

Privy Council Office

Quarterly Financial Report

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

For the quarter ended December 31, 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 December 31, 2015.

Statement of Authorities

Authorities available for use:

The net decrease of \$0.2 million, from \$124.4 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 provides departments with expertise and advice on applying new approaches to complex policy and program challenges. The Hub also helps test, document, accelerate, replicate and scale up successful innovation across the Public Service. Locating the Hub at the Privy Council Office amplifies and aligns successful initiatives across departmental lines. Funding for this initiative has been approved until 2018-19;
- An increase of \$0.1 million for the salary and motor car allowance for the Minister of Democratic Institutions. This position in the current Cabinet is a full ministerial position which replaces the former Minister of State (Democratic Reform) position listed in the 2014-15 fiscal year.
- A decrease of \$3.4 million related to three sunsetter initiatives, namely:
 - The coordination of government-wide communications approach;
 - 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 at the Public Service Pay Centre in Miramichi, 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 Benefit Plans (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.

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 noted 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 *Supplementary Estimates C*. Until funding is received, PCO is cash managing the activities associated with these three sunsetter initiatives.

Authorities used during the quarter:

Overall, PCO's 2015-16 expenditures for the quarter ended December 31, 2015 have increased by \$0.3 million when compared to the expenditures for the same quarter in 2014-15 (from \$29.4 million in 2014-15 to \$29.7 million in 2015-16). Further information related to this increase is provided in the section below addressing the Statement of Departmental Budgetary Expenditures by Standard Object.

Year-to-Date Authorities used:

PCO's 2015-16 year-to-date expenditures as of December 31, 2015 have decreased by \$3.8 million when compared to year-to-date expenditures at the same time last year (from \$85.2 million in 2014-15 to \$81.4 million in 2015-16). In reality, PCO's overall spending has decreased by \$1.2 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.

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Statement of Departmental Budgetary Expenditures by Standard Object

Authorities available for use:

The decrease of \$0.2 million in authorities by Standard Object, from \$124.4 million in 2014-15 to \$124.2 million in 2015-16, is mainly explained as follows:

Personnel

The increase of \$5.8 million is mostly due to an internal budget transfer from operating to 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 the 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.

Purchased Repair and maintenance

The increase of \$2.0 million goes towards PCO's investment in the Workplace 2.0 initiative, a government-wide strategy to renew the federal workplace by modernizing the physical space and the usage of new technologies. This increase includes funding allocated from the Carry Forward in 2015-16.

Other standard objects

The overall decrease of \$8.0 million in the other standard objects is primarily the result of the internal budget transfer from other operating to personnel in 2015-16 to better align PCO's reference levels to its actual spending profile.

Authorities used during the quarter:

The increase of \$0.3 million in authorities used during the quarter by Standard Object (from \$29.4 million in 2014-15 to \$29.7 million in 2015-16) is attributable to:

Personnel

The increase of \$0.4 million for personnel is mainly explained by the increase for contributions to the employee benefit plans rate and an increase in payments related to vacation leave for departing ministerial staff which are partially offset by a decrease in salary during the election period.

Professional and Special Services

The increase of \$0.3 million is mostly related to services for the Corps of Commissioners contracts. This continues the implementation of security changes from 2014-15 and includes increased security requirements to support the change in government during transition.

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Transportation and communications

The decrease of \$0.4 million is mostly explained by less spending on travel and transportation in the delivery of PCO's core mandate during the election period.

Year-to-Date authorities used:

Overall, PCO's 2015-16 year-to-date expenditures as of December 31, 2015 have decreased by \$3.8 million when compared to the year-to-date expenditures at the same time last year (from \$85.2 million in 2014-15 to \$81.4 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.

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.

Professional and Special Services

The decrease of \$0.5 million in professional services is explained by less spending in 2015-16 compared to 2014-15 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 Commissionaires contracts.

Transportation and communications

The decrease of \$0.3 million is mostly explained by less spending on travel and transportation in the delivery of PCO's core mandate during the election period.

These decreases are partially offset by:

Personnel

The increase of \$0.4 million for personnel is mainly explained by the increase for contributions to the employee benefit plans rate and an increase in payments related to vacation leave for departing ministerial staff which are partially offset by a decrease in salary during the election period.

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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 *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) or (B)*. Additional funding has been requested in *Supplementary Estimates (C)*.

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SIGNIFICANT CHANGES IN RELATION TO OPERATIONS, PERSONNEL AND PROGRAMS

Due to the election of a new government in October 2015, PCO's current operating environment is changing as it adapts to the emerging priorities of this government's mandate. Changes include the appointment of Michael Wernick as Clerk of the Privy Council and Secretary to the Cabinet in January 2016 and the creation of a new secretariat to focus on results and delivery to be led by a new Deputy Secretary to the Cabinet, Matthew Mendelsohn. The Secretariat will support the Cabinet Committee on agenda and results.

PCO is subject to the operating Budget Freeze announced in the 2013 Speech from the Throne and the 2013 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 for unionized staff.

APPROVAL BY SENIOR OFFICIALS: (ORIGINAL SIGNED BY)

Original signed by
Michael Wernick
Clerk of the Privy Council and
Secretary to the Cabinet

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

*Ottawa, Canada
February 23, 2016*

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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 December 31, 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 December 31, 2014	Year-to-date used at quarter-end
<i>(In thousands of dollars)</i>						
Vote 1 - Net operating expenditures	109,746	26,125	70,611	111,454	26,199	75,489
Budgetary statutory authorities						
Contributions to employee benefit plans	14,123	3,531	10,593	12,722	3,182	9,542
Prime Minister - Salary and motor car allowance	170	28	113	166	40	124
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	-	-	-	-	-	-
Leader of the Government in the House of Commons - Salary and motor car allowance	82	14	55	80	20	60
Minister of State (Democratic Reform) - Motor car allowance	-	-	-	2	1	2
Minister of Democratic Institutions - Salary and motor car allowance	82	7	7	-	-	-
Minister of State and Chief Government Whip - Motor car allowance	2	0	1	2	1	2
Spending of proceeds from the disposal of surplus Crown assets	27	-	-	24	-	-
Total budgetary authorities	124,232	29,705	81,380	124,450	29,442	85,218
TOTAL AUTHORITIES	124,232	29,705	81,380	124,450	29,442	85,218

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 2015-2016			Fiscal year 2014-2015		
	Planned expenditures for the year ending March 31, 2016 (note 1)	Expended during the quarter ended December 31, 2015	Year-to-date used at quarter-end	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
<i>(In thousands of dollars)</i>						
Expenditures						
Personnel	100,090	24,885	70,255	94,313	24,492	69,779
Transportation and communications	3,236	714	2,176	3,314	1,080	2,518
Information	2,191	402	1,261	4,069	607	1,406
Professional and special services	11,887	2,761	5,440	14,028	2,475	5,915
Rentals	1,291	340	863	1,817	188	753
Purchased repair and maintenance	2,934	143	177	971	173	213
Utilities, materials and supplies	678	181	407	1,417	156	455
Acquisition of machinery and equipment	1,974	227	639	4,309	235	1,315
Other subsidies and payments	26	52	162	288	36	2,864
Total gross budgetary expenditures	124,308	29,705	81,380	124,525	29,442	85,218
Less revenues netted against expenditures						
Revenues	(75)	-	-	(75)	-	-
Total revenues netted against expenditures	(75)	-	-	(75)	-	-
TOTAL BUDGETARY EXPENDITURES	124,232	29,705	81,380	124,450	29,442	85,218

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