

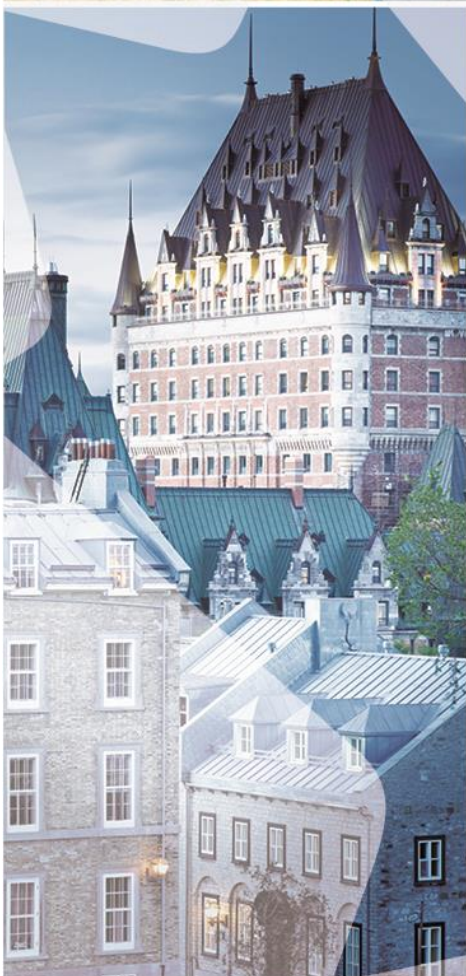


Développement
économique Canada
pour les régions du Québec

Canada Economic
Development
for Quebec Regions



QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED JUNE 30, 2018



Published by

Canada Economic Development for Quebec
Regions

Montreal, Quebec H3B 1X9

www.dec-ced.gc.ca

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represented by the Minister of Innovation, Science
and Economic Development and Minister
responsible for CED, 2018

**Catalogue:
ISBN or ISSN**

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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 under subsection 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 [2018–2019 Main Estimates](#) and the [2018–2019 Departmental Plan](#).

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

1.1 Authorities, mandate and programs

The mission of Canada Economic Development for Quebec Regions (CED) is to promote the long-term economic development of the regions of Quebec by according special attention to those regions where slow economic growth is prevalent or where opportunities for productive employment are inadequate. CED exercises its mandate under the provisions of the *Economic Development Agency of Canada for the Regions of Quebec Act*, which came into force on October 5, 2005. In addition, CED is committed to promoting co-operation and complementarity with Quebec and the communities in Quebec.

CED is the key federal player in Quebec for the promotion of economic development in the regions and among small and medium-sized enterprises (SMEs). To deliver on its core responsibility, namely developing Quebec's economy, CED fosters the startup and performance of businesses by helping them become more innovative, productive and competitive. It supports community engagement efforts in the various regions of Quebec, and the attraction of investments that aim to increase the prosperity of the economies of Quebec and Canada.

CED contributes to the economic vitality of all of Quebec's regions by leveraging their competitive regional advantages. It supports transitional and diversification efforts in communities that remain dependent on a limited number of sectors or that have been affected by an economic shock, such as the closure of the chrysotile mines or the Lac-Mégantic tragedy.

To support its core responsibility, CED has three programs:

- Business innovation and growth
- Community economic development and diversification
- Targeted transition support

Additional information about CED's authorities, mandate and programs can be found in the [2018–2019 Main Estimates](#) and the [2018–2019 Departmental Plan](#).

1.2 Basis of presentation

This quarterly report has been prepared by CED, using an expenditure basis of accounting and a special purpose financial framework designed to meet financial information needs with respect to spending authorities. The Statement of Authorities attached to this report includes CED spending authorities granted by Parliament and used by CED in a manner consistent with the Main Estimates for the 2018–2019 fiscal year.

The pre-authorization of Parliament is required before funds can be spent by the Government. Authorities available for use are allocated by means of annually approved limits through appropriation acts or through legislation in the form of statutory 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 financial statements published in the Departmental Performance Report. However, the spending authorities voted by Parliament are always established on an expenditure basis.

1.3 Financial structure of Canada Economic Development for Quebec Regions (CED)

There are two annual votes for CED's expenditures management:

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

Expenses under budgetary statutory authorities, for which payments are made under legislation previously approved by Parliament, and which are not part of the annual appropriation bills, include items such as the employer's benefit plan.

SECTION 2

**HIGHLIGHTS OF FISCAL
QUARTER AND FISCAL
YEAR-TO-DATE (YTD)
RESULTS**

HIGHLIGHTS OF FINANCIAL AND YEAR-TO-DATE (YTD) RESULTS

This section provides financial information for the current fiscal year up to June 30, 2018, including the authorizations available for the year and expenses incurred during the first quarter, as compared with the previous fiscal year.

- In the explanation of variances, changes of less than 5% are deemed to have a minimal impact on the interpretation of results.

The details of this financial information are presented in sections 2.1 and 2.2, and in the tables in the appendices.

2.1 Analysis of authorities

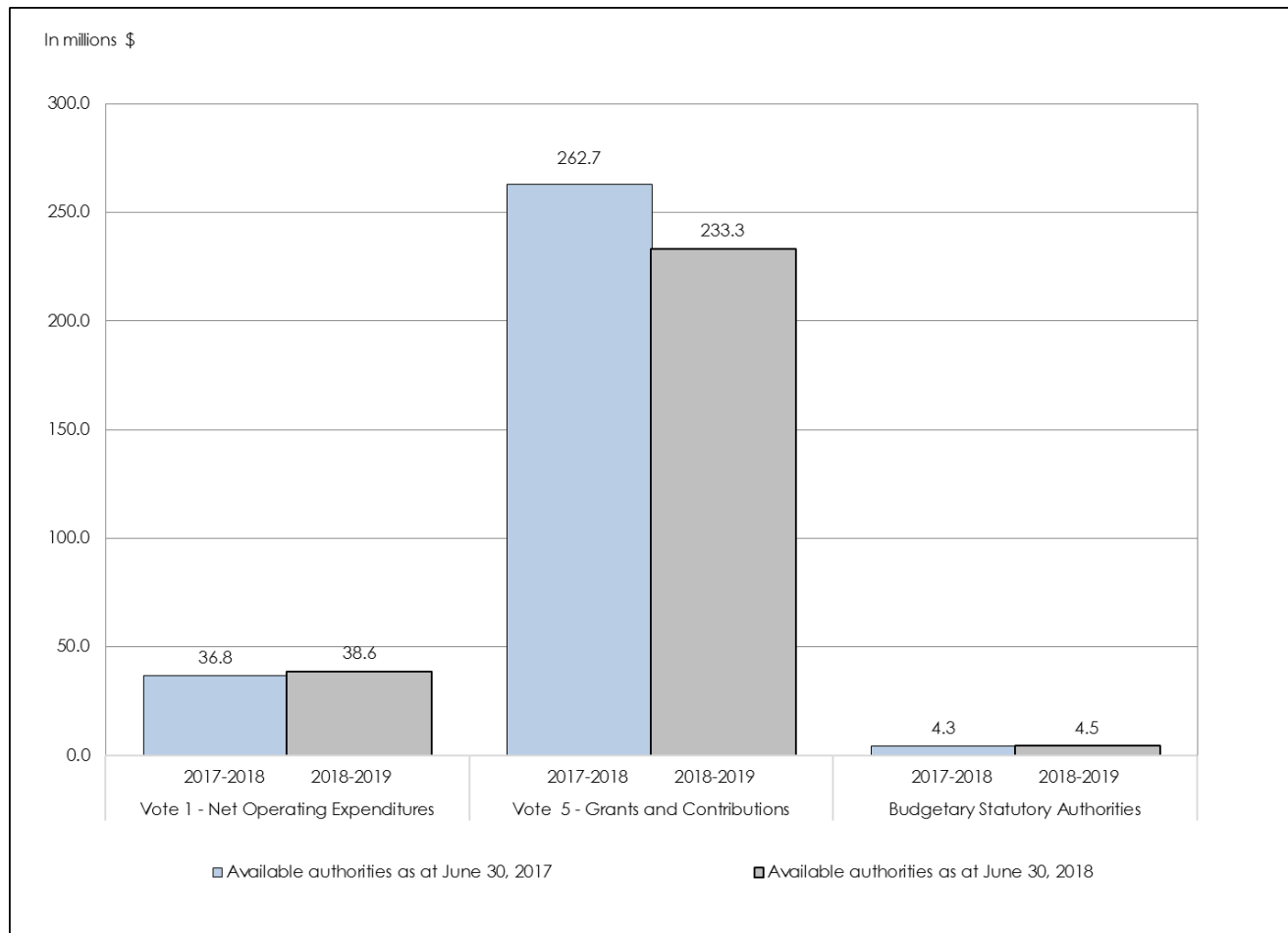
At the end of the 1st quarter, as at June 30, 2018, CED's annual authorities totalled \$276.5 million, compared with \$303.8 million as at June 30, 2017.

The variance of \$27.3 million (-9.0%) is due to the following changes:

- Vote 1 – Net Operating Expenditures of +\$1.9 million;
- Vote 5 – Grants and Contributions of -\$29.4 million; and
- Budgetary statutory authorities of +\$0.2 million.

The following graph shows the annual budgetary authorities by vote as at June 30, 2018, compared with the previous fiscal year.

Annual budgetary authorities by appropriation as at June 30, fiscal year 2018–2019, compared with 2017–2018



Vote 1 authorities (Net Operating Expenditures)

We note an increase of \$1.9 million (5.2%) as at June 30, 2018, compared with the same period in fiscal year 2017–2018. The variance is due to an adjustment to the authorities to include salary offsets resulting from the signing of the new collective agreements.

Vote 5 authorities (Grants and Contributions)

As at June 30, 2017, the annual authorities available for Vote 5 totalled \$262.76 million. As at June 30, 2018, this amount stood at \$233.3 million, a decrease of \$29.4 million (-11.2%). This decrease is a result of the end of certain temporary initiatives, including the Canada 150 Community Infrastructure Program; federal support for spruce budworm control initiatives; and reduced funding for temporary initiatives.

2.2 Analysis of expenditures

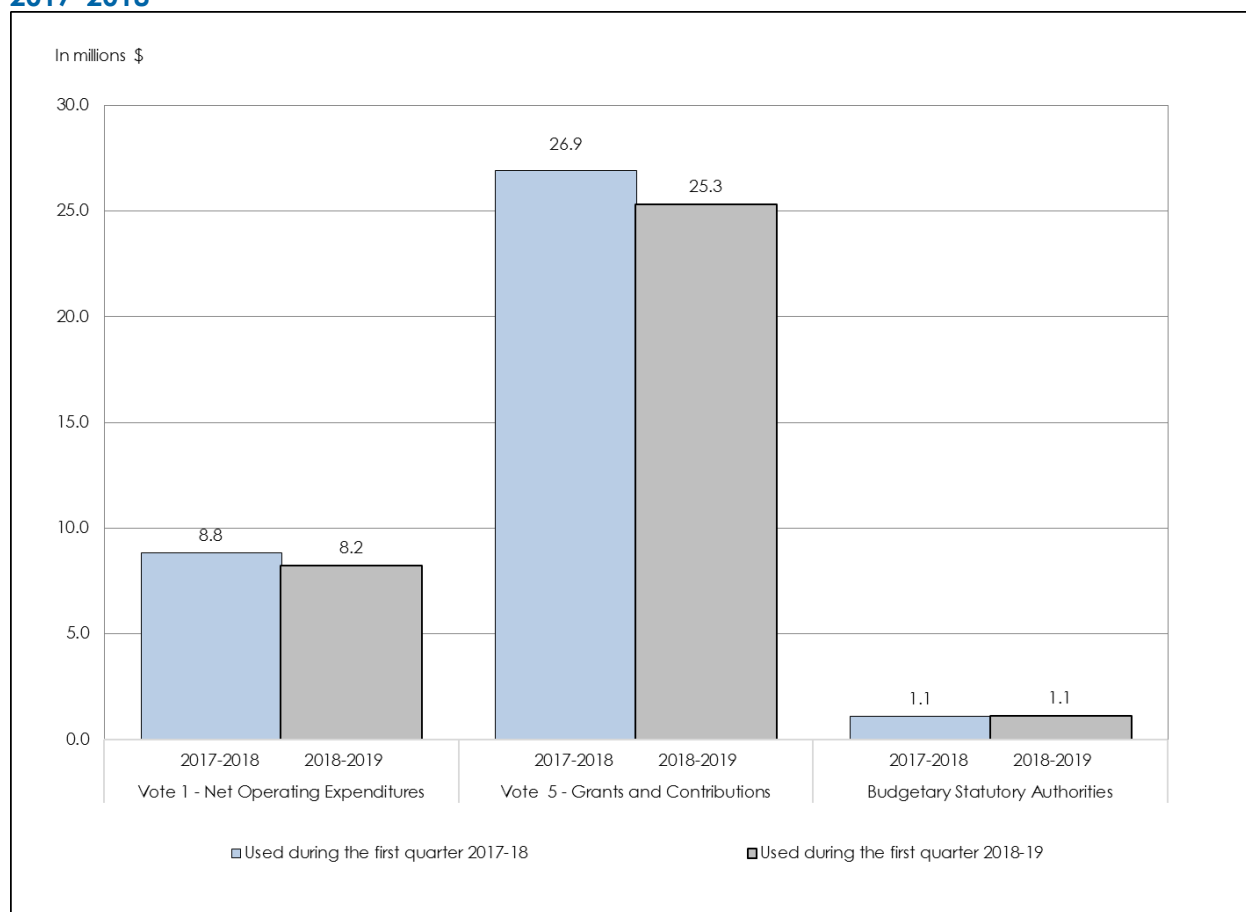
The total amount of CED expenditures recorded during the first quarter of 2018–2019 was \$34.7 million, compared with \$36.8 million during the same quarter of the previous year. This represents a net year-over-year decrease of \$2.1 million (-5.7%).

This decrease can be broken down as follows:

- Vote 1 – Net Operating Expenditures of -\$0.6 million;
- Vote 5 – Grants and Contributions of -\$1.6 million; and
- Budgetary statutory authorities of -\$0.1 million.

The following graph illustrates 1st quarter 2018–2019 expenditures per vote, compared with the previous fiscal year.

First quarter expenditures by budgetary appropriation, fiscal year 2018–2019, compared with 2017–2018



Vote 1 expenditures (Net Operating Expenditures)

Net operating expenses for the first quarter of 2018–2019 and the first quarter of 2017–2018 amounted to \$8.8 million and \$8.2 million, respectively.

The variance of -\$0.6 million (7.3%) can be explained by a number of items, including the \$0.8 million decrease in “Staff” expenses (includes Employee Benefit Plans) resulting from the retroactive payment for the renewal of collective agreements in 2017–2018, as well as by the increase in expenditures for professional and special services (\$0.3 million).

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

Vote 5 expenditures (Grants and Contributions)

During the first quarter of 2018–2019, CED spent \$25.3 million on grants and contributions. This represents a decrease of \$1.6 million (-5.9%) compared with the first quarter of 2017–2018.

In 2018–2019, CED implemented a new Departmental Results Framework. This change makes it difficult to compare fluctuations in the various programs. The variation in Vote 5 can, however, be explained by the decrease in total annual authorizations. The end of certain temporary initiatives, such as the Canada 150 Community Infrastructure Program and federal support for spruce budworm control initiatives, are key factors in this decrease.

(For further details on these expenditures, see the table entitled *Departmental Budgetary Expenditures by Standard Object* 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 within 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 orient the delivery of its mandate in a changing economic environment. The strengthening of the global economy and the interdependence of global risks; fluctuations in the number of investment projects undertaken by businesses in the regions because of the vulnerability of some regions owing to the state of the economy; numerous technological and policy changes; and changes in market measures affecting trade on the world markets, are just some of the numerous factors that are likely to have an impact on the delivery of the organization's mandate. These external factors could limit CED's ability to achieve its expected results, specifically as concerns the creation of new businesses and the expansion of existing ones. To mitigate this risk, CED will, for example, continue to develop and implement regional strategies and special initiatives in response to specific regional issues.

CED's internal risk associated with the maintenance of a functional and secure technological infrastructure has been drastically reduced. The move of CED's Head Office and its Greater Montreal Business Office, completed on April 23, 2018, gave the Agency an opportunity to modernize part of its infrastructure—by migrating its data centre to more modern facilities, for example—which partially mitigated the risks. To mitigate the residual risk, the scope of which is beyond CED's control, 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 needs relating to infrastructure and technology and information management systems.

CED manages its resources within a well-defined framework of responsibilities, policies and procedures, including an appropriate system of budgetary, reporting, and other controls, which allow it to manage its operations within the limits of available resources and Parliamentary authorizations. It regularly monitors the progress and effectiveness of their implementation through a number of budgetary review processes and other activities, and through the monthly analysis of expenditures and budgetary estimates by organizational unit. The financial risks are mitigated in large part by the implementation of robust internal financial reporting controls. CED conducts periodic assessments, including 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

CED has begun to implement the Treasury Board *Policy on Results*. Since April 1, 2018, the CED financial system has been adjusted to reflect the transition. This new policy represents a shift in results-based management and accountability through streamlining and innovation. It will allow CED to better demonstrate to Canadians and parliamentarians how it is contributing to Quebec's economic development by supporting innovation and clean, inclusive growth.

On June 1, 2018, Marie-Chantal Girard stepped down from her position as Vice-President of the Policy and Communications sector. She was replaced by Jean-Frédéric Lafaille, starting on July 16, 2018.

The Head Office and Greater Montreal Business Office moves were successfully carried out. Other real-estate portfolio leases will expire between 2018 and 2021, giving CED an opportunity to adhere to the Government of Canada's vision for a modern workplace. Much more than just moves, these changes provide an opportunity both to modernize workspaces and to innovate through new ways of doing things.

SECTION 5

APPROVAL BY SENIOR
OFFICIALS

APPROVAL BY 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 / President

Montreal, Canada

August 22, 2018

Guy Lepage

Chief Financial Officer

Montreal, Canada

August 15, 2018

SECTION 6

APPENDICES

6.1 Statement of Authorities (Unaudited)

Fiscal year 2018–2019 (\$ 000's)

| | Total available appropriations for the fiscal year ending March 31, 2019* | Appropriations used for the quarter ended June 30, 2018 | Cumulative end-of-quarter appropriation use |
|---------------------------------------|---|---|---|
| Vote 1 – Net Operating Expenditures | 38,634 | 8,240 | 8,240 |
| Vote 5 – Grants and Contributions | 233,365 | 25,335 | 25,335 |
| Total budgetary legislative approvals | 4,506 | 1,126 | 1,126 |
| Total authorizations | 276,505 | 34,701 | 34,701 |

Fiscal year 2017-2018 (\$ 000's)

| | Total available appropriations for the fiscal year ending March 31, 2018* | Appropriations used for the quarter ended June 30, 2017 | Cumulative end-of-quarter appropriation use |
|---------------------------------------|---|---|---|
| Vote 1 – Net Operating Expenditures | 36,755 | 8,823 | 8,823 |
| Vote 5 – Grants and Contributions | 262,730 | 26,912 | 26,912 |
| Total budgetary legislative approvals | 4,332 | 1,083 | 1,083 |
| Total authorizations | 303,817 | 36,818 | 36,818 |

More information is available in the attached table.

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

6.2 Departmental Budgetary Expenditures by Standard Object (Unaudited)

Fiscal year 2018–2019 (\$ 000's)

| | Planned expenditures for the year ending March 31, 2019 | Expended during the quarter ended June 30, 2018 | Cumulative end-of-quarter appropriation use |
|--|---|---|---|
| Expenses: | | | |
| Staff* | 34,148 | 8,101 | 8,101 |
| Transport and communication | 1,010 | 152 | 152 |
| Information | 442 | 30 | 30 |
| Professional and special services | 4,759 | 712 | 712 |
| Leasing | 692 | 205 | 205 |
| Repair and maintenance services | 36 | 3 | 3 |
| Public utilities, materials and supplies | 204 | 26 | 26 |
| Acquisition of land, buildings and works | 0 | 0 | 0 |
| Acquisition of equipment and tools | 1,831 | 67 | 67 |
| Transfer payments | 233,365 | 25,335 | 25,335 |
| Other grants and payments | 18 | 70 | 70 |
| Total net budgetary expenditures | 276,505 | 34,701 | 34,701 |

* Employee Benefit Plans (EBP) included

Fiscal year 2017–2018 (\$ 000's)

| | Planned expenditures for the year ending March 31, 2018 | Expended during the quarter ended June 30, 2017 | Cumulative end-of-quarter appropriation use |
|--|---|---|---|
| Expenses: | | | |
| Staff* | 31,923 | 8,948 | 8,948 |
| Transport and communication | 995 | 183 | 183 |
| Information | 440 | 19 | 19 |
| Professional and special services | 5,738 | 384 | 384 |
| Leasing | 713 | 199 | 199 |
| Repair and maintenance services | 40 | 5 | 5 |
| Public utilities, materials and supplies | 194 | 21 | 21 |
| Acquisition of land, buildings and works | 0 | 0 | 0 |
| Acquisition of equipment and tools | 747 | 26 | 26 |
| Transfer payments | 262,730 | 26,912 | 26,912 |
| Other grants and payments | 297 | 121 | 121 |
| Total net budgetary expenditures | 303,817 | 36,818 | 36,818 |

* Employee Benefit Plans (EBP) included