



Quarterly Financial Report for the Quarter Ended June 30, 2016



Développement
économique Canada
pour les régions du Québec

Canada Economic
Development
for Quebec Regions

Canada 

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SECTION 1

Introduction

1. INTRODUCTION

This quarterly financial report has been prepared by Canada Economic Development (CED), as required by subsection 65.1 of the *Financial Administration Act* and in the form and manner prescribed by Treasury Board Accounting Standard 1.3 – Departmental and Agency Quarterly Financial Report.

This quarterly report should be read in conjunction with the 2016-2017 Main Estimates, the Supplementary Estimates, as well as with previous quarterly reports submitted before the current fiscal year.

This document has not been audited by an external auditor or reviewed.

1.1. Authority, mandate and programs

Under the *Economic Development Agency of Canada for the Regions of Quebec Act*, which entered into force on October 5, 2005, the mission of the Agency is to promote the long-term economic development of the regions of Quebec by giving special attention to those where slow economic growth is prevalent or where opportunities for productive employment are inadequate.

Additional information on the Agency's authority, mandate and program activities can be found in the *Report on Plans and Priorities* and the *Main Estimates*.

1.2. Method of presentation of report

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the department's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates (where applicable) for the 2016-2017 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 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.

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.

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.

1.3. CED financial structure

There are two annual appropriations for the Agency's expenditures management:

- Vote 1 – Net operating expenditures, which includes the Agency's authorities related to personnel costs, operating and maintenance expenses;
- Vote 5 – Grants and contributions, which includes all authorities related to transfer payments;

Expenses under budgetary statutory authorities, for which payments are made under a law previously approved by Parliament and which are not part of the annual appropriations bills, include items such as employer's portion of the employee benefit plan.



SECTION 2

Highlights of Fiscal Quarter and Fiscal Year-To-Date Results

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

This section includes a variety of financial information for the current fiscal year to June 30, 2016, such as budgetary authorities available for the year and expenditures incurred during the first quarter, while establishing comparisons with the first quarter of the previous fiscal year.

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

Further details of this financial information are provided in Sections 2.1 and 2.2, and in the tables in the Appendix.

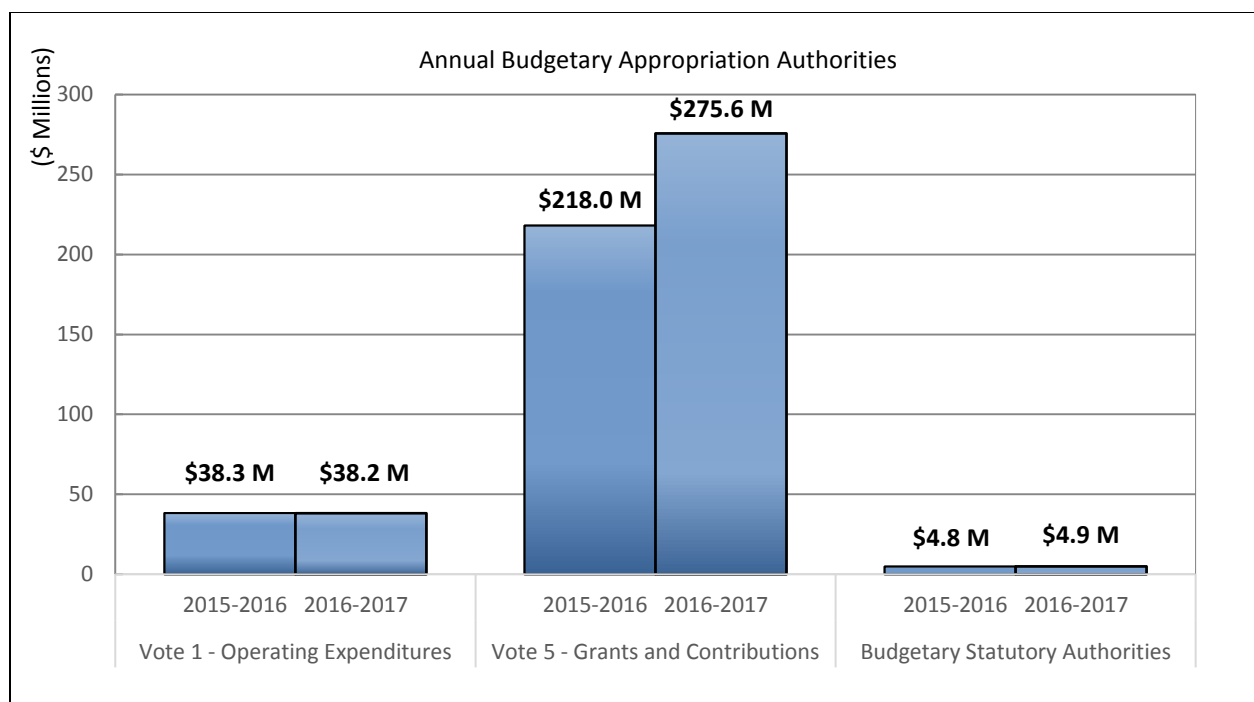
2.1 Authorities analysis

At the end of the current quarter, the Agency's annual authorities totalled \$318.7 million.

When the current amount of authorities for the 2016-2017 fiscal year (\$318.7 million) is compared with the amount of authorities for the 2015-2016 fiscal year during the same period (\$261.1 million), there is a funding variance of \$57.6 million. This variance is attributable to the following changes:

- \$0.1 million decrease in Vote 1 (Net Operating Expenditures);
- \$57.6 million increase in Vote 5 (Grants and Contributions);
- \$0.1 million increase in Budgetary Statutory Authorities.

The following graph shows the annual budgetary authorities by appropriation as at June 30 for the current fiscal year, compared with the previous fiscal year.



Vote 1 Authorities - Operating Expenditures

There is no significant variance in this object, compared with the previous year.

Vote 5 Authorities - Grants and Contributions

The annual authorities available related to vote 5 as at June 30, 2016 show an increase of \$57.6 million (26%) compared to last year.

This increase is essentially explained by:

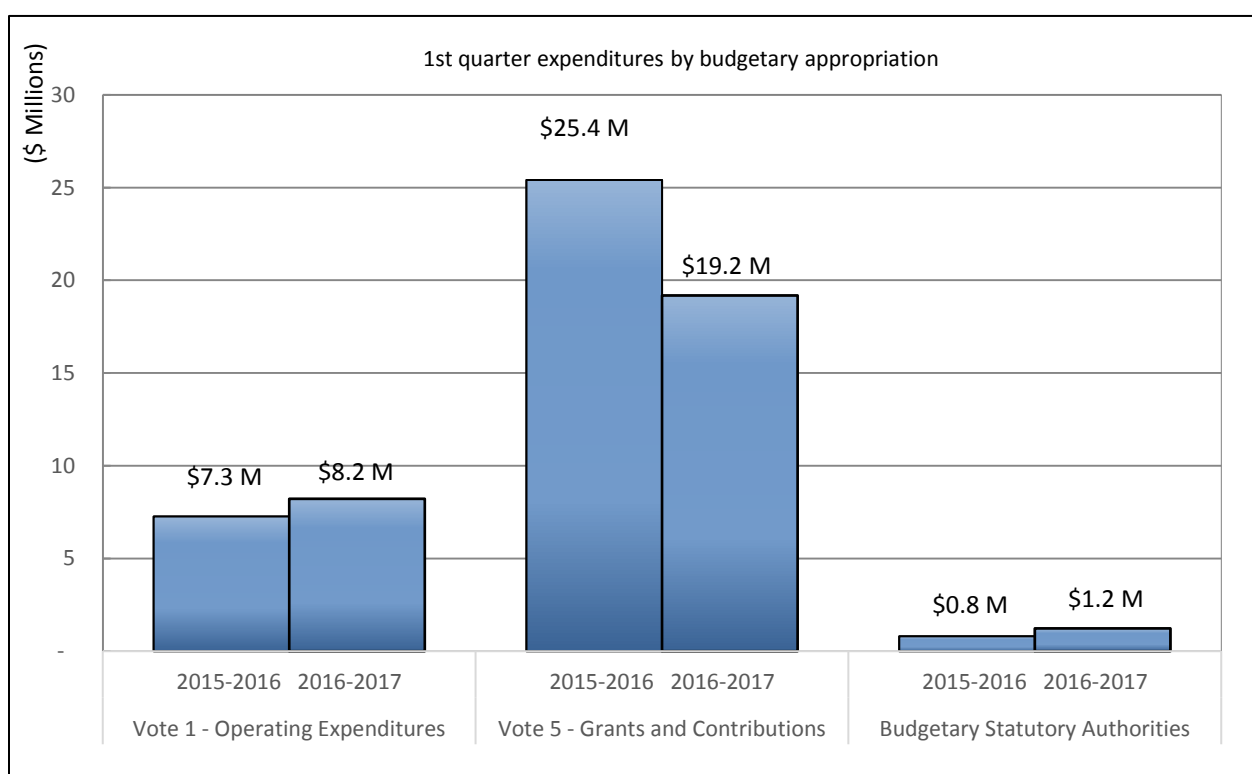
- a new initiative called Canada 150 Community Infrastructure Program (150CIP) Tier 1 (+\$15.5 million) and Tier 2 (+\$15.6 million);
- increased funding from the Bellechasse Pipeline Initiative (+\$11.5 million);
- increase in the amount resulting from the reinvestment of our clients' repayable contributions (+\$7.4 million)
- increase in the amount from the Economic Diversification Initiative for Quebec Communities dependent on the Chrysotile Industry (+\$7.3 million);
- other minor items (+\$0.3 million).

2.2 Expenditure analysis

The total amount of CED expenditures recorded during the first quarter of 2016-2017 was \$28.6 million, compared with \$33.5 million during the same quarter last year. This represents a net decrease of \$4.9 million (17%) over the previous year. This variance is mainly due to:

- A \$0.9 million increase in Vote 1 (Operating Expenditures) and statutory expenditures during this quarter; and
- A \$6.2 million decrease in Vote 5 (Grants and Contributions) expenditures.

The following graph shows the expenditures by appropriation as at June 30 for the current fiscal year, compared with the previous fiscal year.



Vote 1 - Operating Expenditures

Net operating expenditures for the 1st quarter of 2016-2017 totalled \$8.2 million, whereas they were \$7.3 million for the same period in 2015-2016. This \$0.9 million (12%) increase is primarily explained by professional and special services expenditures, which increased by \$0.6 million.

This increase is particularly due to legal expenditures that were charged in July in 2015-2016. This year, these expenditures were instead recorded in June (\$0.6 million).

When consulting the *Departmental Budgetary Expenditures by Standard Object* table in the Appendix, please note that the accounting of Canada Business Service Centre expenditures has changed. In previous years, these advances were categorized in the standard object Professional and special services. Now, these expenditures will be charged to the imprest account under the object “Other subsidies and payments” until they are duly authorized and charged to the standard object Professional and special services.

(For additional information on expenditures, see the *Departmental Budgetary Expenditures by Standard Object* table in the Appendix.)

Personnel expenditures also increased by \$0.4 million. Despite this increase, these expenditures account for less than a quarter of the budget.

Vote 5 - Grants and Contributions

As for Vote 5 - Grants and Contributions, when this quarter is compared with the same quarter in 2015-2016, we notice a \$6.2 million decrease in expenditures. This difference is explained by a return to normal in the processing of claims following an exceptional start to the year in 2015-2016.



SECTION 3

Risks and Uncertainties

3. Risks and uncertainties

In its effort to achieve results, CED endeavours to have a comprehensive view of changes in factors that have a marked influence on its environment and activities. It integrates these factors into its decision-making processes. By including risk management in its corporate planning, CED is able to implement appropriate risk management strategies to achieve its outcomes. Furthermore, the financial risks are mitigated in large part by the implementation of strong internal controls over financial reporting. CED conducts periodic evaluations such as control over the entity, general computer controls and business process controls.

Since CED has a mandate to promote economic development, its main risk—economic risk and institutional capacity—is directly related to changes in the economic growth outlook for Quebec and Canada. Moreover, its mandate is also influenced by the availability of funding from other levels of government or the private sector, as well as the potential postponement of investment decisions by small and medium-sized enterprises (SMEs). To mitigate this risk, CED continually monitors changes in provincial, national and international economic environments as well as provincial and national programs.

CED manages its resources within a clear framework of accountability, policies and procedures including an appropriate system of budget, reporting and other controls to manage its activities within the limits of available resources and parliamentary authorities. It regularly monitors the progress and effectiveness of their implementation through several budgetary review processes and activities along with expenditure analysis and budgetary estimates by organizational unit on a monthly basis.

In April 2016, a new government-wide payroll system named Phoenix was implemented at CED. This new system is bringing changes to the payroll approval process and interconnectivity of existing systems at CED. More stringent controls were put in place to monitor the implementation of the system and its impact on employee pay.



SECTION 4

**Significant Changes in Relation to
Operations, Personnel and
Programs**

4. Significant changes in relation to operations, personnel and programs

Mrs. Manon Brassard has been acting as the Deputy Minister / President at CED since June 27, 2016.

Following submission of the Supplementary Estimates (A) the Canada 150 Community Infrastructure Program (150CIP) was increased by \$15.6 million. This amount is reflected in the financial data.

Also during this quarter, CED implemented the new Phoenix government-wide payroll system.

Approval by Senior Officials

Approved by:

Manon Brassard
President

Montreal, Canada
On _____

Marc Lemieux, MA, MBA, CPA, CMA
Chief Financial Officer



SECTION 5

Appendices

5.1 Statement of authorities (unaudited)

For the quarter ended June 30, 2016

	Fiscal Year 2016-2017 (\$ thousands)			Fiscal Year 2015-2016 (\$ thousands)		
	Total appropriation available for the fiscal year ended March 31, 2017*	Appropriation used for the quarter ended June 30, 2016	YTD appropriation used at the end of the quarter	Total appropriation available for the fiscal year ended March 31, 2016*	Appropriation used for the quarter ended June 30, 2015	YTD appropriation used at the end of the quarter
Authorities						
Vote 1 - Net Operating expenditures	38,181	8,219	8,219	38,267	7,266	7,266
Vote 5 - Grants and contributions	275,622	19,186	19,186	217,996	25,416	25,416
Total budgetary statutory authorities	4,917	1,229	1,229	4,819	803	803
Non-budgetary authorities	-	-	-	-	-	-
Total Authorities	318,720	28,634	28,634	261,082	33,485	33,485

*More information is available in the next table.

*Includes only authorities available for the fiscal year and granted by Parliament at quarter-end.

5.2 Departmental budgetary expenditures by standard object (unaudited)

For the quarter ended June 30, 2016

Expenditures	Fiscal Year 2016-2017 (\$ thousands)			Fiscal Year 2015-2016 (\$ thousands)		
	Planned expenditures for the fiscal year ending March 31, 2017	Expenditures during the quarter ended June 30, 2016	YTD appropriation used at the end of the quarter	Planned expenditures for the fiscal year ended March 31, 2016	Expenditures during the quarter ended June 30, 2015	YTD appropriation used at the end of the quarter
Staff	33,508	7,840	7,840	33,506	7,061	7,061
Transportation and communications	1,235	201	201	1,341	147	147
Information	482	54	54	575	19	19
Professional and special services	5,952	850	850	5,556	735	735
Leasing	739	27	27	766	25	25
Repair and maintenance	47	3	3	96	3	3
Utilities, materials and supplies	232	24	24	287	24	24
Acquisition of land, buildings and works	0	0	0	0	0	0
Acquisition of machinery and equipment	884	19	19	862	22	22
Transfer payments	275,622	19,186	19,186	217,996	25,416	25,416
Other subsidies and payments	19	430	430	96	33	33
Total net budgetary expenditures	318,720	28,634	28,634	261,082	33,485	33,485