



Environment
Canada

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DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q1/2014-2015

Environment Canada Quarterly Financial Report
Statement outlining results, risks and significant changes in operations,
personnel and programs
For the quarter ended June 30, 2014

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 (TB). This quarterly report should be read in conjunction with the Main 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 2014-2015 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.

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

Statement of Authorities (Table 1)

This quarterly report, ending June 30, 2014, reflects the authorities that were approved for this period. The funding available for use includes the 2014-2015 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, 2015” is lower by approximately \$18.4M (\$941.0M - \$959.4M)¹ when compared to the same quarter of the previous year. This difference is explained by decreases in Vote 1 - Operating of \$14.1M (\$687.2M - \$701.3M)¹ and in Vote 10 – Grants and Contributions of \$10.1M (\$107.3M - \$117.4M)¹, offset by increases in Budgetary statutory authorities for the Employee Benefit Plan, Minister’s Car Allowance and the Nature Conservancy of Canada of \$4.9M (\$93.7M - \$88.8M)¹ and in Vote 5 – Capital of \$0.9M (\$52.8M - \$51.9M)¹.

The \$14.1M net decrease compared to last fiscal year in the Operating authorities is due to the following:

- \$18.4M decrease for savings measures identified as part of Budget 2012;
- \$12.6M decrease due to additional transfers to Shared Services Canada as a result of its creation;
- \$6.4M decrease under the Clean Air Regulatory Agenda;
- \$2.6M decrease related to the assessment, management and remediation of federal contaminated sites;
- \$2.5M decrease related to the Departmental Financial Management System Implementation;
- \$2.2M decrease under the Meteorological Service of Canada to improve Canada’s weather services by ensuring the integrity of Government of Canada’s weather and environmental monitoring;
- \$1.6M decrease for reduced departmental travel identified as part of Budget 2013;
- \$1.5M decrease due to accounting treatment for Migratory Birds Hunting Permit as vote-netted revenues instead of “Third Party advance”;
- \$0.8M decrease under the Genomics Research and Development initiative;
- \$0.7M net decrease from various other smaller adjustments;

offset by:

- \$22.6M increase for the Randle Reef Contaminated Sediment Remediation Project in Hamilton Harbour and the renewal of the Lake Simcoe program as well as year over year changes in funding for the Freshwater initiative;
- \$6.9M increase for the strategy to implement a world class prevention, preparedness and response regime for oil spills; and,
- \$5.7M increase for collective agreements or approved wage increases.

The \$0.9M net increase compared to last fiscal year in the Capital authorities is due to the following:

- \$1.6M increase to improve Canada’s weather services by ensuring the integrity of Government of Canada’s weather and environmental monitoring;
- \$0.9M increase for the strategy to implement a world class prevention, preparedness and response regime for oil spills;

¹ See Statement of Authorities.

offset by:

- \$1.5M decrease for savings measures identified as part of Budget 2012; and,
- \$0.1M net decrease from various other smaller adjustments.

The \$10.1M net decrease compared to last fiscal year in the Grants and Contributions authorities is due to the following:

- \$25.0M decrease to the Sustainable Development Technology Canada (SDTC) for the Next Generation Biofuels Fund;
- \$1.7M decrease for savings measures identified as part of Budget 2012;

offset by:

- \$12.5M increase to the SDTC – Sustainable Development Technology Fund;
- \$4.0M increase for the renewal of the Lake Simcoe program as well as year over year changes in funding for the Freshwater initiative; and,
- \$0.1M net increase from various other smaller adjustments.

The \$4.9M net increase compared to last fiscal year in the Budgetary statutory authorities is mainly due to the following:

- \$8.8M increase under the Nature Conservancy of Canada;
- \$0.8M net increase from various other smaller adjustments;

offset by:

- \$4.7M decrease under the Employee Benefit Plan due to a lower rate stipulated by the Treasury Board Secretariat.

Expenditure Analysis

In the first quarter of 2014-2015, total net budgetary expenditures was \$219.6M compared to \$181.9M reported for the same period in 2013-2014, resulting in an increase of \$37.7M (20.7%).

Vote 1 – Operating authorities used during the first quarter of 2014-2015 totaled \$174.6M, which represents an increase of \$25.8M (17.4%) compared to the same quarter in 2013-2014. The increase is mainly due to a one-time transition payment for implementing salary payment in arrears by the Government of Canada.

Vote 5 – Capital authorities used during the first quarter of 2014-2015 totaled \$2.6M, which represents a decrease of \$0.4M (12.7%) compared to the same quarter in 2013-2014.

Vote 10 – Grants and Contributions authorities used during the first quarter of 2014-2015 totaled \$12.4M, which represents an increase of \$4.8M (62.2%) compared to the same quarter in 2013-2014. This is mainly due to the payment related to the United Nations Environment Program (UNEP) for the Canada's annual core contribution that was issued earlier this year.

Statutory authorities used during the first quarter of 2014-2015 totaled \$30.0M, which represents an increase of \$7.4M (32.9%) compared to the same quarter in 2013-2014. This is mainly due to a payment of \$8.8M to the Nature Conservancy of Canada that was issued earlier this year.

Statement of Departmental Expenditures by Standard Object (Table 2)

Total net expenditures for the first quarter, ending June 30, 2014, was \$219.6M and is higher by \$37.7M (20.7%) in comparison to the same quarter in the previous year.

Personnel expenditures have increased by \$5.7M (3.6%) in the first quarter and is mainly explained by higher rates of pay as a result of collective agreements renewed and signed last fiscal year.

Transportation and Communications expenditures have decreased by \$1.8M (30.2%) compared to the same quarter last year. This is mainly attributable to the reduction of travel expenses linked to recent budget reductions.

Rentals expenditures have decreased by \$8.3M (81.5%) in the first quarter. This is mainly due to a lease payment for the Pacific Environmental Center that will occur later compared to last fiscal year.

Transfer Payments expenditures have increased by \$13.6M (176.9%) in the first quarter. This is mainly due to the contribution payment to the United Nations Environment Program (UNEP) for the Canada's annual core contribution and the grant payment of \$8.8M to the Nature Conservancy of Canada, which were issued earlier this year.

Other subsidies and payments have increased by \$19.6M compared to the same quarter last year. This is due to a one-time transition payment for implementing salary payment in arrears by the Government of Canada.

Revenues have decreased by \$13.0M (52.8%) compared to the first quarter last year which is mainly attributable to the timing of the collection for various programs.

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 2014-2015, 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. Extensive consultations in 2013-14, engaging the risk governance structure, resulted in the development of Environment Canada's 2014-17 Corporate Risk Profile which is broadly communicated to all employees. The following corporate risks were identified: Delivering Environment Canada Services, Working with Partners/Stakeholders, Workforce Readiness, Managing Information and Regulatory/Legislation.

Environment Canada's proactively manages risks through ongoing monitoring, with adjustments made to departmental strategies, resources or program objectives to ensure appropriate controls and mitigation measures are applied as required. Environment Canada's Blueprint 2020 engagement strategies have also been considered in the development of the following key mitigating activities and management actions:

- Maintaining channels, protocols and agreements to ensure that risks of not being able to deliver Environment Canada services are managed. The viability and readiness of the Business Continuity Plan is tested and training on emergency response is provided.
- Building and strengthening relations with stakeholders and partners through collaborative planning networks/processes to facilitate better sharing of information, understanding of strategic priorities and potential changes, clarity of roles and responsibilities and more timely mitigating actions as required.
- Building a capable workforce through training and the promotion of a culture of performance management. Environment Canada will also examine other science-based department strategies to inform Environment Canada's resourcing model for scientists.
- Continuing to advance the implementation of protocols and procedures, ongoing communication and provision of relevant training on information management, security, file management, privacy, quality assurance and compliance testing.
- Maintaining or strengthening relationships with partners and stakeholders, domestically and internationally to share and understand regulatory/legislative expectations.

Risk management continues to be a key activity for the Department. Environment Canada will continue to integrate risk information into priority setting, business and resource planning, performance management and decision making. Risk management practices will continue to be strengthened through capacity building initiatives to foster a culture of responsible and informed risk-taking from senior management to the lowest level.

Significant changes in relation to operations, personnel and programs

On June 20, 2014, the Right Honourable Stephen Harper, Prime Minister of Canada, appointed Michael Martin as the Deputy Minister of the Environment effective July 2, 2014.

Budget 2012 Implementation

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

Environment Canada will achieve Budget 2012 savings of \$53.8 million in fiscal year 2014-15 by streamlining departmental operations through better management and by working with partners as well as by eliminating or reducing programs that do not contribute directly to the Department's core mandate.

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

- Domestic travel between major cities has been reduced and replaced, when possible, using communications technology such as videoconferencing, telepresence and webinars;
- The overall size of Environment Canada's vehicle fleet has been reduced with better management of vehicles through their whole life-cycle; and
- The use of professional services has been reduced.

Examples of reductions to non-core activities in 2014-15 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.

In the first year of implementation, the Department achieved savings of \$13.3 million. Savings of \$31.5 million were achieved in 2013-14, and \$53.8 million for 2014-15 and ongoing.

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

There are no significant financial risks or uncertainties related to the implementation of Environment Canada's 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.

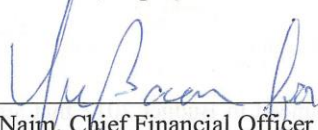
Approved by:



Michael Martin, Deputy Minister

5/8/14

Date



Carol Najm, Chief Financial Officer
Gatineau, Canada

5/8/2014

Date

Environment Canada
For the quarter ended June 30, 2014
Statement of Authorities (unaudited) – Table 1

	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Total available for use for the year ending March 31, 2015*	Used during the quarter ended June 30, 2014	Year to date used at quarter end	Total available for use for the year ending March 31, 2014	Used during the quarter ended June 30, 2013	Year to date used at quarter end
(In thousands of dollars)						
Vote 1 – Net Operating expenditures	687,165	174,593	174,593	701,255	148,762	148,762
Vote 5 – Capital expenditures	52,789	2,563	2,563	51,922	2,936	2,936
Vote 10 – Grants and contributions	107,286	12,434	12,434	117,353	7,667	7,667
Statutory – Employee Benefits Plan	84,848	21,212	21,212	88,750	22,187	22,187
Statutory – Minister’s Car Allowance	80	20	20	79	20	20
Statutory – Refund of previous years revenue	0	0	0	0	379	379
Statutory - Spending of proceeds from the disposal of surplus Crown assets	0	0	0	0	0	0
Statutory - Nature Conservancy of Canada	8,792	8,792	8,792	0	0	0
Total Budgetary authorities	940,960	219,614	219,614	959,359	181,951	181,951
Non-bugetary authorities	-	-	-	-	-	-
Total authorities	940,960	219,614	219,614	959,359	181,951	181,951

* The Total funding available for use includes the 2014-2015 Main Estimates only and will follow through with Supplementary Estimates “B” and “C” later this year.

Environment Canada

For the quarter ended June 30, 2014

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

	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015*	Expended during the quarter ended June 30, 2014	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date used at quarter end
(In thousands of dollars)						
Expenditures:						
Personnel	599,150	163,170	163,170	598,885	157,477	157,477
Transportation and communications	37,577	4,173	4,173	44,183	5,976	5,976
Information	3,992	209	209	2,588	208	208
Professional and special services	126,095	12,123	12,123	119,353	12,082	12,082
Rentals	24,957	1,881	1,881	20,967	10,151	10,151
Repair and maintenance	19,920	1,210	1,210	21,666	3,033	3,033
Utilities, materials and supplies	39,287	6,150	6,150	33,076	6,564	6,564
Acquisition of land, buildings and works	1,650	1	1	1,904	23	23
Acquisition of machinery and equipment	52,193	1,182	1,182	60,975	3,041	3,041
Transfer payments	116,079	21,226	21,226	117,354	7,667	7,667
Other subsidies and payments	8,656	19,907	19,907	3,957	325	325
Total gross budgetary expenditures	1,029,556	231,232	231,232	1,024,908	206,547	206,547
Less Revenues netted against expenditures:						
Revenues	88,596	11,618	11,618	65,549	24,596	24,596
Total revenues netted against expenditures	88,596	11,618	11,618	65,549	24,596	24,596
Total net budgetary expenditures	940,960	219,614	219,614	959,359	181,951	181,951

* The Planned expenditures includes the 2014-2015 Main Estimates only and will follow through with Supplementary Estimates "B" and "C" later this year.

