Year-to-Date Authorities used**

Overall, PCO's 2014-15 year-to-date expenditures as of December 31, 2014 are similar when compared to the year-to-date expenditures at the same time last year (from \$85.1 million in 2013-14 to \$85.2 million in 2014-15). In reality, PCO's overall spending has decreased by \$2.5 million, however, this decrease is offset by a one-time transition payment of \$2.6 million made by PCO during the first quarter to implement salary payment in arrears, which is a government-wide initiative. Further information is provided in the section below addressing the Statement of Departmental Budgetary Expenditures by Standard Object.

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

#### **Authorities available for use**

The decrease of \$5.6 million in authorities by Standard Object from 2013-14 to 2014-15 is mainly explained as follows:

##### *Personnel*

The decrease of \$5.0 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 funding received for the ongoing effect of the ratification of specific collective agreements which took effect in 2013-14.

##### *All other standard objects (net decrease of \$0.6 million)*

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 due to a realignment of expenses by the Receiver General for Canada for electronic subscriptions and by anticipated spending in key multi-dependency Information Management /Information Technology initiatives which are Government-wide driven. Some of these initiatives are: Desktop and InfoXpress Modernization and the Email Transformation Initiative.

#### **Authorities used during the quarter**

PCO's 2014-15 expenditures for the quarter ended December 31, 2014 have decreased by \$0.4 million when compared to the 2013-14 expenditures for the same quarter. This decrease is mainly explained as follows:

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### *Personnel*

An overall decrease in personnel of \$0.6 million is explained by less spending for severance and separation pay and contributions to employee benefit plans in the amount of \$0.9 million. This decrease is partially offset by \$0.3 million as an overall increase in related salary costs.

This decrease is partially offset by:

### *Transportation and Communications*

An overall increase of \$0.4 million in travel and transportation costs to deliver PCO's core mandate. PCO constantly needs to adapt and respond to changing priorities and developing issues, locally and internationally.

The other standard objects have stayed relatively stable.

## **Year-to-Date Authorities used**

Overall, PCO's 2014-15 year-to-date expenditures as of December 31, 2014 are similar to the year-to-date expenditures at the same time last year. However, the spending level varied by type of expenditures and is mainly explained as follows:

### *Other subsidies and payments*

An increase of \$2.6 million due to a one-time transition payment made by PCO during the first quarter to implement salary payment in arrears, which is a government-wide initiative.

### *Professional and Special Services*

An increase of \$0.7 million in professional services to implement Government-wide initiatives such as Desktop Modernization and Email Transformation.

### *Transportation and Communications*

An increase of \$0.6 million in travel and transportation costs to deliver PCO's core mandate. PCO constantly needs to adapt and respond to changing priorities and developing issues, locally and internationally.

These increases are partially offset by the following:

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### *Personnel*

An overall decrease in personnel spending of \$3.3 million. \$2.8 million can be attributed to less spending for contributions to employee benefit plans, pay in lieu of leave, and severance and separation pay. A decrease of \$0.4 million is related to Ministers' Offices, mainly for the Office of the LGS. Since July 2013, the LGS's position has not been held by a Minister. As a result, PCO no longer provides funding or services to that Office. Finally, \$0.1 million is due to an overall decrease in related salary costs.

### *Acquisition of Machinery and Equipment*

A decrease of \$0.3 million. PCO invested in one-time strategic investment projects in 2013-14 and 2014-15 to help advance government priorities and mitigate outstanding operational risks. For example, PCO invested resources to modernize and strengthen its classified networks. These investments were higher in 2013-14, which explains the decrease of \$0.3 million in 2014-15.

## **RISKS AND UNCERTAINTIES**

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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)* and the *2014-15 Supplementary Estimates (B)*.

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

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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, and the ongoing impact of those adjustments.

Janice Charette was appointed Clerk of the Privy Council and Secretary to the Cabinet by the Prime Minister on October 6, 2014. Michael Wernick, who was Senior Advisor to the Privy Council Office, became Deputy Clerk of the Privy Council and Associate Secretary to the Cabinet, also effective October 6, 2014. Richard Fadden was appointed National Security Advisor to the Prime Minister on January 19, 2015.

### **BUDGET 2012 IMPLEMENTATION**

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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.

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In the first year of implementation which was 2012-13, PCO's budget was reduced by \$1.4 million. Additional budget reductions of \$2.6 million were achieved in 2013-14. Further budget reductions of \$5.2 million were made in 2014-15 to achieve the ongoing savings target of \$9.2 million set for PCO in Budget 2012.

There are no major variances 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)

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Janice Charette  
Clerk of the Privy Council and  
Secretary to the Cabinet

*Ottawa, Canada*

*February 24, 2015*

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Michelle Doucet  
Assistant Deputy Minister  
Corporate Services  
Chief Financial Officer

*Ottawa, Canada*

*February 24, 2015*

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### STATEMENT OF AUTHORITIES *(unaudited)* (Note 2)

	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 December 31, 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 December 31, 2013	Year-to-date used at quarter-end
<i>(In thousands of dollars)</i>						
<b>Vote 1 - Net operating expenditures</b>	<b>111,454</b>	<b>26,199</b>	<b>75,489</b>	<b>115,563</b>	<b>26,242</b>	<b>74,375</b>
<b>Budgetary statutory authorities</b>				-	-	-
Contributions to employee benefit plans	12,722	3,182	9,542	14,085	3,500	10,498
Prime Minister - Salary and motor car allowance	166	40	124	163	39	121
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
Leader of the Government in the Senate - Salary and motor car allowance	-	-	-	79	-	22
Leader of the Government in the House of Commons - Salary and motor car allowance	80	20	60	79	20	59
Minister of State (Democratic Reform) - Motor car allowance	2	1	2	2	1	2
Minister of State and Chief Government Whip - Motor car allowance	2	1	2	2	1	2
Spending of proceeds from the disposal of surplus Crown assets	24	-	-	23	-	-
<b>Total budgetary authorities</b>	<b>124,450</b>	<b>29,442</b>	<b>85,218</b>	<b>130,075</b>	<b>29,803</b>	<b>85,080</b>
<b>TOTAL AUTHORITIES</b>	<b>124,450</b>	<b>29,442</b>	<b>85,218</b>	<b>130,075</b>	<b>29,803</b>	<b>85,080</b>

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.



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### Departmental budgetary expenditures by Standard Object *(unaudited) (Note 2)*

	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015 (note 1)	Expended during the quarter ended December 31, 2014	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2014 (note 1)	Expended during the quarter ended December 31, 2013	Year-to-date used at quarter-end
<i>(In thousands of dollars)</i>						
<b>Expenditures</b>						
Personnel	94,313	24,492	69,779	99,290	25,080	73,080
Transportation and communications	3,314	1,080	2,518	5,848	718	1,878
Information	4,069	607	1,406	2,000	630	1,539
Professional and special services	14,028	2,475	5,915	14,326	2,559	5,263
Rentals	1,817	188	753	1,556	192	783
Repair and maintenance	971	173	213	2,287	157	217
Utilities, materials and supplies	1,417	156	455	1,454	148	391
Acquisition of machinery and equipment	4,309	235	1,315	3,293	290	1,626
Other subsidies and payments	288	36	2,864	96	29	303
<b>Total gross budgetary expenditures</b>	<b>124,525</b>	<b>29,442</b>	<b>85,218</b>	<b>130,150</b>	<b>29,803</b>	<b>85,080</b>
<b>Less revenues netted against expenditures</b>						
Revenues	(75)	-	-	(75)	-	-
<b>Total revenues netted against expenditures</b>	<b>(75)</b>	<b>-</b>	<b>-</b>	<b>(75)</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGETARY EXPENDITURES</b>	<b>124,450</b>	<b>29,442</b>	<b>85,218</b>	<b>130,075</b>	<b>29,803</b>	<b>85,080</b>

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