

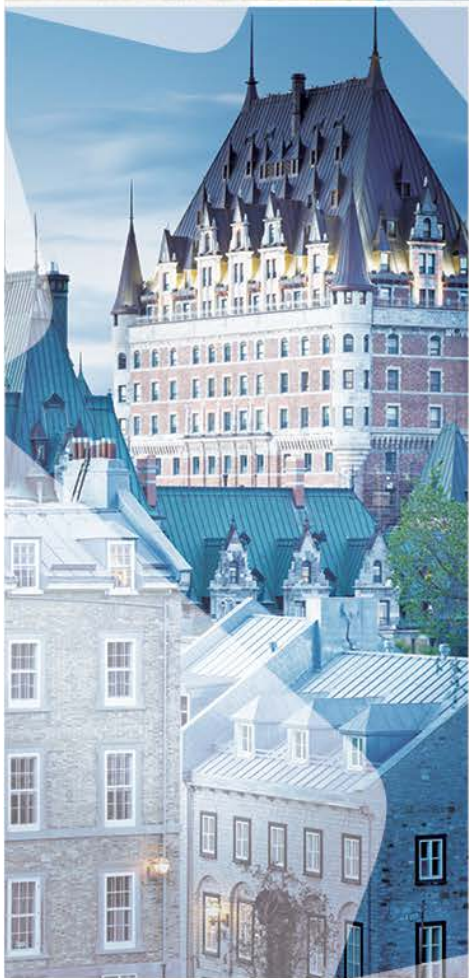


Développement
économique Canada
pour les régions du Québec

Canada Economic
Development
for Quebec Regions



QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED DECEMBER 31, 2017



Canada

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responsible for CED, 2017

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SECTION 1

INTRODUCTION

INTRODUCTION

This quarterly financial report has been prepared by Canada Economic Development for Quebec Regions (CED) as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by Treasury Board.

This report should be read in conjunction with the [2017–2018 Main Estimates](#) and the [2017–2018 Departmental Plan](#). These documents provide a brief description of CED's mandate and programs.

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

1.1 Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The appended Statement of Authorities includes CED spending authorities granted by Parliament and those used by CED, consistent with the Main Estimates for fiscal year 2017–2018. This quarterly financial 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.

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

1.2 Canada Economic Development for Quebec Regions financial structure

CED manages its expenditures under two annual votes:

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

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



SECTION 2

**HIGHLIGHTS OF FISCAL
QUARTER AND FISCAL
YEAR-TO-DATE RESULTS**

HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR-TO-DATE RESULTS

This section provides a variety of financial information for the current fiscal year up to December 31, 2017, including the authorities available for the year and expenditures incurred during the third quarter, as compared with the previous fiscal year and the previous quarter. The explanations of variances in the amounts 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 tables in the Appendix.

2.1 Authorities analysis

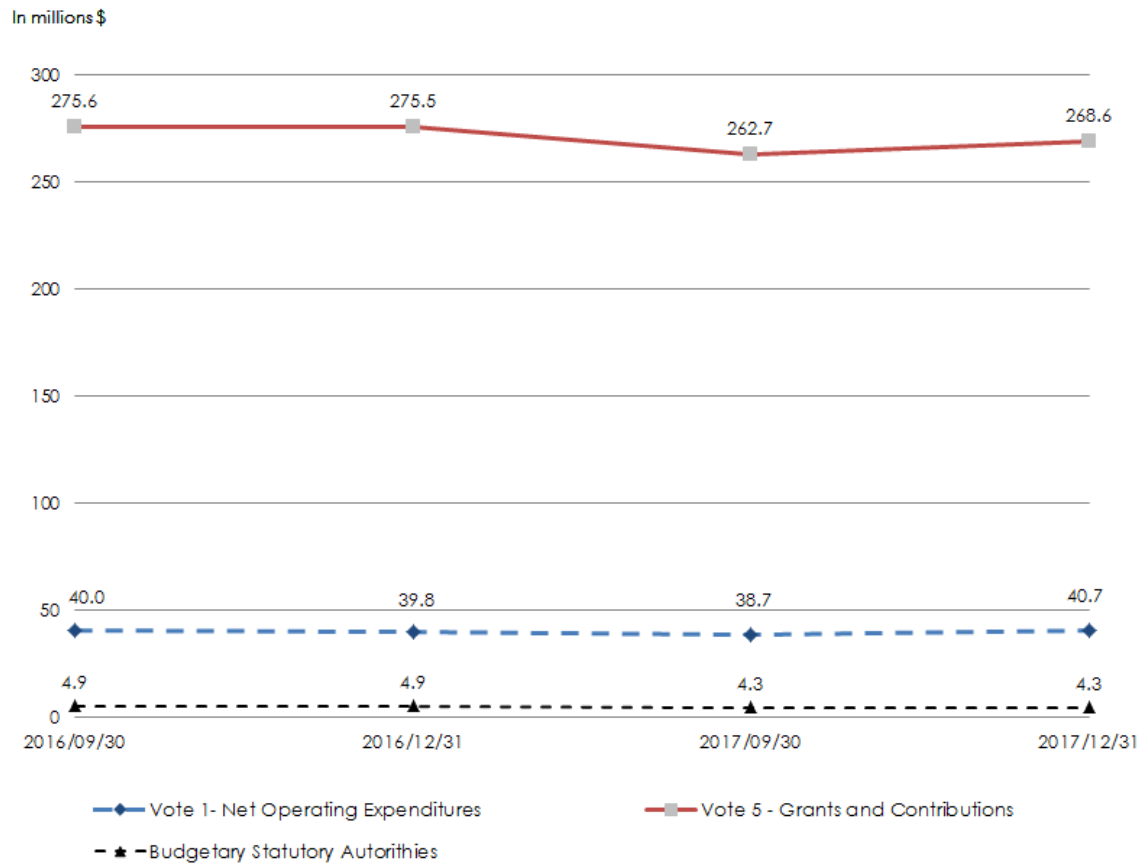
At the end of the third quarter, as at December 31, 2017, CED's annual authorities totalled \$313.6M. They were \$305.7M as at September 30, 2017.

The variance of \$7.9M (2.6%) is due to the following changes:

- Vote 1 – Net Operating Expenditures of \$2.0M;
- Vote 5 – Grants and Contributions of \$5.9M;

The following figure shows the annual budgetary authorities by appropriation as at September 30, 2017, and as at December 31, 2017, compared with the previous fiscal year.

Annual budget authorities by budgetary appropriation as at September 30 and December 31, fiscal year 2017–2018 compared with 2016–2017



Vote 1 authorities (Net Operating Expenditures)

DEC saw an increase of \$0.9M (2.3%) in authorities as at December 31, 2017, compared with the same period in fiscal year 2016–2017, and an increase of \$2.0M (5.2%) between the second and third quarters of 2017–2018 due to an adjustment of the authorities to include the salary offsets following the ratification of collective agreements. These variances are not considered significant.

Vote 5 authorities (Grants and Contributions)

As at December 31, 2016, the annual authorities available for Vote 5 totalled \$275.5M. As at December 31, 2017, this amount was \$268.6M, a decrease of \$6.9M (-2.5%). This variance is not significant. The increase of \$5.9M (2.2%) between the second and third quarters of 2017–2018 is also not significant.

2.2 Expenditure analysis

Total CED expenditures recorded during the third quarter of 2017–2018 were \$66.1M, compared with \$68.9M during the same period the previous year, representing a net decrease of \$2.8M (-4.0%) compared with the previous fiscal year.

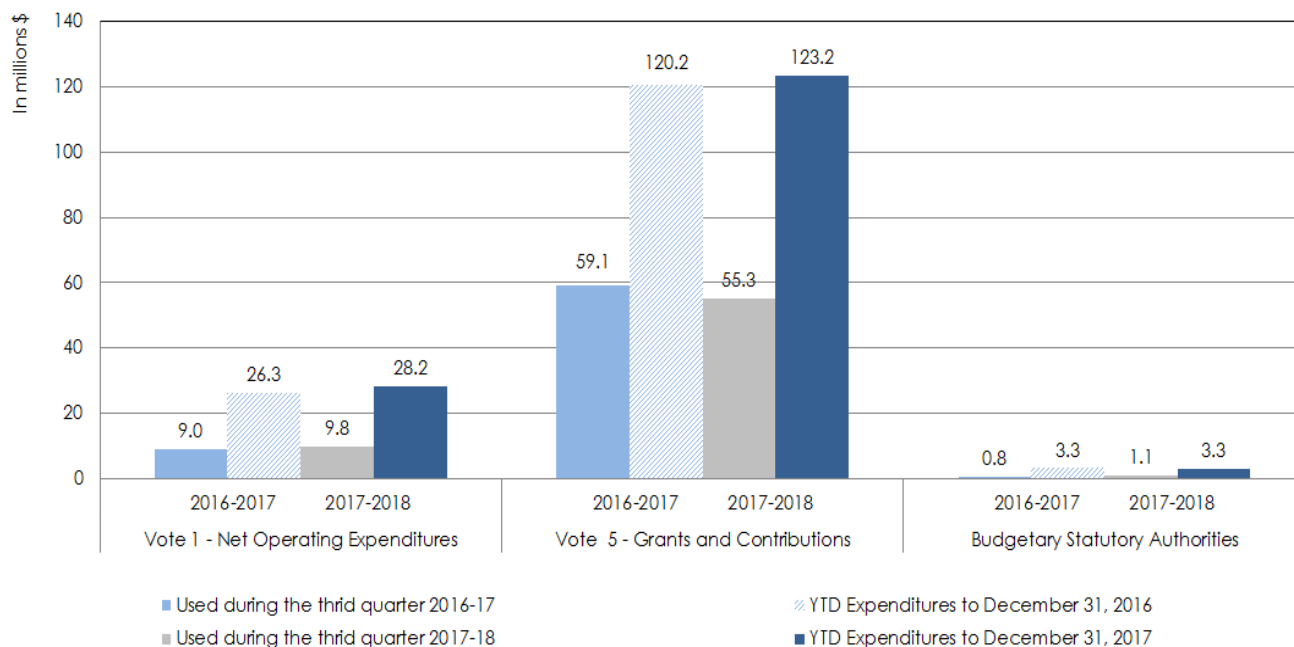
This variance can be broken down as follows:

- Vote 1 – Net Operating Expenditures of +\$0.8M;
- Vote 5 – Grant and Contributions of -\$3.9M;
- Budgetary Statutory Authorities of +\$0.3M.

On a cumulative basis, total expenditures as at December 31, 2017, were \$154.6M, compared with \$149.8M for the same period a year earlier, representing a net increase of \$4.8M (+3.2%).

The following figure illustrates third quarter 2017–2018 expenditures and year-to-date expenditures, compared with the previous fiscal year.

Third quarter expenditures and year-to-date expenditures as at December 31 by budgetary appropriation, fiscal year 2017–2018 compared with 2016–2017



Vote 1 expenditures (Net Operating Expenditures)

Net operating expenditures for the third quarters of 2017–2018 and 2016–2017 were of \$9.8M and \$9.0M, respectively. The variance of \$0.8M (+8.9%) is partly attributable to the increase in “Staff” expenditures resulting from payments issued following the ratification of collective agreements, but also to salary increases stemming from these ratified agreements.

The variance observed between the third quarter of 2016–2017 and the third quarter of 2017–2018 in the “Other subsidies and payments” expenditure category is attributable to Canada Business Service Centre (CBSC) claims that were approved and charged in different quarters in 2016–2017 and 2017–2018, resulting in a variance of \$0.6M in this expenditure category.


(For further details on these expenditures, see the table entitled Departmental Budgetary Expenditures by Statutory Authority in Appendix 6.2.)

Vote 5 expenditures (Grants and Contributions)

During the third quarter of 2017–2018, CED spent \$55.3M on grants and contributions. This is down \$3.9M (-6.6%) from the third quarter of 2016–2017. This variance can be explained by the fluctuation in contribution management operations that can occur from year to year.


However, an increase of \$14.3M (+34.9%) in grants and contributions expenditures between the second quarter (\$41.0M) and the third quarter (\$55.3M) is observed due to significant expenditures incurred in the Canada 150 Community Infrastructure Program.

(For further details on these expenditures, see the table entitled Departmental Budgetary Expenditures by Statutory Authority in Appendix 6.2.)



SECTION 3

RISKS AND UNCERTAINTIES




RISKS AND UNCERTAINTIES

To achieve its results, CED needs to have an overview of the changing factors that have a marked impact on its environment and activities. It integrates these factors into its decision-making process. Incorporating risk management in departmental planning allows CED to implement appropriate risk management strategies in order to achieve its results.

CED has a mandate to promote economic development; therefore, its principal external risk is linked to its ability to adapt the delivery of its mandate in a changing economic environment. Many factors, such as global growth and the interdependence of global risks, variation in the number of investment projects undertaken by businesses in the regions due to the vulnerability of some regions owing to the state of the economy, numerous technological and policy changes, as well as changes in market measures affecting trade on the world markets, are likely to have an impact on the delivery of the organization's mandate. These external factors may limit CED's ability to achieve its expected results, including the creation of new businesses and the expansion of existing businesses. To mitigate the risk, for example, CED will continue to develop and implement regional strategies and specific initiatives to address region-specific issues.

The internal risk for CED, related to the maintenance of a functional and secure technological infrastructure, is most likely to have an impact on the achievement of CED's results over the next year. CED's current technological infrastructure is aging; the risk of service outages or data loss is increasing, pending infrastructure renewal or migration to a data centre. These data outages or losses could adversely affect the reliability of the financial information presented in CED's reporting, and limit the ability to appropriately track its financial situation. To mitigate this risk, the scope of which is beyond the control of CED, the Agency has maintained a close relationship with the central agencies and the FreeBalance consulting group, and has assessed its options and its plan for maintaining and renewing its technological assets in order to address infrastructure and technology needs, as well as information management systems.

CED manages its resources within a well-defined framework of responsibilities, policies and procedures, including an appropriate system of budget, reporting and other controls, allowing it to manage its operations 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, together with expenditure analysis and budgetary estimates 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 controls, general IT controls, and business process controls.





SECTION 4

**SIGNIFICANT CHANGES IN
OPERATIONS, STAFF AND
PROGRAMS**

SIGNIFICANT CHANGES IN OPERATIONS, STAFF AND PROGRAMS

A good number of leases in CED's real property portfolio will expire between 2017 and 2021, giving CED an opportunity to adhere to the Government of Canada's vision for modern workplaces. Much more than moves, the change is an opportunity both to modernize the workspace and to innovate through new ways of doing things.



SECTION 5

APPROVAL OF SENIOR OFFICIALS

APPROVAL OF SENIOR OFFICIALS

The purpose of this section is to provide the approval of senior officials, as required by the *Policy on Financial Management*, as follows:

Approved by:

Manon Brassard

Deputy Minister

Guy Lepage

Chief Financial Officer

Montréal, Quebec

February 27, 2018



SECTION 6

APPENDICES



APPENDICES

6.1 Statement of authorities (unaudited)

Fiscal year 2017–2018 (in thousands of dollars)

	Total available appropriations for the fiscal year ending March 31, 2018*	Appropriations used for the quarter ended December 31, 2017	Year-to-date used at quarter-end
Vote 1 –Net Operating Expenditures	40,688	9,775	28,188
Vote 5 – Grants and Contributions	268,615	55,251	123,181
Total budgetary statutory authorities	4,332	1,083	3,250
Total authorities	313,635	66,109	154,619

Fiscal year 2016–2017 (in thousands of dollars)

	Total available appropriations for the fiscal year ending March 31, 2017*	Appropriations used for the quarter ended December 31, 2016	Year-to-date used at quarter-end
Vote 1 –Net Operating Expenditures	39,785	8,995	26,288
Vote 5 – Grants and Contributions	275,462	59,116	120,206
Total budgetary statutory authorities	4,917	820	3,278
Total authorities	320,164	68,931	149,772

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

6.2 Departmental budgetary expenditures by statutory authority (unaudited)

Fiscal year 2017–2018 (in thousands of dollars)

	Planned expenditures for the fiscal year ending March 31, 2018*	Expenditures during the quarter ended December 31, 2017	Year-to-date used at quarter-end
Expenditures			
Staff*	31,652	8,726	26,800
Transportation and communication	1,452	278	631
Information	641	26	100
Professional and special services	8,371	1,293	2,897
Rentals	1,040	116	402
Repairs and maintenance	59	7	15
Utilities, materials and supplies	283	52	122
Acquisition of land, buildings and works	0	0	0
Acquisition of machinery and equipment	1,089	27	73
Transfer payments	268,615	55,251	123,181
Other subsidies and payments	433	333	398
Total net budgetary expenditures	313,635	66,109	154,619

* Includes employee benefits plans (EBPs)

Fiscal year 2016–2017 (in thousands of dollars)

	Planned expenditures for the fiscal year ending March 31, 2017*	Expenditures during the quarter ended December 31, 2016	Year-to-date used at quarter-end
Expenditures			
Staff*	33,507	7,950	24,173
Transportation and communication	1,442	290	710
Information	563	75	206
Professional and special services	6,948	1,308	3,095
Rentals	862	151	438
Repairs and maintenance	55	4	10
Utilities, materials and supplies	271	39	92
Acquisition of land, buildings and works	0	0	0
Acquisition de machinery and equipment	1,032	292	371
Transfer payments	275,462	59,116	120,206
Other subsidies and payments	22	(294)	471
Total net budgetary expenditures	320,164	68,931	149,772

* Includes employee benefits plans (EBPs)