

Privy Council Office

Quarterly Financial Report

**Statement outlining results, risks and significant changes in operations,
personnel and programs
For the quarter ended September 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.

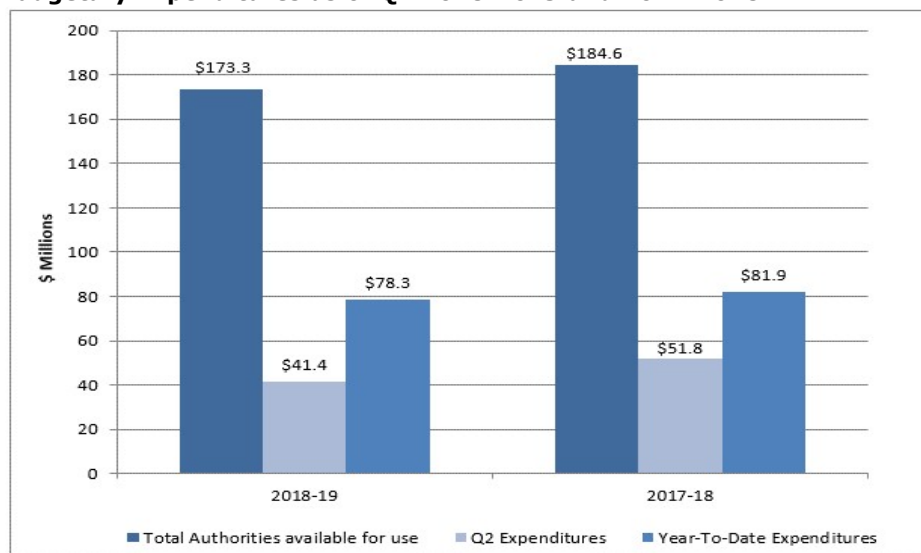
PCO uses the full accrual method of accounting to prepare and present its annual departmental financial statements ¹ that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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 September 30, 2018.

PCO spent approximately 45% of its authorities available for use by the end of the second quarter, compared to 44% 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 Q2 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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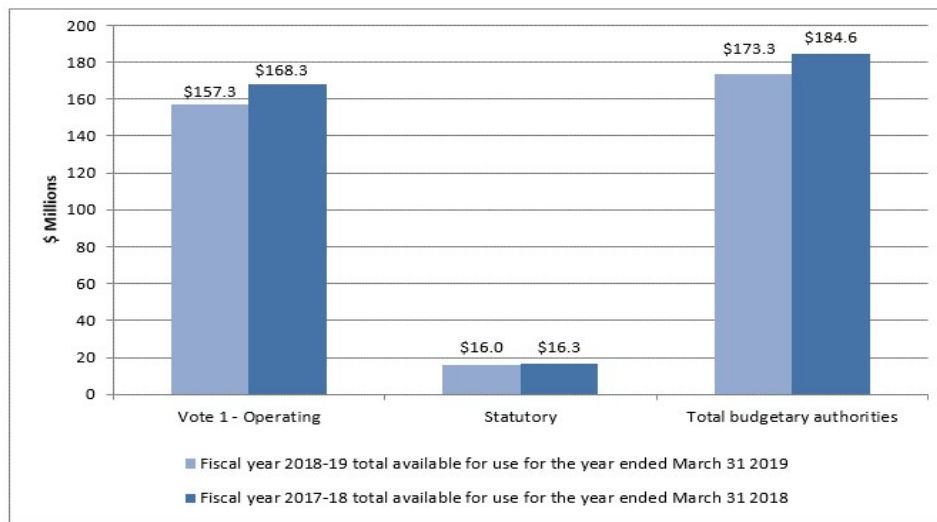
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Significant changes to authorities

As per graph 2 below, PCO has authorities available for use of \$173.3 million in 2018-19 compared to \$184.6 million as of September 30, 2017, for a net decrease of \$11.3 million or 6%.

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



The net decrease in authorities of \$11.3 million is mainly explained by:

Decrease in authorities

- \$20.2 million for the National Inquiry into Missing and Murdered Indigenous Women and Girls; and
- \$5.6 million for the Access Control and Physical Security Project.

Increase in authorities

- \$9.4 million for PCO's information technology modernization project;
- \$3.0 million for collective bargaining adjustments;
- \$1.3 million for implementing the Impact Canada Initiative; and
- \$0.9 million for the 2017-18 Operating Budget Carry Forward that exceeds the 2016-17 Operating Budget Carry Forward.

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Significant changes to quarter expenditures by Standard Object

The second quarter expenditures totaled \$41.4 million for a net decrease of \$10.5 million (20%) when compared to \$51.8 million spent during the same period in 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 2018-19 Expended during the quarter ended 30-Sept-2018	Fiscal year 2017-18 Expended during the quarter ended 30-Sept-2017	Variance \$	Variance %
Personnel	30,523	35,149	(4,626)	(13%)
Transportation and communications	1,820	1,402	418	30%
Information	955	607	348	57%
Professional and special services	4,982	11,893	(6,911)	(58%)
Rentals	368	323	45	14%
Repair and maintenance	405	1,003	(598)	(60%)
Utilities, materials and supplies	217	252	(35)	(14%)
Acquisition of machinery and equipment	1,202	644	558	87%
Transfer payments	686	23	663	2883%
Other subsidies and payments	215	547	(332)	(61%)
Total gross budgetary expenditures *	41,373	51,843	(10,471)	(20%)

* Details may not add to totals due to rounding

Personnel

The overall decrease of \$4.6 million in personnel spending is mainly related to the timing of the salary recoveries from other departments completed in this quarter and a decrease in contributions to Employee Benefit Plans.

Professional and special services

The decrease in spending of \$6.9 million is mainly due to spending for PCO's information technology modernization project, as a number of sub-projects were substantially completed in 2017-18.

Acquisition of machinery and equipment

The increase of \$0.6 million is mainly due to spending on telecommunication and security equipment related to Budget 2016 investments.

Transfer Payments

The National Inquiry into Missing and Murdered Indigenous Women and Girls increased its transfer payments by \$0.7 million.

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Significant changes to year-to-date expenditures by Standard Object

The year-to-date expenditures totaled \$78.3 million for a net decrease of \$3.5 million (4%) when compared to \$81.9 million spent during the same period in 2017-18. Table 2 below presents budgetary expenditures by standard object.

Table 2

Material Variances to Expenditures by Standard Object	YTD Expenditures as of Sept 30 2018	YTD Expenditures as of Sept 30 2017	Variance \$	Variance %
(in thousands of dollars)				
Personnel	60,366	59,434	932	2%
Transportation and communications	2,654	2,259	395	17%
Information	1,477	1,011	466	46%
Professional and special services	9,404	14,739	(5,335)	(36%)
Rentals	806	850	(44)	(5%)
Repair and maintenance	100	1,033	(933)	(90%)
Utilities, materials and supplies	339	324	15	5%
Acquisition of machinery and equipment	1,770	1,160	610	53%
Transfer payments	819	23	796	3461%
Other subsidies and payments	595	1,027	(432)	(42%)
Total gross budgetary expenditures *	78,330	81,860	(3,530)	(4%)

* Details may not add to totals due to rounding

Personnel

The overall increase of \$0.9 million in personnel spending is mainly related to spending for the National Inquiry into Missing and Murdered Indigenous Women and Girls, offset by salary recovery from other departments.

Professional and special services

The decrease of \$5.3 million is mainly due to decreased spending for PCO's information technology modernization project, as a number of sub-projects were substantially completed in 2017-18.

Repair and maintenance

The decrease of \$0.9 million is due to spending related to accommodation and building services.

Acquisition of machinery and equipment

The increase of \$0.6 million is mainly due to spending on telecommunication and security equipment related to Budget 2016 investments.

Transfer Payments

The National Inquiry into Missing and Murdered Indigenous Women and Girls increased its transfer payments by \$0.8 million.

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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*.

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.

In July 2018, the Prime Minister announced the appointment of Dominic Leblanc as the new Minister of Intergovernmental and Northern Affairs and Internal Trade. This appointment marks the first time during his Government's mandate that a Minister other than the Prime Minister has assumed responsibility for the intergovernmental affairs portfolio.

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
November 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 September 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 September 30, 2017	Year-to-date used at quarter-end
<i>(In thousands of dollars)</i>						
Vote 1 - Net operating expenditures	157,264	37,375	70,335	168,338	44,455	71,986
Budgetary statutory authorities						
Contributions to employee benefits plans	15,727	3,932	7,863	15,904	7,308	9,744
Prime Minister - Salary and motor car allowance	178	44	89	174	44	87
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	43	84	35	42
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	173,347	41,373	78,330	184,620	51,843	81,860
TOTAL AUTHORITIES	173,347	41,373	78,330	184,620	51,843	81,860

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 September 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 September 30, 2017	Year-to-date used at quarter-end
Budgetary expenditures						
Personnel	120,697	30,523	60,366	120,168	35,149	59,434
Transportation and communications	6,303	1,820	2,654	11,887	1,402	2,259
Information	5,261	955	1,477	7,148	607	1,011
Professional and special services	32,706	4,982	9,404	27,587	11,893	14,739
Rentals	1,807	368	806	3,215	323	850
Repair and maintenance	2,084	405	100	5,257	1,003	1,033
Utilities, materials and supplies	516	217	339	586	252	324
Acquisition of machinery and equipment	4,707	1,202	1,770	4,302	644	1,160
Transfer payments	-	686	819	4,500	23	23
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	351	215	595	44	547	1,027
Total gross budgetary expenditures	174,432	41,373	78,330	184,695	51,843	81,860
Less revenues netted against expenditures						
Revenues	(1,085)	-	-	(75)	-	-
Total revenues netted against expenditures	(1,085)	-	-	(75)	-	-
TOTAL BUDGETARY EXPENDITURES	173,347	41,373	78,330	184,620	51,843	81,860

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