



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 SEPTEMBER 30, 2022**

Published by

Economic Development Agency of Canada for the Regions of
Quebec

Montréal, Quebec H3B 1X9

www.dec-ced.gc.ca

©His Majesty the King in Right of Canada, as represented by
the Minister of Economic Development and Official
Languages and Minister Responsible for CED, 2022

Catalogue: lugo-1/19E-PDF

ISSN: 2368-6545

Table of Contents

SECTION 1

INTRODUCTION	5
1.1 AUTHORITIES, MANDATE AND PROGRAMS	5
1.2 BASIS OF PRESENTATION	6
1.3 FINANCIAL STRUCTURE OF CANADA ECONOMIC DEVELOPMENT FOR QUEBEC REGIONS (CED)	6

SECTION 2

HIGHLIGHTS OF FISCAL QUARTER AND YEAR-TO-DATE RESULTS	8
2.1 ANALYSIS OF AUTHORITIES	8
2.2 ANALYSIS OF EXPENDITURES	11

SECTION 3

RISKS AND UNCERTAINTIES	15
-------------------------------	----

SECTION 4

SIGNIFICANT CHANGES IN TERMS OF OPERATIONS, PERSONNEL AND PROGRAMS.....	17
--	----

SECTION 5

APPROVAL BY SENIOR OFFICIALS	19
------------------------------------	----

SECTION 6

APPENDICES.....	21
6.1 STATEMENT OF AUTHORITIES (UNAUDITED)	21
6.2 DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (UNAUDITED)	22



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 [2022-2023 Estimates](#) and the [2022-2023 Departmental Plan](#).

This report 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 enterprises (SMEs). To achieve its core responsibility, which consists of developing the Quebec economy, CED fosters business start-ups and performance. It helps businesses become more innovative, productive and competitive. It supports community engagement efforts in 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 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
- Targeted or Temporary Support

Additional information on the CED's authority, mandate and programs can be found in the [2022-2023 Estimates](#) and the [2022-2023 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 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 through appropriation acts in the form of annually approved limits, or through legislation in the form of statutory 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 expenditure 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 YEAR-TO-DATE
RESULTS

Highlights of fiscal quarter and year-to-date results

This section presents a variety of financial information as at September 30, 2022, including the authorities available for the year and expenditures incurred during the second 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.

Note: As at September 30, the Supplementary Estimates (B) have not yet been approved. Therefore, the authorities in this report do not include any budget approved in the Supplementary Estimates B.

2.1 Analysis of authorities

Authorities as at September 30, 2022, totalled \$562.8M, compared with \$586.2M as at June 30, 2022. The \$23.4M (4.0%) variance is considered insignificant.

On a cumulative basis, a year-over-year decrease was reported in CED's total annual authorities, which stood at \$439.7M as at September 30, 2021.

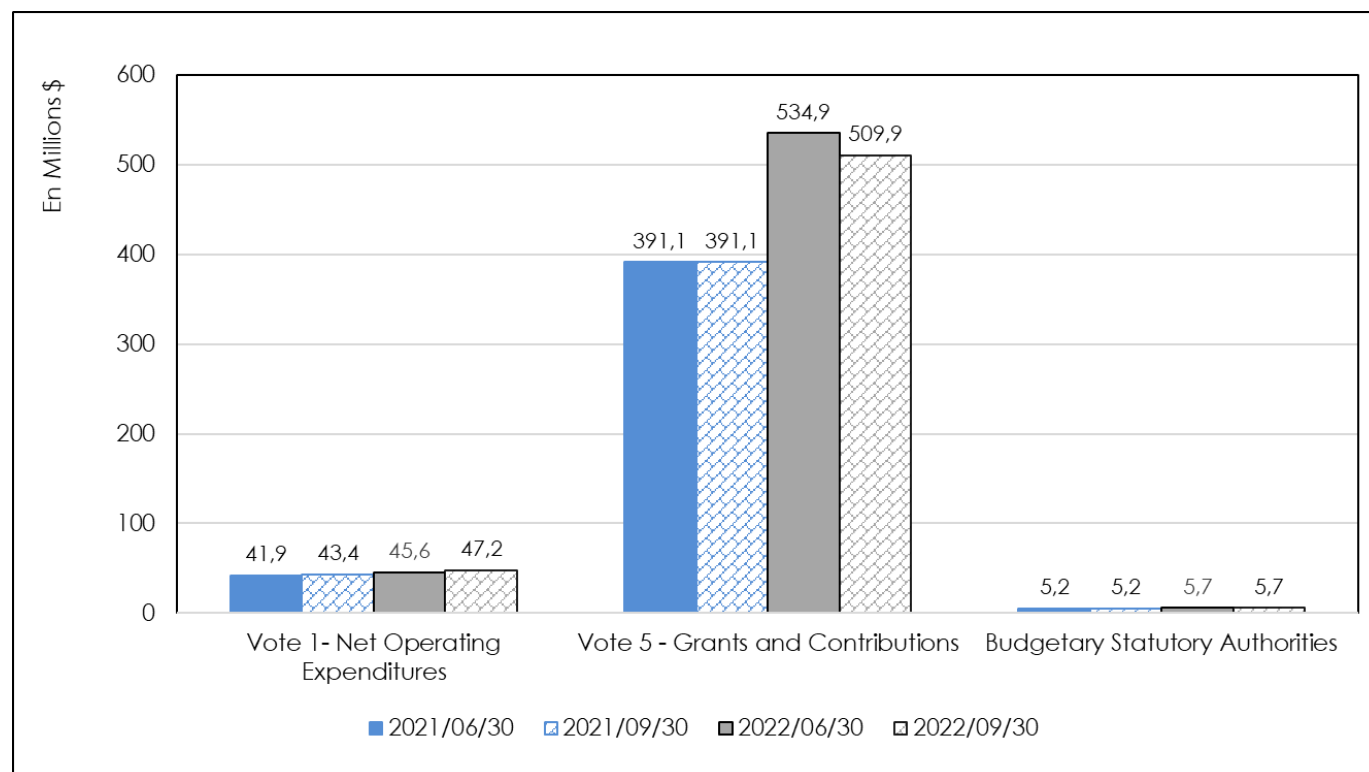
The noted upward variance of \$123.1M (28.0 %) is attributed to the following changes:

- Vote 1 – Net operating expenditures of +\$3.9M;
- Vote 5 – Grants and contributions of +\$118.8M;
- Budgetary statutory authorities of +\$0.4M.

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

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

Annual budgetary appropriation authorities as at September 30, 2022-2023 fiscal year, compared with 2021-2022



Vote 1 authorities (Net operating expenditures)

Authorities as at September 30, 2022 totalled \$47.2M, compared with \$43.4M as at September 30, 2021. This represents an increase of \$3.8M (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 consists of the following components, some of which varied upward, others downward:

- Increase in funding (+\$5.8M)
 - Canada Community Revitalization Fund: +\$1.9M;
 - Tourism Relief Fund: +\$1.6M;
 - Jobs and Growth Fund: +\$1.2M;
 - Aerospace Regional Recovery Initiative: +\$0.8M;
 - Miscellaneous: \$0.3M.

- 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 September 30, 2022, the authorities totalled \$509.9M, compared with \$391.1M as at September 30, 2021. This represents an increase of \$118.8M (30.4%).

This variance consists of a number of items, some of which varied upward, others downward, resulting in a net increase of \$118.8M:

- Increase in funding (\$+283.9M)
 - Jobs and Growth Fund: +\$69.3M;
 - Tourism Relief Fund: +\$69.1M;
 - Canada Community Revitalization Fund: +\$50.8M;
 - Major Festivals and Events Support Initiative: +\$50.0M;
 - Aerospace Regional Recovery Initiative: +\$35.9M;
 - Launch of a national quantum strategy: +\$4.8 M
 - Various items: +\$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
 - Miscellaneous: -\$0.2M.

* In 2020–2021, as a COVID-19 pandemic 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 September 30, 2022, authorities totalled \$5.7M compared with \$5.2M as at September 30, 2021. This represents a net decrease of \$0.5M. This increase is mainly attributed to the increase in funding for salary expenditures related to the new economic recovery initiatives.

2.2 Analysis of expenditures

CED's expenditures in the second quarter of 2022-2023 totalled \$71.4M, compared with \$66.2M for the same period last year. This represents a net increase of \$5.2M (7.9%) year-over-year.

This variance can be broken down as follows:

- Vote 1 – Net operating expenditures of +\$1.8M;
- Vote 5 – Grants and contributions of +\$2.3M;
- Budgetary statutory authorities of +\$1.1M.

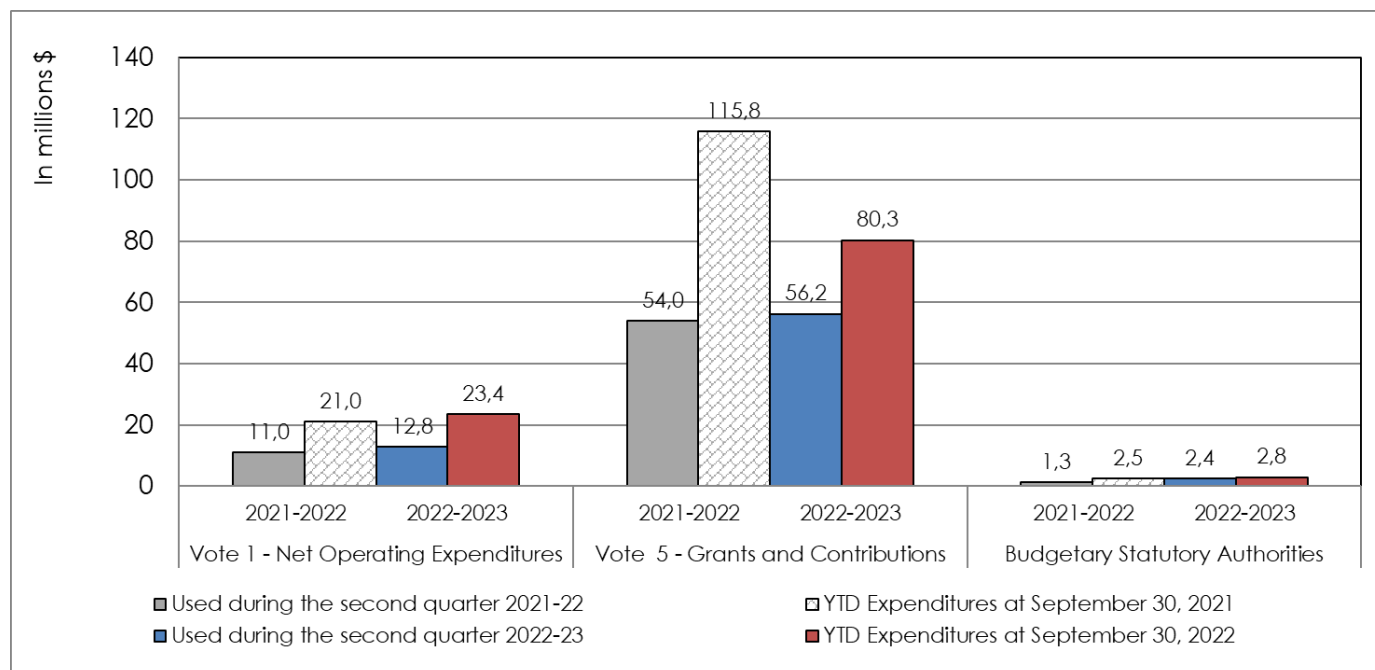
On a cumulative basis as at September 30, 2022, expenditures amounted to \$106.5M, compared with \$139.2M for the same period last year, a decrease of \$32.7M (23.5%) this year.

This variance can be broken down as follows:

- Vote 1 – Net operating expenditures of +\$2.5M;
- Vote 5 – Grants and contributions of -\$35.5M;
- Budgetary statutory authorities of +\$0.3M.

The following chart shows expenditures by budgetary appropriation in the second quarter of 2022-2023, compared with the previous fiscal year.

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



Vote 1 expenditures (Net operating expenditures)

Net operating expenditures for the second quarter of 2022-2023 were \$12.8M compared with \$11.0M in the second quarter of 2021-2022, an increase of \$1.8M this year. The increase is largely attributable to a rise in salary expenditures since additional staff had to be hired to deliver new temporary initiatives and specific COVID-19 initiatives. The renewal of certain collective agreements this year also resulted in an increase in salary expenditures. There was also 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. Finally, the cost of computer licences rose following the change in the financial system.

Cumulative expenditures totalled \$23.4M as at September 30, 2022, compared with \$21.0M as at September 30, 2021. This represents an increase of \$2.4M (11.4%) this year, mainly explained by salary expenditures and computer licences.

(For further details on these expenditures, see the table entitled "Departmental Budgetary Expenditures by Standard Object" in Appendix 6.2.)

Vote 5 expenditures (Grants and contributions)

Expenditures in grants and contributions for the second quarter of 2022-2023 totalled \$56.2M. In 2021-2022, they were \$54.0M. The increase of \$2.2M (4.1%) is considered insignificant.

On a cumulative basis as at September 30, 2022, expenditures amounted to \$80.3M, compared with \$115.8M as at September 30, 2021, a decrease of \$35.5M (30.7%).

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 and a slight increase in regular programming.

Expenditures related to budgetary statutory authorities

Expenditures related to budgetary statutory authorities in the second quarter of 2022-2023 rose to \$2.4M, compared with \$1.3M as at September 30, 2021. This represents a decrease of \$0.9M compared with the second quarter of 2021-2022. This variance is a result of delays in the processing of employee benefit remittances to the Treasury Board Secretariat with the implementation of the new SAP financial system on April 1, 2022.

Cumulative expenditures as at September 30, 2022, amounted to \$2.8M. As at September 30, 2021, expenditures amounted to \$2.5M, consisting uniquely of employee benefit payments to the Treasury Board Secretariat.

(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 industries that are new to the organization and to support a new clientele during the pandemic—increases the risk of non-payment 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 technological 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 IN TERMS
OF OPERATIONS, PERSONNEL
AND PROGRAMS

Significant Changes in Terms of Operations, Personnel and Programs

The most noteworthy changes for CED in 2022-2023 remain those associated with the ongoing implementation of a number of 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 in French signed by

Manon Brassard

Deputy Minister/ President

Montréal, Canada

November 12, 2022

Original in French signed by

Maxime Garon

Chief Financial Officer

Montréal, Canada

November 12, 2022



SECTION 6

APPENDICES

6.1 Statement of authorities (unaudited)

Fiscal year 2022–2023 (\$000's)

	Total available for use for the year ending March 31, 2023*	Used during the quarter ended September 30, 2022	Year-to-date used at quarter end
Vote 1 - Net operating expenditures	47,227	12,841	23,429
Vote 5 – Grants and contributions	509,878	56,231	80,260
Total budgetary statutory authorities	5,662	2,359	2,831
Total authorities	562,767	71,431	106,520

Fiscal year 2021–2022 (\$000's)

	Total available for use for the year ended March 31, 2022*	Used during the quarter ended September 30, 2021	Year-to-date
Vote 1 - Net operating expenditures	43,371	11,018	20,956
Vote 5 – Grants and contributions	391,102	53,960	115,781
Total budgetary statutory authorities	5,218	1,250	2,501
Total authorities	439,691	66,228	139,238

* Includes only the 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 September 30, 2022	Year-to-date used at quarter end
Expenditures:			
Personnel*	45,006	12,865	22,360
Transportation and communications	759	116	201
Information	265	89	106
Professional and special services	5,011	1,265	2,344
Leasing	717	520	1,003
Repairs and maintenance	26	8	11
Utilities, materials and supplies	180	-12	10
Acquisition of land, buildings and works	0	0	0
Acquisition of machinery and equipment	925	65	93
Transfer payments	509,878	56,231	80,260
Other grants and payments	0	284	132
Total net budgetary expenditures	562,767	71,431	106,520

* 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 September 30, 2021	Year-to-date used at quarter end
Expenditures:			
Personnel*	40,781	10,557	20,377
Transportation and communications	902	78	88
Information	289	109	115
Professional and special services	4,844	1,045	2,024
Leasing	620	126	406
Repairs and maintenance	32	10	10
Public utilities, materials and supplies	219	7	10
Acquisition of land and buildings, and works	0	0	0
Acquisition of machinery and equipment	901	345	387
Transfer payments	391,102	53,960	115,781
Other grants and payments	0	-8	40
Total net budgetary expenditures	439,690	66,229	139,238

* Includes employee benefit plans (EBPs).