



Environment
Canada

Environnement
Canada



DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q1/2013-2014

Environment Canada Quarterly Financial Report
Statement outlining results, risks and significant changes in operations,
personnel and programs
For the quarter ended June 30, 2013

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 and Supplementary Estimates.

A summary description of the Environment Canada Raison d'être and 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 2013-2014 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 2012-13 Main Estimates.

In fiscal year 2012-2013, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In 2013-2014, the changes to departmental authorities were reflected in the 2013-2014 Main Estimates tabled in Parliament.

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

Statement of Authorities

This quarterly report, ending June 30, 2013, reflects the authorities that were approved for this period. The funding available for use includes the 2013-2014 Main Estimates only 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, 2014” is lower by approximately \$45.2M (\$959.3M - \$1,004.5M)¹ when compared to the same quarter of the previous year. This difference is explained by decreases in Vote 1 - Operating of \$17.7M (\$701.3M - \$719.0M)¹ and in Vote 10 – Grants and Contributions of \$27.9M (\$117.3M - \$145.2M)¹ offset by increases in Vote 5 – Capital of \$0.3M (\$51.9M - \$51.6M)¹ and in Budgetary statutory authorities for the Employee Benefit Plan of \$0.1M (\$88.8M - \$88.7M)¹.

The \$17.7M net decrease in the Operating authorities is mainly due to the following:

- \$26.2M decrease for savings measures identified as part of Budget 2012;
- \$6.8M decrease in funding for the Clean Air Regulatory Agenda;
- \$3.1M decrease in funding due to an internal reallocation of resources for the contribution costs associated with the United Nations Environment Programme.
- \$0.6M decrease in funding for the Great Lakes Nutrient Initiative;
- \$7.8M increase in funding for reforming the Species at Risk Act in using a more pragmatic approach to species at risk in Canada;
- \$7.0M increase for funding received tied to collective agreements or approved wage increases;
- \$3.9M increase in funding available for the Departmental Financial Management System renewal; and,
- \$0.8M increase for the renewal of the Lake Winnipeg program as well as year over year changes in funding for the Freshwater initiative.

The \$0.3M net increase in the Capital authorities is mainly due to the following:

- \$2.4M increase in funding to improve Canada’s weather services by ensuring the integrity of Government of Canada’s weather and environmental monitoring;
- \$0.8M decrease in funding for the Great Lakes Nutrient Initiative;
- \$0.8M decrease in funding for the Clean Air Regulatory Agenda; and,

¹ See Statement of Authorities.

- \$0.6M decrease in funding for the 2015 Pan American Games.

The \$27.9M net decrease in the Grants and Contributions authorities is mainly due to the following:

- \$24.9M decrease in funding for Canada's Fast Start Financing commitment under the Copenhagen Accord which support climate change adaptation and mitigation in developing countries;
- \$12.5M decrease in funding available for Sustainable Development Technology Canada (SDTC) for the Next Generation Biofuels Fund;
- \$2.5M decrease for savings measures identified as part of Budget 2012;
- \$4.0M increase in funding for reforming the Species at Risk Act in using a more pragmatic approach to species at risk in Canada;
- \$3.5M increase for the renewal of the Lake Winnipeg program as well as year over year changes in funding for the Freshwater initiative;
- \$3.1M increase in funding due to an internal reallocation of resources for the contribution costs associated with the United Nations Environment Programme; and,
- \$1.6M increase in funding due to a transfer from the Canadian International Development Agency to support Phase V of the China Council for International Cooperation on Environment and Development.

Expenditure Analysis

In the first quarter of 2013-2014, total budgetary expenditures were \$181.9M compared to \$176.3M reported in the same period of 2012-2013, indicating an increase of 3.2% between the two years mainly explained by higher grants and contributions expenditures.

Authorities used in Vote 1 – Operating during the first quarter of 2013-2014 decreased by \$0.2M compared to the same quarter last year. This is mainly attributable to an increase of revenues due to Oil Sands Monitoring offset by a combination of increases in professional services expenditures and payments in lieu of severance pay.

Authorities used in Vote 5 – Capital during the first quarter of 2013-2014 increased by \$0.7M compared to the same quarter last year due to timing difference as to when expenditures took place this year versus last year.

Authorities used in Vote 10 – Grants and Contributions increased by \$4.7M compared to the same quarter last year. This is mainly due to three factors: earlier payments resulting from the improvements to the departmental grants and contributions approval process, the increase in number of multi-year projects approved in prior years and to an earlier payment of Environment Canada's contribution to the Commission of Environmental Co-operation, which is normally paid later.

Statement of Departmental Expenditures by Standard Object

Compared to the previous year, total net expenditures for the first quarter, ending June 30th, 2013, are higher by \$5.6M (3.2%), as a result of expenditure initiation occurring earlier compared to last fiscal year.

Personnel expenditures have increased by \$4.8M (3.1%) in the first quarter. This is mainly due to the payments in lieu of severance pay for the renewal of collective agreements.

Transportation and Communications expenditures have increased in the first quarter by \$0.8M (16.2%) due to the earlier processing of the departmental air and rail travel payments this fiscal year.

The increase in Professional and Special Services expenditures of \$3.1M (34.8%) compared to the same quarter last year is explained by higher expenses in engineering consultants, legal services, scientific services, information technology consultants and other business services which are mainly related to the Oil Sands Monitoring and the site preparation work for the Eureka project completed in the first quarter.

Repair and Maintenance expenditures as well as Utilities, Materials and Supplies expenditures have respectively increased by \$0.8M (34.3%) and \$1.2M (21.9%) is mainly due to the repair of hardware and the purchase of meteorological supplies incurred in the first quarter.

Transfer Payments expenditures have increased by \$4.6M (147.4%) in the first quarter. This is mainly attributable to earlier payments resulting from improvements to the departmental grants and contributions approval process and an increase in number of multi-year projects approved in prior years.

Revenues have increased by \$9.4M (61.8%) compared to the same period last year which is due to Oil Sands Monitoring.

Risks and Uncertainties

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. Environment Canada's planned spending reflects approved funding by Treasury Board to support the departmental Strategic Outcomes and Programs. In 2013–2014 and beyond, Environment Canada will continue to contribute to the Government of Canada's plan to return to fiscal balance.

Environment Canada's objectives and strategic outcomes are influenced by various internal and external factors and corresponding risks such as increasing Canadian and international expectations concerning the environment, and the pace of advances in science and technology.

Environment Canada proactively manages risks through ongoing monitoring, with adjustments made to departmental resources or program objectives to ensure appropriate controls and mitigation measures are applied as required. These include:

- Implementing plans and identifying core activities to deliver on its mandate: departmental planning, prioritizing, forecasting, and reporting processes have been adapted to ensure alignment of core activities with key priorities. The Department developed and implemented a number of responses aimed at maintaining services while adopting new service models.
- Maintaining the Business Continuity Plan evergreen, negotiating service-level agreements with stakeholders and partners, continuing to develop professional staff, safeguarding key systems and data and enhancing business arrangements with Shared Services Canada to mitigate against service disruptions.
- Engaging in ongoing strategic operational planning to address and maintain key competencies and expertise in the fields of meteorology, science and technology, and to maintain operational effectiveness of the services offered both now and into the future in all areas of the Department.

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

There are no significant financial management governance changes in relation to operations, personnel and programs to report during the first quarter of 2013-2014.

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. In total, Environment Canada's 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 these savings are being realized through streamlining departmental operations through better management and by working with

partners. Examples of Environment Canada administrative efficiencies to achieve these savings include:

- Domestic travel between major cities will be reduced and replaced, when possible, using communications technology such as videoconferencing, telepresence and webinars;
- Achieving operational efficiencies monitoring and enforcement activities through enhancing partnering with Parks Canada; and
- Use of external professional services for such activities as information technology services, laboratory services and translation will also be reduced.

The remainder are being realized by eliminating or reducing programs that do not contribute to the Department's core mandate. Examples of reductions to non-core activities in 2013-14 include:

- Reducing involvement in promoting and compiling information about water use as provincial and municipal governments are responsible for water treatment and use; and,
- Similarly, duplication in the area of wastewater research will be eliminated where other levels of government and the academic sector have demonstrated capacity.

There was no incremental funding provided to Environment Canada to complete the work related to the implementation of its Budget 2012 savings measures.

To achieve operational savings from Budget 2012, Transportation and Communications, and Professional Services expenditures are monitored on a regular basis. However, both of these expenditures have increased compared to last year mainly due to the earlier processing of the air and rail travel payments and to the Oil Sands Monitoring.

There are no significant financial risks or uncertainties related to the implementation of its Budget 2012 savings measures. The Department has developed detailed roll-out plans for each of its savings measures and progress against these plans is monitored by departmental senior management on a quarterly basis.

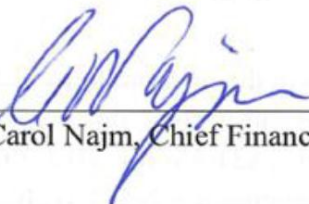
Approved by:



Bob Hamilton, Deputy Minister

AUG 19 2013

Date



Carol Najm, Chief Financial Officer

AUG 16 2013

Date

Gatineau, Canada

Environment Canada
For the quarter ended June 30, 2013
Statement of Authorities (unaudited)

	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Total available for use for the year ending March 31, 2014 ²	Used during the quarter ended June 30, 2013	Year to date used at quarter end	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
(In thousands of dollars)						
Vote 1 – Net Operating expenditures	701,255	148,762	148,762	718,973	149,003	149,003
Vote 5 – Capital expenditures	51,922	2,936	2,936	51,650	2,236	2,236
Vote 10 – Grants and contributions	117,353	7,667	7,667	145,222	2,940	2,940
Statutory – Employee Benefits Plan	88,750	22,187	22,187	88,599	22,150	22,150
Statutory – Minister’s Car Allowance	79	20	20	78	19	19
Statutory – Refund of previous years revenue	0	379	379	0	0	0
Total Budgetary authorities	959,359	181,951	181,951	1,004,522	176,348	176,348
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	959,359	181,951	181,951	1,004,522	176,348	176,348

² Includes only Authorities available for use and granted by Parliament at quarter-end.

Environment Canada
 For the quarter ended June 30, 2013
 Departmental budgetary expenditures by Standard Object (unaudited)

	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended June 30, 2012	Year to date used at quarter end
(In thousands of dollars)						
Expenditures:						
Personnel	598,885	157,477	157,477	594,518	152,722	152,722
Transportation and communications	44,183	5,976	5,976	51,798	5,145	5,145
Information	2,588	208	208	2,952	278	278
Professional and special services	119,353	12,082	12,082	134,821	8,964	8,964
Rentals	20,967	10,151	10,151	20,586	9,769	9,769
Repair and maintenance	21,666	3,033	3,033	19,093	2,258	2,258
Utilities, materials and supplies	33,076	6,564	6,564	33,573	5,384	5,384
Acquisition of land, buildings and works	1,904	23	23	1,420	9	9
Acquisition of machinery and equipment	60,975	3,041	3,041	62,632	3,748	3,748
Transfer payments	117,354	7,667	7,667	145,222	3,099	3,099
Other subsidies and payments	3,957	325	325	5,738	177	177
Total gross budgetary expenditures	1,024,908	206,547	206,547	1,072,353	191,553	191,553
Less Revenues netted against expenditures:						
Revenues	65,549	24,596	24,596	67,830	15,205	15,205
Total revenues netted against expenditures	65,549	24,596	24,596	67,830	15,205	15,205
Total net budgetary expenditures	959,359	181,951	181,951	1,004,523	176,348	176,348