

Privy Council Office

Quarterly Financial Report

Statement outlining results, risks and significant changes in operations,
personnel and programs
For the quarter ended December 31, 2018

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Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Directive on Accounting Standards, GC 4400 Departmental Quarterly Financial Report. This quarterly financial report should be read in conjunction with the *Main Estimates, Supplementary Estimates*, and previous Quarterly Financial Reports. For more information on PCO, please visit PCO's website <http://www.pco.gc.ca>.

This quarterly report has not been subject to an external audit or review but has been shared with the PCO Departmental Audit Committee and it reflects the committee members' comments.

Mandate

PCO supports the development and implementation of the Government of Canada's policy and legislative agendas, coordinates responses to issues facing the Government and the country, and supports the effective operation of Cabinet. PCO is led by the Clerk of the Privy Council, who also serves as Secretary to the Cabinet and the Head of the Public Service.

PCO serves Canada and Canadians by providing advice and support to the Prime Minister, portfolio ministers, and Cabinet.

PCO has three main roles:

1. Provide professional non-partisan advice to the Prime Minister, portfolio ministers, Cabinet and Cabinet committees on matters of national and international importance.
2. Support the smooth functioning of the Cabinet decision-making process and facilitate the implementation of the Government's agenda.
3. Foster a high-performing and accountable Public Service.

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Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes PCO's spending authorities granted by Parliament and those used by the department, consistent with the 2018-19 *Main Estimates, Supplementary Estimates (A) and TB Central Votes* for the same year. This quarterly report has been prepared using a special purpose financial reporting framework (cash basis) 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.

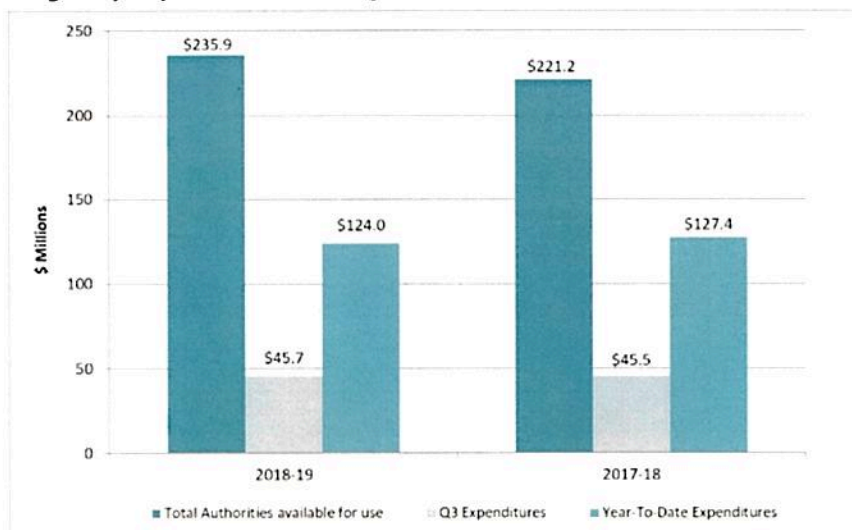
PCO uses the full accrual method of accounting to prepare and present its annual departmental financial statements¹ that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date results

This section highlights the significant items that contributed to the net increase or decrease in authorities available for the year and actual expenditures for the quarter ended December 31, 2018.

PCO spent approximately 53% of its authorities available for use by the end of the third quarter, compared to 58% in the same quarter of 2017-18 (see graph 1 below).

Graph 1: Comparison of Total Authorities Available For Use and Total Net Budgetary Expenditures as of Q3 2018-2019 and 2017-2018



¹ The notes to the annual departmental financial statements include a reconciliation between full accrual results and spending authorities.

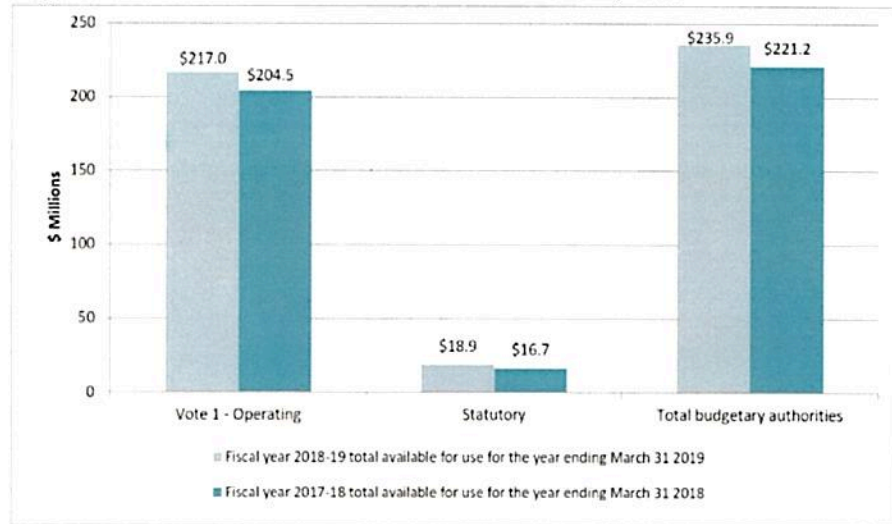
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Significant changes to authorities

As per graph 2 below, PCO has authorities available for use of \$235.9 million in 2018-19 compared to \$221.2 million as of December 31, 2017, for a net increase of \$14.7 million or 7%.

Graph 2: Variance in Authorities as at December 31, 2018



The net increase in authorities of \$14.7 million is mainly explained by:

Increase in authorities

- \$28.0 million for the National Inquiry into Missing and Murdered Indigenous Women and Girls;
- \$7.0 million to address funding increase to support ministers for which PCO has responsibility; and
- \$4.5 million for supporting a full implementation of an open, transparent and merit-based selection process for Governor in Council (GIC) appointments.

Decrease in authorities

- \$22.6 million relating to PCO's information technology modernization project as a number of projects were finalized in 2017-18; and
- \$2.2 million that was provided in 2017-18 for the establishment of the Secretariat for the National Security and Intelligence Committee of Parliamentarians (NSICOP).

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Significant changes to quarterly expenditures by Standard Object

The third quarter expenditures totaled \$45.7 million for a net increase of \$0.2 million (0%) when compared to \$45.5 million spent during the same period in 2017-18. Table 1 below presents budgetary expenditures by standard object.

Table 1

Material Variances to Expenditures by Standard Object	Fiscal year 2018-19 Expended during the quarter ended 31- Dec-2018	Fiscal year 2017-18 Expended during the quarter ended 31- Dec-2017	Variance \$	Variance %
(in thousands of dollars)				
Personnel	33,763	30,530	3,233	11%
Transportation and communications	1,801	1,782	19	1%
Information	862	631	231	37%
Professional and special services	6,617	9,587	(2,970)	(31%)
Rentals	431	293	138	47%
Repair and maintenance	240	784	(544)	(69%)
Utilities, materials and supplies	236	122	114	93%
Acquisition of machinery and equipment	317	1,586	(1,269)	(80%)
Transfer payments	1,262	0	1,262	-
Other subsidies and payments	169	206	(37)	(18%)
Total gross budgetary expenditures *	45,698	45,521	177	0%

* Details may not add to totals due to rounding

Personnel

The overall increase of \$3.2 million in personnel spending is mainly related to the timing of the salary recoveries from other departments completed in this quarter, spending for the National Inquiry into Missing and Murdered Indigenous Women and Girls, and increased department-wide personnel costs.

Professional and special services

The decrease in spending of \$3.0 million is mainly due to spending for PCO's information technology modernization project, as a number of sub-projects were substantially completed in 2017-18.

Repair and maintenance

Spending related to accommodation and building services has decreased by \$0.5M, due to the timing of project schedules.

Acquisition of machinery and equipment

The decrease of \$1.3 million is mainly due to a reduction in purchases of telecommunication and security equipment related to Budget 2016 initiatives.

Transfer Payments

The National Inquiry into Missing and Murdered Indigenous Women and Girls increased its transfer payments by \$1.3 million.

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Significant changes to year-to-date expenditures by Standard Object

The year-to-date expenditures totaled \$124.0 million for a net decrease of \$3.4 million (3%) when compared to \$127.4 million spent during the same period in 2017-18. Table 2 below presents budgetary expenditures by standard object.

Table 2

Material Variances to Expenditures by Standard Object	YTD Expenditures as of Dec 31 2018	YTD Expenditures as of Dec 31 2017	Variance \$	Variance %
(in thousands of dollars)				
Personnel	94,129	89,964	4,165	5%
Transportation and communications	4,456	4,041	415	10%
Information	2,339	1,641	698	43%
Professional and special services	16,021	24,326	(8,305)	(34%)
Rentals	1,237	1,143	94	8%
Repair and maintenance	340	1,818	(1,478)	(81%)
Utilities, materials and supplies	575	446	129	29%
Acquisition of machinery and equipment	2,087	2,746	(659)	(24%)
Transfer payments	2,081	23	2,058	8948%
Other subsidies and payments	764	1,232	(468)	(38%)
Total gross budgetary expenditures *	124,029	127,380	(3,351)	(3%)

* Details may not add to totals due to rounding

Personnel

The overall increase of \$4.2 million in personnel spending is mainly related to spending for the National Inquiry into Missing and Murdered Indigenous Women and Girls, and an increase in contributions to Employee Benefit Plans

Professional and special services

The decrease of \$8.3 million is mainly due to decreased spending for PCO's information technology modernization project as a number of sub-projects were substantially completed in 2017-18, offset by an increase in spending for the National Inquiry into Missing and Murdered Indigenous Women and Girls.

Repair and maintenance

Spending related to accommodation and building services has decreased by \$1.5M, due to the timing of project schedules.

Acquisition of machinery and equipment

The decrease of \$0.7 million is mainly due to spending on telecommunication and security equipment related to Budget 2016 investments.

Transfer Payments

The National Inquiry into Missing and Murdered Indigenous Women and Girls increased its transfer payments by \$2.1 million.

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Risks and uncertainties

The dominant financial risks lie in funding initiatives to deal with issues that emerge unexpectedly. As part of its coordinating role, PCO is expected to launch these initiatives on short notice, and either manage the necessary expenditures within its own spending authorities, or cash manage until increased spending authorities are approved.

PCO provides administrative and financial support to the National Inquiry into Missing and Murdered Indigenous Women and Girls. There are limitations to financial oversight due to the arms length relationship between PCO and the National Inquiry.

This Departmental Quarterly Financial Report reflects the results of the current fiscal period in relation to the *2018-19 Main Estimates, Supplementary Estimates (A) and TB Central Votes* for the same year.

PCO is closely monitoring pay transactions to identify and address over and under payments in a timely manner and continues to apply ongoing mitigating controls which were implemented in 2016.

Significant changes in relation to operations, personnel and programs

PCO's operating environment has not significantly changed in the last quarter as it pursues the priorities of the government's mandate.

In December 2018, the Prime Minister announced the appointment of Catherine Blewett as the new Deputy Clerk of the Privy Council and Associate Secretary to the Cabinet, effective January 7, 2019.

Approval by senior officials:

Michael Wernick
Clerk of the Privy Council and
Secretary to the Cabinet

Matthew Shea
Assistant Deputy Minister,
Corporate Services Branch and
Chief Financial Officer

Ottawa, Canada
March 1, 2019

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ANNEX A

STATEMENT OF AUTHORITIES (unaudited) (note 2)

(In thousands of dollars)

	Fiscal year 2018-2019		Fiscal year 2017-2018			
	Total available for use for the year ending March 31, 2019 (note 1)	Used during the quarter ended December 31, 2018	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2018 (note 1)	Used during the quarter ended December 31, 2017	Year-to-date used at quarter-end
<i>(In thousands of dollars)</i>						
Vote 1 - Net operating expenditures	216,981	41,682	112,018	204,482	41,803	116,223
Budgetary statutory authorities						
Contributions to employee benefits plans	18,457	3,932	11,795	16,381	3,654	10,962
Prime Minister - Salary and motor car allowance	178	44	133	174	44	131
Minister of Intergovernmental Affairs and President of the Queen's Privy Council for Canada - Salary and motor car allowance	86	18	18	-	-	-
Leader of the Government in the House of Commons - Salary and motor car allowance	86	-	-	84	-	-
Minister of Democratic Institutions - Salary and motor car allowance	86	22	65	84	21	63
Minister of State (Democratic Reform) - Motor car allowance	-	-	-	-	-	-
Minister of State and Chief Government Whip - Motor car allowance	-	-	-	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	6	-	-	34	-	-
Total budgetary authorities	235,880	45,698	124,029	221,240	45,521	127,380
TOTAL AUTHORITIES	235,880	45,698	124,029	221,240	45,521	127,380

Note 1: Includes only Authorities available for use and granted by Parliament at quarter-end for each respective fiscal year.

Note 2: Details may not add to totals due to rounding

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ANNEX B

Departmental budgetary expenditures by Standard Object (unaudited) (note 2)

(In thousands of dollars)

	Fiscal year 2018-2019			Fiscal year 2017-2018		
	Planned expenditures for the year ending March 31, 2019 (note 1)	Expended during the quarter ended December 31, 2018	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2018 (note 1)	Expended during the quarter ended December 31, 2017	Year to date used at quarter-end
Budgetary expenditures						
Personnel	138,802	33,763	94,129	125,367	30,530	89,964
Transportation and communications	13,986	1,801	4,456	11,941	1,782	4,041
Information	9,652	862	2,339	7,148	631	1,641
Professional and special services	48,293	6,617	16,021	54,882	9,587	24,326
Rentals	2,789	431	1,237	3,215	293	1,143
Repair and maintenance	2,091	240	340	5,257	784	1,818
Utilities, materials and supplies	660	236	575	591	122	446
Acquisition of machinery and equipment	4,785	317	2,087	8,370	1,586	2,746
Transfer payments	15,400	1,262	2,081	4,500	-	23
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	507	169	764	44	206	1,232
Total gross budgetary expenditures	236,964	45,698	124,029	221,315	45,521	127,380
Less revenues netted against expenditures						
Revenues	(1,085)	-	-	(75)	-	-
Total revenues netted against expenditures	(1,085)	-	-	(75)	-	-
TOTAL BUDGETARY EXPENDITURES	235,880	45,698	124,029	221,240	45,521	127,380

Note 1: Includes only Authorities available for use and granted by Parliament at quarter-end for each respective fiscal year (Frozen budget of \$401K included for 2018-19).

Note 2: Details may not add to totals due to rounding