



Environment
Canada

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DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q2/2013-2014

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

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 (TBS). 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 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 2012-2013 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 September 30, 2013, reflects the authorities that were approved for this period. The funding available for use includes the 2013-2014 Main Estimates only. Authorities for Supplementary Estimates “B” and “C” will follow later this fiscal year. Environment Canada’s authorities “Total available for use for the year ending March 31, 2014” is lower by approximately \$88.6M (\$959.3M - \$1,047.9M)¹ when compared to the same quarter of the previous year. This difference is explained by decreases in Vote 1 - Operating of \$52.6M (\$701.3M - \$753.9M)¹, in Vote 5 – Capital of \$8.2M (\$51.9M - \$60.1M)¹ and in Vote 10 – Grants and Contributions of \$27.9M (\$117.3M - \$145.2M)¹ offset by an increase in Budgetary statutory authorities for the Employee Benefit Plan of \$0.1M (\$88.8M - \$88.7M)¹.

The \$52.6M net decrease in the Operating authorities is mainly due to the following:

- \$35.0M decrease in funding due to the timing in the receipt of the Operating budget carry-forward from TBS subsequent to September 30, 2013;
- \$26.2M decrease for savings measures identified as part of Budget 2012;
- \$6.8M decrease in funding for the Clean Air Regulatory Agenda primarily due to reduction in regulation activities;
- \$3.1M decrease in funding due to an internal reallocation of resources for the contribution costs associated with the United Nations Environment Programme.
- \$7.8M increase in funding for the renewal of the *Species at Risk Act* which was approved subsequent to September 30, 2012;
- \$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 Action Plan on Clean Water initiative.

The \$8.2M net decrease in the Capital authorities is mainly due to the following:

- \$8.4M decrease in funding due to the timing in the receipt of the Capital budget carry-forward from TBS subsequent to September 30, 2013;

¹ See Statement of Authorities.

- \$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,
- \$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 the renewal of the *Species at Risk Act* which was approved subsequent to September 30, 2012;
- \$3.5M increase for the renewal of the Lake Winnipeg program as well as year over year changes in funding for the Action Plan on Clean Water 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 second quarter of 2013-2014, total budgetary expenditures was \$224.9M compared to \$196.0M reported for the same period in 2012-2013, resulting in an increase of 14.8% between the two years.

Vote 1 – Operating authorities used during the second quarter of 2013-2014 increased by \$15.4M compared to the same quarter last year. This is mainly attributable to a combination of increases in payments in lieu of severance pay and professional services expenditures.

Vote 5 – Capital authorities used during the second quarter of 2013-2014 increased by \$2.2M compared to the same quarter last year and mainly due to the improvement and modernization of Canada's weather services and to the site preparation work for the Eureka project.

Vote 10 – Grants and Contributions authorities used increased by \$3.8M compared to the same quarter last year. This is mainly due to earlier payments resulting from the improvements to the departmental Grants and Contributions approval process and to earlier payments made to Environment Canada's contributions for the Science Horizons Youth Internship and the International Environmental Youth Corp programs as well as the contribution to the World Meteorological Organization, which are normally paid later during the fiscal year.

Statement of Departmental Expenditures by Standard Object

Compared to the previous year, the year to date expenditures in the second quarter are higher by \$34.5M (9.3%). This difference is explained by increases in Operating of \$15.2M (4.8%), Capital of \$3.0M (38.8%), Grants and Contributions of \$8.5M (63.4%) and Statutory of \$7.8M (21.1%).

Total net expenditures for the second quarter, ending September 30th, 2013, are higher by \$28.9M (14.8%) mainly explained by increases in operating and statutory expenditures.

Personnel expenditures have increased by \$13.5M (9.1%) in the second quarter as a result of increased payments in lieu of severance pay and retroactive salaries and wages for the renewal of collective agreements as well as earlier payments tied to Employee Benefit Plan. Year to date expenditures have increased by \$18.2M (6.1%).

The increase in Professional and Special Services expenditures of \$4.9M (25.4%) when compared to the same quarter last year is explained by additional expenses in legal services, information technology consultants and other scientific services. As a result of expenditure initiation occurring earlier in the year, year to date expenditures have increased by \$8.0M (28.4%).

Rental expenditures have increased by \$2.8M (77.0%) compared to the second quarter last year. This is mainly due to equipment and transportation related to the Oil Sands Monitoring and to an earlier payment made for the rental of the National Wildlife Research Centre at the Carleton University. Year to date expenditures are \$3.1M (23.5%) higher than last year at the same quarter.

Transfer Payments expenditures have increased by \$3.8M (38.3%) in the second quarter. This is mainly attributable to earlier payments resulting from improvements to the departmental Grants and Contributions approval process. Year to date expenditures have increased by \$8.5M (63.4%).

Revenues have decreased by \$2.3M (16.7%) compared to the second quarter last year which is explained by the timing of the collection for various programs. However, year to date revenues have increased by \$7.1M (24.5%) which is mainly attributable to the 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 evergreen Business Continuity Plan, 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.

Environment Canada is engaged in an exercise to update its Corporate Risk Profile. 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

On July 15, 2013, the Right Honourable Stephen Harper, Prime Minister of Canada, appointed the Honourable Leona Aglukkaq as the Minister of the Environment.

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; 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
- Reducing the overall size of Environment Canada's vehicle fleet and the better management of vehicles through their whole life-cycle.

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:

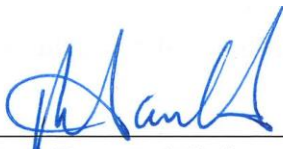
- Reducing involvement in promoting and compiling information about water use as provincial and municipal governments are responsible for water treatment and use; and,
- Similarly, duplication in the area of wastewater research will be eliminated where other levels of government and the academic sector 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, expenditures are monitored on a regular basis and operational savings are all expected to be fulfilled.

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.

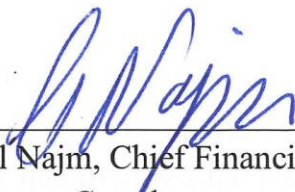
Approved by:



Bob Hamilton, Deputy Minister

NOV 19 2013

Date



Carol Najm, Chief Financial Officer
Gatineau, Canada

NOV 08 2013

Date

Environment Canada
For the quarter ended September 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 September 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 September 30, 2012	Year to date used at quarter end
(In thousands of dollars)						
Vote 1 – Net Operating expenditures	701,255	180,553	329,315	753,943	165,109	314,112
Vote 5 – Capital expenditures	51,922	7,603	10,539	60,067	5,359	7,595
Vote 10 – Grants and contributions	117,353	14,339	22,006	145,222	10,524	13,464
Statutory – Employee Benefits Plan	88,750	22,188	44,375	88,599	14,766	36,916
Statutory – Minister’s Car Allowance	79	19	39	78	20	39
Statutory – Refund of previous years revenue	0	0	379	0	0	0
Statutory - Spending of proceeds from the disposal of surplus Crown assets	0	220	220	0	219	219
Total Budgetary authorities	959,359	224,922	406,873	1,047,909	195,997	372,345
Non-bugetary authorities	-	-	-	-	-	-
Total authorities	959,359	224,922	406,873	1,047,909	195,997	372,345

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

Environment Canada
 For the quarter ended September 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 September 30, 2013	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended September 30, 2012	Year to date used at quarter end
(In thousands of dollars)						
Expenditures:						
Personnel	598,885	161,717	319,194	594,519	148,246	300,968
Transportation and communications	44,183	8,617	14,593	58,689	8,927	14,072
Information	2,588	585	793	3,344	570	848
Professional and special services	119,353	24,232	36,314	152,761	19,317	28,281
Rentals	20,967	6,348	16,499	23,324	3,587	13,356
Repair and maintenance	21,666	3,569	6,602	21,633	3,257	5,515
Utilities, materials and supplies	33,076	8,932	15,496	38,041	9,163	14,547
Acquisition of land, buildings and works	1,904	240	263	1,607	172	181
Acquisition of machinery and equipment	60,975	4,480	7,521	70,861	3,628	7,376
Transfer payments	117,354	14,339	22,006	145,222	10,365	13,464
Other subsidies and payments	3,957	3,340	3,665	5,738	2,545	2,722
Total gross budgetary expenditures	1,024,908	236,399	442,946	1,115,739	209,777	401,330
Less Revenues netted against expenditures:						
Revenues	65,549	11,477	36,073	67,830	13,780	28,985
Total revenues netted against expenditures	65,549	11,477	36,073	67,830	13,780	28,985
Total net budgetary expenditures	959,359	224,922	406,873	1,047,909	195,997	372,345