



DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q2/2018-19

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

Introduction

This second quarterly report 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 Budget 2018.

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 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, Supplementary Estimates and the newly created Budget Implementation Vote (BIV), centrally managed by Treasury Board (TB Vote 40) for the 2018-19 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 September 30, 2018. The funding available for use includes the 2018-19 Main Estimates and the newly created BIV, centrally managed by Treasury Board (TB Vote 40) and the Operating and Capital budget carry-forwards. Authorities for Supplementary Estimates "A" and "B" will follow later this year.

ECCC's total available authorities for use for the year ending March 31, 2019 is higher by approximately \$586.1M (\$1,634.3M - \$1,048.2M)¹ when compared to the same quarter of the previous year. This difference is explained by an increase in Vote 1 – Net Operating of \$81.7M (\$828.9M - \$747.2M), in

¹ See also Statement of Authorities – Tables 1 and 2.

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Vote 5 – Capital of \$6.9M (\$91.6M - \$84.7M), in Vote 10 – Grants and Contributions of \$492.2M (\$622.8M - \$130.6M) and in Budgetary Statutory authorities of \$5.3M (\$91.0M - \$85.7M).

Vote 1 – Net Operating authorities

The \$81.7M increase compared to last fiscal year in the net Operating authorities is mainly due to the following:

- \$24.1M increase related to Protecting Canada's Nature, Parks & Wilds Spaces;
- \$18.1M increase related to initiatives supporting Clean Growth and Climate Change;
- \$16.6M increase related to the compensation allocations from Treasury Board Secretariat related to the new collective agreements;
- \$16.4M increase related to the Federal Contaminated Sites Action Plan;
- \$10.2M increase related to Great Lakes and Lake Winnipeg basin program components;
- \$7.3M increase for the Pacific Environment Center Arbitration Award and Rent;
- \$5.2M increase related to the Low Carbon Economy Fund;
- \$4.3M increase related to an augmentation in the amount carried forward from the previous year to continue work on specific projects;
- \$2.3M increase related to initiatives associated with the revitalization of meteorological services;
- \$2.2M increase related to the Oceans Protection Plan;
- \$1.6M increase related to Protecting Marine Life;
- \$1.0M increase related to activities Addressing Air Pollution; and
- \$1.0M increase for various other small initiatives;

offset by:

- \$15.2M decrease related to Contaminated Sediment Remediation Projects;
- \$7.9M decrease related to the *Species at Risk Act*;
- \$3.1M decrease related to the Federal Infrastructure Initiative; and
- \$2.4M decrease related to the World Class Oil Spills Regime.

Vote 5 – Capital authorities

The \$6.9M increase compared to last fiscal year in the Capital authorities is mainly due to the following:

- \$12.2M increase related to an augmentation in the amount carried forward from the previous year to continue work on specific projects;
- \$9.1M increase related to initiatives associated with the revitalization of meteorological services; and
- \$0.7M increase related to Protecting Canada's Nature, Parks & Wilds Spaces;

offset by:

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- \$9.1M decrease related to the Federal Infrastructure Initiative;
- \$4.2M decrease related to the World Class Oil Spills Regime; and
- \$1.8M decrease related to the National Conservation Plan.

Vote 10 – Grants and contributions authorities

The \$492.2M increase compared to last fiscal year in the Grants and Contributions authorities is mainly due to the following:

- \$467.7M increase related to the Low Carbon Economy Fund;
- \$21.7M increase related to Protecting Canada's Nature, Parks & Wilds Spaces;
- \$4.2M increase related to Great Lakes and Lake Winnipeg basin program components;
- \$1.9M increase related to initiatives supporting Clean Growth and Climate Change; and
- \$0.7M increase for various other small initiatives;

offset by:

- \$4.0M decrease related to the *Species at Risk Act*.

Statutory authorities

The \$5.3M increase compared to last fiscal year in the Budgetary statutory authorities is mainly due to the following:

- \$5.3M increase related to the contributions to Employee Benefit Plans.

Expenditures analysis by authority

Details of expenditures by authority are presented in Tables 1 and 2.

In the second quarter of 2018-19, total budgetary expenditures were \$242.4M compared to \$246.4M reported for the same period in 2017-18, resulting in a decrease of \$4.0M or 1.6%. Year to date expenditures as of September 30, 2018 are \$462.2M which represents an increase of \$4.4M or 1.0% (\$462.2M - \$457.8M) compared to the same period in 2017-18.

Vote 1 – Net Operating authorities used during the second quarter of 2018-19 totalled \$186.3M, which represents a decrease of \$13.2M or 6.6% (\$186.3M - \$199.5M) compared to the same quarter in 2017-18. Year to date expenditures also decreased by \$6.6M or 1.8% (\$366.2M - \$372.8M). Both decreases are mainly due to the disbursements of salary retroactive payments to indeterminate employees in 2017-18 following the ratification and signing of some collective agreements.

Vote 5 – Capital authorities used during the second quarter of 2018-19 totalled \$15.0M, which represents an increase of \$5.1M or 51.5% (\$15.0M - \$9.9M) compared to the same quarter in 2017-18. Year to date expenditures have also increased by \$4.8M or 36.6% (\$17.9M - \$13.1M) compared to the same period last year. Both increases are mainly attributable to an increase in engineering consulting fees for radar replacement project.

Vote 10 – Grants and Contributions authorities used during the second quarter of 2018-19 totalled \$19.4M, which represents an increase of \$3.7M or 23.6% (\$19.4M - \$15.7M) compared to the same quarter in 2017-18. Year to date expenditures have decreased by \$5.4M or 18.4% (\$34.8M - \$29.4M) compared to the same period last year. Both variances are mainly due to an increase related to the timing of grants and contributions payments for the Natural Areas Conservation Program.

Statutory authorities used during the second quarter of 2018-19 totalled \$21.7M, which represents an increase of \$0.3M or 1.4% (\$21.7M - \$21.4M) compared to the same quarter in 2017-18. Year to date expenditures have increased by \$0.9M or 2.1% (\$43.4M - \$42.5M). This variance is mainly due to an increase related to the contributions to Employee Benefit Plans.

Expenditures analysis by Standard Object

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

Quarterly and year to date Personnel expenditures have decreased respectively by \$13.5M or 7.4% (\$169.9M - \$183.4M) and \$7.5M or 2.2% (\$339.7M - \$347.2M) compared to the same quarter last year. Both variances are mainly due to the disbursements of salary retroactive payments to indeterminate employees in 2017-18 following the ratification and signing of some collective agreements.

Quarterly and year to date professional and special services expenditures have increased respectively by \$10.6M or 43.1% (\$35.2M - \$24.6M) and \$9.8M or 23.2% (\$52.1M - \$42.3M) compared to the same quarter last year. Both variances are mainly due to an increase in engineering consulting fees for the radar replacement project.

Quarterly and year to date repair and maintenance expenditures have decreased respectively by \$2.8M or 46.7% (\$3.2M - \$6.0M) and \$2.7M or 34.2% (\$5.2M - \$7.9M) compared to the same quarter last year. Both variances are mainly due to a decrease related to general maintenance and repair of buildings for the Pacific Wildlife Research Centre, the Prairie and Northern Wildlife Research Centre and the National Hydrology Research Centre.

Quarterly and year to date transfer payments expenditures have increased respectively by \$3.7M or 23.6% (\$19.4M - \$15.7M) and \$5.4M or 18.4% (\$34.8M - \$29.4M) compared to the same quarter last

year. Both variances are mainly due to the timing of grants and contributions payments for the Natural Areas Conservation Program.

Revenues collected have increased by \$1.4M or 12.8% (\$12.3M - \$10.9M) compared to the same quarter last year. Year to date collections have increased by \$4.4M or 18.0% (\$28.9M - \$24.5M) compared to the previous year. These are mainly due to increased activities related to the Oil Sands Monitoring Program.

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 2018 provided funding of \$130.3 million over five years to complete the modernization of Canada's weather forecast and severe weather warning systems, and to revitalize water monitoring stations and improve water forecasts. In 2018-19, the Department continues to work to prevent further decline, and build sustainable populations of species at risk, support and enhance biodiversity across Canada, and expand Canada's National Wildlife Areas, Migratory Bird Sanctuaries, and protected areas. This work is made possible due to the historic investment of \$1.3 billion over five years in nature conservation announced in Budget 2018.

This additional funding represents new financial opportunities for ECCC in delivering on departmental expected outcomes. To ensure effective program delivery, ECCC will secure financial authorities in a timely manner so that program areas are able to quickly ramp up to meet new requirements and will continue to conduct program monitoring and proactive financial risk management and planning, all of which have been integrated into ECCC's business planning and reporting processes.

Budget 2017 provided significant funding to ECCC in support of various initiatives under the Pan-Canadian Framework on Clean Growth and Climate Change, including the Low Carbon Economy Fund (LCEF). The LCEF total available funding for use in 2018-19 is \$473.9M and ECCC anticipates a lapse of Grants and Contributions authorities due to uncertainties regarding provincial/territorial participation. ECCC will work with central agencies to ensure availability of these funds in future years.

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 compensating controls to monitor this risk and will continue to monitor and report on the situation closely in consultation with Public Services and Procurement Canada and Treasury Board Secretariat.

Significant changes in relation to operations, personnel and programs

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

- ECCC authorities have significantly increased (55.9%) starting in 2018-19 compared to previous years. This is mostly related to the Budget 2017 announcement for the LCEF. Projects that will be considered under the Fund will reduce emissions, create jobs and save Canadians and companies money by making homes and buildings more efficient; help companies innovate or use technologies to reduce their emissions; and support the forest and agriculture sectors to enhance stored carbon in forests and soils. Although projects implementation began in 2017-18, the impact of spending will be more evident in 2018-19 as some Provinces and Territories will be ready to receive funding.
- George Enei left his position as Assistant Deputy Minister, Science and Technology Branch to become the Assistant Deputy Minister of the Federal Science and Technology Infrastructure at Public Services and Procurement Canada, effective July 30, 2018;
- Nancy Hamzawi was appointed to the position of acting Assistant Deputy Minister of the Science and Technology Branch, effective October 1, 2018;
- On July 12, 2018, the Deputy Minister announced that Mike Beale will retire from his position of Assistant Deputy Minister, Environmental Protection Branch, effective July 30, 2018;
- John Moffet, former Associate Assistant Deputy Minister, was appointed to the position of Assistant Deputy Minister of the Environmental Protection Branch, effective September 4, 2018;
- Helen Ryan was appointed to the position of acting Associate Assistant Deputy Minister of the Environmental Protection Branch, effective September 4, 2018;
- Diane Campbell was appointed to the position of acting Associate Assistant Deputy Minister of the Meteorological Service of Canada, effective September 4, 2018.

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Approved by:



Stephen Lucas,
Deputy Minister

Gatineau, Canada

Date:

27/11/2018



Carol Najm,
Chief Financial Officer

Gatineau, Canada

Date:

26/11/2018

Statement of Authorities (unaudited) – Table 1

Fiscal year 2018-19 (in thousands of dollars)

	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	828,903	186,279	366,191
Vote 5 – Capital expenditures	91,630	14,990	17,888
Vote 10 – Grants and contributions	622,790	19,369	34,769
Budgetary Statutory – Employee Benefit Plans	90,865	21,590	43,181
Budgetary Statutory – Minister's Salary and Motor Car Allowance	86	29	43
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	150	150
Total Budgetary authorities	1,634,274	242,407	462,222
Non-budgetary authorities	-	-	-
Total authorities	1,634,274	242,407	462,222

* The Total funding available for use includes the 2018-19 Main Estimates, the Budget Implementation Vote and Operating and Capital budget carry-forwards, and will be updated with supplementary Estimates "A" and "B" in Q3.

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Statement of Authorities (unaudited) – Table 2

Fiscal year 2017-18 (in thousands of dollars)

	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	747,156	199,513	372,785
Vote 5 – Capital expenditures	84,693	9,876	13,062
Vote 10 – Grants and contributions	130,626	15,662	29,371
Budgetary Statutory – Employee Benefit Plans	85,613	21,092	42,183
Budgetary Statutory – Minister's Salary and Motor Car Allowance	84	21	42
Budgetary Statutory – Refund of previous years revenue	0	0	0
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	275	320
Budgetary Statutory – Canada Foundation for Sustainable Development Technology Grant	0	0	0
Total Budgetary authorities	1,048,172	246,439	457,763
Non-budgetary authorities	-	-	-
Total authorities	1,048,172	246,439	457,763

* The Total funding available for use includes the 2017-18 Main Estimates, Supplementary Estimates "A" and the Operating and Capital budget carry-forwards. Authorities for Supplementary Estimates "B" and "C" are included in Q3.

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

Fiscal year 2018-19 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2019*	Expended during the quarter ended September 30, 2018	Year to date used at quarter end
Expenditures:			
Personnel	681,094	169,906	339,669
Transportation and communications	43,524	8,977	15,529
Information	4,662	713	1,216
Professional and special services	185,702	35,173	52,107
Rentals	37,612	3,641	19,107
Repair and maintenance	24,622	3,208	5,175
Utilities, materials and supplies	53,352	8,572	14,159
Acquisition of land, buildings and works	1,247	23	40
Acquisition of machinery and equipment	57,146	2,569	4,378
Transfer payments	622,790	19,369	34,769
Other subsidies and payments	6,343	2,581	4,979
Total gross budgetary expenditures	1,718,094	254,731	491,128
Less Revenues netted against expenditures:			
Revenues	83,819	12,325	28,906
Total Revenues netted against expenditures:	83,819	12,325	28,906
Total net budgetary expenditures	1,634,274	242,407	462,222

* The Total funding available for use includes the 2018-19 Main Estimates, the Budget Implementation Vote and Operating and Capital budget carry-forwards, and will be updated with supplementary Estimates "A" and "B" in Q3.

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

Fiscal year 2017-18 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2018*	Expended during the quarter ended September 30, 2017	Year to date used at quarter end
Expenditures:			
Personnel	629,299	183,361	347,247
Transportation and communications	38,379	7,219	13,212
Information	3,519	580	1,147
Professional and special services	174,510	24,605	42,336
Rentals	33,568	5,807	16,662
Repair and maintenance	16,665	6,008	7,894
Utilities, materials and supplies	49,543	7,493	12,983
Acquisition of land, buildings and works	1,052	59	82
Acquisition of machinery and equipment	45,628	3,505	5,104
Transfer payments	130,626	15,662	29,371
Other subsidies and payments	4,915	3,077	6,228
Total gross budgetary expenditures	1,127,704	257,376	482,266
Less Revenues netted against expenditures:			
Revenues	79,532	10,937	24,503
Total Revenues netted against expenditures:	79,532	10,937	24,503
Total net budgetary expenditures	1,048,172	246,439	457,763

* The Planned expenditures include the 2017-18 Main Estimates, Supplementary Estimates "A" and the Operating and Capital budget carry-forwards. Authorities for Supplementary Estimates "B" and "C" are included in Q3.

