

Privy Council Office

Quarterly Financial Report

Statement outlining results, risks and significant changes in operations, personnel and programs
For the quarter ended June 30, 2019

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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* 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 2019-20 *Main Estimates*. This quarterly report has been prepared using a special purpose financial reporting framework (expenditure 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.

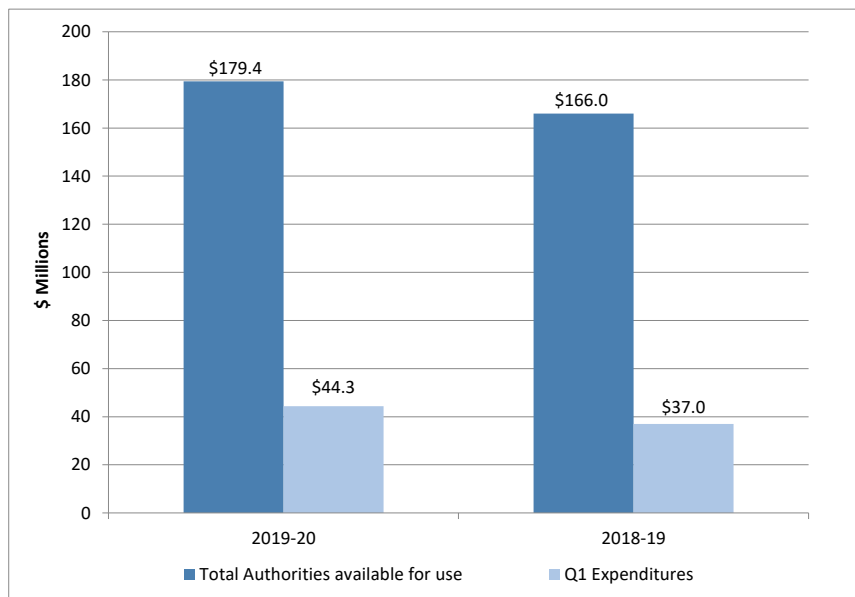
PCO uses the full accrual method of accounting to prepare and present its annual departmental financial statements ¹ that are part of the departmental performance reporting process. The spending authorities voted by Parliament remain on an expenditure basis.

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 June 30, 2019.

PCO spent approximately 25% of its authorities available for use by the end of the first quarter, compared to 22% in the same quarter of 2018-19 (see graph 1 below).

Graph 1: Comparison of Total Authorities Available For Use and Total Net Budgetary Expenditures as of Q1 2019-2020 and 2018-2019



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

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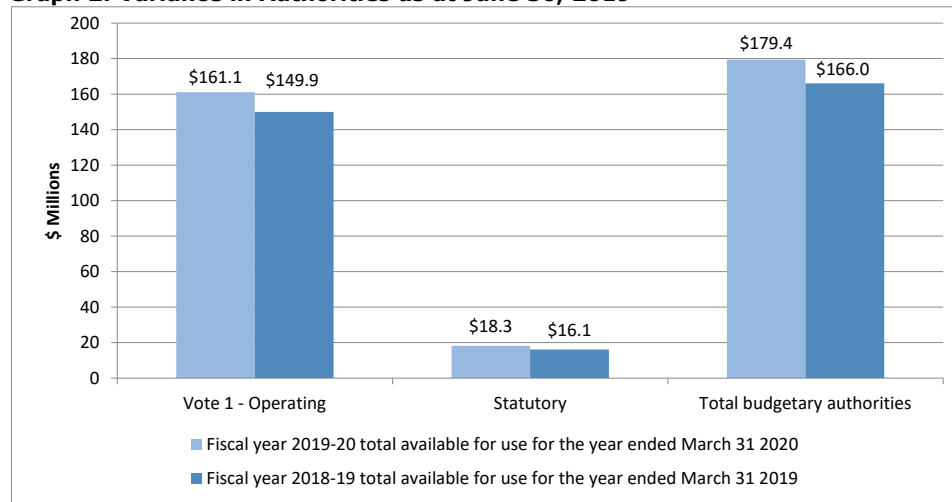
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Significant changes to authorities

As per graph 2 below as at June 30, 2019 and Annex A, presented at the end of this document, PCO has authorities available for use of \$179.4 million in 2019-20 compared to \$166.0 million as of June 30, 2018, for a net increase of \$13.4 million or 8%.

Graph 2: Variance in Authorities as at June 30, 2019



The net increase in authorities of \$13.4 million is mainly explained by:

Authorities Increase:

- Funding to support the establishment of the Office of the Minister of Intergovernmental Affairs, Northern Affairs, and Internal Trade and for existing Ministers supported by PCO, along with the accompanying departmental support, and additional funding to bolster support for an open and transparent government (\$10.7 million); and
- Funding to support the management and oversight of Governor in Council appointments, and continuing the implementation of PCO's digital workplace initiatives (\$6.2 million); and
- Funding for the Secure Communications for National Leadership Initiative (\$3.1 million).

Authorities Decrease:

- Funding for the National Inquiry into Missing and Murdered Indigenous Women and Girls (\$2.6 million) and PCO's information technology modernization project (\$4.2 million).

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Significant changes to expenditures

Year-to-date expenditures recorded to the end of the first quarter increased by \$7.4 million, from the same period of the previous year (from \$36.9 million for 2018-19 to \$44.3 million for 2019-20). Table 1 below presents budgetary expenditures by standard object.

Table 1

Material Variances to Expenditures by Standard Object	Fiscal year 2019-20 Expended during the quarter ended 30-June-2019	Fiscal year 2018-19 Expended during the quarter ended 30-June-2018		
(in thousands of dollars)			Variance \$	Variance %
Personnel	33,306	29,843	3,463	12%
Transportation and communications	1,451	835	616	74%
Information	2,293	521	1,772	340%
Professional and special services	4,289	4,422	(133)	(3%)
Rentals	882	439	443	101%
Repair and maintenance	26	(305)	331	(109%)
Utilities, materials and supplies	118	122	(4)	(3%)
Acquisition of machinery and equipment	711	568	143	25%
Transfer payments	887	132	755	572%
Other subsidies and payments	367	380	(13)	(3%)
Total gross budgetary expenditures *	44,330	36,957	7,373	20%

* Details may not add to totals due to rounding

Personnel

The overall increase of \$3.5 million in personnel spending is related to an increase associated with approved funding increases outlined in the previous section.

Transportation and Communications

The increase of \$0.6 million is mainly attributed to the costs incurred to support Canada's first Youth Summit in May 2019.

Information

The increase of \$1.8 million is mainly due to spending to support the National Inquiry into Missing and Murdered Indigenous Women and Girls, as they closed out activities.

Repairs and Maintenance

The variance is due to an overestimated recovery transaction with another department in 2018-19, which was adjusted in the second quarter report, as previously mentioned in the Q1 2018-19 Quarterly Report.

Rentals

The increase is related to increased expenditures for software license fees.

Transfer Payments

The National Inquiry into Missing and Murdered Indigenous Women and Girls increased its transfer payments by \$0.8 million, as they closed out activities.

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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; however, financial obligations ultimately remain the responsibility of PCO.

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

Operations and Programs

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

Personnel

Ian Shugart became the Clerk of the Privy Council and Secretary to the Cabinet in April 2019.

Approval by senior officials:

Ian Shugart
Clerk of the Privy Council and
Secretary to the Cabinet

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

Ottawa, Canada
August 29, 2019

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ANNEX A

STATEMENT OF AUTHORITIES *(unaudited) (note 2)*

	Fiscal year 2019-2020			Fiscal year 2018-2019		
	Total available for use for the year ending March 31, 2020 (note 1)	Used during the quarter ended June 30, 2019	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2019 (note 1)	Used during the quarter ended June 30, 2018	Year-to-date used at quarter-end
<i>(In thousands of dollars)</i>						
Vote 1 - Net operating expenditures	161,141	39,767	39,767	149,935	32,959	32,959
Budgetary statutory authorities						
Contributions to employee benefits plans	17,809	4,452	4,452	15,727	3,932	3,932
Prime Minister - Salary and motor car allowance	181	45	45	178	44	44
Leader of the Government in the House of Commons - Salary and motor car allowance	88	22	22	86	-	-
Minister of Democratic Institutions - Salary and motor car allowance	88	22	22	86	22	22
Minister of Intergovernmental and Northern Affairs and Internal Trade - Motor car allowance	88	22	22	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	-	-	-	6	-	-
Total budgetary authorities	179,394	44,330	44,330	166,017	36,957	36,957
TOTAL AUTHORITIES	179,394	44,330	44,330	166,017	36,957	36,957

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

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

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ANNEX B

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

(In thousands of dollars)

	Fiscal year 2019-2020			Fiscal year 2018-2019		
	Planned expenditures for the year ending March 31, 2020 (note 1)	Expended during the quarter ended June 30, 2019	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2019 (note 1)	Expended during the quarter ended June 30, 2018	Year-to-date used at quarter-end
Budgetary expenditures						
Personnel	134,648	33,306	33,306	119,541	29,843	29,843
Transportation and communications	3,189	1,451	1,451	6,303	835	835
Information	3,168	2,293	2,293	5,261	521	521
Professional and special services	35,177	4,289	4,289	26,531	4,422	4,422
Rentals	925	882	882	1,807	439	439
Repair and maintenance	1,177	26	26	2,084	(305)	(305)
Utilities, materials and supplies	272	118	118	516	122	122
Acquisition of machinery and equipment	1,885	711	711	4,707	568	568
Acquisition of land, buildings and works	-	-	-	-	-	-
Transfer payments	-	887	887	-	132	132
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	707	367	367	351	380	380
Total gross budgetary expenditures	181,150	44,330	44,330	167,102	36,957	36,957
Less revenues netted against expenditures						
Revenues	(1,755)	-	-	(1,085)	-	-
Total revenues netted against expenditures	(1,755)	-	-	(1,085)	-	-
TOTAL BUDGETARY EXPENDITURES	179,394	44,330	44,330	166,017	36,957	36,957

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

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