

# Privy Council Office

## Quarterly Financial Report

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

**For the quarter ended June 30, 2015**

### 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 previous Quarterly Financial Reports.

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.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 2015-16 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.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

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,  
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For the quarter ended June 30, 2015

### 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 June 30, 2015.

#### **Statement of Authorities**

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

The net increase of \$39 thousand, from \$118.813 million for 2014-15 to \$118.852 million for 2015-16 is mainly related to the following:

- An increase of \$2.1 million in funding for the operations of the Canadian Secretariat to the Canada-U.S. Regulatory Cooperation Council (RCC). The goal of the Canada-U.S. RCC is to better align both regulatory systems to benefit industry, regulators and the public, and boost North American trade and competitiveness. Budget 2014 reiterated Canada's commitment to the RCC for an additional three fiscal years (2014-15, 2015-16 and 2016-17). The additional funding will allow the Canadian RCC Secretariat to continue its efforts to work with US and Canadian partners to advance regulatory cooperation;
- An increase of \$1.2 million in funding for the creation and operation of the Central Innovation Hub at PCO. The Hub will provide departments with expertise and advice on applying new approaches to complex policy and program challenges. The Hub will also help test, document, accelerate, replicate and scale up successful innovation across the Public Service. Locating the Hub at the Privy Council Office will amplify and align successful initiatives across departmental lines;
- An increase of \$0.3 million which represents the portion of wage and salary increases to be paid to employees during fiscal year 2015-16, in accordance with specific collective agreements which were ratified in 2013-14;
- A decrease of \$3.4 million related to three sunsetter initiatives, namely:
  - The coordination of government-wide information for Canada's Economic Action Plan;
  - The Office of the Special Advisor on Human Smuggling and Illegal Migration headed by Mr. Ward Elcock, the Special Advisor to the Prime Minister on this matter; and
  - The Beyond the Border Action Plan which gives effect to the 2011 Declaration signed by Prime Minister Harper and President Obama establishing a new long-term partnership accelerating the legitimate flow of people and goods between both countries, while strengthening security and economic competitiveness.

# **Privy Council Office**

## **Quarterly Financial Report**

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

**For the quarter ended June 30, 2015**

- A decrease of \$0.3 million in funding for the implementation of various government-wide initiatives, including the continued consolidation of pay services, the implementation of the Canada School of Public Service's new business model, the elimination of wasteful spending on late fees and interest charges to suppliers, and the Web Renewal Initiative;
- A \$1.3 million decrease to PCO's planned "Voted Expenditures" and a corresponding \$1.3 million increase in "Statutory Expenditures". This is due to an internal budget transfer from operating fund which falls under the "Voted Expenditures" to the Employee Benefits Plan (EBP) which falls under the "Statutory Expenditures" to better align PCO's reference levels with its actual spending profile. The transfer has no impact on PCO's total authorities; and
- In addition, PCO's statutory spending is being reduced by \$80,300. Following the July 2013 Cabinet shuffle, there was a machinery of government change where the Honourable Denis Lebel was appointed Minister of Infrastructure, Communities and Intergovernmental Affairs and Minister of the Economic Development Agency of Canada for the Regions of Quebec. The salary and motor car allowance were moved to the Office of Infrastructure Canada and therefore no longer appears under PCO's statutory forecasts.

It should be mentioned that subsequent to the tabling of these Estimates, Budget 2015 has confirmed the availability of funds for all three of the sunsetter initiatives mentioned above and PCO received approval from Treasury Board in June 2015 to access these funds in future Supplementary Estimates.

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

Overall, PCO's 2015-16 expenditures for the quarter ended June 30, 2015 have decreased by \$3.3 million when compared to the 2014-15 expenditures for the same quarter. Further information related to this decrease 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, 2015

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

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

The increase of \$39 thousand in authorities by Standard Object from 2014-15 to 2015-16 is mainly explained as follows:

##### *Personnel*

The increase of \$8.3 million in personnel is mostly due to an internal budget transfer between operating and personnel to better align PCO's reference levels with its actual spending profile along with an increase in funding for the Operations of the Canadian Secretariat to the Canada-U.S. Regulatory Cooperation Council and for the newly created Central Innovation Hub.

##### *All other standard objects*

PCO has realigned some of the planned expenditures by standard object for 2015-16 when compared to 2014-15 to better reflect upcoming spending trends. As a result, the planned expenditures for Professional Services have decreased mostly to reflect the transfer of functions to Shared Services Canada. The decrease in planned expenditures for Information and for Acquisition of Machinery and Equipment is mostly explained by a revision of spending trends related to government-wide IT/IM initiatives such as Desktop and InfoXpress Modernization. The increase in planned expenditures for Repair and Maintenance is attributable to PCO's investment in the Workplace 2.0 initiative.

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

The decrease of \$3.3 million in authorities used during the quarter by Standard Object from 2014-15 to 2015-16 is mainly explained as follows:

##### *Other subsidies and payments*

A decrease of \$2.6 million is primarily due to a one-time transition payment that took place in the first quarter of 2014-15 for implementing salary payment in arrears by the Government of Canada.

##### *Acquisition of machinery and equipment*

A decrease of \$0.6 million is mainly explained by a one-time investment in the first quarter of 2014-15 to modernize and strengthen PCO's classified networks.

##### *Personnel*

An overall decrease in personnel spending of \$0.1 million. Of this amount, a reduction of \$0.5 million in spending is related to severance pay and salary costs partially offset by a \$0.4 million increase in contributions to Employee Benefits Plan as a result of a transfer from operating to personnel through the 2015-16 *Main Estimates* to better align PCO's reference levels with its anticipated spending profile.

# Privy Council Office

## Quarterly Financial Report

Statement outlining results, risks and significant changes in operations,  
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For the quarter ended June 30, 2015

These decreases are partially offset by:

### *Transportation and Communications*

An overall increase of \$0.2 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, both locally and internationally.

## 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 *2015-16 Main Estimates* (full supply was released on June 19, 2015). PCO did not request any funding through the *2015-16 Supplementary Estimates (A)*.

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

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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.

## APPROVAL BY SENIOR OFFICIALS: (ORIGINAL SIGNED BY)

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Michael Wernick  
A/Clerk of the Privy Council and  
Secretary to the Cabinet

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Karen Cahill, CPA, CGA  
A/Assistant Deputy Minister and  
Chief Financial Officer  
Corporate Services Branch

*Ottawa, Canada  
August 12, 2015*

# Privy Council Office

## Quarterly Financial Report

For the quarter ended June 30, 2015

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

<i>(In thousands of dollars)</i>	Fiscal year 2015-2016			Fiscal year 2014-2015		
	Total available for use for the year ending March 31, 2016 (note 1)	Used during the quarter ended June 30, 2015	Year-to-date used at quarter-end	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
<b>Vote 1 - Net operating expenditures</b>	<b>104,454</b>	<b>21,166</b>	<b>21,166</b>	<b>105,755</b>	<b>24,794</b>	<b>24,794</b>
<b>Budgetary statutory authorities</b>						
Contributions to employee benefits plans	14,123	3,531	3,531	12,722	3,181	3,181
Prime Minister - Salary and motor car allowance	170	42	42	166	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	-	-
Leader of the Government in the House of Commons - Salary and motor car allowance	82	21	21	80	20	20
Minister of State (Democratic Reform) - Motor car allowance	2	-	-	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	19	-	-	6	-	-
<b>Total budgetary authorities</b>	<b>118,852</b>	<b>24,760</b>	<b>24,760</b>	<b>118,813</b>	<b>28,037</b>	<b>28,037</b>
<b>TOTAL AUTHORITIES</b>	<b>118,852</b>	<b>24,760</b>	<b>24,760</b>	<b>118,813</b>	<b>28,037</b>	<b>28,037</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

# Privy Council Office

## Quarterly Financial Report

For the quarter ended June 30, 2015

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

*(In thousands of dollars)*

	Fiscal year 2015-2016			Fiscal year 2014-2015		
	Planned expenditures for the year ending March 31, 2016 (note 1)	Expended during the quarter ended June 30, 2015	Year-to-date used at quarter-end	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
<b>Expenditures</b>						
Personnel	98,447	22,133	22,133	90,157	22,240	22,240
Transportation and communications	3,236	659	659	3,314	450	450
Information	2,191	344	344	4,088	449	449
Professional and special services	9,768	1,078	1,078	12,541	1,122	1,122
Rentals	1,291	276	276	1,817	311	311
Repair and maintenance	1,446	5	5	971	14	14
Utilities, materials and supplies	678	98	98	1,417	93	93
Acquisition of machinery and equipment	1,845	99	99	4,291	693	693
Other subsidies and payments	26	67	67	293	2,665	2,665
<b>Total gross budgetary expenditures</b>	<b>118,928</b>	<b>24,760</b>	<b>24,760</b>	<b>118,889</b>	<b>28,037</b>	<b>28,037</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>118,852</b>	<b>24,760</b>	<b>24,760</b>	<b>118,813</b>	<b>28,037</b>	<b>28,037</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