



Canada Economic
Development
for Quebec Regions

Développement
économique Canada
pour les régions du Québec

Canada

Canada Economic Development

for Quebec Regions

Standing by businesses,
Standing by regions.

**QUARTERLY FINANCIAL
REPORT FOR THE
QUARTER ENDED
June 30, 2022**

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by the Minister of Sport and Minister responsible for the
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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 section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board.

This report should be read in conjunction with the [2022–23 Estimates](#) and the [2022–23 Departmental Plan](#).

This document 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 giving special attention to those where slow economic growth is prevalent or opportunities for productive employment are inadequate.

CED is the key federal player in Quebec for the promotion of economic development in the regions and among small and medium-sized businesses (SMEs). To achieve its core responsibility, which consists of developing the Quebec economy, CED fosters business startups and performance. It helps businesses become more innovative and enhance their productivity and competitiveness. It also supports community engagement efforts in the various regions of Quebec and helps attract investment aimed at boosting economic prosperity in Quebec and Canada.

CED contributes to the economic vitality of all regions of Quebec by leveraging their regional competitive advantages. It 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.

CED achieves its results by supporting businesses—primarily SMEs—and non-profit organizations (NPOs) by means of strategic investments. Through its 12 business offices located in the various regions of Quebec, and the ties it has developed with the other economic development players, CED stays abreast of the needs of the regions and businesses and is able to provide financial support for the delivery of projects that support businesses and communities in their development efforts.

CED has three categories of programs that support its core responsibility:

- Regional Innovation
- Community Vitality
- Temporary or Targeted Support

Additional information about CED's authority, mandate and programs can be found in the [2022–23 Estimates](#) and the [2022–23 Departmental Plan](#).

1.2 Basis of presentation

This quarterly report was prepared by CED using an expenditure basis of accounting. The accompanying Statement of Authorities includes CED's spending authorities granted by Parliament and those used by CED, consistent with the 2022–2023 Main Estimates. This quarterly report was 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 through appropriation acts in the form of annually approved limits, or through legislation in the form of statutory spending authorities for specific purposes.

When Parliament is dissolved for the purposes of holding 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 make up part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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

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

- Vote 1 – Net operating expenditures, which includes CED authorities related to personnel costs and operating and maintenance expenses
- Vote 5 – Grants and contributions, which includes all authorities related to transfer payments

Costs under statutory authorities, which represent payments made under legislation approved previously by Parliament and which are not part of the annual appropriations bills, include such items as the employer's share of the employee benefit plan, and transfer payments under the *Public Health Events of National Concern Payments Act*.



SECTION 2

HIGHLIGHTS OF FISCAL QUARTER
AND FISCAL YEAR-TO-DATE
RESULTS

Highlights of fiscal quarter and fiscal year-to-date results

This section presents a variety of financial information as at June 30, 2022, including the authorities available for the year and expenditures incurred during the first quarter, as compared with the previous fiscal year.

The explanation of variances in the amounts is 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 Analysis of authorities

Authorities as at June 30, 2022, totalled \$586.2M, compared with \$438.2M as at June 30, 2021.

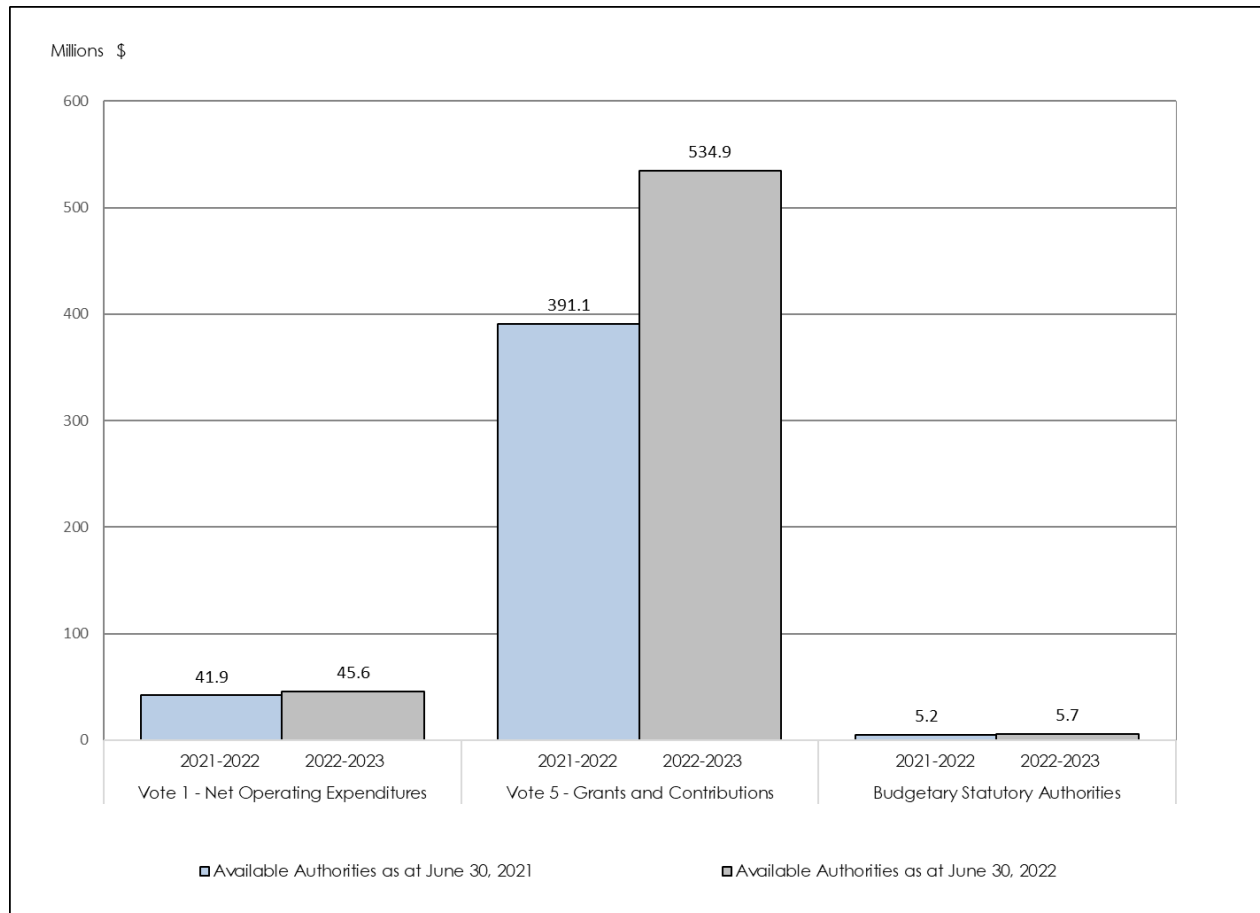
This year's variance of \$148.0M (33.8%) is due to the following changes:

- Vote 1 – Net operating expenditures of +\$+3.7M
- Vote 5 – Grants and contributions of \$+143.8M
- Budgetary statutory authorities: +\$0.5M.

NB: Totals in the report may not add up due to rounding.

The chart below shows the annual budgetary appropriation authorities as at June 30, 2022, compared with the previous fiscal year.

Annual budgetary appropriation authorities as at June 30, fiscal year 2022–2023 compared with 2021–2022



Vote 1 authorities (Net operating expenditures)

As at June 30, 2022, authorities totalled \$45.6M, compared with \$41.9M as at June 30, 2021. This represents an increase of \$3.7M (8.8%) this year.

This increase can be attributed to the numerous temporary economic recovery initiatives currently in place, for which CED receives operating funds to ensure their delivery, and specifically to hire resources.

The year-over-year variance is made up of the following factors, some of which varied upward, others downward:

- Increase in funding (+\$5.7M)
 - Canada Community Revitalization Fund +\$1.9M
 - Tourism Relief Fund +\$1.6M
 - Jobs and Growth Fund +\$1.2M
 - Aerospace Regional Recovery Initiative +0.8M
 - Other: \$0.2M
- Decrease in funding (-\$2.0M)
 - Regional Air Transportation Initiative: -\$1.2M
 - Regional Relief and Recovery Fund (RRRF–REGI): -\$0.8M

Vote 5 authorities (Grants and contributions)

As at June 30, 2022, authorities totalled \$534.9M, compared with \$391.1M as at June 30, 2021. This represents an increase of \$143.8M (36.8%) this year.

This variance consists of a number of items, some of which varied upward, others downward, resulting in a net increase of \$143.8M. The most significant variances are:

- Increase in funding (+\$308.9M)
 - Major Festivals and Events Support Initiative: +\$75.0M
 - Jobs and Growth Fund: +\$69.3M
 - Tourism Relief Fund +\$69.1M
 - Canada Community Revitalization Fund +\$50.8M
 - Aerospace Regional Recovery Initiative: +\$35.9M
 - Launch of a national quantum strategy: +\$4.8M
 - Other: +\$4.0M
- Decrease in funding (-\$165.1M)
 - Regional Relief and Recovery Fund (REGI and CFP): -\$70.7M
 - Reinvestment of repayable contributions: * -\$46.7M
 - Regional Air Transportation Initiative: -\$43.1M
 - Initiative for the development of regional economic infrastructure in Quebec: -\$4.4M
 - Other: -\$0.2M.

*In 2020–2021, as a COVID-19 mitigation measure, CED granted its clients a nine-month moratorium on the reimbursement of repayable contributions. Two years later, in 2022–2023, since these repayments are being reinvested in regular programs, CED is reporting a shortfall. These funds will be recovered over a longer period of time than originally anticipated.

Budgetary statutory authorities

As at June 30, 2022, authorities totalled \$5.7M, compared with \$5.2M as at June 30, 2021. This represents a net increase of \$0.5 million (9.6%). This increase is mainly due to the increase in funding for salary expenditures related to the new economic recovery initiatives.

2.2 Analysis of expenditures

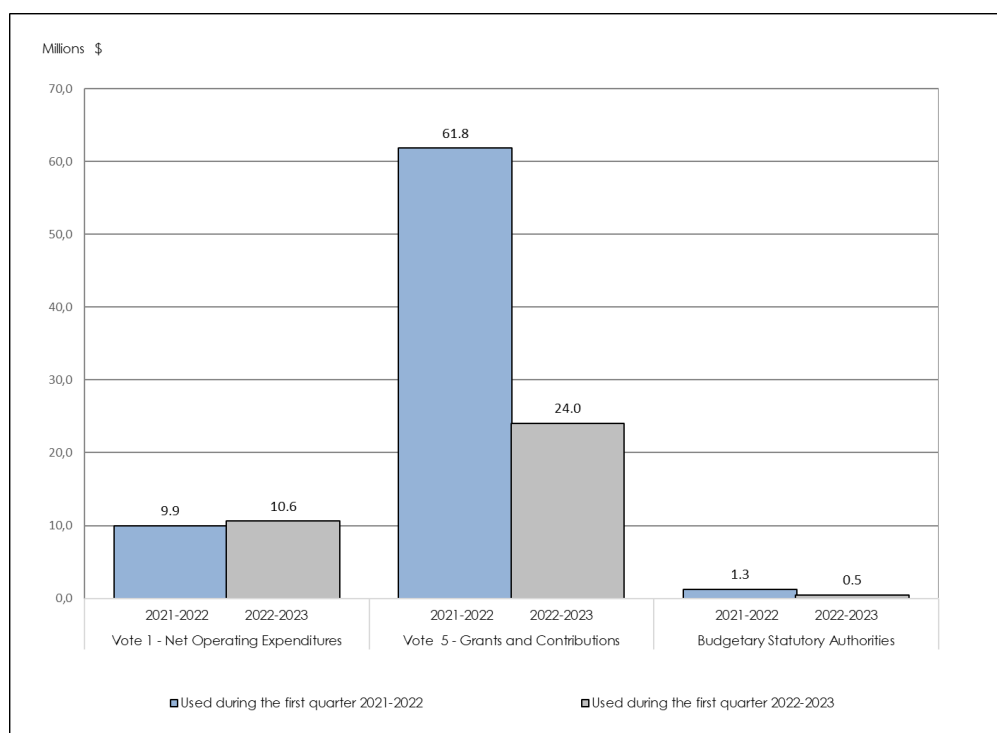
CED expenditures in the first quarter of 2022–2023 totalled \$35.1M, compared with \$73.0M for the same period in the previous year. This represents a net decrease of \$37.9M (51.9%) year-over-year.

This variance can be broken down as follows:

- Vote 1 – Net operating expenditures of +\$0.7M
- Vote 5 – Grants and contributions of -\$37.8M
- Budgetary statutory authorities: -\$0.8M

The chart below shows expenditures in the first quarter of 2022–2023 by budgetary appropriation, compared with the previous fiscal year.

First-quarter expenditures by budgetary appropriation, 2022–2023, compared with 2021–2022



Vote 1 expenditures (Net operating expenditures)

CED's net operating expenditures for the first quarter of 2022–2023 totalled \$10.6M, compared with \$9.9M in 2021–2022. This represents an increase of \$0.7M (7.1%) this year. This difference is primarily attributable to the increase in salary expenditures. As was previously noted, additional staff needed to be hired to deliver the economic recovery initiatives. Also observed was an increase in computer licensing expenditures, with a year-over-year increase in the pace of payments. The discrepancy is expected to even itself out by the end of the fiscal year.

Vote 5 expenditures (Grants and contributions)

Grant and contribution expenditures for the first quarter of 2022–2023 totalled \$24.0M, compared with \$61.8M in 2021–2022, representing a net decrease of \$37.8M (61.2%) this year.

This decrease is primarily attributable to the fact that the RRRF–REGI and RRRF–CFP initiatives ended on March 31, 2022. However, it is offset by increased spending on economic recovery initiatives this quarter, compared with the same period last year.

Expenditures under budgetary statutory authorities

Spending on statutory authorities in the first quarter of 2022–2023 totalled \$0.5M, compared with \$1.3M as at June 30, 2021. This represents a decrease of \$0.80M compared with the first quarter of 2021–2022.

The decrease in expenditures this quarter is a result of delays in the processing of employee benefit remittances to the Treasury Board Secretariat. On April 1, 2022, CED implemented a new financial system (SAP); the adjustment period for the new system is temporary and we expect the situation to be back to normal by the next quarter.

(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

The consequences of COVID-19, together with global economic disruptions, remain the primary sources of the risks and uncertainties for the organization with regard to the delivery of its programs. The financial solidity of Quebec businesses, both during and after the pandemic, and the repercussions on the global economy, are still key issues. This situation compounds the risk that companies, now more indebted and having exhausted their contingency funds, will be unable to invest in order to pursue their efforts to modernize and ensure the productivity gains needed for their survival and growth, while making the necessary transition to a low-carbon economy.

Initiatives have been set up to provide emergency funding for SMEs and economic organizations in all sectors of the economy to allow them to stay in business. This particular type of investment—in sectors that are new to the organization and to support a new clientele during the pandemic—increases the risk of non-repayment of contributions and the potential workload associated with recovering amounts owing in the future.

Furthermore, these new measures, which were developed and implemented at record speeds and in unprecedented volumes, could pose a risk given that they may not include certain preventive and post-processing controls designed to prevent errors. Agreement management processes have also been simplified as much as possible, for the benefit of clients.

To reduce the inherent risks of these types of emergency initiatives, CED has developed mitigation strategies to ensure that there are sufficient control measures.

At the internal management level, CED will continue to develop financial risk mitigation measures by managing its budgetary and allocation processes through a well-defined framework supported by a series of financial controls. Internal controls over financial reporting, such as entity controls, general IT controls, and business process controls, are only a few examples of mitigation measures designed to support the sound management of public funds by the Department.

Finally, some technology solutions are reaching the end of their useful life, particularly those used for financial management. In April 2022, to mitigate this risk, CED began rolling out the SAP solution, designed to modernize the organization's financial and materiel management system. The implementation of the new system poses challenges in terms of data integrity and change management. To mitigate these risks, a transition phase, overseen by functional experts assisted by the Office of the Comptroller General, will ensure that the integrity of financial data is protected and that employees receive adequate training on the new system.



SECTION 4

SIGNIFICANT CHANGES TO
OPERATIONS, PERSONNEL AND
PROGRAMS

Significant changes in relation to operations, personnel, and programs

The most noteworthy changes for CED in 2022–2023 remain those associated with the ongoing implementation of the economic recovery initiatives announced in Budget 2021:

- Canada Community Revitalization Fund
- Aerospace Regional Recovery Initiative
- Major Festivals and Events Support Initiative
- Tourism Relief Fund
- Jobs and Growth Fund
- Black Entrepreneurship Program

Furthermore, some of the COVID-19 initiatives introduced in 2020–2021 will also be continued in 2022–2023:

- Regional Air Transportation Initiative
- Black Entrepreneurship Program

Finally, in April 2022, CED began rolling out the SAP solution, designed to modernize the organization's financial and materiel management system.



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:

Original signed by

Manon Brassard

Deputy Minister / President

Montréal, Canada

August 11, 2022

Original signed by

Maxime Garon

Chief Financial Officer

Montréal, Canada

August 11, 2022



SECTION 6

APPENDICES

6.1 Statement of authorities (unaudited)

Fiscal year 2022–2023 (\$000's)

	Total available for use for the year ended March 31, 2023*	Used during the quarter ended June 30, 2022	Year-to-date used at quarter-end
Vote 1 – Net operating expenditures	45,631	10,588	10,588
Vote 5 – Grants and contributions	534,878	24,029	24,029
Total budgetary statutory authorities	5,662	472	472
Total authorities	586,171	35,089	35,089

Fiscal year 2021–2022 (\$000's)

	Total available for use for the year ended March 31, 2022*	Used during the quarter ended June 30, 2021	Year-to-date used at quarter-end
Vote 1 – Net operating expenditures	41,926	9,938	9,938
Vote 5 – Grants and contributions	391,102	61,821	61,821
Total budgetary statutory authorities	5,218	1,250	1,250
Total authorities	438,246	73,009	73,009

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

6.2 Departmental budgetary expenditures by standard object (unaudited)

Fiscal year 2022–2023 (\$'000's)

	Planned expenditures for the year ending March 31, 2023	Expenditures during the quarter ended June 30, 2022	Year-to-date used at quarter-end
Expenditures:			
Personnel*	43,410	9,461	9,461
Transport and communications	759	85	85
Information	265	17	17
Professional and special services	5,011	1,077	1,077
Leasing	717	483	483
Repairs and maintenance	26	2	2
Public utilities, materials and supplies	180	22	22
Acquisition of land and buildings, and works	0	0	0
Acquisition of machinery and equipment	925	29	29
Transfer payments	534,878	24,030	24,030
Other grants and payments	0	-117	-117
Total net budgetary expenditures	586,171	35,089	35,089

*Includes employee benefit plans (EBPs).

Fiscal year 2021–2022 (\$000's)

	Planned expenditures for the year ending March 31, 2022	Expenditures during the quarter ended June 30, 2021	Year-to-date used at quarter-end
Expenditures:			
Personnel*	39,814	9,820	9,820
Transport and communications	844	11	11
Information	270	6	6
Professional and special services	4,554	979	979
Leasing	582	281	281
Repairs and maintenance	32	0	0
Public utilities, materials and supplies	204	3	3
Acquisition of land and buildings, and works	0	0	0
Acquisition of machinery and equipment	844	42	42
Transfer payments	391,102	61,821	61,821
Other grants and payments	0	46	46
Total net budgetary expenditures	438,246	73,009	73,009

*Includes employee benefit plans (EBPs).