

Privy Council Office

Quarterly Financial Report

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

For the quarter ended September 30, 2015

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 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

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.

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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 September 30, 2015.

Statement of Authorities

Authorities available for use:

The net decrease of \$107 thousand, from \$124.3 million for 2014-15 to \$124.2 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. Funding for this initiative has been approved until 2018-19;
- 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 Canada and the U.S. establishing a new long-term partnership accelerating the legitimate flow of people and goods between both countries, while strengthening security and economic competitiveness.

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- 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 spending on late fees and interest charges to suppliers and the Web Renewal Initiative;
- A \$0.2 million reduction in PCO's Operating Budget Carry Forward (OBCF) amount in 2015-16 compared to 2014-15;
- 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 the 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 was reduced by \$80,300. Following the July 2013 Cabinet shuffle, there was a machinery of government change whereby the office of the Minister of Infrastructure, Communities and Intergovernmental Affairs and Minister of the Economic Development Agency of Canada for the Regions of Quebec was moved to the Office of Infrastructure Canada and therefore the associated salary and car allowance no longer appears under PCO's statutory forecasts.

The \$75,000 for Revenues netted against expenditures identified by PCO for internal services provided to the Security Intelligence Review Committee as per section 29.1(2)(a) of the *Financial Administration Act* remains unchanged between the two fiscal years.

It should be mentioned that subsequent to the tabling of PCO's *2015-16 Main Estimates*, Budget 2015 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 September 30, 2015 have decreased by \$0.8 million when compared to the 2014-15 expenditures for the same quarter (from \$27.7 million in 2014-15 to \$26.9 million in 2015-16). 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 2015-16 year-to-date expenditures as of September 30, 2015 have decreased by \$4.1 million when compared to year-to-date expenditures at the same time last year (from \$55.8 million in 2014-15 to \$51.7 million in 2015-16). In reality, PCO's overall spending has decreased by \$1.5 million and the remaining decrease of \$2.6 million is due to the one-time payment made during the first quarter of 2014-15 to implement the Government of Canada salary payment in arrears. Further information related to this overall decrease 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 \$107 thousand in authorities by Standard Object, from \$124.3 million in 2014-15 to \$124.2 million in 2015-16 is mainly explained as follows:

Personnel

The increase of \$5.9 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. These increases are partially offset by a reduction in the amount being allocated to personnel from the Carry Forward in 2015-16 compared to 2014-15.

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 and special services have decreased mostly to reflect the transfer of functions to Shared Services Canada. This decrease is partially offset by an increase in the amount being allocated from the Carry Forward to professional services in 2015-16 compared to 2014-15. 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 which is a government-wide strategy to renew the federal workplace by modernizing the physical space; updating policies, processes and systems, and the usage of new technologies.

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Authorities used during the quarter:

The decrease of \$0.8 million in authorities used during the quarter by Standard Object from 2014-15 to 2015-16 is mainly explained by a decrease of \$0.7 million in professional and special services. Please refer to year-to-date explanations below for more details.

Year-to-Date authorities used:

Overall, PCO's 2015-16 year-to-date expenditures as of September 30, 2015 have decreased by \$4.1 million when compared to the year-to-date expenditures at the same time last year (from \$55.8 million in 2014-15 to \$51.7 million in 2015-16). This decrease is mainly explained as follows:

Other subsidies and payments

The decrease of \$2.7 million is primarily due to the one-time transition payment of \$2.6 million that took place in the first quarter of 2014-15 to implement the Government of Canada salary payment in arrears.

Professional and Special Services

The decrease of \$0.8 million in professional services is explained by less spending in 2015-16 compared to 2014-15 for translation costs and for Government-wide initiatives such as Desktop Modernization, Record keeping, digitization and Email Transformation. These decreases are partially offset by an increase in expenses related to services for the Corps of Commissioners contracts.

Acquisition of machinery and equipment

The decrease of \$0.7 million is mainly explained by a one-time investment in the first quarter of 2014-15 to modernize and strengthen PCO's classified networks.

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.

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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

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. The impact on PCO's expenditures will only be reflected after collective agreements are ratified.

APPROVAL BY SENIOR OFFICIALS: (ORIGINAL SIGNED BY)

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

Michelle Doucet
Assistant Deputy Minister and
Chief Financial Officer
Corporate Services Branch

Ottawa, Canada
November 19, 2015

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

	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 September 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 September 30, 2014	Year-to-date used at quarter-end
<i>(In thousands of dollars)</i>						
Vote 1 - Net operating expenditures	109,746	23,321	44,487	111,184	24,497	49,290
Budgetary statutory authorities						
Contributions to employee benefits plans	14,123	3,531	7,062	12,722	3,181	6,361
Prime Minister - Salary and motor car allowance	170	42	85	166	41	83
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	41	80	20	40
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	27	-	-	21	-	-
Total budgetary authorities	124,151	26,915	51,675	124,258	27,740	55,776
TOTAL AUTHORITIES	124,151	26,915	51,675	124,258	27,740	55,776

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)*

(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 September 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 September 30, 2014	Year-to-date used at quarter-end
Expenditures						
Personnel	100,009	23,237	45,370	94,086	23,047	45,287
Transportation and communications	3,236	803	1,462	3,314	989	1,438
Information	2,191	515	859	4,069	350	799
Professional and special services	11,887	1,601	2,679	14,065	2,318	3,440
Rentals	1,291	246	523	1,817	253	565
Repair and maintenance	2,934	29	34	971	26	40
Utilities, materials and supplies	678	128	226	1,417	206	299
Acquisition of machinery and equipment	1,974	313	412	4,306	388	1,080
Other subsidies and payments	26	43	110	288	163	2,828
Total gross budgetary expenditures	124,227	26,915	51,675	124,333	27,740	55,776
Less revenues netted against expenditures						
Revenues	(75)	-	-	(75)	-	-
Total revenues netted against expenditures	(75)	-	-	(75)	-	-
TOTAL BUDGETARY EXPENDITURES	124,151	26,915	51,675	124,258	27,740	55,776

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