

Privy Council Office

Quarterly Financial Report

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

For the quarter ended June 30, 2018

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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 2018-19 *Main Estimates*. 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.

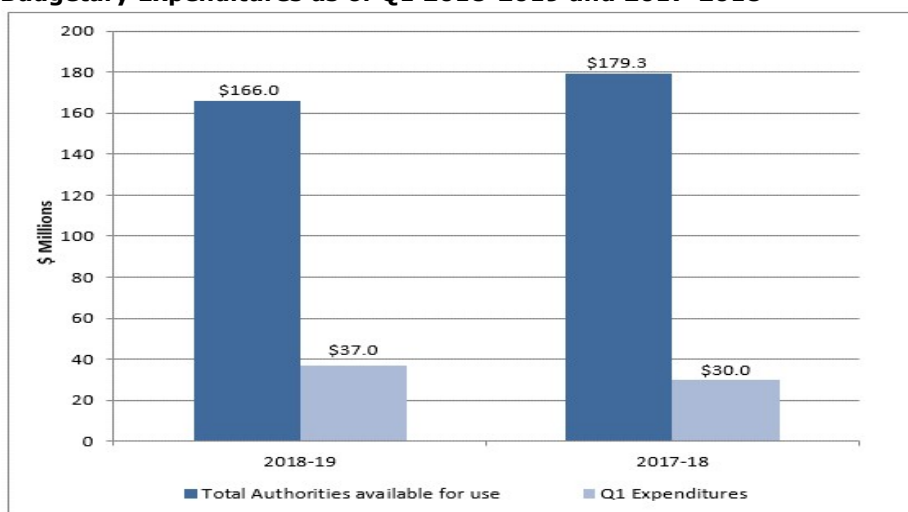
PCO uses the full accrual method of accounting to prepare and present its annual departmental financial statements¹ that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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 June 30, 2018.

PCO spent approximately 22% of its authorities available for use by the end of the first quarter, compared to 17% in the same quarter of 2017-18 (see graph 1 below).

Graph 1: Comparison of Total Authorities Available For Use and Total Net Budgetary Expenditures as of Q1 2018-2019 and 2017-2018



¹ The notes to the annual departmental financial statements include a reconciliation between full accrual results and spending authorities.

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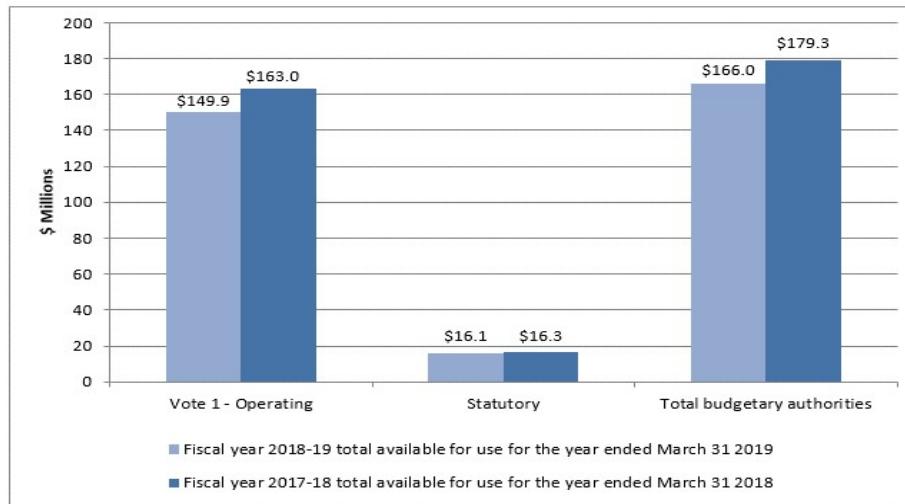
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Significant changes to authorities

As per graph 2 below as at June 30, 2018 and Table 1, presented at the end of this document, PCO has authorities available for use of \$166.0 million in 2018-19 compared to \$179.3 million as of June 30, 2017, for a net decrease of \$13.3 million or 7%.

Graph 2: Variance in Authorities as at June 30, 2018



The net decrease in authorities of \$13.3 million is mainly explained by:

Decrease in authorities

- \$20.2 million for the National Inquiry into Missing and Murdered Indigenous Women and Girls;
- \$5.6 million for the Access Control and Physical Security Project; and
- \$0.3 million for Canada's Migrant Smuggling Prevention Strategy.

Increase in authorities

- \$9.4 million for PCO's information technology modernization project and other organizational changes;
- \$1.3 million for implementing the Impact Canada Initiative by creating a centre of expertise within PCO;
- \$1.1 million for the establishment of a LGBTQ2 (Lesbian Gay Bisexual Transgender Queer Two-Spirit) Secretariat within the PCO; and
- \$1.0 million for the creation of a Secretariat supporting a Working Group of Ministers on the review of laws and policies related to Indigenous peoples.

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Significant changes to expenditures

Year-to-date expenditures recorded to the end of the first quarter increased by \$6.9 million, or 23%, from the same period of the previous year (from \$30.0 million for 2017-18 to \$36.9 million for 2018-19). Table 1 below presents budgetary expenditures by standard object.

Table 1

Material Variances to Expenditures by Standard Object (in thousands of dollars)	Fiscal year 2018-19 Expended during the quarter ended 30-June-2018	Fiscal year 2017-18 Expended during the quarter ended 30-June-2017	Variance \$	Variance %
Personnel	29,843	24,285	5,558	23%
Transportation and communications	835	857	(22)	(3%)
Information	521	403	118	29%
Professional and special services	4,422	2,846	1,576	55%
Rentals	439	527	(88)	(17%)
Repair and maintenance	(305)	31	(336)	(1084%)
Utilities, materials and supplies	122	73	49	67%
Acquisition of machinery and equipment	568	516	52	10%
Transfer payments	132	0	132	-
Other subsidies and payments	380	480	(100)	(21%)
Total gross budgetary expenditures *	36,957	30,017	6,940	23%

* Details may not add to totals due to rounding

Personnel

The overall increase of \$5.6 million in personnel spending is related to spending for the National Inquiry into Missing and Murdered Indigenous Women and Girls, department-wide personnel costs, and an increase in contributions to Employee Benefit Plans.

Professional and special services

The increase of \$1.6 million is mainly due to spending for the National Inquiry into Missing and Murdered Indigenous Women and Girls and for informatic technology services.

Repair and maintenance

The decrease of \$0.3 million is due to an overestimated recovery transaction with another department, which will be adjusted in the second quarter report.

Transfer Payments

The increase of \$132K in transfer payments is due to spending for the activities of the National Inquiry into Missing and Murdered Indigenous Women and Girls.

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.

This Departmental Quarterly Financial Report reflects the results of the current fiscal period in relation to the *2018-19 Main Estimates*.

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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

PCO's operating environment has not significantly changed in the last quarter as it pursues the priorities of the government's mandate.

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
August 29, 2018*

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ANNEX A

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

	Fiscal year 2018-2019			Fiscal year 2017-2018		
	Total available for use for the year ending March 31, 2019 (note 1)	Used during the quarter ended June 30, 2018	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2018 (note 1)	Used during the quarter ended June 30, 2017	Year-to-date used at quarter-end
<i>(In thousands of dollars)</i>						
Vote 1 - Net operating expenditures	149,935	32,959	32,959	163,047	27,531	27,531
Budgetary statutory authorities						
Contributions to employee benefits plans	15,727	3,932	3,932	15,904	2,436	2,436
Prime Minister - Salary and motor car allowance	178	44	44	174	44	44
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	86	-	-	84	-	-
Minister of Democratic Institutions - Salary and motor car allowance	86	22	22	84	7	7
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	6	-	-	34	-	-
Total budgetary authorities	166,017	36,957	36,957	179,329	30,017	30,017
TOTAL AUTHORITIES	166,017	36,957	36,957	179,329	30,017	30,017

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

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

(In thousands of dollars)

	Fiscal year 2018-2019			Fiscal year 2017-2018		
	Planned expenditures for the year ending March 31, 2019 (note 1)	Expended during the quarter ended June 30, 2018	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2018 (note 1)	Expended during the quarter ended June 30, 2017	Year-to-date used at quarter-end
Budgetary expenditures						
Personnel	119,541	29,843	29,843	115,784	24,285	24,285
Transportation and communications	6,303	835	835	11,626	857	857
Information	5,261	521	521	7,148	403	403
Professional and special services	26,531	4,422	4,422	26,949	2,846	2,846
Rentals	1,807	439	439	3,210	527	527
Repair and maintenance	2,084	(305)	(305)	5,257	31	31
Utilities, materials and supplies	516	122	122	583	73	73
Acquisition of machinery and equipment	4,707	568	568	4,302	516	516
Transfer payments	-	132	132	4,500	-	-
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	351	380	380	44	480	480
Total gross budgetary expenditures	167,102	36,957	36,957	179,404	30,017	30,017
Less revenues netted against expenditures						
Revenues	(1,085)	-	-	(75)	-	-
Total revenues netted against expenditures	(1,085)	-	-	(75)	-	-
TOTAL BUDGETARY EXPENDITURES	166,017	36,957	36,957	179,329	30,017	30,017

Note 1: Includes only Authorities available for use and granted by Parliament at quarter-end for each respective fiscal year (Frozen budget of \$349K included for 2018-19).

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

Note 3: Standard Object for Repair and maintenance - Overestimated recovery transaction with another department to be adjusted in the second quarter report.