



Canada Economic
Development
for Quebec Regions

Développement
économique Canada
pour les régions du Québec



QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED DECEMBER 31, 2016

3RD QUARTER
2016-2017



PUBLISHED BY

Canada Economic Development for
Quebec Regions

Montreal, Quebec H3B 2T9

www.dec-ced.gc.ca

© Her Majesty the Queen in right of Canada
as represented by the Minister for CED, 2017

March 1st, 2017

TABLE DES MATIÈRES

SECTION 1	4
INTRODUCTION	
1.1 AUTHORITIES, MANDATE AND PROGRAM ACTIVITIES	4
1.2 BASIS OF PRESENTATION	4
1.3 CANADA ECONOMIC DEVELOPMENT (CED) FINANCIAL STRUCTURE	5
 SECTION 2	6
HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR-TO-DATE (YTD) RESULTS	
2.1 ANALYSIS OF AUTHORITIES	6
2.2 ANALYSIS OF EXPENDITURES	7
 SECTION 3	9
RISKS AND UNCERTAINTIES	
 SECTION 4	10
SIGNIFICANT CHANGES IN RELATION TO OPERATIONS, PERSONNEL AND PROGRAMS	
 SECTION 5	11
APPENDICES	
5.1 STATEMENT OF AUTHORITIES (UNAUDITED)	11
5.2 DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (UNAUDITED)	12

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, and with the quarterly reports preceding the current fiscal year.

This report has not been subject to external audit or review.

1.1 AUTHORITIES, MANDATE AND PROGRAM ACTIVITIES

Under the *Economic Development Agency of Canada for the Regions of Quebec Act*, which came into effect on October 5, 2005, CED's mission is to promote the long-term economic development of the regions of Quebec by paying special attention to those regions with slow economic growth or inadequate opportunities for productive employment.

Additional information on the CED's authority, mandate and program activities can be found in the [Main Estimates](#) and the [Report on Plans and Priorities](#).

1.2 BASIS OF PRESENTATION

This quarterly report has been prepared by CED, using an expenditure basis of accounting and a special purpose financial framework designed to meet financial information needs with respect to spending authorities. The accompanying Statement of Authorities includes the spending authorities granted by Parliament and used by CED, consistent with the Main Estimates and Supplementary Estimates for the 2016–2017 fiscal year.

The pre-authorization of Parliament is required before funds can be spent by the Government. Authorities available for use are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory authorities for specific purposes.

As part of the parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1st preceding the new fiscal year.

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.

1.3 CANADA ECONOMIC DEVELOPMENT (CED) FINANCIAL STRUCTURE

CED manages its expenditures under two annual votes:

- **Vote 1** – Net Operating Expenditures—includes CED authorities related to personnel costs, and operating and maintenance expenditures; and
- **Vote 5** – Grants and Contributions—includes all authorities related to transfer payments.

Costs under statutory authorities, which represent payments made under legislation approved previously by Parliament and which are not part of the annual appropriation bills, include such items as the employer's share of the employee benefits plan.

2

HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR-TO-DATE (YTD) RESULTS

This section provides a variety of financial information for the current fiscal year up to December 31, 2016, including authorities available for the year and expenditures made during the third quarter, as compared with the previous fiscal year.

The explanations of variances are based on the premise that discrepancies of less than 5% have a minimal impact on the interpretation of the results.

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

2.1 ANALYSIS OF AUTHORITIES

At the end of the third quarter, CED's annual authorities totalled \$320.2M. They were \$320.6M as at September 30, 2016. The difference of \$0.4M is not significant.

When we compare the current authorities for fiscal year 2016–2017 (\$320.2M) to the authorities for 2015–2016 during the same period (\$263.0M), we see a \$57.2M increase in funding for this year. This increase can be broken down as follows:

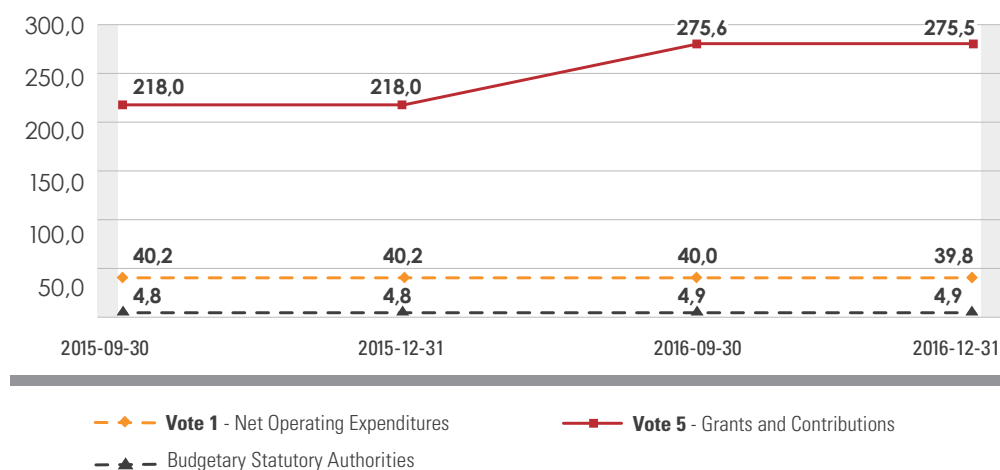
- **Vote 1** Net Operating Expenditures of \$-0.4 M;
- **Vote 5** Grants and Contributions of +\$57.5M; and
- Budgetary Statutory Authorities of +\$0.1M.

The following graph illustrates the annual budgetary authorities by appropriation as at September 30, 2016, and as at December 31, 2016, compared with the previous fiscal year (in 2015–2016, the authorities as at September 30 and December 31 were the same).

Annual budgetary authorities by appropriation as at June 30, and as at September 30, fiscal year 2016–2017, compared with 2015–2016

Graph 1

(In millions of \$)



Vote 1 authorities (Net Operating Expenditures)

There is a decrease of \$0.2M (0.7%) as at December 31, 2016, compared to September 30, 2016 and a decrease of \$0.4M (0.9%) compared to the same period for the year 2015-2016. These variances are not significant.

Vote 5 authorities (Grants and Contributions)

The decrease of \$0.1M (0.1%) between the second and third quarter of 2016-2017 is not significant.

As at December 31, 2015, the available annual Vote 5 authorities totalled \$218.0M. As at December 31, 2016, this amount is \$275.5M, an increase of \$57.5M (26.4%). Essentially, this increase can be explained by the following:

- Funding allocated to the Canada 150 Community Infrastructure Program (CIP 150) (+\$15.5M);
- Funding allocated to the Canada 150 Community Infrastructure Program Component 2 (CIP 150 Component 2) (+\$15.6M);

- Funding allocated to the extension of the natural gas distribution system between Lévis and Sainte-Claire (Bellechasse gas pipeline) (+\$14.5M);
- Increased amount resulting from the reinvestment of our clients' repayable contributions (+\$7.4M); and
- An increase in the amount for the Canadian Economic Diversification Initiative for Communities Dependent on the Chrysotile Industry (+\$4.5M).

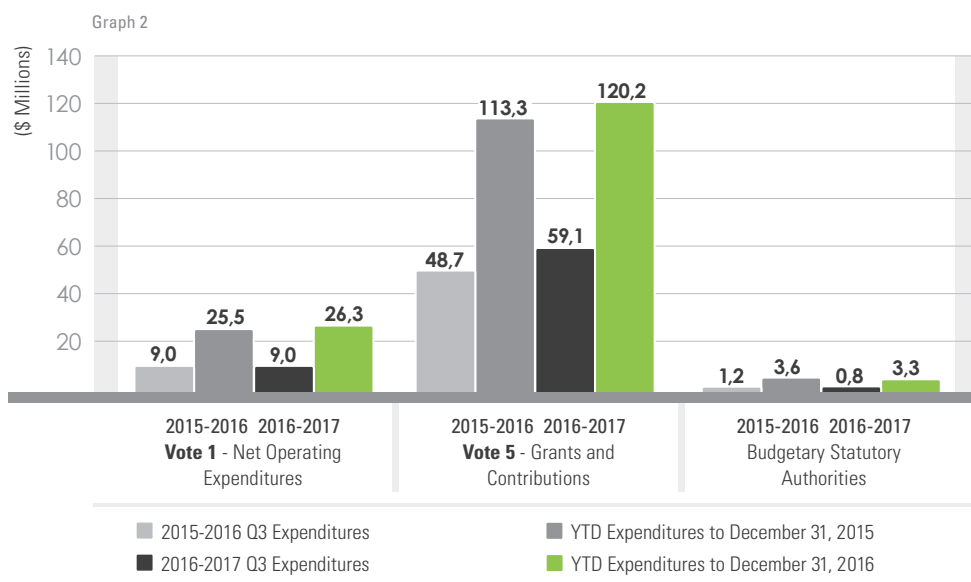
2.2 ANALYSIS OF EXPENDITURES

CED expenditures recorded during the third quarter of 2016–2017 totalled \$68.9M, compared with \$58.9M for the same period last year. This represents a net increase of \$10.0M (17%) compared with the previous fiscal year. This variance is primarily in Vote 5 (Grants and Contributions) with an increase of \$10.4M.

The total year-to-date expenditures as at December 31, 2016 were \$149.8M, compared with \$142.4M for the same period last year (5.2% increase) primarily due to Vote 5 expenditures.

The following graph illustrates the third-quarter and year-to-date expenditures per vote, compared with the previous fiscal year.

Third-quarter and year-to-date expenditures as at December 31, by appropriation, fiscal year 2016–2017, compared with 2015–2016



Vote 1 expenditures (Net Operating Expenditures)

The net operating expenditures for the third quarter of 2016–2017 and for the third quarter of 2015–2016 totalled \$9.0M.

The year-to-date expenditures recorded in 2016–2017 totalled \$26.3M, compared with \$25.5M in 2015–2016, for a 3.1% increase this year. The variance is not significant.

(For further details on these expenditures, see Appendix 5.2, Departmental Budgetary Expenditures by Standard Object).

Vote 5 expenditures (Grants and Contributions)

During the third quarter of 2016–2017, CED spent \$59.1M in Grants and Contributions. This represents an increase of \$10.4M (21.5%) compared to the third quarter of 2015–2016. On a cumulative basis, there was an increase of \$6.9M (6.1%) mainly attributable

to disbursements made in the third quarter of 2016–2017. This variance is due to fluctuations in contribution management transactions that may occur from year to year.

In addition to the observed variation from the prior year, we also note an increase of \$17.2M (41.1%) from the previous quarter. This variance reflects significant expenditures incurred during the third quarter mainly related to the Canada 150 Community Infrastructure Program, the extension of the natural gas distribution system between Lévis and Sainte-Claire project (Bellechasse gas pipeline) and the Canadian Economic Diversification Initiative for Communities Dependent on the Chrysotile Industry.

(For further details on these expenditures, see Appendix 5.2, Departmental Budgetary Expenditures by Standard Object).

3 RISKS AND UNCERTAINTIES

To achieve its outcomes, CED needs to have an overview of the changing factors that strongly influence its environment and activities, and it incorporates these factors into its decision-making processes. Incorporating risk management into departmental planning allows CED to implement appropriate risk management strategies to achieve its outcomes.

Since CED has a mandate to promote economic development, its main risk is linked to its ability to adapt the delivery of its mandate in a changing economic environment. Many factors such as the fluctuations in the value of commodities and the Canadian dollar, strong global competition in certain industries, numerous technological and policy changes, and the evolution of measures affecting trade on the global markets are likely to have an impact on the delivery of the organization's mandate, mainly by increasing the complexity of new business creations and the expansion of existing businesses which could limit CED's ability to fully use its grants and contributions budget. To mitigate this risk, as an example, CED will continue to develop and implement regional strategies and dashboards to monitor departmental priorities.

CED's internal risk, linked to the maintenance of a functional and safe technological infrastructure, is most likely to have an impact on the achievement of CED's results over the next year. CED's current technology infrastructure is aging; the risk of service outage or loss of data is high pending infrastructure renewal or migration to a data center. These failures could adversely affect the reliability of the financial information presented in CED's reporting, as well as limiting the ability to appropriately follow its financial

position. To mitigate this risk, as the responsibility is not under CED'S control; CED will maintain communications with Shared Services Canada to ensure the maintenance of its infrastructure needs and technological tools as well as the information management system.

CED manages its resources through a well-defined framework of responsibilities, policies and procedures, including an appropriate budget and reporting system and other controls, which allow it to manage its activities within available resources and parliamentary authorities. It regularly monitors their progress and effectiveness by conducting a number of budget review processes and activities and by analyzing expenditures and budget forecasts by organizational unit, on a monthly basis. The financial risks are mitigated in large part by the implementation of strong internal controls over financial reporting. CED conducts periodic assessments, such as entity level controls, general computer controls and business process controls.

In April 2016, a new government-wide pay system, called Phoenix, was implemented at CED. This new system led to changes in the pay approval process and the interconnectivity of existing CED systems. Stricter controls were put in place to monitor the system's implementation and its impact on employee pay. CED follows closely the progress of negotiations in relation to the renewal of collective agreements and takes the necessary measures to manage the increase in wage costs.

4

SIGNIFICANT CHANGES IN RELATION TO OPERATIONS, PERSONNEL AND PROGRAMS

No significant changes in relation to operations and programs have impacted this quarter's results.

Approval by senior officials

Approval by:

Original signed by

Manon Brassard

Deputy Minister/President

Montreal, Canada

On February 27, 2017

Original signed by

Maxime Garon

Acting Chief Financial Officer

On February 27, 2017

5 APPENDICES

5.1 STATEMENT OF AUTHORITIES (UNAUDITED)

For the quarter ended December 31, 2016

	Fiscal Year 2016–2017 (\$ thousands)			Fiscal Year 2015–2016 (\$ thousands)		
	Total available for the year ending March 31, 2017*	Used during the quarter ended December 31, 2016	Year-to-date used at quarter-end	Total available for the year ending March 31, 2016*	Used during the quarter ended December 31, 2015	Year-to-date used at quarter-end
Vote 1 – Net Operating Expenditures	39,785	8,995	26,288	40,162	9,024	25,498
Vote 5 – Grants and Contributions	275,462	59,116	120,206	217,996	48,667	113,296
Total Budgetary Statutory Authorities	4,917	820	3,278	4,819	1,205	3,615
Non-budgetary Authorities	-	-	-	-	-	-
Total Authorities	320,164	68,931	149,772	262,978	58,895	142,409

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

5.2 DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (UNAUDITED)

For the quarter ended December 31, 2016

	Fiscal Year 2016–2017 (\$ thousands)			Fiscal Year 2015–2016 (\$ thousands)		
	Planned expenditures for the year ending March 31, 2017*	Expended during the quarter ended December 31, 2016	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2016*	Expended during the quarter ended December 31, 2015	Year-to-date used at quarter-end
Staff	33,507	7,950	24,173	33,506	8,548	24,647
Transportation and communications	1,442	290	710	1,607	229	624
Information	563	75	206	689	26	90
Professional and special services	6,948	1,308	3,095	6,656	1,246	3,014
Rentals	862	151	438	918	38	341
Repair and maintenance	55	4	10	115	5	14
Utilities, materials and supplies	271	39	92	344	32	92
Acquisition of land, buildings and works	0	0	0	0	0	0
Acquisition of machinery and equipment	1,032	292	371	1,033	103	269
Transfer payments	275,462	59,116	120,206	217,996	48,667	113,296
Other subsidies and payments	22	(294)	471	115	1	24
Total net budgetary expenditures	320,164	68,931	149,772	262,978	58,895	142,409

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