

Privy Council Office

Quarterly Financial Report

**Statement outlining results, risks and significant changes in operations,
personnel and programs
For the quarter ended December 31, 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)* and *(B)* 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 December 31, 2016.

Statement of Authorities

Authorities available for use:

The net increase of \$35.8 million, from \$124.2 million for 2015-16 to \$160.0 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 the modernization of PCO's information technology infrastructure (\$18.4 million) 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 \$12.3 million in funding through *Supplementary Estimates (B)*. This funding is mainly related to increasing PCO's capacity to fulfill its expanded role in supporting the Prime Minister and the Government in the delivery of their agenda;
- 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 benefit 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); and
- 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 December 31, 2016 have increased by \$0.5 million (from \$29.7 million for 2015-16 to \$30.2 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 December 31, 2016 have increased by \$6.8 million when compared to year-to-date expenditures at the same time last year (from \$81.4 million in 2015-16 to \$88.2 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. It also includes spending related to PCO's expanded scope of responsibilities. 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 \$35.8 million in authorities by Standard Object, from \$124.2 million for 2015-16 to \$160.0 million for 2016-17, is mainly explained as follows:

Professional Services and Acquisition of Machinery and Equipment

An increase of \$21.6 million in Professional Services (\$18.4 million) and Acquisition of Equipment (\$3.2 million) is primarily related to the modernization of PCO's information technology infrastructure to efficiently support its activities and improve the sharing of information with Canadians, and with all federal and provincial government organizations. This initiative touches all areas of PCO and supports the expanded scope of the department's responsibilities.

Personnel

The \$10.9 million increase is attributable to funding that was received in *Supplementary Estimates (A)* and *(B)* to enhance PCO's capacity to support the Prime Minister and the Government in the delivery of their agenda. This includes the modernization of PCO's information technology infrastructure and other department-wide changes such as:

- Supporting the Prime Minister's role as Minister of Youth through the creation of the Youth Secretariat;
- Increased governmental engagement with the provinces and territories;
- Creating a new unit within PCO to provide advice and direction on program results and delivery;

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- Having an increased role in supporting open, transparent and merit-based Governor in Council Appointments; as well as
- Supporting the non-partisan, merit-based Senate Appointment process.

Information

The increase of \$2.2 million is related to communications specifically for increased public opinion research (POR). The government is undertaking 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.

All Other Standard Objects

The increase related to the other standard objects and totalling \$0.9 million is due to a reallocation of expenditures during 2016-17 between these standard objects.

Authorities used during the quarter:

The increase of \$0.5 million in authorities used during the quarter by Standard Object (from \$29.7 million in 2015-16 to \$30.2 million in 2016-17) is mainly attributable to the increased spending of \$1.7 million in all standard objects except for professional services which is related to PCO's increased capacity and the Workplace 2.0 initiative.

Professional Services

This decrease of \$1.2 million is a result of a change in the billing cycle for the modernization of PCO's information technology infrastructure. These payments are expected to occur in the final quarter.

Year-to-Date authorities used:

Overall, PCO's 2016-17 year-to-date expenditures as of December 31, 2016 have increased by \$6.8 million when compared to last year (from \$81.4 million in 2015-16 to \$88.2 million in 2016-17). This increase is mainly explained as follows:

Professional and Special Services and Rentals

The increase of \$2.2 million is mainly related to activities for the modernization of PCO's information technology infrastructure. This includes \$2.1 million for informatics technology services and \$0.1 million for license and maintenance fees for software services.

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Repairs and Maintenance and Acquisition of Equipment

The increase of \$3.0 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. This includes \$1.8 million for repairs and maintenance, and \$1.1 million for the acquisition of office furniture, computer equipment, and application software.

Other Subsidies and Payments

The increase of \$0.7 million is partially 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.

Transportation and Communication

The increase of \$0.5 million is mainly attributable to increased communications expenditures and travel costs related to PCO's activities such as the Youth Council, First Ministers' Meetings, Electoral Reform engagement activities, and the National Inquiry into Missing and Murdered Indigenous Women and Girls.

Personnel

The overall increase of \$0.4 million in personnel spending is related to an increase in salary costs as well as contributions to employee benefit plans in accordance with TBS guidelines.

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 *2016-17 Main Estimates* and *2016-17 Supplementary Estimates (A) and (B)* (supply for *Supplementary Estimates (B)* was released on December 19, 2016). Additional funding has been requested in *Supplementary Estimates (C)*.

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SIGNIFICANT CHANGES IN RELATION TO OPERATIONS, PERSONNEL AND PROGRAMS

PCO's current operating environment continues to change 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. The majority of these activities have begun and are underway.

In August 2016, the government also announced the National Inquiry into Missing and Murdered Indigenous Women and Girls. Activities related to this initiative have begun to be implemented but the majority of this fiscal year's expenditures will be in the last quarter.

Of note, as of January 2017 the Honourable Karina Gould became the new Minister for Democratic Institutions.

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
February 27, 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 December 31, 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 December 31, 2015	Year-to-date used at quarter-end
<i>(In thousands of dollars)</i>						
Vote 1 - Net operating expenditures	143,024	27,633	78,290	109,746	26,125	70,611
Budgetary statutory authorities						
Contributions to employee benefits plans	16,545	2,433	9,732	14,123	3,531	10,593
Prime Minister - Salary and motor car allowance	172	43	115	170	28	113
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	21	56	82	14	55
Minister of Democratic Institutions - Salary and motor car allowance	84	21	56	82	7	7
Minister of State (Democratic Reform) - Motor car allowance	-	-	-	-	-	-
Minister of State and Chief Government Whip - Motor car allowance	-	-	-	2	-	1
Spending of proceeds from the disposal of surplus Crown assets	41	-	-	27	-	-
Total budgetary authorities	159,950	30,152	88,249	124,232	29,705	81,380
TOTAL AUTHORITIES	159,950	30,152	88,249	124,232	29,705	81,380

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 December 31, 2016	Year-to-date used at quarter-end	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
<i>(In thousands of dollars)</i>						
Expenditures						
Personnel	110,990	24,772	70,733	100,090	24,885	70,255
Transportation and communications	4,721	1,037	2,729	3,236	714	2,176
Information	4,345	538	1,274	2,191	402	1,261
Professional and special services	30,340	1,581	7,542	11,887	2,761	5,440
Rentals	1,375	166	1,030	1,291	340	863
Repair and maintenance	2,400	1,011	1,967	2,934	143	177
Utilities, materials and supplies	700	157	331	678	181	407
Acquisition of machinery and equipment	5,231	735	1,782	1,974	227	639
Other subsidies and payments	(79)	154	861	26	52	162
Total gross budgetary expenditures	160,025	30,152	88,249	124,308	29,705	81,380
Less revenues netted against expenditures						
Revenues	(75)	-	-	(75)	-	-
Total revenues netted against expenditures	(75)	-	-	(75)	-	-
TOTAL BUDGETARY EXPENDITURES	159,950	30,152	88,249	124,232	29,705	81,380

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.