



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 Ended December 31, 2017

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Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended December 31, 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) and (B), 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) and (B) 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 employer's share of group benefit coverage to employees of the core public service under the various plans listed above; and statutory authorities that cover any residual amounts between the government's contributions to the various plans and the distribution of these costs to departments.

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

This section highlights the financial results for the quarter and fiscal year-to-date ended December 31, 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 Q3 2016-17	Year-to-date expenditures as at Q3 2017-18	Variance between 2017-18 year- to-date and 2016-17 year- to-date expenditures	C E 2
Vote 1: Program Expenditures	357,715	298,969	-58,746	185,802	180,373	-5,429	
Vote 20: Public Service Insurance	2,383,671	2,651,781	268,110	1,643,562	1,840,563	197,001	
Statutory authorities	369,124	368,595	-529	-372,238	-221,377	150,861	
Total	3,110,509	3,319,345	208,835	1,457,126	1,799,559	342,432	

2.1 Statement of voted and statutory authorities

Total budgetary authorities available for use increased by \$208.8 million (6.7%) from the previous fiscal year. Vote 1 authorities decreased by \$58.7 million, Vote 20 authorities increased by \$268.1 million, and statutory payments decreased by \$0.5 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	
Compensation adjustments to fund salary increases to meet obligations under new collective agreements	7,816

Changes to voted and statutory authorities (2017-18 compared with 2016-2017)	\$ thousands
Funding for the Web Renewal Initiative to consolidate departmental websites providing 70% of online services to Canadians into one single Canada.ca website	7,718
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	6,058
Funding to establish the Canadian Digital Service to develop digital mobile applications to improve ways in which Canadians access government services	4,316
Funding contributed by other government departments and agencies to the Executive Leadership Development Programs to strengthen our world-class Canadian public service by developing high-performing, results-oriented executives characterized by innovation, agility and collaboration	3,653
Funding to make it easier for Canadians to request government information through a centralized Government of Canada Access to Information website	3,092
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 the eligible Operating budget carry forward of unused operating funds from 2016-17 to 2017-18	1,216
Funding to strengthen the Secretariat's capacity to advance the Government of Canada Clients First Service Strategy	1,118
Funding to support a joint career development committee with the Association of Canadian Financial Officers to fund the training of the FI community from external providers	1,000
The reduction in funding as well as in contributions from other government departments and agencies in 2017-18 required to support the Secretariat-led Government-Wide Back Office Transformation Initiative	-83,751
Sunset of funding to settle claims arising from the White Class Action settlement agreement	-6,066
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 as per Government's Budget 2016 commitment to reduce spending on professional services, advertising, and travel for Secretariat employees	-1,741

Changes to voted and statutory authorities (2017-18 compared with 2016-2017)	\$ thousands
Deferral to future years 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	-1,252
Other miscellaneous reductions	-1,141
Subtotal Vote 1	-58,746
Vote 20: Public Service Insurance	
Funding to address anticipated shortfalls and contingency requirements for Public Service Insurance	252,934
Funding to pay the increase in the employer's share of premiums for the Service Income Security Insurance Plan	14,900
Other miscellaneous reductions	276
Subtotal Vote 20	268,110
Statutory authorities	
Subtotal statutory authorities	-529
Total authorities	208,835

2.2 Statement of departmental budgetary expenditures by standard object

By the end of the fiscal quarter ended December 31, 2017, the year-to-date budgetary expenditures had increased by \$342.4 million (23.5%) compared with the same period in the previous year. Vote 1 expenditures decreased by \$5.4 million, Vote 20 expenditures increased by \$197.0 million, and statutory payments increased by \$150.9 million.

For the fiscal quarter ended December 31, 2017, budgetary expenditures had increased by \$129.4 million (25.8%) compared with the same period in the previous year. Vote 1 expenditures decreased by \$13.3 million, Vote 20 expenditures increased by \$72.5 million, and statutory payments increased by \$70.3 million.

The following table provides a detailed explanation, by standard object, of changes over \$1 million in Vote 1 and over \$10 million in Vote 20 and statutory votes.

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 Q3 and 2016-17 Q3 expenditures
Vote 1: Program Expenditures		(April 1 to December 31)	(October 1 to December 31)
1 Personnel	The increase in salary spending is due to the implementation of the signed collective agreements for several occupational groups, including Financial Management (FI), Economics and Social Science Services (EC), Administrative Services (AS), Computer Systems (CS), Information Services (IS) and Personal Administration (PE). The increase is also due to additional staff hired to work on new initiatives (Greening Government, Stabilization of the Government of Canada's Pay system, Access to Information Program, Executive Management Leadership Development Programs, and Canadian Digital Services).	18,665	7,282
4 Professional services	The decrease is due to the reduction in expenditures to implement the Government-Wide Back Office Transformation Initiative compared to the previous fiscal year.	-15,450	-10,537
9 Acquisition of machinery and equipment	The increase is to fund the information technology costs to fit up 219 Laurier Avenue West as part of phase II of the Workspace Renewal Initiative and purchase of softwares for the Financial Management Transformation component of the Government-Wide Back Office Transformation Initiative.	2,217	2,016
12 Other subsidies and payments	The decrease in expenditures compared to the previous fiscal year is due to a reduction in the level of claims against the Crown for White Class Action and recoveries from other government departments and agencies to support the Government-Wide Back Office Transformation Initiative.	-9,185	-9,170

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 Q3 and 2016-17 Q3 expenditures
Vote 1: Program Expenditures		(April 1 to December 31)	(October 1 to December 31)
46 Vote-Netted revenue	The decrease is due to a delay in timing 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 with member of the Central Agency Cluster Shared Services (CAC-SS) for MyGCHR program, financial systems and IT services).	-1,098	-2,259
Other	Miscellaneous expenditures	-578	-634
Subtotal Vote 1		-5,429	-13,303
Vote 20: Public Service Insurance			
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.	248,837	94,430

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 Q3 and 2016-17 Q3 expenditures
Vote 1: Program Expenditures		(April 1 to December 31)	(October 1 to December 31)
45/46 Vote-netted revenue	The pensioner-to-employer contributions for the Public Service Health Care Plan aim 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.	-53,433	-20,184
Other	Miscellaneous expenditures	1,597	-1,763
Subtotal Vote 20		197,001	72,483
Statutory expenditures			
1 Personnel	The variance is due to the timing of the recoveries compared with 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.	150,861	70,250

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 Q3 and 2016-17 Q3 expenditures
Vote 1: Program Expenditures		(April 1 to December 31)	(October 1 to December 31)
Subtotal statutory expenditures		150,861	70,250
Total expenditures		342,432	129,430

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 an increased 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 Capacity for delivery of Secretariat-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 and will update the Secretariat's investment plan. The Secretariat will also improve its oversight of enterprise-wide initiatives to ensure that the design, development and implementation of each initiative is phased in a way that facilitates adjustments and course corrections along the way and that the results and benefits expected from each initiative are achieved.

3.3 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 the 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.

3.4 Phoenix Impact on Secretariat employees

The Secretariat is addressing the impact of Phoenix pay errors by strengthening its approach to forecasting salary requirements at the individual employee level and enhancing its challenge function so that it can effectively monitor and track salary expenditures, follow-up 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 Secretariat employees who are being underpaid. All transactions over \$7 thousand are verified before the payment is released.

3.5 Information technology capacity

Some of the Secretariat's new priority initiatives will depend on information technology to achieve the desired results. Without enhancements to the Secretariat's departmental information technology 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 to reduce costs. To ensure that highly available, secure and fully managed network and infrastructure are in place, the Secretariat is developing disaster recovery plans for "business critical" systems. In 2017-18, the Secretariat will also increase its information technology capacity through the use of alternate sources such as cloud services, software-as-a-service and infrastructure-as-a-service.

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 third quarter of the fiscal year.

The Secretariat published the Greening Government Strategy on December 19, 2017, which represents the government's plan to reduce greenhouse gas emissions from federal operations and to reduce environmental impacts beyond carbon. The new Strategy seeks to reduce greenhouse gas emissions by 80% by 2050 relative to 2005 levels, which builds on the 2016 commitment of a 40% reduction by 2030. This commitment will be achieved by: purchasing 100% clean electricity, improving heating and cooling efficiency, moving to a federal fleet of zero-emission vehicles only and better designing buildings and improve energy performance of existing buildings.

Another notable change are the appointments of Roch Huppé as the new Comptroller General of Canada, effective October 23, 2017, Denis Stevens Assistant Secretary of the International Affairs, Security and Justice Sector effective November 27, 2017, and Mike Milito Assistant Comptroller General, Internal Audit Sector, effective December 11, 2017.

5. Approval by senior officials

Approved by,

Original signed by

Yaprak Baltacıoğlu, Secretary

Original signed by

Renée LaFontaine, Chief Financial Officer

Ottawa, Canada

Date: February 26, 2018

Appendix

For the quarter ended December 31, 2017

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

	Fiscal year 2016-2017			Fiscal year 2017-2018	
	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, 2018	Expended during the quarter ended December 31, 2017
Expenditures:					
1 Personnel	3,506,258,844	597,423,266	1,743,604,864	3,881,882,558	
2 Transportation and communications	2,162,220	617,968	1,353,515	1,701,554	
3 Information	419,996	45,403	190,852	275,113	
4 Professional and special services	176,513,020	38,378,438	78,269,231	103,342,862	
5 Rentals	2,975,876	1,015,120	1,898,229	2,568,333	
6 Repair and maintenance	1,504,939	402,719	597,333	3,133,692	

* - * Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated employment expenses 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 the Access to Information Act and Proceedings Act).

	Fiscal year 2016-2017			Fiscal year 2017-2018	
	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, 2018	Expended during the quarter ended December 31, 2017
Total Revenues netted against expenditures	-597,774,504	-141,026,518	-377,835,082	-689,350,470	
Total net budgetary expenditures	3,110,509,475	502,491,380	1,457,126,270	3,319,344,806	
Government-Wide Expenses included above *					
1 Personnel	3,307,187,339	546,821,156	1,596,010,936	3,665,807,645	
2 Transportation and communications	0	3,439	7,794	0	
3 Information	0	0	2,190	0	
4 Professional and special services	1,909,207	10,852,402	25,436,619	2,184,732	
5 Rentals	0	0	5,850	0	
10 Transfer payments	500,000	1,300	424,502	500,000	
12 Other subsidies and payments	0	207,342	1,956,828	0	
Total	3,309,596,546	557,885,640	1,623,844,718	3,668,492,377	
<p>* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated employees' compensation under 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 the Pay Equity Act; and the Access to Information Act and the Privacy Act and the Access to Information Act and the Privacy Act and the Access to Information Act and the Privacy Act).</p>					

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 December 31, 2016	Year to date used at quarter-end	Total available for use for the year ending March 31, 2018 *	Used during the quarter ended December 31, 2017
Vote 1 - Program Expenditures	357,714,993	75,481,773	185,802,215	298,969,436	
Vote 20 - Public Service Insurance	2,383,670,604	545,867,254	1,643,562,122	2,651,780,578	
Statutory Authorities					
A111 - President of the Treasury Board - Salary and motor car allowance	83,500	6,958	41,750	84,400	
A140 - Contributions to employee benefit plans	29,040,378	6,984,173	20,952,520	28,510,392	

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

	Fiscal year 2016-2017			Fiscal year	
	Total available for use 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 use for the year ending March 31, 2018 *	Used during the quarter ended December 31, 2018
Total Statutory Authorities	369,123,878	-118,857,647	-372,238,067	368,594,792	-4
Total authorities	3,110,509,475	502,491,380	1,457,126,270	3,319,344,806	63
* Includes only Authorities available for use and granted by Parliament at quarter-end					



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