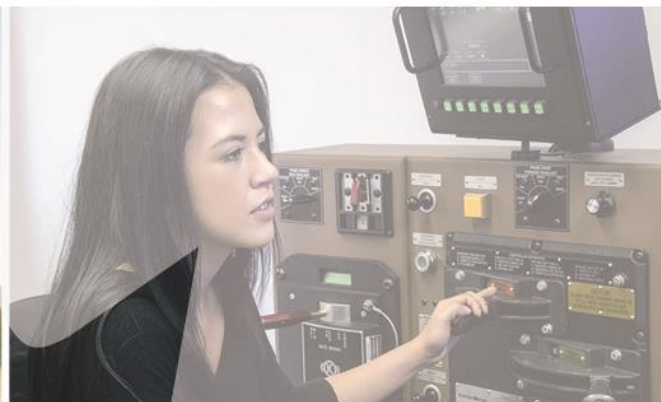


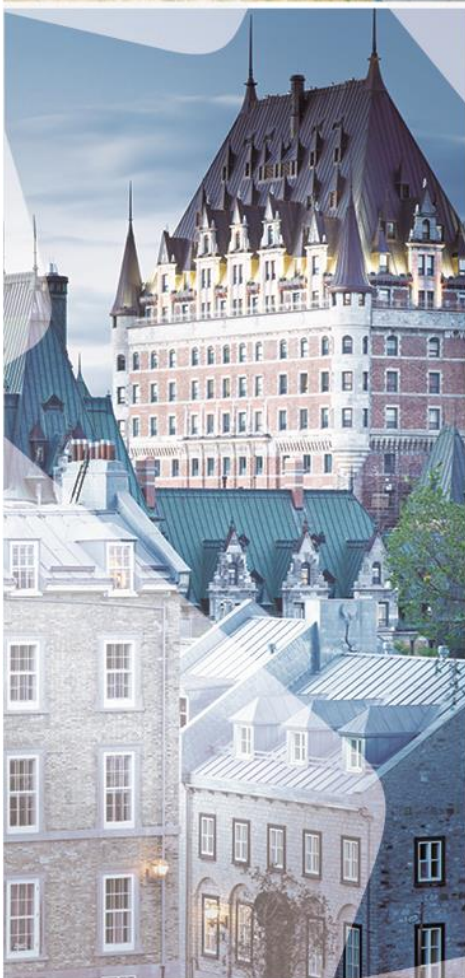


Développement
économique Canada
pour les régions du Québec

Canada Economic
Development
for Quebec Regions



QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2018



Canada

Published by

Canada Economic Development for Quebec
Regions

Montreal, Quebec H3B 1X9

www.dec-ced.gc.ca

©Her Majesty the Queen in Right of Canada, as
represented by the Minister of Innovation, Science
and Economic Development and Minister
responsible for CED, 2018

**Catalogue:
ISBN or ISSN**

TABLE OF CONTENTS

SECTION 1	2
INTRODUCTION	3
1.1 Authority, mandate and programs.....	3
1.2 Basis of presentation	4
1.3 Financial structure of Canada Economic Development for Quebec Regions (CED)	4
SECTION 2	5
HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR-TO-DATE (YTD) RESULTS	6
2.1 Authorities analysis.....	6
2.2 Analysis of expenditures	8
SECTION 3	10
RISKS AND UNCERTAINTIES	11
SECTION 4	12
SIGNIFICANT CHANGES IN OPERATIONS, STAFF AND PROGRAMS	13
SECTION 5	14
APPROVAL OF SENIOR OFFICIALS	15
SECTION 6	16
APPENDICES.....	17
6.1 Statement of authorities (unaudited)	17
6.2 Departmental budgetary expenditures by Standard Object	18



SECTION 1

INTRODUCTION

INTRODUCTION

This quarterly financial report has been prepared by Canada Economic Development for Quebec Regions (CED) as required under section 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](#). These documents provide a brief description of CED's mandate and programs.

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

1.1 Authority, mandate and programs

CED's mission is to promote the long-term economic development of the regions of Quebec by giving special attention to those where economic growth is slow and opportunities for productive employment are inadequate. CED carries out its mandate in accordance with the provisions of the *Economic Development Agency of Canada for the Regions of Quebec Act*, which came into force on October 5, 2005. Furthermore, CED is committed to promoting co-operation and a complementary relationship with Quebec and its communities.

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 achieve its core responsibility, which consists of developing the Quebec economy, CED fosters business start-ups and performance. It helps them become more innovative, productive and competitive. It supports community engagement efforts in the various regions of Quebec and helps to attract investment that will increase the prosperity of the Quebec and Canadian economies.

CED contributes to the economic vitality of all of Quebec's regions by leveraging their competitive regional advantages. It also supports the transition and diversification of 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.

CED has three programs to support its core responsibility:

- Business Innovation and Growth
- Community Economic Development and Diversification
- Targeted Transition Support

Additional information on the Agency's authority, 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 the Agency using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Agency's spending authorities granted by Parliament and used by the Agency, in a manner consistent with the Main Estimates for the 2018–2019 fiscal year. This quarterly financial 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.

Prior authority from Parliament is required before funds can be spent by the Government. Authorities available for use are given in the form 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 that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis of accounting.

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

CED manages its expenditures under two annual votes:

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

Costs under statutory authorities, which represent payments made under legislation previously approved by Parliament and which are not part of the annual appropriation bills, include items such as the employer's share of the Employee Benefits Plan.



SECTION 2

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

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

This section provides a variety of financial information for the current fiscal year up to September 30, 2018, including the authorities available for the year and expenditures incurred during the first quarter, as compared with the previous fiscal year and the previous quarter. The explanation of variances in the amounts are based on the premise that discrepancies of less than 5% have a minimal impact on the interpretation of the results.

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

2.1 Authorities analysis

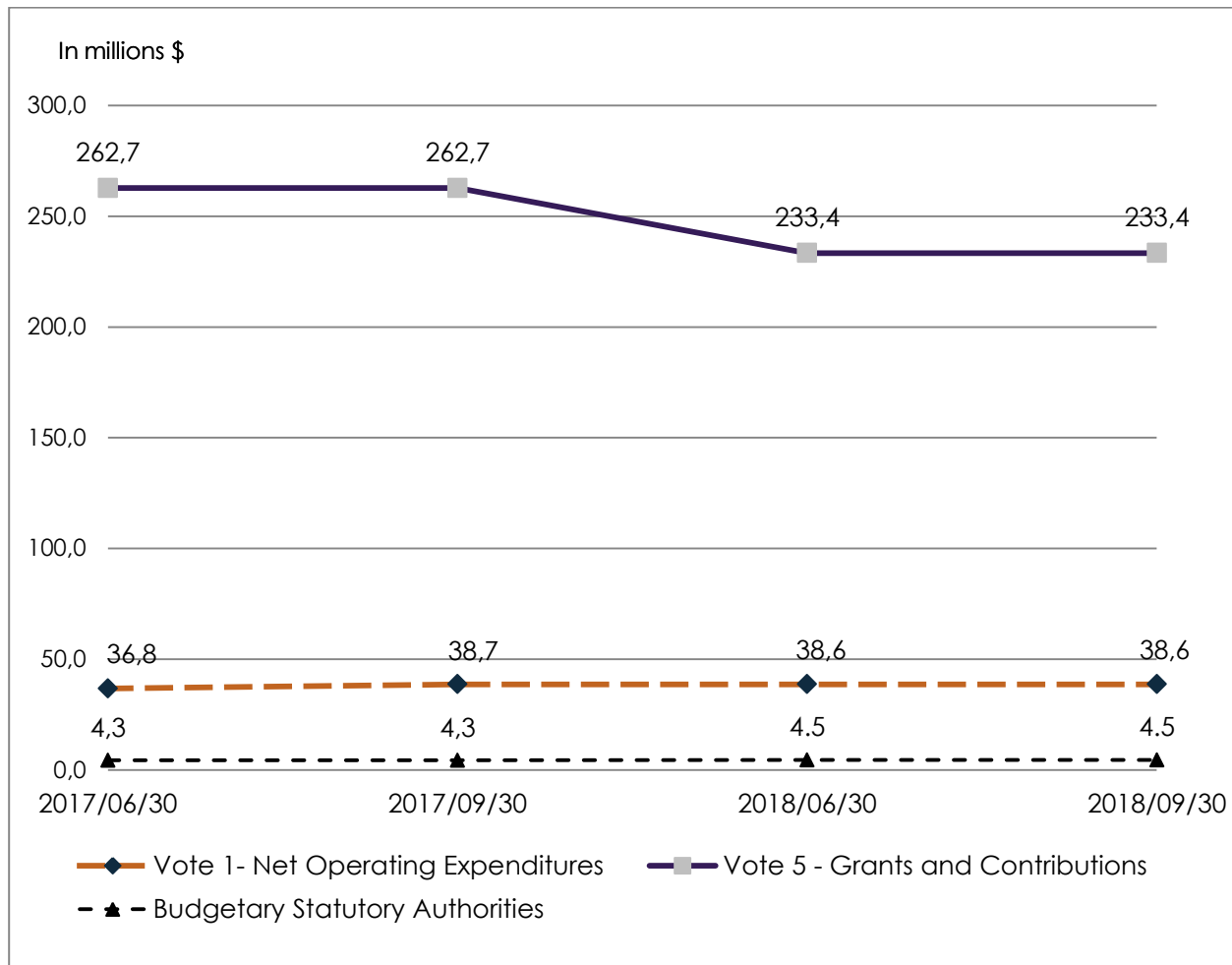
At the end of the second quarter, as at September 30, 2018, CED's annual authorities totalled \$276.5M. They were \$305.7M as at September 30, 2017.

The variance of \$29.2M (9.6%) is due to the following changes:

- Vote 5 – Grants and Contributions of -\$29.4M;
- Budgetary Statutory Authorities of +\$0.2M.

The following graph illustrates the annual budgetary authorities by appropriation as at June 30, 2018, and as at September 30, 2018, compared with the previous fiscal year.

Annual budgetary appropriation authorities as at June 30 and as at September 30, fiscal year 2018-2019, compared with 2017-2018



Vote 1 authorities (Net Operating Expenditures)

The variance as at September 30, 2018, compared with the same period in fiscal year 2017-2018, is not significant.

Vote 5 authorities (Grants and Contributions)

As at September 30, 2017, the annual authorities available for Vote 5 totalled \$262.7M. As at September 30, 2018, this amount is now at \$233.4M, a decrease of \$29.3M (-11.2%). The decrease can be attributed, among other things, to the end of some temporary initiatives, such as the Canada 150 Community Infrastructure Program and federal support for spruce budworm control initiatives, as well as to the reduction in funding for temporary initiatives. The authority remained unchanged between the first and second quarters of 2018-2019.

Budgetary Statutory Authorities

Budgetary Statutory Authorities in 2018–2019 increased by \$0.2M year-over-year. This increase can be attributed to the increase in salary authorities.

2.2 Analysis of expenditures

CED expenditures recorded during the second quarter of 2018–2019 totalled \$45.1M, compared with \$51.7M for the same period in 2017–2018, a net decrease of \$6.6M (12.8%) year-over-year.

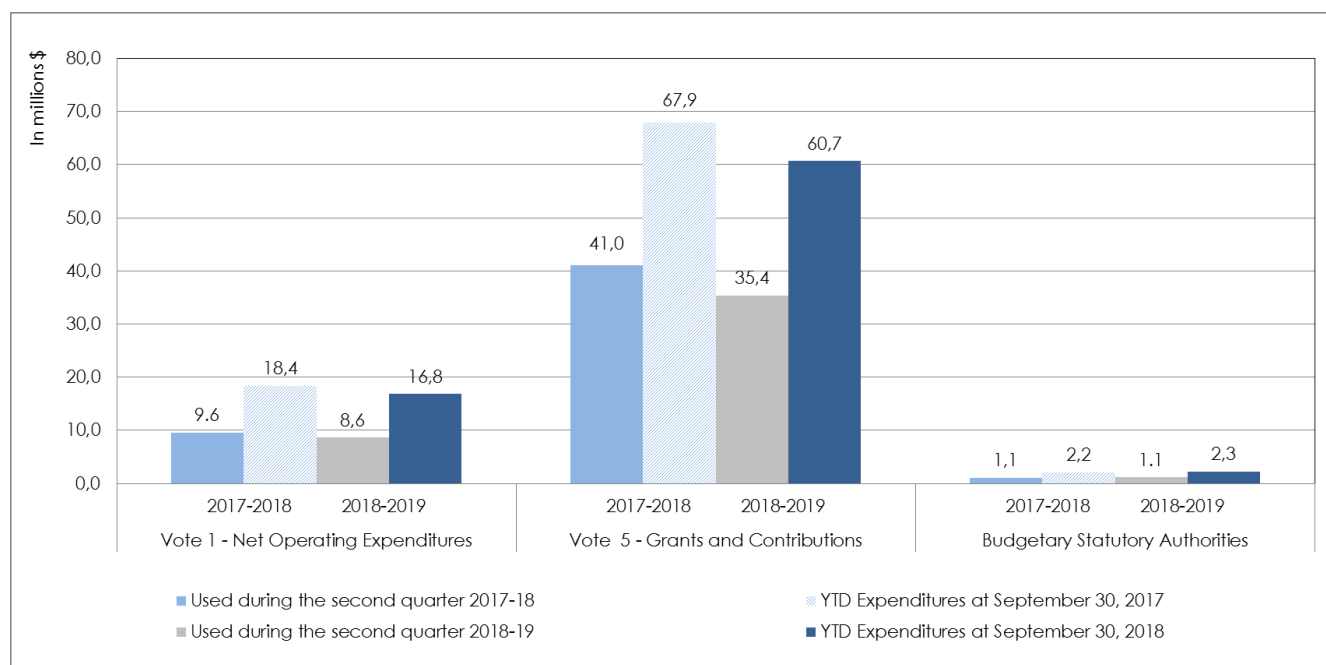
This variance can be broken down as follows:

- Vote 1 – Net Operating Expenditures of -\$1.0M;
- Vote 5 – Grants and Contributions of -\$5.6M.

On a YTD basis, total expenditures as at September 30, 2018, amounted to \$79.8M, compared with \$88.5M for the same period a year earlier, a net decrease of \$8.7M (-9.8%). This variance can be largely explained by the end of some temporary initiatives, such as the Canada 150 Community Infrastructure Program, which had a major impact on contributions expenditures in the second quarter of 2018–2019.

The following graph illustrates second quarter 2018–2019 expenditures by budgetary appropriation, and year-to-date expenditures, compared with the previous fiscal year.

Second-quarter and year-to-date expenditures as at September 30 by budgetary appropriation, fiscal year 2018–2019, compared with 2017–2018



Vote 1 expenditures (Net Operating Expenditures)

Net operating expenditures for the second quarters of 2018–2019 and 2017–2018 stood at \$8.6M and \$9.6M, respectively. The variance of \$1.0M (-10.0%) is chiefly made up of “Staff” expenditures. This decrease in expenditures (including employee benefit plans) is the result of the retroactive payment issued last year following the ratification of collective agreements.

(For further details on these expenditures, see the table entitled Departmental budgetary expenditures by Statutory Authority in Appendix 6.2.)

Vote 5 expenditures (Grants and Contributions)

During the second quarter of 2018–2019, CED spent \$35.4M on grants and contributions. This is down \$5.6M (-13.7%) compared with the second quarter of 2017–2018.

The variance in Vote 5 can be attributed to the decrease in total annual authorities. The end of some temporary initiatives, such as the Canada 150 Community Infrastructure Program and federal support for spruce budworm control initiatives are key factors in this decline.

(For further details on these expenditures, see the table in Appendix 6.2 entitled “Departmental budgetary expenditures by Standard Object.”)



SECTION 3

RISKS AND UNCERTAINTIES

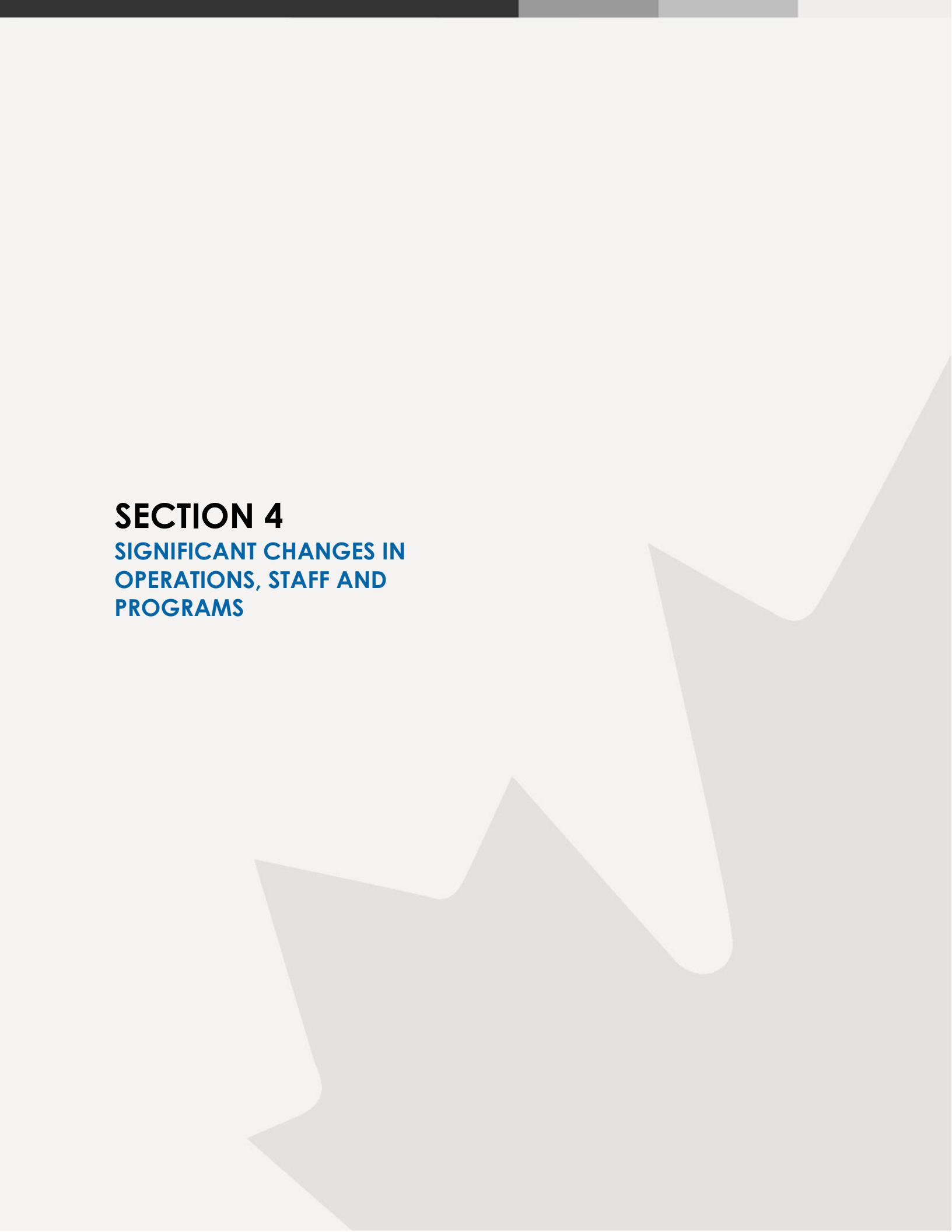
RISKS AND UNCERTAINTIES

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 in departmental planning allows CED to implement appropriate risk management strategies in order to achieve its results.

CED has a mandate to promote economic development; its principal external risk is linked to its ability to adapt the delivery of its mandate in a changing economic environment. Many factors, such as global economic growth, the interdependence of global risks, trade tensions, political change, technological innovation and the degree of economic resilience in the regions, are likely to have an impact on the number of business investment projects and the delivery of CED's mandate. These external factors may limit CED's ability to achieve its expected results, including 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 to address region-specific issues.

The internal risk for CED related to the maintenance of functional and secure technological infrastructure has been greatly reduced. Completed on April 23, 2018, the move of CED's head office and the Greater Montreal Business Office allowed the Agency to modernize part of its infrastructure, notably by migrating its data centre to more modern facilities, thus partially mitigating the risks. To mitigate the residual risk, the scope of which is beyond CED's control, the Agency has maintained close relationships 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 its needs in terms of infrastructure, technological tools and information management systems.

CED manages its resources within a well-defined framework of responsibilities, policies and procedures, including an appropriate system of budget, reporting, and other controls allowing 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 several budgetary review processes and activities, together with the monthly analysis of expenditures and budgetary estimates by organizational unit. The financial risks are mitigated in large part by the implementation of strong internal controls over financial reporting. CED conducts periodic assessments such as 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 implementing the Treasury Board Policy on Results. Since April 1, 2018, CED's financial system has been adjusted to reflect the transition. This new policy represents a shift in terms of results-based management and reporting with an emphasis on streamlining and innovation. It allows CED to better demonstrate to Canadians and parliamentarians how the Agency is contributing to Quebec's economic development by focusing on innovation and clean, inclusive growth.

Some of the leases in CED's real property portfolio will end between 2018 and 2021, giving CED an opportunity to embrace the Government of Canada's vision for modern work environments. Much more than just simple moves, these changes provide an opportunity, not only for workplace modernization, but also for innovation through new ways of doing things.



SECTION 5

APPROVAL OF SENIOR OFFICIALS

APPROVAL OF 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

Guy Lepage

Chief Financial Officer

Montreal, Quebec

November 29, 2018

SECTION 6

APPENDICES

APPENDICES

6.1 Statement of authorities (unaudited)

Fiscal year 2018–2019 (\$000's)

	Total available for use for the year ending March 31, 2019*	Used during the quarter ended September 30, 2018	Year to date used at quarter-end
Vote 1 – Net Operating Expenditures	38,634	8,613	16,853
Vote 5 – Grants and Contributions	233,365	35,406	60,741
Total Budgetary Statutory Authorities	4,506	1,126	2,253
Total authorities	276,505	45,145	79,847

Fiscal year 2017–2018 (\$000's)

	Total available for use for the year ending March 31, 2018*	Used during the quarter ended September 30, 2017	Year to date used at quarter-end
Vote 1 – Net Operating Expenditures	38,664	9,590	18,413
Vote 5 – Grants and Contributions	262,730	41,018	67,930
Total Budgetary Statutory Authorities	4,332	1,083	2,166
Total authorities	305,726	51,691	88,509

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

6.2 Departmental budgetary expenditures by Standard Object

Fiscal year 2018–2019 (\$000's)

	Planned expenditures for the year ending March 31, 2019*	Expenditures during the quarter ended September 30, 2018	Year to date used at quarter-end
Expenditures:			
Staff*	34,148	8,193	16,294
Transport and communication	1,010	220	372
Information	442	21	51
Professional and special services	4,759	897	1,609
Leasing	692	162	367
Repair and maintenance services	36	9	12
Public utilities, materials and supplies	204	39	65
Acquisition of land, buildings and works	0	0	0
Acquisition of equipment and tools	1,831	219	286
Transfer payments	233,365	35,406	60,741
Other grants and payments	18	(21)	50
Total net budgetary expenditures	276,505	45,145	79,847

* Includes employee benefit plans (EBPs)

Fiscal year 2017–2018 (\$000's)

	Planned expenditures for the year ending March 31, 2018*	Expenditures during the quarter ended September 30, 2017	Year to date used at quarter-end
Expenditures:			
Staff*	31,923	9,125	18,073
Transport and communication	1,203	169	352
Information	531	54	73
Professional and special services	6,934	1,219	1,603
Leasing	861	88	287
Repair and maintenance services	49	4	9
Public utilities, materials and supplies	235	49	70
Acquisition of land, buildings and works	0	0	0
Acquisition of equipment and tools	902	20	46
Transfer payments	262,730	41,018	67,930
Other grants and payments	358	(55)	66
Total net budgetary expenditures	305,726	51,691	88,509

* Includes employee benefit plans (EBPs)