

Privy Council Office

Quarterly Financial Report

**Statement outlining results, risks and significant changes in operations,
personnel and programs
For the quarter ended September 30, 2016**

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 2016-17 fiscal year and *Supplementary Estimates (A)* for the same 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, 2016.

Statement of Authorities

Authorities available for use:

The net increase of \$23.5 million, from \$124.2 million for 2015-16 to \$147.6 million for 2016-17 is mainly related to the following:

- An increase of \$23.9 million in funding through *Supplementary Estimates (A)*. Funding of \$22.4 million to support PCO's information technology modernization project and other organizational changes (e.g. \$3.5 million for communications activities and \$0.5 million for e-Cabinet operations) along with \$1.5 million to support the creation of a new non-partisan, merit-based Senate appointment process;
- An increase of \$1.1 million for PCO's activities related to the continuation and advancement of the Border Implementation Team in support of the Beyond the Border Action Plan (\$0.8 million) and for the continued implementation of Canada's Migrant Smuggling Prevention Strategy (\$0.3 million);
- An increase of \$0.6 million in funding to modernize the Prime Minister's digital presence;
- An increase of \$0.5 million related to employee benefits plans in accordance with TBS guidelines;
- An increase of \$0.1 million for the salary and motor car allowance for the Minister of Democratic Institutions and the annual adjustment to Ministerial salaries and motor car allowance;
- A \$0.1 million reduction in PCO's Operating Budget Carry Forward (OBCF) amount in 2016-17 compared to 2015-16;
- A decrease of \$0.4 million in funding for the implementation of various government-wide initiatives, including the continued consolidation of pay services (\$0.2 million), the implementation of the Canada School of Public Service's new business model (\$0.1 million) and the 2016 Census of Population (\$0.1 million);
- A decrease of \$2.2 million due to transfer of responsibilities related to the Canadian Secretariat to the Canada-U.S. Regulatory Cooperation Council from PCO to the Treasury Board Secretariat. This transfer took effect on April 1, 2016, as per Order-in-Council P.C. 2016-209.

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Authorities used during the quarter:

Overall, PCO's 2016-17 expenditures for the quarter ended September 30, have increased by \$4.2 million (from \$26.9 million for 2015-16 to \$31.1 million for 2016-17) when compared to the 2015-16 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.

Year-to-Date Authorities used:

Overall, PCO's year-to-date expenditures as of September 30, 2016 have increased by \$6.4 million when compared to year-to-date expenditures at the same time last year (from \$51.7 million in 2015-16 to \$58.1 million in 2016-17). This is largely due to PCO's spending related to the modernization of its information technology infrastructure and PCO's continued investment in the Workplace 2.0 initiative. Further information related to this overall increase 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 increase of \$23.5 million in authorities by Standard Object from \$124.2 million for 2015-16 to \$147.6 million for 2016-17 is mainly explained as follows:

Professional Services and Acquisition of Machinery and Equipment

An increase of \$18.3 million in Professional Services (\$15.4 million) and Acquisition of Equipment (\$2.9 million) is related to the modernization of PCO's information technology infrastructure to efficiently support its activities. Investments in IT will also allow the department to build the capacity to permit the broader sharing of information with Canadians who want to use technology to connect with their government. This initiative will touch all areas of PCO and can be summarized as follows:

- The replacement / upgrade of the aging IT infrastructure which supports PCO's business solutions and systems to better align with Government of Canada technology and security standards.
- The introduction of new tools, and the enhancement of existing tools, to support the broad corporate requirements to facilitate information sharing through collaboration tools, business intelligence tools, reporting, and analytics tools.
- The modernization of communications, collaboration, and information management tools to facilitate open interactions with Canadians, promote open government, and improve transparency.
- The beginning of a project to implement e-Cabinet, highlighted by the introduction of new tools to facilitate the management and communication of Cabinet documents in digital form.

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Personnel

The \$2.9 million increase is attributable to funding that was received in *Supplementary Estimates (A)* related to PCO's information technology modernization project and for other department-wide changes. These organizational changes include resources for the following:

- To support the production and distribution of media products for the Prime Minister and enhancing his digital presence.
- To provide communications support for Federal-Provincial-Territorial activities and the Clerk's office.
- To define business requirements and design a new process for the management of Cabinet meetings that will ensure the integrity and flow of electronic Cabinet documents across the Government of Canada while maintaining the integrity and security of the Cabinet documents system (E-Cabinet initiative).

In addition, there is an increase to personnel related to the creation of a new non-partisan, merit-based Senate appointment process.

Information

The increase of \$2.0 million is related to communications specifically for increased public opinion research (POR). The government will undertake an ongoing cycle of public opinion research to obtain data on emerging or priority issues and public reaction to new programs and policies as they are implemented. This will help ensure that the government is responding to the needs of Canadians. The new approach to POR at PCO is expected to reduce costs across the government and improve collaboration.

Authorities used during the quarter:

The increase of \$4.2 million in authorities used during the quarter by Standard Object (from \$26.9 million in 2015-16 to \$31.1 million in 2016-17) is mainly related to increasing PCO's capacity to fulfill its expanded role in delivering the government's agenda and investments in its infrastructure. This includes additional resources for new and expanded functions such as:

- Supporting the Prime Minister's role as Minister of Youth through the creation of a new Youth Secretariat to increase youth engagement;
- Creating a new Results and Delivery Unit to ensure the alignment and tracking of progress of the government's priorities and to support the Cabinet Committee on Agenda, Results and Communications; and
- Strengthening PCO's intergovernmental affairs function to support increased engagement with the provinces and territories.

This increase also includes support for the activities related to the IT Modernization Project and the Workplace 2.0 Initiative. Further information related to these increases are provided in the section below addressing the year to date authorities used.

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Year-to-Date authorities used:

Overall, PCO's 2016-17 year-to-date expenditures as of September 30, 2016 have increased by \$6.4 million when compared to the year-to-date expenditures at the same time last year (from \$51.7 million in 2015-16 to \$58.1 million in 2016-17). This increase is mainly explained as follows:

Professional and Special Services and Rentals

The increase of \$3.6 million is mainly related to activities for the modernization of PCO's information technology infrastructure. This includes \$3.3 million for informatics technology services and \$0.3 million for license and maintenance fees for software.

Repairs and Maintenance

The increase of \$0.9 million is related to 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.

Acquisition of Equipment

The increase of \$0.6 million is for the acquisition of office furniture, computer equipment, and application software related to PCO's office optimization strategy to achieve a more modern and functional workspace for employees.

Personnel

The overall increase of \$0.6 million in personnel spending is related to an increase in salary costs as well as contributions to Employee Benefits Plan in accordance with TBS guidelines.

Other Subsidies and Payments

The increase of \$0.6 million is mainly related to an advance payment made to Global Affairs Canada to provide funding for travel expenses for the media that accompany the Prime Minister during his official international travels. Once expenses are incurred, the amounts are recovered from the media.

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 *2016-17 Main Estimates* and *2016-17 Supplementary Estimates (A)* (full supply for *Main Estimates* and supply for *Supplementary Estimates (A)* were released on June 23, 2016). Additional funding has been requested in *Supplementary Estimates (B)*.

SIGNIFICANT CHANGES IN RELATION TO OPERATIONS, PERSONNEL AND PROGRAMS

PCO's current operating environment continues changing as it adapts to the priorities of this government's mandate. Budget 2016 allocated \$108.2 million for the first two years and \$26.7 million on-going to PCO to fulfill its new and expanded responsibilities. Many of the initiatives and projects required new staff and it was expected that up to 113 full-time employees would join PCO over the current fiscal year. Over 70 percent of the positions have been filled and PCO is on target to have all employees in place and its initiatives underway by the end of the fiscal year.

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 _____

Kami Ramcharan
Assistant Deputy Minister and
Chief Financial Officer
Corporate Services Branch

Ottawa, Canada

Date: November 25, 2016

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

	Fiscal year 2016-2017			Fiscal year 2015-2016		
	Total available for use for the year ending March 31, 2017 (note 1)	Used during the quarter ended September 30, 2016	Year-to-date used at quarter-end	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
<i>(In thousands of dollars)</i>						
Vote 1 - Net operating expenditures	132,069	27,299	50,658	109,746	23,321	44,487
Budgetary statutory authorities						
Contributions to employee benefits plans	15,202	3,650	7,299	14,123	3,531	7,062
Prime Minister - Salary and motor car allowance	172	57	72	170	42	85
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	84	28	35	82	21	41
Minister of Democratic Institutions	84	28	35	-	-	-
Minister of State (Democratic Reform) - Motor car allowance	-	-	-	2	-	-
Minister of State and Chief Government Whip - Motor car allowance	-	-	-	2	1	1
Spending of proceeds from the disposal of surplus Crown assets	15	-	-	27	-	-
Total budgetary authorities	147,625	31,062	58,098	124,151	26,915	51,675
TOTAL AUTHORITIES	147,625	31,062	58,098	124,151	26,915	51,675

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

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 2016-2017			Fiscal year 2015-2016		
	Planned expenditures for the year ending March 31, 2017 (note 1)	Expended during the quarter ended September 30, 2016	Year-to-date used at quarter-end	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
<i>(In thousands of dollars)</i>						
Expenditures						
Personnel	102,930	24,223	45,961	100,009	23,237	45,370
Transportation and communications	4,173	1,016	1,692	3,236	803	1,462
Information	4,233	361	735	2,191	515	859
Professional and special services	27,276	3,278	5,961	11,887	1,601	2,679
Rentals	1,244	147	864	1,291	246	523
Repair and maintenance	2,400	932	956	2,934	29	34
Utilities, materials and supplies	690	97	174	678	128	226
Acquisition of machinery and equipment	4,833	835	1,047	1,974	313	412
Other subsidies and payments	(79)	173	707	26	43	110
Total gross budgetary expenditures	147,701	31,062	58,098	124,227	26,915	51,675
Less revenues netted against expenditures						
Revenues	(75)	-	-	(75)	-	-
Total revenues netted against expenditures	(75)	-	-	(75)	-	-
TOTAL BUDGETARY EXPENDITURES	147,625	31,062	58,098	124,151	26,915	51,675

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

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