



Treasury Board of Canada
Secretariat

Secrétariat du Conseil du Trésor
du Canada

Canada

Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter September 30, 2017

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Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended September 30, 2017

From Treasury Board of Canada Secretariat

**Statement outlining results, risks and significant
changes in operations, personnel and programs**

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1. Introduction

This quarterly report has been prepared by management as required by section 65.1 of the Financial Administration Act and in the manner prescribed by the Treasury Board. The report should be read in conjunction with the Main Estimates and the Supplementary Estimates (A), as well as Budget Plan 2014, Budget Plan 2015, Budget Plan 2016, and Budget Plan 2017.

The report has been reviewed by the Departmental Audit Committee.

1.1 Basis of presentation

This report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Treasury Board of Canada Secretariat's spending authorities granted by Parliament and those used by the Secretariat, consistent with the Main Estimates and Supplementary Estimates (A) for the fiscal year ending March 31, 2018. This 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 money 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.

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

1.2 Raison d'être

The Secretariat is the central agency that acts as the administrative arm of the Treasury Board, a committee of Cabinet. The Secretariat supports the Treasury Board in the following principal roles:

Spending oversight

Review spending proposals and authorities; review existing and proposed government programs for efficiency, effectiveness and relevance; provide information to Parliament and Canadians on government spending.

Regulatory oversight

Develop and oversee policies to promote good regulatory practices, review proposed regulations to ensure they adhere to the requirements of government policy, and advance regulatory cooperation across jurisdictions.

Administrative leadership

Lead government wide initiatives; develop policies and set the strategic direction for government administration related to service delivery and access to government information, as well as the management of assets, finances, information and technology.

Employer

Develop policies and set the strategic direction for people management in the public service; manage total compensation (including pensions and benefits) and labour relations; undertake initiatives to improve performance in support of recruitment and retention objectives.

1.3 Secretariat's financial structure

The Secretariat manages both departmental and Treasury Board central votes. Its departmental operating expenditures and revenues are managed under Vote 1, Program Expenditures.

The Secretariat manages 7 different central votes:

- Vote 5, **Government Contingencies**, supplements other appropriations to provide federal departments and agencies with temporary advances for urgent or unforeseen departmental expenditures between Parliamentary supply periods.
- Vote 10, **Government-Wide Initiatives**, supplements other appropriations to support the implementation of strategic management initiatives across the federal public service.
- Vote 15, **Compensation Adjustments**, supplements other appropriations to provide funding for adjustments made to terms and conditions of service or employment of the federal public administration as a result of collective bargaining.
- Vote 20, **Public Service Insurance**, provides the employer's share of group benefit plan coverage costs as part of the Treasury Board's role as the employer of the core public administration. These plans include the Public Service Health Care Plan, Public Service Dental Care Plan, Pensioners' Dental Services Plan, Disability

Insurance Plan, provincial payroll taxes (Manitoba, Newfoundland, Ontario and Quebec), Public Service Management Insurance Plan.

- Vote 25, **Operating Budget Carry Forward**, supplements other appropriations for the carry forward of unused operating funds from the previous fiscal year, up to 5% of the gross operating budget in an organization's Main Estimates.
- Vote 30, **Paylist Requirements**, supplements other appropriations to meet legal requirements for the government as employer for items such as parental benefits and severance payments.
- Vote 33, **Capital Budget Carry Forward**, supplements other appropriations for the carry forward of unused capital funds from the previous fiscal year, up to 20% of an organization's capital vote.

The funding in these votes is approved by Parliament. With the exception of Vote 20, funding in central votes is transferred from the Secretariat to individual departments and agencies once specified criteria are met. Like any other department, the Secretariat also receives its own share of appropriations from these votes. Any unused balance from these votes is returned to the fiscal framework at the end of the year and is reported as the Secretariat lapse.

Expenditures incurred against statutory authorities mainly reflect the government's obligation to pay the employer's share of the Public Service Pension Plan, the Canada Pension Plan and the Québec Pension Plan, Employment Insurance premiums and Public Service Death Benefits. The Secretariat recovers from other government departments and agencies their share of the employer contributions under the Public Service Superannuation Act, and is subsequently charged by Public Services and Procurement Canada for actual expenditures in the same statutory vote. Adjustments are made at year-end to individual departments' statutory votes (including those of the Secretariat) for the difference between periodic recoveries and actual expenditures.

This quarterly report highlights the financial results of Vote 1, Program Expenditures, related to the delivery of the Secretariat's mandate; Vote 20, Public Service Insurance related to the Treasury Board's role as employer; and statutory authorities related to the government's obligation to pay the employer's share of employee benefit plans.

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

This section highlights the financial results for the fiscal quarter and fiscal year-to-date ended September 30, 2017, and provides explanations of differences compared with the same period last year exceeding materiality thresholds of \$1 million for Vote 1, Program Expenditures; \$1 million for statutory votes; and \$10 million for Vote 20, Public Service Insurance.

Highlights of fiscal quarter and fiscal year-to-date results (\$ tl

	2016-17 Budgetary authorities to March 31, 2017	2017-18 Budgetary authorities to March 31, 2018	Variance in budgetary authorities	Year-to-date expenditures as at Q2 2016-17	Year-to-date expenditures as at Q2 2017-18	Variance between 2017-18 year- to-date and 2016-17 year- to-date expenditures	Q E 2
Vote 1: Program Expenditures	265,912	260,482	-5,430	110,320	118,194	7,874	
Vote 20: Public Service Insurance	2,338,971	2,398,571	59,600	1,097,695	1,222,213	124,518	
Statutory authorities	471,326	367,427	-103,899	-253,380	-172,770	80,610	
Total	3,076,209	3,026,480	-49,729	954,635	1,167,637	213,002	

2.1 Statement of voted and statutory authorities

Total budgetary authorities available for use decreased by \$49.7 million (1.6%) from the previous fiscal year. Vote 1 authorities decreased by \$5.4 million, Vote 20 authorities increased by \$59.6 million, and statutory payments decreased by \$103.9 million. The following table provides a detailed explanation of these changes.

Changes to voted and statutory authorities (2017-18 compared with 2016-2017)	\$ thousands
Vote 1: Program Expenditures	
Funding for the Workspace Renewal Initiative (phase II) to fit up 219 Laurier Avenue West in time for approximately 800 Secretariat employees to move in by winter 2018	6,137

Changes to voted and statutory authorities (2017-18 compared with 2016-2017)	\$ thousands
Funding to make it easier for Canadians to request government information through an Access to Information website	3,092
Funding to expand Open Data Initiatives including advancing government-wide efforts to design and deliver an ambitious open government strategy, support engagement with Canadians and accelerate the provision of digital content	1,943
Transfer-in of funding from the Royal Canadian Mounted Police to the Secretariat to implement the new labour relations regime because the Public Service Labour Relations Act now applies to Royal Canadian Mounted Police members	1,363
Increase in funding from Operating Budget Carry Forward as some funds set aside to pay retroactive increases related to collective agreements was not needed in 2016-2017	1,216
Funding to strengthen the Secretariat's capacity to advance the Government of Canada Clients First Service Strategy	1,118
A reduction in contributions from other government departments and agencies to support the Secretariat-led Government-Wide Back Office Transformation Initiative	-14,630
Sunset of funding to conduct a third-party resource alignment review of Shared Services Canada as the review is now complete	-2,144
Reduction in funding to procure professional services, advertising, as well as travel of the Secretariat's employees	-1,741
Deferral of some activities and related funding for the Workplace Wellness and Productivity Strategy to modernize sick leave and disability management in the federal public service to future years	-1,252
Other miscellaneous decreases	-532
Subtotal Vote 1	-5,430
Vote 20: Public Service Insurance	
Additional funding to pay the increase in the employer's share of premiums for the Service Income Security Insurance Plan	59,600
Subtotal Vote 20	59,600
Statutory authorities	
A reduction in the annual actuarial adjustment payment made under the Public Service Superannuation Act and other retirement acts and the Employment Insurance Act to address the actuarial deficit in these plans	-103,000

Changes to voted and statutory authorities (2017-18 compared with 2016-2017)	\$ thousands
A decrease in funding to employee benefit plan to reflect this year's rate adjustment	-899
Subtotal statutory authorities	-103,899
Total authorities	-49,729

2.2 Statement of departmental budgetary expenditures by standard object

By the end of the fiscal quarter ended September 30, 2017, the year-to-date budgetary expenditures had increased by \$213 million (22.3%) compared with the same period in the previous year. Vote 1 expenditures increased by \$7.9 million, Vote 20 expenditures increased by \$124.5 million, and statutory payments increased by \$80.6 million.

For the fiscal quarter ended September 30, 2017, budgetary expenditures had increased by \$58.6 million (11.4%) compared with the same period in the previous year. Vote 1 expenditures increased by \$6.7 million, Vote 20 expenditures increased by \$67.2 million, and statutory payments decreased by \$15.3 million.

The following table provides a detailed explanation of these changes by standard object.

Standard object	Changes to voted and statutory expenditures (\$ thousands)	Variance between 2017-18 year-to-date and 2016-17 year-to-date expenditures	Variance between 2017-18 Q2 and 2016-17 Q2 expenditures
Vote 1: Program Expenditures		(April 1 to September 30)	(July 1 to September 30)

Standard object	Changes to voted and statutory expenditures (\$ thousands)	Variance between 2017-18 year-to-date and 2016-17 year-to-date expenditures	Variance between 2017-18 Q2 and 2016-17 Q2 expenditures
Vote 1: Program Expenditures		(April 1 to September 30)	(July 1 to September 30)
1 Personnel	The increase in salary spending to implement the signed collective agreements of several occupational groups including: Financial Management (FI), Economics and Social Science Services (EC), Administrative Services (AS), Computer Systems (CS), and Information Services (IS). The increase is also due to additional salary spending to implement new initiatives (Greening Government, HR Pay Stabilization Project and Canadian Digital Services).	11,384	9,330
4 Professional services	<p>The decrease is mainly due to the timing of payment for legal services costs to the Department of Justice and to the Canada School of Public Service for the Executive Leadership Development Programs.</p> <p>The decrease is due to the timing of payments to Public Services and Procurement Canada for translation costs, and a reduction in expenditures related to the Government-Wide Back Office Transformation Initiative.</p>	-4,913	-4,023
46 Vote-Netted revenue	The increase is due to the delay of the recovery of internal services costs from Other Government Departments and Agencies in 2017-18 compared with the same period in 2016-17 (Memorandum of understanding for MyGCHR project, financial systems and IT services).	1,161	1,161
Other	Miscellaneous expenditures	242	211
Subtotal Vote 1		7,874	6,679
Vote 20: Public Service Insurance			

Standard object	Changes to voted and statutory expenditures (\$ thousands)	Variance between 2017-18 year-to-date and 2016-17 year-to-date expenditures	Variance between 2017-18 Q2 and 2016-17 Q2 expenditures
Vote 1: Program Expenditures		(April 1 to September 30)	(July 1 to September 30)
1 Personnel	The increase is due to higher costs per service and higher volume of claims for Public Service Health Care Plan benefits, an increase in provincial payroll taxes due to growth in the public service and increased salaries related to the implementation of new collective agreements, as well as the requirement for the employer to once again pay premiums for employees covered under the Public Service Management Insurance Plan following the cessation of a premium holiday in December 2016. In addition, the employer's share of premiums for Canadian Armed Forces members' coverage under the Service Income Security Insurance Plan increased effective, July 1, 2016.	154,407	85,439
45/46 Vote-netted revenue	The Pensioner-to-Employer contributions for the Public Service Health Care Plan aims to achieve a 50-50 cost-sharing ratio by April 1, 2018. The planned cost-sharing ratio is currently 43.75% for pensioners (up from 37.5% at April 1, 2016) and 56.25% for the employer (down from 62.5%) in this third year of a 4-year gradual transition. The increase in pensioner contributions results in increased revenue collected to offset the cost of public service insurance.	-33,249	-20,591
Other	Miscellaneous expenditures	3,360	2,361
Subtotal Vote 20		124,518	67,209
Statutory expenditures			

Standard object	Changes to voted and statutory expenditures (\$ thousands)	Variance between 2017-18 year-to-date and 2016-17 year-to-date expenditures	Variance between 2017-18 Q2 and 2016-17 Q2 expenditures
Vote 1: Program Expenditures		(April 1 to September 30)	(July 1 to September 30)
1 Personnel	The variance is due to the timing of the recoveries compared to the same period in the previous year. Public Services and Procurement Canada charges the Secretariat for the employer share of contributions to the Public Service Pension Plan, the Canada Pension Plan, the Québec Pension Plan, the Employment Insurance Plan and the Supplementary Death Benefit Plan. The Secretariat, recovers these payments from other government departments and agencies. This results in timing differences throughout the year in the payment to Public Services and Procurement Canada and the recovery of employee benefit plan from other government departments and agencies; however, the net effect on the Secretariat's financial statements will be zero by year-end.	80,610	-15,303
Subtotal statutory expenditures		80,610	-15,303
Total expenditures		213,002	58,585

3. Risks and uncertainties

The Secretariat operates in a dynamic environment, dominated by economic fluctuations, rapid technological change, evolving demographics, and geopolitical and security instability. Internally, it faces workload pressures and increased expectations for quality and timely advice due to the need to deliver a large number of complex priorities within short timeframes, and with constrained financial resources. The Secretariat must continually plan for, and respond to, changes in this environment. The following describes key risks the Secretariat is facing and their associated response strategies.

3.1 Delivery of Results

The Secretariat has been mandated to deliver many, complex priority initiatives, and there is a risk that the Secretariat may not have the necessary resources to generate results within the expected timeframes.

In 2017-18, the Secretariat will accelerate delivery of priority initiatives. There will be an increased focus on reviewing core business on an ongoing basis and eliminating unnecessary work in order to reallocate resources to emerging high priorities and to ensure that resources are being managed effectively to deliver results.

The Secretariat has also established a senior-level oversight panel to monitor priorities and intervene early, if required, as well as a surge team of experts to help support the delivery of high priority initiatives.

3.2 Employee Wellness

The Secretariat continues to face workload pressures due to the number and complexity of priority initiatives discussed above. There is a risk that sustaining an increased level and pace of work could affect the wellbeing of employees and the wellness of organization over time.

To address this risk, the Secretariat is developing a Wellness Action Plan which will include communication products, training and tools to support employee wellbeing.

3.3 Phoenix Impact on TBS Employees

The Secretariat is addressing the impact of phoenix pay errors on its employees by strengthening its forecasting activities and enhancing its' challenge function to effectively monitor and track salary related forecasts and expenditures to report on overpayments in a timely manner and make appropriate adjustments at year-end.

As well, the Secretariat has established additional controls on high risk pay transactions such as emergency salary advances and priority payments to TBS employees that are underpaid. All transactions over \$7 thousand are verified before the payment is released.

3.4 Information Technology Capacity

Some of the Secretariat's new priority initiatives will depend on information technology (IT) to achieve its desired results. Without enhancements to the Secretariat's departmental IT infrastructure, the delivery of some key priorities may be delayed.

To address this risk, the Secretariat, in collaboration with Shared Services Canada, continuously reviews allocated server capacity and decommissions unused applications to ensure optimal efficiency and reduced cost. To ensure that highly available, secure and fully managed network and infrastructure is in place, the Secretariat is developing disaster recovery plans for “business critical” systems. In 2017-18, the Secretariat will also increase IT capacity through the use of alternate sources such as subscription services, software-as-a-service and infrastructure-as-a-service.

3.5 Capacity for delivery of TBS-led Government-Wide Initiatives

The Secretariat is playing an increasingly prominent role in delivering government-wide initiatives such as the enabling functions transformation, open government, and the modernization of the **Access to Information Act**. Leading these initiatives is a challenge, particularly given the requirement to implement transformational change in an organization as large and complex as the federal government.

In response, in 2017-18, the Secretariat will strengthen the accountability and skills of its project managers as well as update the Secretariat’s investment plan. TBS will also improve its’ oversight of enterprise-wide initiatives to ensure the design, development and implementation of each initiative is phased in a manner that facilitates adjustments and course corrections along the way and that the results and benefits expected from each initiative are achieved.

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

This section highlights significant changes in operations, personnel and programs of the Secretariat during the second quarter of the fiscal year.

The Canadian Digital Service (CDS) was established within the Secretariat to provide hands-on capacity for initiatives to improve services to Canadians, partnering with other departments and agencies. A primary role for CDS will be to help solve common challenges using new methods and tools, and to scale solutions across government. CDS will also help build government-wide digital capacity and will provide advice in a number of areas related to service improvement and technology.

The Secretariat, collaborating with Statistics Canada, launched the 2017 Public Service Employee Survey (PSES) on August 21, 2017. This comprehensive survey lasted 6 weeks and gives the employees an opportunity to share their views on what matters most to them

in the workplace. It includes a host of questions about employee engagement, leadership, the workforce and the workplace. The results of this survey will be available in spring 2018.

To achieve stabilization of the Government of Canada's Phoenix pay system, Public Services and Procurement Canada (PSPC) and the Secretariat are undertaking important steps to better service public service employees. PSPC has redesigned the Public Service Pay Centre Dashboard to provide employees and the public with clearer, more useful information, as well to better track the progress being made to resolve pay issues. A new monthly Pay Bulletin has also been introduced to provide a link to the monthly Public Service Pay Centre Dashboard, articles and tips on pay-related information. The Secretariat has developed step-by-step instructions and information sheets on various pay-related issues to provide information and support to employees who are experiencing pay issues.

5. Approval by senior officials

Approved by,

Original signed by

Yaprak Baltacioğlu, Secretary

Original signed by

Renée LaFontaine, Chief Financial Officer

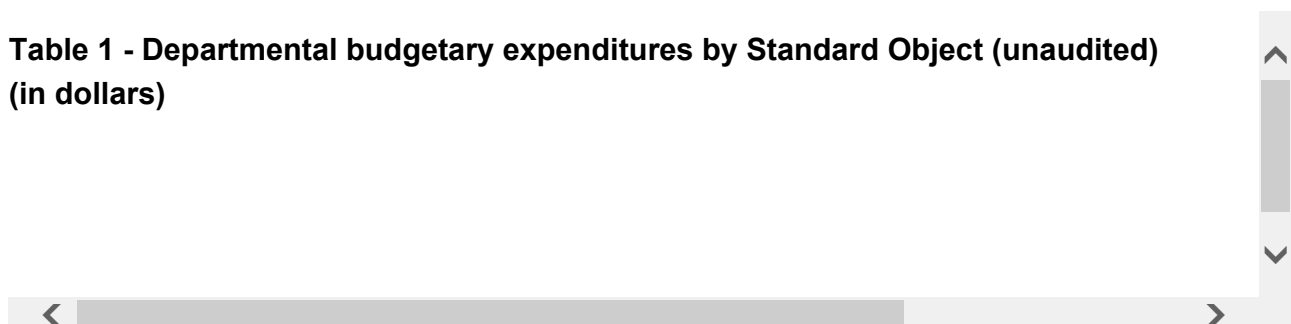
Ottawa, Canada

Date: November 21, 2017

Appendix

For the quarter ended September 30, 2017

**Table 1 - Departmental budgetary expenditures by Standard Object (unaudited)
(in dollars)**



Navigation controls: Up arrow, Down arrow, Left arrow, Right arrow.

	Fiscal year 2016-2017			Fiscal year 2017-2018	
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended September 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended September 30, 2017
Expenditures:					
1 Personnel	3,559,319,266	623,330,377	1,146,181,598	3,614,127,685	
2 Transportation and communications	2,162,220	429,103	735,547	1,625,054	
3 Information	419,996	84,140	145,449	275,113	
4 Professional and special services	98,581,586	25,168,400	39,890,793	85,094,880	
5 Rentals	2,975,876	662,689	883,109	2,568,333	
6 Repair and maintenance	1,504,939	157,024	194,614	2,929,692	
7 Utilities, materials and supplies	1,554,330	149,558	200,222	662,616	
9 Acquisition of machinery and equipment	4,516,128	709,346	1,345,325	6,940,492	
10 Transfer payments	500,000	471,901	473,202	981,690	
12 Other subsidies and payments	2,448,746	-426,625	1,393,595	624,888	
<p>* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated employment under the Public Service Superannuation Act and other retirement acts and the Employment Act (including the Public Service Pension Adjustment Act; Payments for the pay equity settlement pursuant to the Access to Information Act and Proceedings Act).</p>					

	Fiscal year 2016-2017			Fiscal year 2017-2018	
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended September 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended September 30, 2017
Total gross budgetary expenditures	3,673,983,087	650,735,912	1,191,443,454	3,715,830,443	
Less Revenues netted against expenditures:					
Vote Netted Revenues (VNR) - Centrally managed items	-585,925,942	-137,041,911	-235,647,768	-676,711,799	
Vote Netted Revenues (VNR) - Program expenditures	-11,848,562	-1,160,796	-1,160,796	-12,638,671	
Total Revenues netted against expenditures	-597,774,504	-138,202,707	-236,808,564	-689,350,470	
Total net budgetary expenditures	3,076,208,583	512,533,205	954,634,890	3,026,479,973	
Government-Wide Expenses included above *					
1 Personnel	3,365,487,339	573,426,301	1,049,189,779	3,412,873,196	
2 Transportation and communications	0	1,759	4,355	0	
3 Information	0	2,190	2,190	0	
<p>* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated employment under the Public Service Superannuation Act and other retirement acts and the Employment Act (including the Public Service Pension Adjustment Act; Payments for the pay equity settlement pursuant to the Access to Information Act and Proceedings Act).</p>					

	Fiscal year 2016-2017			Fiscal y	
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended September 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Exper the ql Septe
4 Professional and special services	1,909,207	7,946,766	14,584,217	1,909,207	
5 Rentals	0	2,650	5,850	0	
10 Transfer payments	500,000	421,901	423,202	500,000	
12 Other subsidies and payments	0	40,884	1,749,486	0	
Total	3,367,896,546	581,842,451	1,065,959,079	3,415,282,403	

*
- * Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated employee the Public Service Superannuation Act and other retirement acts and the Employment Act (EI) Public Service Pension Adjustment Act; Payments for the pay equity settlement pursuant to se and Proceedings Act).

Table 2 - Statement of Authorities (unaudited)
(in dollars)

	Fiscal year 2016-2017			Fiscal year 2017-2018	
	Total available for use for the year ending March 31, 2017 *	Used during the quarter ended September 30, 2016	Year to date used at quarter-end	Total available for use for the year ending March 31, 2018 *	Used during the quarter ended September 30, 2017
A681 - Payments under the Public Service Pension Adjustment Act	0	86	174	0	
A683 - Payments for the pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act	0	0	0	0	
Total Statutory Authorities	471,325,792	-82,523,525	-253,380,419	367,427,334	1,000,000
Total authorities	3,076,208,583	512,533,205	954,634,890	3,026,479,973	5,000,000
* Includes only Authorities available for use and granted by Parliament at quarter-end					



Date modified:

2017-11-24