



Environnement et
Changement climatique Canada

Environment and
Climate Change Canada

DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q1/2019-20



Canada

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 Budget 2019.

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.

The department's program focus reflects the interdependence between environmental sustainability and economic well-being.

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 core responsibilities 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 for the 2019-20 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, 2019. The funding available for use includes the 2019-20 Main Estimates. Authorities for Supplementary Estimates will follow later this year.

ECCC's total available authorities for use for the year ending March 31, 2020 is higher by approximately \$246.7M (\$1,827.7M - \$1,581.0M)¹ when compared to the same quarter of the previous year. This difference is explained by an increase in Vote 1 – Net Operating of \$52.8M (\$842.7M - \$789.9M), in Vote 5 – Capital of \$24.6M (\$102.0M - \$77.4M), in Vote 10 – Grants and Contributions of \$164.9M (\$787.7 - \$622.8M) and in Budgetary Statutory authorities of \$4.4M (\$95.4M - \$91.0M).

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

Vote 1 – Net Operating authorities

The \$52.8M increase compared to last fiscal year in the net Operating authorities is mainly due to the following:

- \$22.3M increase related to Protecting Canada's Nature, Parks & Wilds Spaces;
- \$16.9M increase related to Federal Contaminated Sites Action Plan;
- \$12.9M increase related to Impact Assessment and Regulatory Regime Implementation;
- \$7.6M increase related to the Carbon Pricing;
- \$6.4M increase related to initiatives associated with the revitalization of meteorological services;
- \$1.6M increase related to the RADARSAT Constellation Mission;
- \$1.2M increase related to Protecting Marine Life; and
- \$1.0M increase related to compensation allocations from TBS related to the new collective agreements;

offset by:

- \$7.6M decrease related to Great Lake Ecosystem Initiatives;
- \$3.5M decrease related to the Budget 2018 Fiscal Dividend;
- \$3.3M decrease related to initiatives supporting Clean Growth and Climate Change;
- \$1.6M decrease related to the National Conservation Plan; and
- \$1.1M decrease for various other small initiatives.

Vote 5 – Capital authorities

The \$24.6M increase compared to last fiscal year in the Capital authorities is mainly due to the following:

- \$18.2M increase related to Strong Arctic and Northern Communities;
- \$6.9M increase related to initiatives associated with the revitalization of meteorological services; and
- \$1.5M increase related to Carbon Pricing;

offset by:

- \$1.4M decrease related to Addressing Air Pollution; and
- \$0.6M decrease for various other small initiatives.

Vote 10 – Grants and contributions authorities

The \$164.9M increase compared to last fiscal year in the Grants and Contributions authorities is mainly due to the following:

- \$131.7M increase related to Low Carbon Economy Fund;
- \$81.3M increase related to Protecting Canada's Nature, Parks & Wilds Spaces;

- \$2.6M increase related to Impact Assessment and Regulatory Regime Implementation; and
- \$0.6M increase for various other small initiatives;

offset by:

- \$33.7M decrease related to the National Conservation Plan;
- \$11.1M decrease related to Youth Employment Strategy;
- \$5.5M decrease related to initiatives supporting Clean Growth and Climate Change; and
- \$1.0M decrease related to Carbon Pricing.

Statutory authorities

The \$4.4M increase compared to last fiscal year in the Budgetary statutory authorities is mainly due to the following:

- \$4.4M increase related to the contributions to Employee Benefit Plans.

Expenditures analysis by vote

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

In the first quarter of 2019-20, total budgetary expenditures were \$233.6M compared to \$219.8M reported for the same period in 2018-19, resulting in an increase of \$13.8M or 6.3%.

Vote 1 – Net Operating authorities used during the first quarter of 2019-20 totalled \$192.4M, which represents an increase of \$12.5M or 6.9% (\$192.4M - \$179.9M) compared to the same quarter in 2018-19. This variance is mainly due to the increase of permanent salaries based on collective agreements and full-time equivalent employees mainly related to Species at Risk, Chemicals Management Plan, Carbon Pricing and initiatives supporting Clean Growth and Climate Change, to an increase in travel expenditures by public servant to support stakeholder engagement, employee training and relocation expenses and to the timing of payments submitted for legal services provided by Justice Canada.

Vote 5 – Capital authorities used during the first quarter of 2019-20 totalled \$4.3M, which represents an increase of \$1.4M or 48.3% (\$4.3M - \$2.9M) compared to the same quarter in 2018-19. This variance is mainly due to an increase in engineering consulting fees for various construction activities, to acquisition of machinery and equipment for measuring and controlling laboratory installation offset by repair and maintenance for the Prairie and Northern Wildlife Research Centre and the National Hydrology Research Centre.

Vote 10 – Grants and Contributions authorities used during the first quarter of 2019-20 totalled \$13.3M, which represents a decrease of \$2.1M or 13.6% (\$13.3M - \$15.4M) compared to the same quarter in 2018-19. This variance is mainly due to the timing of payments submitted to International Climate Financing, to Natural Conservation Plan and to initiatives supporting Clean Growth and Climate Change offset by payments for the Great Lake Ecosystem Initiatives and the Low Carbon Economy Fund.

Statutory authorities used during the first quarter of 2019-20 totalled \$23.7M, which represents an increase of \$2.1M or 9.7% (\$23.7M - \$21.6M) compared to the same quarter in 2018-19. 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.

Personnel expenditures have increased by \$10.0M or 5.9% (\$179.7M - \$169.7M) compared to the same quarter last year. This variance is mainly due to the increase of permanent salaries based on collective agreements and full-time equivalent employees mainly related to Species at Risk, Chemicals Management Plan, Carbon Pricing and initiatives supporting Clean Growth and Climate Change.

Transportation and Communications expenditures have increased by \$1.8M or 27.7% (\$8.3M - \$6.5M) compared to the same quarter last year. This increase is mainly due to an increase in travel expenditures by public servant to support stakeholder engagement, employee training and to relocation expenses.

Professional and special services expenditures have increased by \$2.9M or 17.2% (\$19.8M - \$16.9M) compared to the same quarter last year. This variance is mainly due to the timing of payments submitted for legal services provided by Justice Canada offset by engineering consulting fees related to Great Lake Ecosystem Initiatives.

Transfer payments expenditures have decreased by \$2.1M or 13.6% (\$13.3M - \$15.4M) compared to the same quarter last year. The decrease is mainly due to the timing of payments submitted to International Climate Financing, to National Conservation Plan and to initiatives supporting Clean Growth and Climate Change offset by payments for the Great Lake Ecosystem Initiatives and the Low Carbon Economy Fund.

Revenues collected have decreased by \$2.5M or 15.0% (\$14.2M - \$16.7M) compared to the same quarter last year. These are mainly due to decreased activities related to the Oil Sands Monitoring Program and timing of payments submitted for the Ocean Disposals 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, provincial, territorial, Indigenous, 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 2019 confirmed the 2018 announcement of \$1.3 billion over five years to protect Canada's Nature Legacy and proposed funding for capital projects in national parks, national marine conservation areas.
- Budget 2019 also provided significant funding to ECCC to support the implementation of a wide variety of initiatives under the Pan-Canadian Framework on Clean Growth and Climate Change.

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.

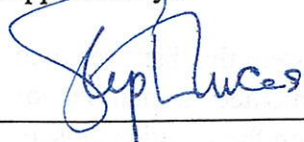
There are known issues associated with the implementation of the Phoenix pay system that have resulted in salary over/underpayments to employees. ECCC has proactively implemented a number of compensatory controls to monitor this risk and will continue to monitor and report on the situation closely in consultation with Public Services and Procurement Canada 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 first quarter:

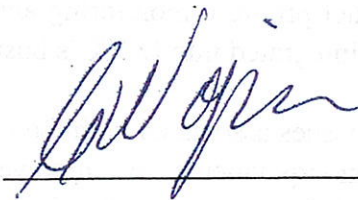
- On April 1, 2019, ECCC Policy on Scientific Integrity came into effect and Nancy Hamzawi, Assistant Deputy Minister of the Science and Technology Branch, is the interim ECCC Science Integrity Lead.
- On June 1, 2019, the Environment and Climate Change Canada Policy on Reducing and Diverting Plastic Waste from Departmental Operations, Meetings and Events came into effect, to support the Government of Canada's actions regarding plastic waste associated with federal activities.

Approved by:



Stephen Lucas,
Deputy Minister
Gatineau, Canada

Date: 22/8/2019



Carol Najm,
Chief Financial Officer
Gatineau, Canada

Date: 21/8/2019

Statement of Authorities (unaudited) – Table 1

Fiscal year 2019-20 (in thousands of dollars)

	Total available for use for the year ending March 31, 2020*	Used during the quarter ended June 30, 2019	Year to date used at quarter end
Vote 1 – Net Operating expenditures	842,682	192,431	192,431
Vote 5 – Capital expenditures	101,960	4,282	4,282
Vote 10 – Grants and contributions	787,709	13,269	13,269
Budgetary Statutory – Employee Benefit Plans	95,294	23,620	23,620
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	88	22	22
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	19	19
Total Budgetary authorities	1,827,733	233,643	233,643
Non-budgetary authorities	-	-	-
Total authorities	1,827,733	233,643	233,643

* The funding available for use includes the 2019-20 Main Estimates and will be updated with supplementary Estimates in future QFRs.

Statement of Authorities (unaudited) – Table 2

Fiscal year 2018-19 (in thousands of dollars)

	Total available for use for the year ending March 31, 2019*	Used during the quarter ended June 30, 2018	Year to date used at quarter end
Vote 1 – Net Operating expenditures	789,878	179,912	179,912
Vote 5 – Capital expenditures	77,362	2,898	2,898
Vote 10 – Grants and contributions	622,790	15,400	15,400
Budgetary Statutory – Employee Benefit Plans	90,865	21,590	21,590
Budgetary Statutory – Minister's Salary and Motor Car Allowance	86	14	14
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	0	0
Total Budgetary authorities	1,580,981	219,814	219,814
Non-budgetary authorities	-	-	-
Total authorities	1,580,981	219,814	219,814

* The funding available for use includes the 2018-19 Main Estimates and the Budget Implementation Vote, and will be updated with supplementary Estimates "A" and "B" in future QFRs.

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

Fiscal year 2019-20 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2020*	Expended during the quarter ended June 30, 2019	Year to date used at quarter end
Expenditures:			
Personnel	715,918	179,746	179,746
Transportation and communications	35,617	8,310	8,310
Information	6,712	772	772
Professional and special services	213,909	19,810	19,810
Rentals	32,753	14,187	14,187
Repair and maintenance	28,537	1,259	1,259
Utilities, materials and supplies	41,783	5,454	5,454
Acquisition of land, buildings and works	1,065	76	76
Acquisition of machinery and equipment	42,102	2,638	2,638
Transfer payments	787,709	13,269	13,269
Other subsidies and payments	4,137	2,276	2,276
Total gross budgetary expenditures	1,910,242	247,797	247,797
Less Revenues netted against expenditures:			
Revenues	82,509	14,154	14,154
Total Revenues netted against expenditures:	82,509	14,154	14,154
Total net budgetary expenditures	1,827,733	233,643	233,643

* The funding available for use includes the 2019-20 Main Estimates and will be updated with supplementary Estimates in future QFRs.

ENVIRONMENT AND CLIMATE CHANGE CANADA

Quarterly Financial Report

For the quarter ended *June 30, 2019*

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

Fiscal year 2018-19 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2019*	Expended during the quarter ended June 30, 2018	Year to date used at quarter end
Expenditures:			
Personnel	678,706	169,756	169,756
Transportation and communications	39,112	6,552	6,552
Information	3,933	502	502
Professional and special services	162,535	16,934	16,934
Rentals	31,582	15,466	15,466
Repair and maintenance	20,765	1,968	1,968
Utilities, materials and supplies	48,093	5,587	5,587
Acquisition of land, buildings and works	1,113	17	17
Acquisition of machinery and equipment	51,629	1,809	1,809
Transfer payments	622,790	15,400	15,400
Other subsidies and payments	4,542	2,505	2,505
Total gross budgetary expenditures	1,664,800	236,496	236,496
Less Revenues netted against expenditures:			
Revenues	83,819	16,682	16,682
Total Revenues netted against expenditures:	83,819	16,682	16,682
Total net budgetary expenditures	1,580,981	219,814	219,814

* The funding available for use includes the 2018-19 Main Estimates and the Budget Implementation Vote, and will be updated with supplementary Estimates "A" and "B" in future QFRs.