

**QUARTERLY FINANCIAL REPORT FOR THE QUARTER  
ENDED DECEMBER 31, 2013**

**ECONOMIC DEVELOPMENT AGENCY OF CANADA  
FOR THE REGIONS OF QUEBEC**

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## **1. Introduction**

This quarterly financial report should be read in conjunction with the 2013-2014 *Main Estimates*, the 2013-2014 Supplemental Estimates B and Canada's Economic Action Plan 2012 (*Budget 2012*). This report has been prepared by the Agency as required by subsection 65.1 of the *Financial Administration Act* and in the form and manner prescribed by Treasury Board (TB) Accounting Standard 1.3 - Departmental and Agency Quarterly Financial Report. This report has not been subject to an external audit or review.

### **1.1 Authorities, Mandate and Programs**

According to its enabling act, which came into force on October 5, 2005, the Economic Development Agency of Canada for the Regions of Quebec's (the Agency) mission is to promote long-term economic development in the regions of Quebec.

Additional information on the Agency's authorities, mandate and programs can be found in the [Report on Plans and Priorities](#) and the [Main Estimates](#).

### **1.2 Basis of Presentation**

This quarterly report has been prepared by the Agency using an expenditure basis of accounting and a special purpose financial reporting framework designed to meet financial information needs with respect to spending authorities. The accompanying Statement of Authorities can be used to compare the spending authorities Parliament granted to the Agency with authorities used by the Agency.

The information in the Statement of Authorities is consistent with the information presented in the *Main Estimates* for the 2013-2014 fiscal year. As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result the measures announced in the Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-2013, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In 2013-2014, the changes to departmental authorities have been implemented

through the Annual Reference Level Update, approved by the Treasury Board, and were reflected in the 2013-2014 Main Estimates tabled in Parliament. The authority of Parliament is required before monies 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.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

Additional funding was sought by the Economic Development Agency of Canada for the regions of Quebec through the 2013-2014 Supplementary Estimates B. The Agency received this additional authority net of the planned savings or other amounts transferred by Treasury Board authority to a frozen allotment.

The Agency uses the full accrual method of accounting to prepare and present its annual departmental financial statements published in the *Departmental Performance Report*. However, the spending authorities voted by Parliament are always established on an expenditure basis.

## **2. Highlights of fiscal quarter and fiscal year to date (YTD) results**

The goal of this section is to highlight the key elements underlying the Agency's financial results, which show a net decrease in resources available for the current fiscal year compared with the preceding year.

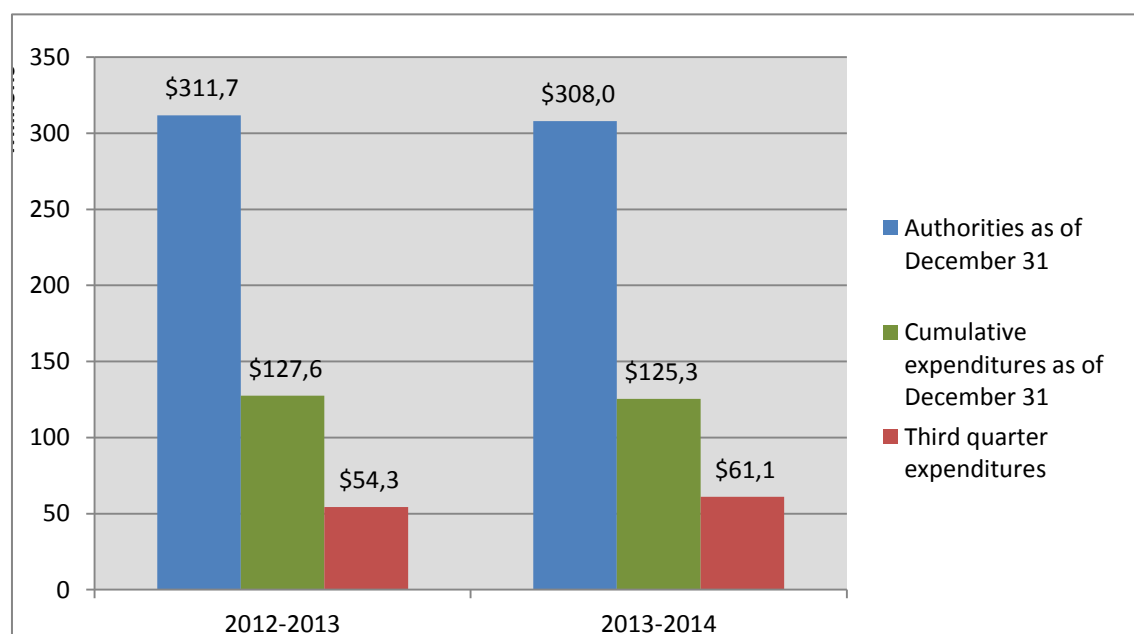
The explanation of variances considers that changes under 5% have minimal impact on the interpretation of results.

### **2.1 Analysis of Authorities**

At the end of this quarter, the Agency's available authorities totalled \$308.0 million. There was a net increase of \$53.0 million compared to the previous quarter's balance of \$254.9 million. This increase is composed of \$3.5 million in Vote 1 Authority – Operating expenditures, \$49.4 million in Vote 5 – Grants and contributions and \$0.2 million in Statutory Authorities.

There was a net decrease of \$3.7 million in available authorities compared to the same period in 2012-2013. This is the result of a \$2.6 million decrease in Vote 1 – Operating Expenditures, a \$0.7 million decrease in Vote 5 – Grants and Contributions and a \$0.4 million decrease in budgetary statutory authorities.

The graph on the following page provides an overview of net budgetary authorities that correspond to resources available for use for the fiscal year ending March 31, 2014.



Graph 1 – Actual expenditures compared to annual authorizations (in millions of dollars).

### Vote 1 Authority – Operating Expenditures

Available Vote 1 Authorities amounted to \$42.0 million. This \$3.5 million increase is primarily explained by the new funding for the implementation initiatives such as the *Economic Diversification Initiative for Quebec Communities Dependent on the Chrysotile Industry* and *Funding for the Economic Recovery of the town of Lac-Mégantic*, along with the 5% operating budget carry forward from last year (2012-2013) and some adjustments in connection to collective agreements.

A \$2.6 million (6%) decrease in operating expenditures compared to 2012-2013 is related to a combination of several factors which include the impact of the 2010 Strategic Review, the implementation of savings measures in Budget 2012 and the end of some temporary programs and initiatives.

(See table *Statement of Authorities*)

### **Vote 5 Authorities – Grants and Contributions**

During the third quarter of 2013-2014, Vote 5 Authorities – Grants and Contributions amounted to \$260.9 million.

There is a \$49.4 million net increase in authorities resulting from the combined effect of the following elements:

- An increase of \$33.9 million for the *Economic Recovery of the town of Lac-Mégantic* in the aftermath of the rail accident that occurred July 6, 2013;
- Approval of the reprofile request for the *Community Infrastructure Improvement Fund (CIIF)* for an amount of \$13.8 million in contributions;
- An increase of \$1.6 million for the *Economic Diversification Initiative for Quebec Communities Dependent on the Chrysotile Industry*;
- Transfer from the Department of Foreign Affairs, Trade and Development Canada for a net amount of \$140,000 for the 2013 Economic Forum of the Americas on the New Economic Cycle and the North American Platform Program.

Available Vote 5 Authorities are comparable to the ones of 2012-2013 which amounted to \$261.6 million.

(See table *Statement of Authorities*)

## 2.2 Analysis of Expenditures

The Agency recorded expenditures of \$61.1 million at the end of the third quarter and expenditures of \$125.3 million since the beginning of the year. Compared to last year, this represents a \$1.3 million increase in expenditures linked to Vote 1 – Operating Expenditures (13%), a \$5.7 million increase in Vote 5 – Grants and Contributions (11%) and a \$0.2 million decrease in expenses related to statutory authorities (12%). Nevertheless, on a cumulative basis, the Agency reported a decrease in spending of \$2.3 million, or about 2%, a difference considered not material.

(See table *Statement of Authorities*)

### Vote 1 – Operating Expenditures

Operating expenses were \$10.2 million for the third quarter of 2013-2014. On a cumulative basis after the first three quarters, this represents a 3% decrease from 2012-2013 which is compliant with the key government objectives to optimize the management of public funds.

The increases of \$1.3 million (13%) compared to the same quarter in 2012-2013 is mainly due to the increases in expenditure items: Staff \$0.9 million, Professional and special services \$0.2 million, and Rental and Information \$0.1 million. These increases can be explained by various factors related to the Agency's inherent operations.

Differences in other expenditure categories, for instance, Transports and Communications, Public services and Utilities, Materials and Supplies, etc., whether upward or downward, are not significant.

(See table *Departmental budgetary expenditures by Standard Object*)

### Vote 5 - Grants and Contributions Expenditures

During the third quarter of 2013-2014, the Agency spent \$49.7 million in Grants and Contributions for a total of \$93.4 million since the beginning of the year. This is the result of a \$22.3 million increase from last quarter due to normal operational fluctuations as well as significant expenses related to the *Community Infrastructure Improvement Fund*.

In addition to the variance observed with the previous quarter, there is also an increase of \$5.7 million (13%) compared to the same quarter of 2012-2013. This variance is also explained by normal operational fluctuations in contribution management that may occur from one year to another. However, on a cumulative basis, we experienced a decrease of \$ 1.1 million, or approximately 1%.

(See table *Departmental budgetary expenditures by Standard Object*)

### **3. Risks and Uncertainties**

The Agency conducts an annual analysis to update and maintains a corporate risk profile that enables it to identify and evaluate risks that could impede the attainment of its objectives and priorities. Like any organization, the Agency faces certain risks that, if they materialize, could have a financial impact. Mitigation strategies have been developed and measures implemented to keep the possibility of their occurrence to a minimum. Financial controls overall operate effectively and allow for the identification of material misstatements.

Three years ago, the government made a commitment to achieve fiscal balance and to reduce spending to restore the fiscal situation. It was with this in mind that the results of the 2010 Strategic Review, in which the Agency participated, were announced in Budget 2011. The reduction announced for CED in 2013-2014 was \$13.4 million. The budget cuts announced in Budget 2012 total \$26.9 million for CED in 2013-2014. In view of this situation, the Agency implemented a set of measures to enable it to mitigate the impact of the budgetary pressures indicated above. This has meant a staff reduction.

Accordingly, a number of transformation projects were launched in order to make the Agency more modern and efficient and to increase its ability to provide excellent service to Canadians, all the while respecting the limits on its financial resources. However, there are some risks attached to implementing these measures, particularly with regard to the integration of risk management into the administration of grants and contribution programs and the reduction of the resulting administrative burden. Consequently, if these risks were to materialize, there could be an impact on the manner in which the Agency delivers its programs.

As indicated above, the Agency received a budget of \$35 million to help the economic recovery of the town of Lac-Mégantic in the aftermath of the rail accident that occurred July 6, 2013. It should be noted that the Agency is going to experience significant challenges to disburse the whole amount of the budget within year-end. The Agency intends to request a reprofile of the unspent funds in 2013-2014 to the subsequent year(s).



CED manages the implementation of these measures in the context of reduced budgetary allocations and monitors funding regularly through a number of budgetary review processes for the Agency as a whole and through the analysis of expenditures and budget estimates by sector.

#### **4. Significant Changes in Relation to Operations, Personnel and Programs**

There have been no significant changes in relation to operations, personnel and programs impacting the results of this quarter, other than the implementation of measures related to Budget 2012.

It should be noted that the Agency has been under the governance of a new deputy head, Mrs. Marie Lemay, since November 25<sup>th</sup>, 2013.

#### **5. 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.

Canada Economic Development's contribution to this exercise consisted in:

- ✓ simplifying its programs
- ✓ reducing processing times and cutting red tape
- ✓ reorganizing its internal services in order to be more effective.

During 2012-2013, the first year of implementation of Budget 2012, CED achieved savings of around \$7.4 million. The implementation of savings measures will proceed as expected and will result in savings of \$26.7 million in 2013-2014. The reduction in positions has been achieved through a combination of attrition, management of unfilled positions and the negotiated elimination of positions in accordance with the work force adjustment process and collective agreements. There will be permanent savings of \$28.1 million between now and 2014-2015.

The original version was signed by:

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Marie Lemay  
Deputy Minister / President  
Montreal, Quebec, Canada  
February 28, 2014

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Luce Perreault  
Interim Chief Financial Officer  
Montreal, Quebec, Canada  
February 28, 2014

# Economic Development Agency of Canada for the Regions of Quebec

## Statement of Authorities (unaudited)

For the quarter ended December 31, 2013

Authorities	Fiscal Year 2013-2014 (in thousands of dollars)			Fiscal Year 2012-2013 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2014*	Used during the quarter ended December 31, 2013	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2013*	Used during the quarter ended December 31, 2012	Year-to- date used at quarter end
Vote 1 – Net Operating Expenditures	41,993	10,180	28,250	44,560	8,872	29,000
Vote 5 – Grants and Contributions	260,896	49,693	93,382	261,638	44,025	94,475
Total Budgetary Statutory Authorities	5,119	1,232	3,697	5,529	1,382	4,147
Non-budgetary Authorities	-	-	-	-	-	-
<b>Total Authorities</b>	<b>308,007</b>	<b>61,105</b>	<b>125,329</b>	<b>311,727</b>	<b>54,280</b>	<b>127,622</b>

\*Includes only Authorities available for use and granted by Parliament at quarter-end.

(An incremental difference in the sum of data may result from rounding)

# Economic Development Agency of Canada for the Regions of Quebec

## Departmental budgetary expenditures by Standard Object (unaudited)

For the quarter ended December 31, 2013

Expenditures	Fiscal Year 2013-2014 (in thousands of dollars)			Fiscal Year 2012-2013 (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2014*	Spent during the quarter ended December 31, 2013	Year-to-date used at quarter end	Planned expenditures for the year ending March 31, 2013	Spent during the quarter ended December 31, 2012	Year-to-date used at quarter end
Staff	34,622	9,932	27,984	36,898	9,046	29,441
Transportation and communications	2,079	186	455	2,643	181	520
Information	627	133	229	793	68	175
Professional and special services	5,019	1,020	2,692	6,212	811	2,339
Rentals	941	72	304	1,190	42	437
Repair and maintenance	105	3	14	141	6	17
Utilities, materials and supplies	209	28	90	264	37	96
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	1,246	27	163	1,830	49	96
Transfer payments	260,896	49,693	93,382	261,638	44,025	94,475
Other subsidies and payments	2,263	13	16	118	16	25
<b>Total net budgetary expenditures</b>	<b>308,007</b>	<b>61,105</b>	<b>125,329</b>	<b>311,727</b>	<b>54,280</b>	<b>127,622</b>

\*Includes only Authorities available for use and granted by Parliament at quarter-end.  
(An incremental difference in the sum of data may result from rounding)