



Environment
Canada

Environnement
Canada



DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q1/2012-13

Environment Canada Quarterly Financial Report
Statement outlining results, risks and significant changes in operations,
personnel and programs
For the quarter ended June 30, 2012

Introduction

This first 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 Secretariat. This quarterly report should be read in conjunction with the Main Estimates, Supplementary Estimates and the previous Quarterly Financial Reports.

A summary description of the Environment Canada program activities can be found in [Part II of the Main Estimates](#).

This quarterly report has not been subject to an external audit or review.

Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting (modified cash accounting). The accompanying Statement of Authorities includes Environment Canada's spending authorities granted by Parliament and those used by the Department, consistent with the Main Estimates for the 2012-2013 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before money 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.

The Department 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.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result the measures announced in the Budget 2012 could not be reflected in the 2012-2013 Main Estimates.

In fiscal year 2012-2013, frozen allotments will be established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In future years, the changes to departmental authorities will be implemented through the Annual

Reference Level Update, as approved by Treasury Board, and reflected in the subsequent Main Estimates tabled in Parliament.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Statement of Authorities

Based on Environment Canada's Main Estimates, Budget 2012 and other adjustments, the gross reference level for 2012-2013 is expected to be \$1,106.9M, excluding Supplementary Estimates B and C that have yet to be completed and approved later this fiscal year.

This quarterly report, ending June 30, 2012, reflects the authorities that were approved for this period. Budget 2012 funding includes Supplementary Estimates A and will follow through with Supplementary Estimates B and C later this year. Environment Canada's authorities "total available for use for the year ending March 31, 2013" increased by approximately \$132.4M when compared to the same quarter of 2011-2012, of which \$66.5M is in Vote 1 – Net operating expenditures, \$10.0M is in Vote 5 – Capital expenditures, \$51.8M is in Vote 10 - Grants and Contributions and \$4.1M is in Budgetary statutory authorities for the Employee Benefits Plan (EBP).

The increase in the authorities is mainly due to the following:

A \$90.3M increase in funding related to the renewal of the Clean Air Agenda. This funding will help us achieve real emissions reductions by informing Canada's domestic regulatory approach to greenhouse gas emissions, providing a platform to deepen engagement with the United States on climate change issues and enhancing Canada's visibility as an international leader in clean energy technology.

A \$27.8M increase in funding for the renewal of Canada's Chemical Management Plan (CMP) initiative. This funding will help us address health and environmental risks posed by harmful chemicals by accelerating the pace of the risk assessment to address the legacy of un-assessed substances under the *Canadian Environmental Protection Act, 1999*, by 2020.

A \$7.6M increase in funding for the renewal of the Contaminated sites action plan initiative. This funding will allow us to continue assessing and remediating contaminated sites through the Federal Contaminated Sites Action Plan.

A \$19.4M increase in funding to improve Canada's weather services by ensuring the integrity of Government of Canada's weather and environmental monitoring and supercomputing infrastructure.

A \$31.8M increase in funding received from the 2012-2013 Supplementary Estimates A for Canada's fast start financing commitments under the Copenhagen Accord which supports climate change adaptation and mitigation in developing countries; for the 2015 Pan American Games; and for the Great Lakes Nutrient Initiative.

These increases in the authorities are mainly offset by the following decrease:

A \$48.7M decrease due to the transfer to Shared Services Canada of the control and supervision of the Email, Data Centre, Network Services Unit and Services Support Unit following the Order in Council #2011-1297 dated November 15, 2011.

Statement of Departmental Expenditures by Standard Object

Expenditures in the first quarter, ending June 30th, 2012, were \$6M (or 3%) lower compared to the first quarter in 2011-12. This is mainly attributable to a decrease in operating expenses as a result of the transfer of resources to Shared Services Canada and the government's ongoing commitment to reduce operating and program costs in areas such as: "Personnel" (\$4.8M or 3.1%), "Transportation and communications" (\$2M or 28.1%) and "Rental" (\$1.4M or 12.6%). In addition there was an increase in transfer payments expenditures of 66.8% (\$1.2M) compared to the same quarter last year. This is explained by delays in 2011-2012 transfer payments due to the Warrants Period.

Risks and Uncertainties

This section covers the financial risks associated with the first period of the fiscal year. Please refer to the 2012-2013 Report on Plans and Priorities for the departmental risk profile.

Environment Canada is primarily funded through voted parliamentary spending authorities and statutory authorities for operating expenditures, capital expenditures and transfer payments. The Department is also partially funded through vote-netted revenue votes. Environment Canada authorities have increased from 2011-2012 to 2012-2013 as per the Main Estimates. However, 2012-2013 Report on Plans and Priorities (RPP) is showing a decrease in planned spending for this fiscal year as a result of sunseting programs such as the Species at Risk programming and Lake Winnipeg and Lake Simcoe programs of the Action Plan on Clean Water initiative and the transfer of funds to Shared Services Canada. Renewal funding for sunseting programs will be requested through Supplementary Estimates to be tabled in Parliament and reported on later in the year.

The Department has to consider several external factors, such as economic climate, technological and scientific development, government priorities, and central agencies or government-wide initiatives, which may have an impact on its capacity to deliver on priorities. In addition to the domestic challenges, the fluctuating international economic climate might be a risk.

Internally, some key risks are related to human resources, financial and information management as well as business continuity that could affect the Department's operational capacity to meet its priorities in subsequent years. For example, effective resource management can be expected to be challenged by the need for fiscal restraint. Environment Canada has conducted extensive planning in order to carry out its core program and ensure its resources are aligned with its departmental priorities. Environment Canada's main objectives have not changed. The Department aims to provide Canadians with a clean,

safe and sustainable environment. Other measures were also put in place such as enhancing departmental integrated planning, streamlining business processes and increasing performance measurement capacity. In the context of managing risks related to resource management and information for decision-making, the Department continued to make progress toward the provision of improved tools and processes through the Corporate Accountability and Administrative Renewal initiative.

The transition of Information Technology (IT) accountabilities from Environment Canada (EC) to the new department of Shared Services Canada (SSC) has introduced uncertainty in ensuring an integrated and seamless approach to service delivery to Canadians. IT services associated with email, datacentre and telecommunications now fall under the purview of SSC and are key IT services upon which EC is so heavily reliant. The risks associated with this transfer of services to a newly formed department can be articulated in the dependency of EC on Shared Services Canada for the provision of Information Management and Information Technology (IM/IT) Services in support of mission-critical weather forecasts and warnings to uncertainties over accountabilities for IT Security to ensuring sufficient capacity to delivery on key Government of Canada priorities. EC is working with SSC to address these and other concerns to facilitate service delivery to Canadians in a seamless and dedicated fashion.

In summary, in the face of identified risks, the Department has implemented strategies to foster strong relationships with partners, better manage resources, and enhance information management. The Department will continue to advance risk management practices through strengthened processes to integrate risk management into departmental planning, and by better linking risk and performance management.

Significant changes in relation to operations, personnel and programs

2012-2013 Supplementary Estimates A were allocated in the first quarter for a total of \$31.8M. The total available authorities on June 30, 2012 were \$1,004.5M. This excludes the Operating and Capital Carry Forward amounts of \$43.4M. These will be reflected in the second quarterly financial report.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce inefficiencies.

Budget 2012 announced that the Government will return to balanced budgets in the medium term. Like other departments and agencies, Environment Canada (EC) is contributing its share to achieve this goal. These savings are to be achieved over the next three years.

In total, our planned savings amounts to \$13.3M for 2012-2013, \$31.5M for 2013-2014 and \$53.8M for 2014-2015 and ongoing. Approximately 70% of our savings will come through streamlining departmental operations through better management and by working with partners. Environment Canada initiatives to achieve these operational savings include:

- Consolidation of office space and fleet operations;
- Streamlining of reporting to avoid duplication;
- Redeployment of software resources; and
- Efficiency gains from financial, professional and administrative services.

The remainder will come from eliminating or reducing programs that do not contribute directly to the Department's core mandate.

Overall, these reductions will reduce our workforce by about 3% and return our department to the budget and staffing levels we had in 2006-07. To mitigate this human resources risk, Environment Canada will support its workforce so that essential skills, knowledge and experience are maintained and fully developed through cost-effective means. The department will take a proactive role in providing a healthy and flexible work environment, while leveraging opportunities through partnerships to allow the development of its workforce.

The balance of Budget 2012 savings will be reflected later in the fiscal year.

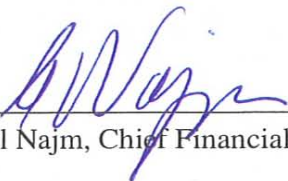
Approved by:



Bob Hamilton, Deputy Minister



Date



Carol Najm, Chief Financial Officer



Date

Gatineau, Canada

Environment Canada
For the quarter ended June 30, 2012
Statement of Authorities (unaudited)

	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Total available for use for the year ending March 31, 2013*	Used during the quarter ended June 30, 2012	Year to date used at quarter end	Total available for use for the year ending March 31, 2012	Used during the quarter ended June 30, 2011	Year to date used at quarter end
(In thousands of dollars)						
Vote 1 – Net Operating Expenditures	718,973	149,003	149,003	652,480	161,152	161,152
Vote 5 – Capital Expenditures	51,650	2,236	2,236	41,662	300	300
Vote 10 – Grants and Contributions	145,222	2,940	2,940	93,398	1,857	1,857
Budgetary Statutory Authorities	88,677	22,169	22,169	84,574	21,143	21,143
Total Authorities	1,004,523	176,348	176,348	872,114	184,452	184,452

* Includes only Authorities available for use and granted by Parliament at quarter-end.

Environment Canada

For the quarter ended June 30, 2012

Departmental budgetary expenditures by Standard Object (unaudited)

	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended June 30, 2012	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended June 30, 2011	Year to date used at quarter end
(In thousands of dollars)						
Expenditures:						
Personnel	594,518	152,722	152,722	553,994	157,563	157,563
Transportation and communications	51,798	5,145	5,145	53,127	7,160	7,160
Information	2,952	278	278	3,208	186	186
Professional and special services	134,821	8,964	8,964	125,642	8,884	8,884
Rentals	20,586	9,769	9,769	24,621	11,178	11,178
Repair and maintenance	19,093	2,258	2,258	11,286	2,286	2,286
Utilities, materials and supplies	33,573	5,384	5,384	29,872	4,411	4,411
Acquisition of land, buildings and works	1,420	9	9	3,329	2	2
Acquisition of machinery and equipment	62,632	3,748	3,748	38,334	3,710	3,710
Transfer payments	145,222	3,099	3,099	93,398	1,857	1,857
Other subsidies and payments	5,738	177	177	3,946	247	247
Total gross budgetary expenditures	1,072,353	191,553	191,553	940,757	197,484	197,484
Less revenues netted against expenditures:						
Revenues	67,830	15,205	15,205	68,643	13,032	13,032
Total revenues netted against expenditures	67,830	15,205	15,205	68,643	13,032	13,032
Total net budgetary expenditures	1,004,523	176,348	176,348	872,114	184,452	184,452