



Environment and
Climate Change Canada

Environnement et
Changement climatique Canada



DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q1/2017-2018

Statement outlining results, risks and significant changes in operations, personnel and programs

Introduction

This first 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 Treasury Board (TB). This quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates for the current year.

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

Authority, Mandate and Program Activities

Environment and Climate Change Canada (ECCC) is the lead federal department for a wide range of environmental issues. The Department addresses these issues through various actions including the implementation of the Pan-Canadian Framework on clean growth and climate change; engaging with our strategic partners including provinces, territories and Indigenous peoples; monitoring; science-based research; policy and regulatory development; and, through the enforcement of environmental laws. The Department's programs focus on minimizing threats to Canadians and their environment from pollution; equipping Canadians to make informed decisions on weather, water and climate conditions; and conserving and restoring Canada's natural environment.

Under the Department of the Environment Act, the powers, duties and functions of the Minister of Environment and Climate Change extend to matters such as:

- the preservation and enhancement of the quality of the natural environment, including water, air and soil quality, and the coordination of the relevant policies and programs of the Government of Canada;
- renewable resources, including migratory birds and other non-domestic flora and fauna;
- meteorology; and,
- the enforcement of rules and regulations.

A summary description of the Environment and Climate Change Canada (ECCC) Raison d'être and program activities can be found in [Part II of the Main Estimates](#) and the [Departmental Plan](#).

Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the department's spending authorities granted by Parliament, and those used by the department consistent with the Main Estimates and Supplementary Estimates for the 2017-2018 fiscal year. This quarterly 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.

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.

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

Highlights of the fiscal quarter and the fiscal year-to-date (YTD) results

Authority analysis

The Statement of Authorities presented in this quarterly financial report (see Table 1) reflects the authorities that were approved as of June 30, 2017. The funding available for use includes the 2017-2018 Main Estimates as well as the Supplementary Estimates "A". Authorities for Supplementary Estimates "B" and "C" will follow later this year. Funding for the Oceans Protection Plan and Youth Employment Strategy initiatives were approved in Supplementary Estimates "A". Environment and Climate Change Canada's total available authorities for use for the year ending March 31, 2018 is higher by approximately \$24.7M (\$1,011.4M - \$986.7M)¹ when compared to the same quarter of the previous year. This difference is explained by an increase in Vote 5 – Capital of \$19.2M (\$82.6M - \$63.4M), and in Vote 1 – Net Operating of \$13.6M (\$712.5M – \$698.9M), offset by decreases in Budgetary Statutory authorities for the Employee Benefit Plans and the Minister's Salary and Motor Car Allowance of \$7.0M (\$85.7M - \$92.7M) and in Vote 10 – Grants and Contributions of \$1.1M (\$130.6M - \$131.7M).

¹ See also Statement of Authorities – Table 2.

Vote 1 – Net Operating authorities

The \$13.6M increase compared to last fiscal year in the net Operating authorities is mainly due to the following:

- \$11.2M increase related to the Oceans Protection Plan;
- \$10.7M increase related to initiatives supporting Clean Growth and Climate Change;
- \$7.7M increase related to activities Addressing Air Pollution;
- \$6.1M increase related to the Contaminated Sediment Remediation Projects;
- \$1.2M increase related to Managing Transboundary Water Issues; and,
- \$0.2M increase for various other smaller adjustments.

offset by:

- \$4.5M decrease related to departmental reductions to Professional Services, Advertising and Travel announced in Budget 2016;
- \$2.8M decrease related to the Federal Contaminated Sites Action Plan;
- \$2.7M decrease related to the World Class Oil Spills Regime;
- \$2.6M decrease related to the Revitalize Canada's Weather Radar Services Initiative;
- \$2.6M decrease related to the Great Lake Ecosystem Initiative;
- \$2.0M decrease related to the Lake Winnipeg Basin Initiative;
- \$1.8M decrease related to the Federal Infrastructure Initiative;
- \$1.7M decrease related to the Single Window Initiative;
- \$1.4M decrease related to the Lake Simcoe Initiative;
- \$0.8M decrease related to the National Conservation Plan and the BC Treaty; and,
- \$0.6M decrease related to the Management of Metis Rights (Powley);

Vote 5 – Capital authorities

The \$19.2M increase compared to last fiscal year in the Capital authorities is mainly due to the following:

- \$15.0M increase related to the Revitalize Canada's Weather Radar Services Initiative;
- \$1.9M increase related to activities Addressing Air Pollution;
- \$1.5M increase related to the World Class Oil Spills Regime;
- \$0.5M increase related to the National Conservation Plan and the Oceans Protection Plan; and,
- \$0.4M increase related to the Federal Infrastructure Initiative.

offset by:

- \$0.1M decrease related to initiatives supporting Clean Growth and Climate Change and Great Lakes Ecosystem Initiatives.

Vote 10 – Grants and contributions authorities

The \$1.1M net decrease compared to last fiscal year in the Grants and Contributions authorities is mainly due to the following:

- \$17.3M decrease related to the Sustainable Development Technology Fund;
- \$6.1M decrease related to the Lake Simcoe Initiative;
- \$2.0M decrease related to the Inuit Impact and Benefit Agreement;
- \$0.8M decrease related to the Lake Winnipeg Basin Initiative; and,
- \$0.1M decrease from various other smaller adjustments.

offset by:

- \$14.2M increase related to initiatives supporting Clean Growth and Climate Change; and,
- \$11.0M increase related to the Youth Employment Strategy.

Statutory authorities

The \$7.0M decrease compared to last fiscal year in the Budgetary statutory authorities is mainly due to the following:

- \$7.0M decrease related to the Contributions to Employee Benefit Plans (EBP).

Expenditures analysis by authority

In the first quarter of 2017-2018, total net budgetary expenditures were \$211.3M compared to \$211.9M reported for the same period in 2016-2017, resulting in a decrease of \$0.6M or 0.3% (\$211.3M - \$211.9M). These expenditures are presented in Statement of Authorities – Tables 1 and 2 respectively.

Vote 1 – Net Operating authorities used during the first quarter of 2017-2018 totalled \$173.3M, which represents an increase of \$15.5M or 9.8% (\$173.3M - \$157.8M) compared to the same quarter in 2016-2017. The increase is mainly due to the disbursements of salary retroactive payments to indeterminate employees for the current year following the ratification and signing of some collective agreements.

Vote 5 – Capital authorities used during the first quarter of 2017-2018 totalled \$3.2M, which represents a decrease of \$0.3M or 8.6% (\$3.2M - \$3.5M) compared to the same quarter in 2016-2017. This decrease is mainly attributable to a reduction in capital expenditures for various engineering consulting services used in the first quarter.

Vote 10 – Grants and Contributions authorities used during the first quarter of 2017-2018 totalled \$13.7M, which represents a decrease of \$14.1M or 50.7% (\$13.7M - \$27.8M) compared to the same quarter in 2016-2017. This is mainly due to the elimination of a contribution payment of \$17.3M to Sustainable Development Technology Canada for the Sustainable Development Technology Fund

disbursed in 2016-2017. The program responsibilities transferred from ECCC to Innovation, Science and Economic Development Canada (ISED) during fiscal year 2016-17.

Statutory authorities used during the first quarter of 2017-2018 totalled \$21.2M, which represents a decrease of \$1.7M or 7.4% (\$21.2M - \$22.9M) compared to the same quarter in 2016-2017. This is mainly due to the elimination of the statutory grant of \$2.3M to Sustainable Development Technology Canada for the NextGen Biofuels Fund disbursed in 2016-2017.

Expenditures analysis by Standard Object

Details of expenditures by Standard Object are presented in Tables 3 and 4.

Personnel expenditures have increased by \$13.3M or 8.8% (\$163.9M - \$150.6M) compared to the same quarter last year. This is mainly explained by the disbursements of retroactive salary payments to indeterminate employees for the current year following the ratification and signing of collective agreements.

Professional and special services expenditures have decreased by \$0.1M or 0.6% (\$17.7M - \$17.8M) compared to the same quarter last year due to lower fees for engineering services related to the capital investment in Eureka and to the timing of expenditures being recorded for various small projects.

Repair and maintenance expenditures have increased by \$0.6M or 46.2% (\$1.9M - \$1.3M) compared to the same quarter last year. The variance is explained by an increase in capital expenditures resulting from timing differences in completion of projects. The increase is also explained by higher repair expenditures specifically for the Whitehorse – Electrical replacement project, to improve the energy efficiency of building and laboratories, and to replace the water lines in buildings related to the Wye Marsh project.

Utilities, materials and supplies expenditures have decreased by \$0.9M or 14.1% (\$5.5M - \$6.4M) compared to the same quarter last year. The variance is mainly attributed to delays in delivery from fiscal year 2015-2016 resulting in a higher than usual level of procurement activity in the first quarter in 2016-2017.

Transfer payments expenditures have decreased by \$16.4M or 54.5% (\$13.7M - \$30.1M) compared to the same quarter last year. This is mainly due to the elimination of the Sustainable Development Technology Fund as a result of the transfer of responsibilities from ECCC to Innovation, Science and Economic Development Canada (ISED).

Other subsidies and payments have increased by \$2.3M or 255.6% (\$3.2M - \$0.9M) compared to the same quarter last year which is mainly attributable to an increase in salary overpayments. This increase

is attributable to salary overpayments that occurred in 2016-17 but that were only recognized in the financial system in 2017-18 and for new salary overpayments that occurred in 2017-18. This situation is due to the implementation of the Phoenix pay system.

Revenues collected have increased by \$1.0M or 7.9% (\$13.6M - \$12.6M) compared to the same quarter last year which is mainly attributable to the timing of invoices submitted for various program activities from the Department of National Defence.

Risks and Uncertainties

ECCC is primarily funded through voted parliamentary spending authorities for operating expenditures, capital expenditures, and transfer payments as well as statutory authorities. The Department is also partially funded through vote-netted revenues. ECCC's planned spending reflects approved funding by Treasury Board and Parliament.

ECCC's ability to deliver results for Canadians is influenced by a wide range of internal and external factors such as the increasing frequency of severe weather events, and the expectation to consult and collaborate with federal government and provinces, territories, Indigenous peoples, and other partners to address common environmental challenges. In its financial management, the Department considers these factors and their potential impact related to the department's financial plan. For example, Budget 2017 provided to ECCC significant funding to support implementation of a wide variety of initiatives under the Pan-Canadian Framework on Clean Growth and Climate Change. It also made available funding to contribute to the protection of Canada's freshwater resources and the actions to prevent and manage air pollution. In this context, ECCC will continue to conduct program monitoring and proactive financial risk management and planning, all of which have been integrated into ECCC's business planning processes.

The Government of Canada has implemented a new pay system as part of the pay transformation initiative. There are known issues associated with the implementation of this system that have resulted in salary over/underpayments to employees. ECCC has proactively implemented a number of compensatory controls to monitor this risk and will continue to monitor and report on the situation closely in consultation with Public Services and Procurement Canada (PSPC) and Treasury Board Secretariat (TBS).

Significant changes in relation to operations, personnel and programs

Several recent organizational changes including the creation of the Pan-Canadian Framework Implementation Office, the Public and Indigenous Affairs and Ministerial Services Branch and the Indigenous Affairs and Reconciliation directorate are directly linked to important priorities of the government.

The following major changes in relation to operations, personnel and programs occurred during the first quarter:

- Ms. Dominique Blanchard was appointed to the position of Assistant Deputy Minister of the Public and Indigenous Affairs and Ministerial Services Branch, effective May 1, 2017;
- Ms. Paule-Anny Pierre was appointed as Director General of Audit and Evaluation Branch, effective May 23, 2017;
- Ms. Hillary Geller was appointed to the position of Assistant Deputy Minister of Strategic Policy Branch, effective June 19, 2017;
- Ms. Jennifer MacIntyre was appointed as Canada's new Ambassador for Climate Change by the Right Honourable Justin Trudeau, Prime Minister of Canada, on June 27, 2017;
- Ms. Caroline Clark was appointed as the new acting Senior General Counsel and Executive Director of Legal Services, effective June 27, 2017;
- Mr. Matt Jones was appointed to the position of Assistant Deputy Minister of the Pan-Canadian Framework Implementation Office, effective July 10, 2017;
- Ms. Isabelle Bérard was appointed to the position of Assistant Deputy Minister of International Affairs Branch, effective July 24, 2017; and,

Approved by:



Stephen Lucas,
Deputy Minister

Gatineau, Canada

Date: August 15, 2017



Carol Najm,
Chief Financial Officer

Gatineau, Canada

Date: August 11th 2017

Statement of Authorities (unaudited) – Table 1

Fiscal year 2017-2018 (in thousands of dollars)

	Total available for use for the year ending March 31, 2018*	Used during the quarter ended June 30, 2017	Year to date used at quarter end
Vote 1 – Net Operating expenditures	712,461	173,272	173,272
Vote 5 – Capital expenditures	82,611	3,186	3,186
Vote 10 – Grants and contributions	130,626	13,709	13,709
Budgetary Statutory – Employee Benefit Plans	85,613	21,092	21,092
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	84	21	21
Budgetary Statutory – Refund of previous years revenue	0	0	0
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	44	44
Budgetary Statutory – Canada Foundation for Sustainable Development Technology Grant	0	0	0
Total Budgetary authorities	1,011,395	211,324	211,324
Non-budgetary authorities	-	-	-
Total authorities	1,011,395	211,324	211,324

* The Total funding available for use includes the 2017-18 Main Estimates and Supplementary Estimates “A” only and will be updated with Supplementary Estimates “B” and “C” in future QFRs.

Statement of Authorities (unaudited) – Table 2

Fiscal year 2016-2017 (in thousands of dollars)

	Total available for use for the year ending March 31, 2017*	Used during the quarter ended June 30, 2016	Year to date used at quarter end
Vote 1 – Net Operating expenditures	698,885	157,760	157,760
Vote 5 – Capital expenditures	63,406	3,516	3,516
Vote 10 – Grants and contributions	131,734	27,766	27,766
Budgetary Statutory – Employee Benefit Plans	92,567	20,462	20,462
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	84	21	21
Budgetary Statutory – Refund of previous years revenue	0	42	42
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	31	31
Budgetary Statutory – Canada Foundation for Sustainable Development Technology Grant	0	2,290	2,290
Total Budgetary authorities	986,676	211,888	211,888
Non-budgetary authorities	-	-	-
Total authorities	986,676	211,888	211,888

* The Total funding available for use includes the 2016-17 Main Estimates and Supplementary Estimates “A” only and will be updated with Supplementary Estimates “B” and “C” in future QFRs.

Departmental budgetary expenditures by Standard Object (unaudited) – Table 3

Fiscal year 2017-2018 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2018*	Expended during the quarter ended June 30, 2017	Year to date used at quarter end
Expenditures:			
Personnel	629,299	163,887	163,887
Transportation and communications	33,765	5,992	5,992
Information	3,122	567	567
Professional and special services	157,055	17,731	17,731
Rentals	29,508	10,856	10,856
Repair and maintenance	15,196	1,885	1,885
Utilities, materials and supplies	44,106	5,490	5,490
Acquisition of land, buildings and works	937	23	23
Acquisition of machinery and equipment	43,007	1,599	1,599
Transfer payments	130,626	13,709	13,709
Other subsidies and payments	4,306	3,151	3,151
Total gross budgetary expenditures	1,090,927	224,890	224,890
Less Revenues netted against expenditures:			
Revenues	79,531	13,566	13,566
Total Revenues netted against expenditures:	79,531	13,566	13,566
Total net budgetary expenditures	1,011,395	211,324	211,324

* The Planned expenditures includes the 2017-18 Main Estimates and Supplementary Estimates "A" only and will be updated with Supplementary Estimates "B" and "C" in future QFRs.

Departmental budgetary expenditures by Standard Object (unaudited) – Table 4

Fiscal year 2016-2017 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2017*	Expended during the quarter ended June 30, 2016	Year to date used at quarter end
Expenditures:			
Personnel	622,106	150,623	150,623
Transportation and communications	36,650	5,150	5,150
Information	4,198	418	418
Professional and special services	145,448	17,799	17,799
Rentals	26,587	10,560	10,560
Repair and maintenance	17,855	1,272	1,272
Utilities, materials and supplies	43,742	6,372	6,372
Acquisition of land, buildings and works	691	1	1
Acquisition of machinery and equipment	42,708	1,399	1,399
Transfer payments	131,734	30,056	30,056
Other subsidies and payments	3,553	863	863
Total gross budgetary expenditures	1,075,272	224,513	224,513
Less Revenues netted against expenditures:			
Revenues	88,596	12,625	12,625
Total Revenues netted against expenditures:	88,596	12,625	12,625
Total net budgetary expenditures	986,676	211,888	211,888

* The Planned expenditures includes the 2016-17 Main Estimates and Supplementary Estimates "A" only and will be updated with Supplementary Estimates "B" and "C" in future QFRs.