



Environment
Canada

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DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q2/2012-2013

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

Introduction

This second 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 (EC) 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

This quarterly report, ending September 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 \$133.4M when compared to the same quarter of 2011-2012, of which \$66.5M is in Vote 1 – Net operating expenditures, \$11.0M 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 (SSC) 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 15th, 2011.

Expenditure Analysis

In the second quarter of 2012-2013, total budgetary expenditures were \$196.0M compared to \$200.5M reported in the same period of 2011-2012, indicating no significant variance between the two years.

Authorities used in Vote 1, Operating expenditures, during the second quarter of 2012-2013 decreased by \$18.5M (or 10.1%) compared to the same quarter last year. This is mainly due to the effect of the transfer to Shared Services Canada (\$11.0M).

Authorities used in Vote 5, Capital expenditures, during the second quarter of 2012-2013 increased by \$2.9M (or 119.5%) compared to the same quarter last year. However, during 2011-2012, capital activities were delayed as a result of the limited processing of contracts that took place through the Federal Election (Governor General Special Warrants¹) period. Therefore, expenditures were lower than normal.

Authorities used in Vote 10, Grants and Contributions (G&Cs), increased by \$3.1M (or 42.5%) compared to the same quarter last year. This is mainly due to limited processing of G&Cs agreements through the Federal Election (Governor General Special Warrants) period in 2011-2012.

Statement of Departmental Expenditures by Standard Object

Compared to the previous year, the year to date expenditures at quarter-end are lower by \$12.6M. This represents a decrease of 3.3% against year to date expenditures in 2011-2012. This difference is explained by decreases in Operating expenditures of \$30.7M offset by increases in Capital, G&Cs and Statutory expenditures that amounted to \$18.0M.

Total expenditures for the second quarter, ending September 30th, 2012, were \$196.0M, or \$4.5M lower than the \$200.5M reported for the same period of 2011-2012.

Personnel expenditures have decreased by \$4.0M in the second quarter. This is mainly attributable to a combination of the transfer to Shared Services Canada and the payments in lieu of severance pay for the employees represented by the Public Service Alliance of Canada (PSAC). Year to date expenditures have decreased by \$8.8M (or 2.8%).

Expenditures on transportation and communication, and rentals have continued to decrease in the second quarter by \$1.0M and \$1.5M respectively as a result of the transfer of some activities to Shared Services Canada. Year to date expenditures for these two objects have decreased by \$5.9M (or 17.7%).

¹ The 2011 Federal Election took place prior to the approval of the Main Estimates, and as a result departments were operating under Governor General Special Warrants at interim (partial) resource levels. Through the Warrants period some departmental activities were reduced in order to stay within the interim resource levels.

Professional services expenditures have decreased by \$1.2M (or 6.0%) compared to the same quarter last year. Environment Canada contributes to the federal cost saving effort by achieving efficiencies in reducing the use of external professional services.

Expenditures on utilities, materials and supplies have increased by \$2.4M (or 36.1%) when compared to the same quarter of 2011-2012. This is mainly due to delays in 2011-2012 payments as a result of the Warrants period.

The increase in Transfer Payments (G&Cs) expenditures of \$3.0M (or 40.4%) is explained by delays in 2011-2012 Transfer Payment approvals as a result of the Warrants period.

Risks and Uncertainties

This section covers the financial risks associated with the second period of the fiscal year. Please refer to the 2012-2013 Report on Plans and Priorities (RPP) 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 is showing a decrease in planned spending for this fiscal year as a result of sunsetting 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 sunsetting programs was announced in Budget 2012 and is anticipated to be received 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, technological and scientific developments, and government-wide initiatives, which may have an impact on its capacity to deliver on priorities.

Internally, some key risks are related to human resource, 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 resources management can be expected to be challenged by the need for fiscal restraint. To mitigate these risks 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 to the new department of Shared Services Canada has introduced uncertainty in ensuring an integrated and seamless approach to service delivery to Canadians. IT services associated with email, data centres and telecommunications now fall under the purview of Shared Services Canada and are key IT services upon which Environment Canada is so heavily reliant. The risks associated with this transfer of services to a newly formed department can be articulated in the dependency of Environment Canada on Shared Services Canada for the provision of IT Services in support of mission-critical programs such as our emergencies program and weather forecasts and warnings, to IT Security to ensuring sufficient resourcing to delivery on key Government of Canada priorities. Environment Canada is working with Shared Services Canada to address these and other concerns to facilitate service delivery to Canadians in a seamless and dedicated fashion, via development of formal agreements to document roles, responsibilities and accountabilities, as well as participation in strategic planning committees to ensure that each party's future investments and activities are aligned.

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

The Operating and Capital Carry Forward were allocated in the second quarter for a total of \$43.4M. The total available authorities on September 30th, 2012 were \$1,047.9M. This excludes the Supplementary Estimates B, which were tabled in Parliament November 8, 2012, and will be reflected in the third 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 is contributing its share to achieve this goal. These savings are to be achieved over the next three years.

In total, our planned savings amount 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 are for example:

- Domestic travel between major cities will be reduced and replaced, when possible, using communications technology such as videoconferencing, telepresence, webinar;
- International travel costs will also be reduced while ensuring that a physical presence continues at international meetings where the agenda is relevant to the mandate and the current priorities of EC; and
- Use of external professional services for such activities as information technology services, laboratory services and translation will also be reduced.

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

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.

There were no spending authority changes resulting from Budget 2012 in the second quarter of 2012-2013.

As Budget 2012 savings measures are implemented, they will be reflected in Quarterly Financial Reports.

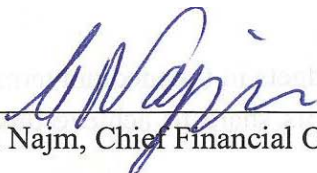
Approved by:



Bob Hamilton, Deputy Minister

NOV 28 2012

Date



Carol Najm, Chief Financial Officer

NOV 28 2012

Date

Gatineau, Canada

Environment Canada
For the quarter ended September 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 September 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 September 30, 2011	Year to date used at quarter end
(In thousands of dollars)						
Vote 1 – Net Operating Expenditures	753,943	165,109	314,112	687,400	183,638	344,790
Vote 5 – Capital Expenditures	60,067	5,359	7,595	49,107	2,441	2,741
Vote 10 – Grants and Contributions	145,222	10,524	13,464	93,398	7,384	9,241
Budgetary Statutory Authorities	88,677	15,005	37,174	84,573	7,061	28,204
Total Budgetary Authorities	1,047,909	195,997	372,345	914,478	200,524	384,976
Non-Budgetary Authorities	-	-	-	-	-	-
Total Authorities	1,047,909	195,997	372,345	914,478	200,524	384,976

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

Environment Canada
 For the quarter ended September 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 September 30, 2012	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended September 30, 2011	Year to date used at quarter end
(In thousands of dollars)						
Expenditures:						
Personnel	594,519	148,245	300,968	563,895	152,214	309,777
Transportation and communications	58,689	8,927	14,072	58,492	9,922	17,082
Information	3,344	570	848	3,532	504	690
Professional and special services	152,761	19,317	28,281	138,329	20,551	29,435
Rentals	23,324	3,587	13,356	27,107	5,072	16,250
Repair and maintenance	21,633	3,257	5,515	12,426	3,324	5,610
Utilities, materials and supplies	38,041	9,162	14,547	32,888	6,733	11,144
Acquisition of land, buildings and works	1,607	172	181	3,924	46	48
Acquisition of machinery and equipment	70,861	3,628	7,376	45,184	3,775	7,485
Transfer payments	145,222	10,365	13,464	93,398	7,384	9,241
Other subsidies and payments	5,738	2,545	2,722	3,946	2,807	3,054
Total gross budgetary expenditures	1,115,739	209,775	401,330	983,121	212,332	409,816
Less revenues netted against expenditures:						
Revenues	67,830	13,780	28,985	68,643	11,808	24,840
Total revenues netted against expenditures	67,830	13,780	28,985	68,643	11,808	24,840
Total net budgetary expenditures	1,047,909	195,995	372,345	914,478	200,524	384,976