

Privy Council Office

Quarterly Financial Report

Statement outlining results, risks and significant changes in operations, personnel and programs

For the quarter ended December 31, 2017

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Introduction

This 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 Directive on Accounting Standards, GC 4400 Departmental Quarterly Financial Report. This quarterly financial report should be read in conjunction with the *Main Estimates* and previous Quarterly Financial Reports. For more information on PCO, please visit PCO's website <http://www.pco.gc.ca>.

This quarterly report has not been subject to an external audit or review but has been shared with the PCO Departmental Audit Committee and it reflects the committee members' comments.

Mandate

PCO supports the development and implementation of the Government of Canada's policy and legislative agendas, coordinates responses to issues facing the Government and the country, and supports the effective operation of Cabinet. PCO is led by the Clerk of the Privy Council, who also serves as Secretary to the Cabinet and the Head of the Public Service.

PCO serves Canada and Canadians by providing advice and support to the Prime Minister, portfolio ministers, and Cabinet.

PCO has three main roles:

1. Provide professional non-partisan advice to the Prime Minister, portfolio ministers, Cabinet and Cabinet committees on matters of national and international importance.
2. Support the smooth functioning of the Cabinet decision-making process and facilitate the implementation of the Government's agenda.
3. Foster a high-performing and accountable Public Service.

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Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes PCO's spending authorities granted by Parliament and those used by the department, consistent with the 2017-18 *Main Estimates, Supplementary Estimates (A), Supplementary Estimates (B) and TB Central Votes* for the same year. This quarterly report has been prepared using a special purpose financial reporting framework (cash basis) designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys 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.

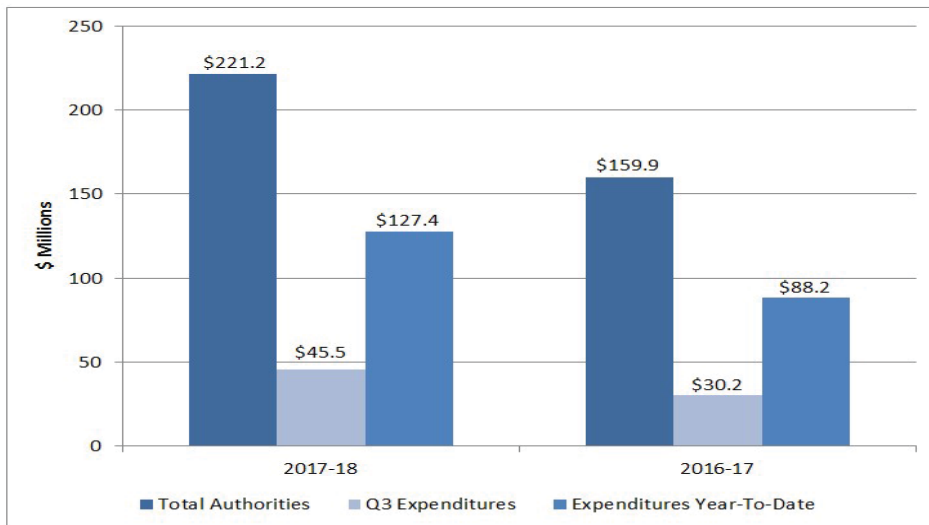
PCO uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date results

This section highlights the significant items that contributed to the net increase or decrease in authorities available for the year and actual expenditures for the quarter ended December 31, 2017.

PCO spent approximately 58% of its authorities by the end of the third quarter, compared to 55% in the same quarter of 2016-17 (see graph 1 below).

Graph 1: Comparison of Total Authorities and Total Net Budgetary Expenditures as of Q3 2017-2018 and 2016-2017



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Significant changes to authorities

As per graph 2 below as at December 31, 2017 and Table 2, presented at the end of this document, PCO has authorities available for use of \$221.2 million in 2017-18 compared to \$159.9 million as of December 31, 2016, for a net increase of \$61.3 million or 38%.

Graph 2: Variance in Authorities as at December 31, 2017



The authorities increase of \$61.3 million is mainly explained by:

Increase in authorities

- \$33.1 million for the National Inquiry into Missing and Murdered Indigenous Women and Girls;
- \$14.6 million for Budget 2016 initiatives to enhance PCO's capacity and strengthen security;
- \$11.2 million for the IM/IT Modernization Project;
- \$2.3 million for collective bargaining; and
- \$2.2 million for the establishment of a Secretariat for the National Security and Intelligence Committee of Parliamentarians (NSICOP).

Decrease in authorities

- \$0.8 million for the Beyond the Border Action Plan and the Office of the Special Advisor on Human Smuggling;
- \$0.6 million for the implementation of the government-wide initiative to reduce spending in professional services, travel and government advertising;

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- \$0.4 million to Department of Foreign Affairs, Trade and Development to support the Organisation for Economic Co-operation and Development's Public Sector Innovation Review; and
- \$0.3 million for the new non-partisan, merit-based Senate Appointment Process.

Significant changes to quarter expenditures

The third quarter expenditures recorded to the end of the third quarter increased by \$15.4 million, or 51%, from previous year at the same time (from \$30.2 million for 2016-17 to \$45.5 million for 2017-18). Table 1 below presents budgetary expenditures by standard object.

Table 1

Material Variances to Expenditures by Standard Object (in thousands of dollars)	Fiscal year 2017-18 Expended during the quarter ended 31-Dec-2017	Fiscal year 2016-17 Expended during the quarter ended 31-Dec-2016	Variance \$	Variance %
Personnel	30,530	24,772	5,758	23%
Transportation and communications	1,782	1,037	745	72%
Information	631	538	93	17%
Professional and special services	9,587	1,581	8,006	506%
Rentals	293	166	127	77%
Repair and maintenance	784	1,011	(227)	(22%)
Utilities, materials and supplies	122	157	(35)	(22%)
Acquisition of machinery and equipment	1,586	735	851	116%
Transfer payments	-	-	-	-
Other subsidies and payments	206	154	52	34%
Total gross budgetary expenditures *	45,521	30,152	15,370	51%

* Details may not add to totals due to rounding

Personnel

The overall increase of \$5.8 million in personnel spending is related to Budget 2016 initiatives to enhance PCO capacity and strengthen security, spending for the National Inquiry into Missing and Murdered Indigenous Women and Girls, and an increase in contributions to Employee Benefit Plans.

Transportation and communications

The increase of \$0.7 million is mainly due to travel expenses related to the National Inquiry into Missing and Murdered Indigenous Women and Girls.

Professional and special services

The increase of \$8.0 million is mainly due to spending for the modernization of PCO's information technology infrastructures approved in Budget 2016.

Acquisition of machinery and equipment

The increase of \$0.9 million is due to spending on telecommunication and security equipment.

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Significant changes to year-to-date expenditures

Year-to-date expenditures recorded to the end of the third quarter increased by \$39.1 million, or 44%, from previous year at the same time (from \$88.2 million for 2016-17 to \$127.4 million for 2017-18). Table 2 below presents budgetary expenditures by standard object.

Table 2

Material Variances to Expenditures by Standard Object (in thousands of dollars)	YTD Expenditures as of Dec 31 2017	YTD Expenditures as of Dec 31 2016	Variance \$	Variance %
Personnel	89,964	70,733	19,231	27%
Transportation and communications	4,041	2,729	1,312	48%
Information	1,641	1,274	367	29%
Professional and special services	24,326	7,542	16,784	223%
Rentals	1,143	1,030	113	11%
Repair and maintenance	1,818	1,967	(149)	(8%)
Utilities, materials and supplies	446	331	115	35%
Acquisition of machinery and equipment	2,746	1,782	964	54%
Transfer payments	23	0	23	0%
Other subsidies and payments	1,232	861	371	43%
Total gross budgetary expenditures *	127,380	88,249	39,131	44%

* Details may not add to totals due to rounding

Personnel

The overall increase of \$19.2 million in personnel spending is related to Budget 2016 initiatives to enhance PCO capacity and strengthen security and spending for the National Inquiry into Missing and Murdered Indigenous Women and Girls.

Transportation and communications

The increase of \$1.3 million is due to travel expenses related to the National Inquiry into Missing and Murdered Indigenous Women and Girls.

Professional and special services

The increase of \$16.8 million is mainly due to spending related to the modernization of PCO's information technology infrastructure related to Budget 2016 initiatives.

Acquisition of machinery and equipment

The increase of \$1.0 million is due to spending on telecommunication and security equipment.

Risks and uncertainties

The dominant financial risks lie in funding initiatives to deal with issues that emerge unexpectedly. As part of its coordinating role, PCO is expected to launch these initiatives on short notice, and either manage the necessary expenditures within its own spending authorities, or cash manage until increased spending authorities are approved.

PCO provides administrative and financial support to the National Inquiry into Missing and Murdered Indigenous Women and Girls. There are limitations to financial oversight due to the arms length relationship between PCO and the National Inquiry.

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This Departmental Quarterly Financial Report reflects the results of the current fiscal period in relation to the *2017-18 Main Estimates, Supplementary Estimates (A), Supplementary Estimates (B) and TB Central Votes* for the same year.

PCO is closely monitoring pay transactions to identify and address over and under payments in a timely manner and continues to apply ongoing mitigating controls which were implemented in 2016.

Significant changes in relation to operations, personnel and programs

Operations

PCO's current operating environment continues to change as it pursues the priorities of the government's mandate. Budget 2017 announced the creation of two new secretariats within PCO to support the work of the Special Advisor on LGBTQ2 (Lesbian, Gay, Bisexual, Transgender, Queer, Two-spirited) issues and the Working Group on the Review of Laws and Policies related to Indigenous Peoples. Budget 2017 also announced the creation of a centre of expertise within PCO under the Impact Canada Initiative whose mandate is to test and encourage non-traditional partnership and projects to enable greater innovation.

Personnel

In December 2017, Matthew Shea was appointed the new Chief Financial Officer for the PCO.

Approval by senior officials:

Michael Wernick
Clerk of the Privy Council and
Secretary to the Cabinet

Matthew Shea
Assistant Deputy Minister,
Corporate Services Branch and
Chief Financial Officer

*Ottawa, Canada
February 28, 2018*

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ANNEX A

STATEMENT OF AUTHORITIES *(unaudited) (note 2)*

	Fiscal year 2017-2018			Fiscal year 2016-2017		
	Total available for use for the year ending March 31, 2018 (note 1)	Used during the quarter ended December 31, 2017	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2017 (note 1)	Used during the quarter ended December 31, 2016	Year-to-date used at quarter-end
<i>(In thousands of dollars)</i>						
Vote 1 - Net operating expenditures	204,482	41,803	116,223	143,024	27,633	78,290
Budgetary statutory authorities						
Contributions to employee benefits plans	16,381	3,654	10,962	16,545	2,433	9,732
Prime Minister - Salary and motor car allowance	174	44	131	172	43	115
Minister of Infrastructure, Communities and Intergovernmental Affairs and Minister of the Economic Development Agency of Canada for the Regions of Quebec - Salary and motor car allowance	-	-	-	-	-	-
Leader of the Government in the House of Commons - Salary and motor car allowance	84	-	-	84	21	56
Minister of Democratic Institutions - Salary and motor car allowance	84	21	63	84	21	56
Minister of State (Democratic Reform) - Motor car allowance	-	-	-	-	-	-
Minister of State and Chief Government Whip - Motor car allowance	-	-	-	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	34	-	-	41	-	-
Total budgetary authorities	221,240	45,521	127,380	159,950	30,152	88,249
TOTAL AUTHORITIES	221,240	45,521	127,380	159,950	30,152	88,249

Note 1: Includes only Authorities available for use and granted by Parliament at quarter-end for each respective fiscal year.

Note 2: Details may not add to totals due to rounding

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ANNEX B

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Departmental budgetary expenditures by Standard Object *(unaudited) (note 2)*

(In thousands of dollars)

	Fiscal year 2017-2018			Fiscal year 2016-2017		
	Planned expenditures for the year ending March 31, 2018 (note 1)	Expended during the quarter ended December 31, 2017	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2017 (note 1)	Expended during the quarter ended December 31, 2016	Year-to-date used at quarter-end
Expenditures						
Personnel	125,367	30,530	89,964	110,990	24,772	70,733
Transportation and communications	11,941	1,782	4,041	4,721	1,037	2,729
Information	7,148	631	1,641	4,345	538	1,274
Professional and special services	54,882	9,587	24,326	30,340	1,581	7,542
Rentals	3,215	293	1,143	1,375	166	1,030
Repair and maintenance	5,257	784	1,818	2,400	1,011	1,967
Utilities, materials and supplies	591	122	446	700	157	331
Acquisition of machinery and equipment	8,370	1,586	2,746	5,231	735	1,782
Transfer payments	4,500	-	23	-	-	-
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	44	206	1,232	(79)	154	861
Total gross budgetary expenditures	221,315	45,521	127,380	160,025	30,152	88,249
Less revenues netted against expenditures						
Revenues	(75)	-	-	(75)	-	-
Total revenues netted against expenditures	(75)	-	-	(75)	-	-
TOTAL BUDGETARY EXPENDITURES	221,240	45,521	127,380	159,950	30,152	88,249

Note 1: Includes only Authorities available for use and granted by Parliament at quarter-end for each respective fiscal year.

Note 2: Details may not add to totals due to rounding