



Environment
Canada

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DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q2/2014-2015

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

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 (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 September 30, 2014, reflects the authorities that were approved for this period. The funding available for use includes the 2014-2015 Main Estimates, the Operating and Capital budget carry-forwards and the increase of Environment Canada's Vote Netted Revenues. Authorities for Supplementary Estimates "B" and "C" will follow later this year. Environment Canada's authorities "Total available for use for the year ending March 31, 2015" is higher by approximately \$31.8M (\$991.2M - \$959.4M)¹ when compared to the same quarter of the previous year. This difference is explained by increases in Vote 1 - Operating of \$24.2M (\$725.5M - \$701.3M)¹, in Vote 5 - Capital of \$12.6M (\$64.5M - \$51.9M)¹ and in Budgetary statutory authorities for the Employee Benefit Plan, Minister's Car Allowance and the Nature Conservancy of Canada of \$5.1M (\$93.9M - \$88.8M)¹, offset by a decrease in Vote 10 - Grants and Contributions of \$10.1M (\$107.3M - \$117.4M)¹.

The \$24.2M net increase compared to last fiscal year in the Operating authorities is due to the following:

- \$38.3M increase due to the receipt of the Operating budget carry-forward from TBS earlier this year;
- \$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;

offset by:

- \$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 See Statement of Authorities.

- \$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; and,
- \$0.7M net decrease from various other smaller adjustments.

The \$12.6M net increase compared to last fiscal year in the Capital authorities is due to the following:

- \$11.7M increase due to the receipt of the Capital budget carry-forward from TBS earlier this year;
- \$1.6M increase to improve Canada’s weather services by ensuring the integrity of Government of Canada’s weather and environmental monitoring; and,
- \$0.9M increase for the strategy to implement a world class prevention, preparedness and response regime for oil spills;

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:

- \$25M decrease to the Sustainable Development Technology Canada (SDTC) for the Next Generation Biofuels Fund; and,
- \$1.7M decrease for savings measures identified as part of Budget 2012;

offset by:

- \$12.5M increase to the Sustainable Development Technology Canada (SDTC) 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 \$5.1M 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;

offset by:

- \$3.7M net decrease under the Employee Benefit Plans (EBP).

Expenditure Analysis

Total net expenditures for the second quarter, ending September 30, 2014, was \$232.7M and is higher by \$7.8M (3.5%) in comparison to the same quarter in the previous year. The year to date expenditures as of September 30, 2014 is \$452.3M which represent an increase of \$45.5M (11.2%) compared to the same period last year.

Vote 1 – Operating authorities used during the second quarter of 2014-2015 totaled \$186M, which represents an increase of \$5.4M (3%) compared to the same quarter in 2013-2014. The increase is mainly due to the higher rates of pay as a result of collective agreements renewed and signed last year as well as a lease payment for the Pacific Environmental Center that occurred later compared to last fiscal year. These increases are offset by a reduction of payments in lieu of severance pay and retroactive salaries and wages.

Vote 5 – Capital authorities used during the second quarter of 2014-2015 totaled \$8.9M, which represents an increase of \$1.3M (16.5%) compared to the same quarter in 2013-2014. This increase is mainly due to acquisition of equipment to support the Weatherradio network.

Vote 10 – Grants and contributions authorities used during the second quarter of 2014-2015 totaled \$16.6M, which represents an increase of \$2.3M (15.8%) compared to the same quarter in 2013-2014. This is mainly attributable to the contribution payment for Canada's share of the Commission of Environmental Co-operation (CEC) which was issued later this year as well as to earlier payments resulting from improvements to the departmental grants and contributions approval process.

Statutory authorities used during the second quarter of 2014-2015 totaled \$21.3M, which represents a decrease of \$1.1M (5%) compared to the same quarter in 2013-2014 due to a reduced expenditures tied to the Employee Benefit Plans.

Statement of Departmental Expenditures by Standard Object (Table 2)

Personnel expenditures have decreased by \$4.3M (2.7%) in the second quarter and is mainly explained by reduction of payments in lieu of severance pay and retroactive salaries and wages offset by higher rates of pay as a result of collective agreements renewed and signed last fiscal year.

Rentals expenditures have increased by \$8.3M (131%) in the second quarter. This is mainly due to a lease payment for the Pacific Environmental Center that occurred later compared to last fiscal year.

Acquisition of machinery and equipment have increased by \$2.7M (59.3%) in the second quarter. This is mainly due to earlier payments compared to the previous year as well as to acquisition of equipment to support the Weatherradio network.

Transfer Payments expenditures have increased by \$2.3M (15.8%) in the second quarter. This is mainly attributable to the contribution payment for Canada's share of the Commission of Environmental Cooperation (CEC) which was issued later this year as well as to earlier payments resulting from improvements to the departmental grants and contributions approval process. Year to date expenditures have increased by \$15.8M (71.9%) which 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 (NCC), which were issued earlier this year.

Revenues have increased by \$2.7M (23.1%) compared to the second 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 revenues. 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's 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's 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

There are no significant financial management governance changes in relation to operations, personnel and programs to report during the second quarter of 2014-2015.

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 \$53.8M 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

13/11/14
Date



Carol Najm, ADM
Finance Branch and
Chief Financial Officer

NOV 10 2014
Date

Environment Canada
For the quarter ended September 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 September 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 September 30, 2013 | Year to date used at quarter end |
| (In thousands of dollars) | | | | | | |
| Vote 1 – Net Operating expenditures | 725,505 | 185,979 | 360,572 | 701,255 | 180,553 | 329,315 |
| Vote 5 – Capital expenditures | 64,526 | 8,860 | 11,423 | 51,922 | 7,603 | 10,539 |
| Vote 10 – Grants and contributions | 107,287 | 16,598 | 29,032 | 117,353 | 14,339 | 22,006 |
| Statutory – Employee Benefits Plan | 84,993 | 21,212 | 42,424 | 88,750 | 22,188 | 44,375 |
| Statutory – Minister’s Car Allowance | 80 | 20 | 40 | 79 | 19 | 39 |
| Statutory – Refund of previous years revenue | - | 6 | 6 | - | - | 379 |
| Statutory - Spending of proceeds from the disposal of surplus Crown assets | - | 59 | 59 | - | 220 | 220 |
| Statutory - Nature Conservancy of Canada | 8,792 | - | 8,792 | - | - | - |
| Total Budgetary authorities | 991,183 | 232,734 | 452,348 | 959,359 | 224,922 | 406,873 |
| Non-budgetary authorities | - | - | - | - | - | - |
| Total authorities | 991,183 | 232,734 | 452,348 | 959,359 | 224,922 | 406,873 |

* The funding available for use includes the 2014-2015 Main Estimates, the Operating and Capital budget carry-forward and the increase of Environment Canada’s Vote Netted Revenue. Authorities for Supplementary Estimates “B” and “C” will follow later this year.

Environment Canada

For the quarter ended September 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 September 30, 2014 | Year to date used at quarter end | Planned expenditures for the year ending March 31, 2014 | Expended during the quarter ended September 30, 2013 | Year to date used at quarter end |
| (In thousands of dollars) | | | | | | |
| Expenditures: | | | | | | |
| Personnel | 600,182 | 157,372 | 320,542 | 598,885 | 161,717 | 319,194 |
| Transportation and communications | 43,845 | 9,764 | 13,937 | 44,183 | 8,617 | 14,593 |
| Information | 4,639 | 631 | 840 | 2,588 | 585 | 793 |
| Professional and special services | 145,909 | 25,163 | 37,286 | 119,353 | 24,232 | 36,314 |
| Rentals | 29,181 | 14,666 | 16,547 | 20,967 | 6,348 | 16,499 |
| Repair and maintenance | 23,128 | 2,816 | 4,026 | 21,666 | 3,569 | 6,602 |
| Utilities, materials and supplies | 45,623 | 9,322 | 15,472 | 33,076 | 8,932 | 15,496 |
| Acquisition of land, buildings and works | 2,010 | 50 | 51 | 1,904 | 240 | 263 |
| Acquisition of machinery and equipment | 63,649 | 7,138 | 8,320 | 60,975 | 4,480 | 7,521 |
| Transfer payments | 116,079 | 16,598 | 37,824 | 117,354 | 14,339 | 22,006 |
| Other subsidies and payments | 8,659 | 3,344 | 23,251 | 3,957 | 3,340 | 3,665 |
| Total gross budgetary expenditures | 1,082,904 | 246,864 | 478,096 | 1,024,908 | 236,399 | 442,946 |
| Less Revenues netted against expenditures: | | | | | | |
| Revenues | 91,721 | 14,130 | 25,748 | 65,549 | 11,477 | 36,073 |
| Total revenues netted against expenditures | 91,721 | 14,130 | 25,748 | 65,549 | 11,477 | 36,073 |
| Total net budgetary expenditures | 991,183 | 232,734 | 452,348 | 959,359 | 224,922 | 406,873 |

* The planned expenditures includes the 2014-2015 Main Estimates, the Operating and Capital budget carry-forward and the increase of Environment Canada's Vote Netted Revenue. Authorities for Supplementary Estimates "B" and "C" will follow later this year.

