



Environment  
Canada

Environnement  
Canada



# DEPARTMENTAL QUARTERLY FINANCIAL REPORT

## Q3/2013-2014



**Environment Canada Quarterly Financial Report**  
**Statement outlining results, risks and significant changes in operations,**  
**personnel and programs**  
**For the quarter ended December 31, 2013**

## **Introduction**

This third 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 (TB). 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 and Supplementary 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 (Table 1)**

This quarterly report, ending December 31, 2013, reflects the authorities that were approved for this period. The funding available for use includes the 2013-2014 Main Estimates, the Supplementary Estimates “B”, the Operating and Capital budget carry-forward, the increase of Environment Canada’s Vote Netted Revenue and additional compensation adjustments for signed collective agreements. Authorities for Supplementary Estimates “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 \$53.5M (\$1,013.0M - \$1,066.5M)<sup>1</sup> when compared to the same quarter of the previous year. This difference is explained by decreases in Vote 1 - Operating of \$27.4M (\$738.2M - \$765.6M)<sup>1</sup> and in Vote 10 – Grants and Contributions of \$31.8M (\$119.7M - \$151.5M)<sup>1</sup>, offset by increases in Vote 5 – Capital of \$3.0M (\$63.8M - \$60.8M)<sup>1</sup> and in Budgetary statutory authorities for the Employee Benefit Plan and the Minister’s Car Allowance of \$2.6M (\$91.3M - \$88.7M)<sup>1</sup>.

#### ***The \$27.4M net decrease in the Operating authorities is mainly due to the following:***

- \$14.9M decrease for savings measures identified as part of Budget 2012;
- \$13.5M decrease in funding due to an additional transfer to Shared Services Canada as a result of its creation for resources tied to Information and Technology and Meteorological Services Canada’s Supercomputer;
- \$9.6M decrease in authorities from Treasury Board centrally funded votes for payroll requirements due to the timing of the reimbursement;
- \$6.8M decrease in funding for the Clean Air Regulatory Agenda;
- \$1.8M decrease in funding related to the assessment, management and remediation of federal contaminated sites;
- \$1.6M decrease for departmental travel reduction identified as part of Budget 2013;
- \$13.1M increase in year over year funding for funding received tied to collective agreements or approved wage increases;
- \$4.1M increase in funding for the Operating budget carry-forward;
- \$3.9M increase in funding available for the Departmental Financial Management System renewal; and,
- \$0.3M net increase from various other smaller adjustments.

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<sup>1</sup> See Statement of Authorities.

***The \$3.0M net increase in the Capital authorities is mainly due to the following:***

- \$3.3M increase in funding for the Capital budget carry-forward;
- \$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;
- \$0.5M decrease in funding for the 2015 Pan American Games; and,
- \$0.6M net decrease from various other smaller adjustments.

***The \$31.8M 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;
- \$1.0M decrease for savings measures identified as part of Budget 2012;
- \$5.3M increase for the renewal of the Lake Winnipeg and Lake Simcoe programs;
- \$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; and,
- \$0.3M net increase from various other smaller adjustments.

***The \$2.6M net increase in the Budgetary statutory authorities for the Employee Benefits Plan (EBP) is mainly due to the following:***

- \$2.5M increase in funding due to the increase in Voted appropriations for the Oil Sands Monitoring and other items received through the Supplementary Estimates "B" process; and,
- \$0.1M net increase from various other smaller adjustments.

***Expenditure Analysis***

In the third quarter of 2013-2014, total net budgetary expenditures was \$227.7M compared to \$229.0M reported for the same period in 2012-2013, resulting in a decrease of \$1.3M (0.6%) between the two years.

Vote 1 – Operating authorities used during the third quarter of 2013-2014 totaled \$182.4M, which increased by \$9.9M (5.7%) compared to the same quarter last year. This is mainly attributable to a combination of increases in payments in lieu of severance pay and earlier initiation of professional and special services offset by a decrease in revenues due to the timing of the collection for various programs.

Vote 5 – Capital authorities used during the third quarter of 2013-2014 totaled \$9.4M, which increased by \$2.7M (39.6%) compared to the same quarter last year mainly due to earlier initiation of capital procurements.

Vote 10 – Grants and Contributions authorities used during the third quarter of 2013-2014 totaled \$13.6M, which decreased by \$6.4M (32.2%) compared to the same quarter last year. This is mainly resulting from improvements to the departmental Grants and Contributions approval process, which led to expenditures occurring earlier in the current fiscal year.

Compared to the previous year, the total year to date expenditures as of the end of the third quarter were \$634.5M and have increased by \$33.2M (5.5%). This difference is explained by increases of \$25.1M (5.2%) in Operating, \$5.6M (39.2%) in Capital, \$2.1M (6.3%) in Grants and Contributions and \$0.4M (0.7%) in Statutory items.

### **Statement of Departmental Expenditures by Standard Object (Table 2)**

Total net expenditures for the third quarter, ending December 31, 2013, were \$227.7M and are lower by \$1.3M (0.6%).

Personnel expenditures have increased by \$4.7M (2.9%) in the third quarter as a result of increase payments in lieu of severance pay offset by earlier payments tied to Employee Benefit Plan made previously this fiscal year. Year to date expenditures have increased by \$23.0M (5.0%) which is mainly attributable to increase payments in lieu of severance pay.

Transportation and Communications expenditures have decreased by \$1.2M (11.4%) compared to the same quarter last year and the decrease is explained by the reduction of travel expenses linked to recent budget reductions related to travel. Year to date expenditures have decreased by \$0.7M (2.9%).

Professional and Special Services expenditures have increased by \$5.3M (20.5%) when compared to the same quarter last year and the increase is explained by additional expenses in information technology consultants and in meteorological services. Year to date expenditures have increased by \$13.4M (24.6%) and were impacted by expenditure initiation occurring earlier in the year.

Transfer Payments expenditures have decreased by \$6.4M (32.2%) in the third quarter. This is mainly resulting of the improvements to the departmental Grants and Contributions approval process, which lead to payments occurring earlier in the present fiscal year. Year to date expenditures have increased by \$2.1M (6.3%).

Revenues have increased by \$4.2M (24.7%) compared to the third quarter last year which is explained by the timing of the collection for various programs. Year to date revenues have increased by \$11.3M (24.5%) and this is mainly attributable to the Oil Sands Monitoring.

## **Risks and Uncertainties**

Environment Canada is primarily funded through voted parliamentary spending authorities for operating expenditures, capital expenditures and transfer payments as well as statutory authorities. 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**

There are no significant financial management governance changes in relation to operations, personnel and programs to report during the third 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; 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.



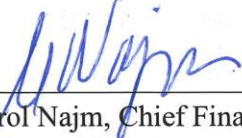
Approved by:



Bob Hamilton, Deputy Minister

2012/14

Date



Carol Najm, Chief Financial Officer  
Gatineau, Canada

FEB 20 2014

Date

Environment Canada  
 For the quarter ended December 31, 2013  
 Statement of Authorities (unaudited) – Table 1

	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Total available for use for the year ending March 31, 2014 <sup>2</sup>	Used during the quarter ended December 31, 2013	Year to date used at quarter end	Total available for use for the year ending March 31, 2013	Used during the quarter ended December 31, 2012	Year to date used at quarter end
(In thousands of dollars)						
Vote 1 – Net Operating expenditures	738,160	182,380	511,696	765,545	172,482	486,594
Vote 5 – Capital expenditures	63,789	9,363	19,902	60,795	6,707	14,302
Vote 10 – Grants and contributions	119,745	13,575	35,581	151,530	20,019	33,483
Statutory – Employee Benefits Plan	91,233	22,187	66,562	88,599	29,533	66,449
Statutory – Minister’s Car Allowance	79	20	59	78	20	58
Statutory – Refund of previous years revenue	0	28	407	0	0	0
Statutory - Spending of proceeds from the disposal of surplus Crown assets	0	114	334	0	190	410
<b>Total Budgetary authorities</b>	<b>1,013,006</b>	<b>227,667</b>	<b>634,541</b>	1,066,547	228,951	601,296
<b>Non-bugetary authorities</b>	-	-	-	-	-	-
<b>Total authorities</b>	<b>1,013,006</b>	<b>227,667</b>	<b>634,541</b>	1,066,547	228,951	601,296

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

Environment Canada

For the quarter ended December 31, 2013

Departmental budgetary expenditures by Standard Object (unaudited) – Table 2

	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended December 31, 2013	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended December 31, 2012	Year to date used at quarter end
(In thousands of dollars)						
<b>Expenditures:</b>						
Personnel	646,864	166,751	485,945	606,520	162,002	462,970
Transportation and communications	42,885	9,632	24,225	58,612	10,869	24,941
Information	2,922	755	1,548	3,340	1,039	1,887
Professional and special services	134,756	31,339	67,653	152,560	26,009	54,290
Rentals	23,672	6,193	22,692	23,294	5,827	19,183
Repair and maintenance	24,462	3,876	10,478	21,605	4,354	9,869
Utilities, materials and supplies	37,345	7,911	23,407	37,991	7,161	21,708
Acquisition of land, buildings and works	2,263	587	850	1,623	476	657
Acquisition of machinery and equipment	72,482	7,576	15,097	71,572	7,485	14,861
Transfer payments	119,813	13,575	35,581	151,530	20,019	33,483
Other subsidies and payments	3,828	584	4,249	5,730	643	3,365
<b>Total gross budgetary expenditures</b>	<b>1,111,292</b>	<b>248,779</b>	<b>691,725</b>	<b>1,134,377</b>	<b>245,884</b>	<b>647,214</b>
<b>Less Revenues netted against expenditures:</b>						
Revenues	98,286	21,112	57,184	67,830	16,933	45,918
<b>Total revenues netted against expenditures</b>	<b>98,286</b>	<b>21,112</b>	<b>57,184</b>	<b>67,830</b>	<b>16,933</b>	<b>45,918</b>
<b>Total net budgetary expenditures</b>	<b>1,013,006</b>	<b>227,667</b>	<b>634,541</b>	<b>1,066,547</b>	<b>228,951</b>	<b>601,296</b>

