



Quarterly Financial Report

For the quarter ended
June 30, 2022

1. Introduction

This Quarterly Financial Report (QFR) should be read in conjunction with the [Main Estimates](#). It has been prepared by management as required under section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Directive on Accounting Standards, GC 4400 Departmental Quarterly Financial Report. It has not been subject to an external audit or review.

1.1 Raison d'être

Public Works and Government Services Canada (PWGSC) was established effective June 20, 1996, under the *Department of Public Works and Government Services Act*. As of November 4, 2015, PWGSC started operating as Public Services and Procurement Canada (PSPC). PSPC plays an important role in the daily operations of the Government of Canada. It supports federal departments and agencies in the achievement of their mandated objectives as their central purchasing agent, real property manager, linguistic authority, treasurer, accountant, pay and pension administrator, and common service provider. The Department's vision is to excel in government operations, and its strategic outcome and mission are to deliver high-quality, central programs and services that ensure sound stewardship on behalf of Canadians and meet the program needs of federal institutions.

A summary description of the Department's core responsibilities can be found in Part II of the [Main Estimates](#).

1.2 Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting and a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities. The accompanying [Table 1 - Statement of Authorities \(unaudited\)](#) includes the Department's spending authorities granted by Parliament, and those used by the Department are consistent with the Main Estimates for the current fiscal year.

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.

1.3 Public Services and Procurement Canada's financial structure

PSPC provides services to many government departments, agencies and Crown corporations through a variety of funding mechanisms. This includes budgetary authorities that are comprised of voted and statutory authorities, as well as non-budgetary authorities. The voted budgetary authorities include operating expenditures, vote-netted revenues and capital expenditures, while the statutory authorities are mainly composed of revolving funds, employee benefit plans and payments in lieu of taxes (PILT). The non-budgetary authorities consist primarily of the Seized Property Working Capital Account (see description below).

PSPC's complex financial structure may result in significant fluctuations in authorities on a quarterly basis, which are due to timing differences that are resolved by year-end. These are summarized as follows:

- For the most part, PSPC delivers its services on a cost-recovery basis, generating revenues via revolving fund ("the Funds") organizations and programs within the operating vote. These organizations and programs are mainly designed to provide services to other government organizations and are expected to recover the cost of their operations through revenues. However, the costs incurred by the Funds are usually disbursed prior to invoicing the client, which generally occurs upon completion of a project or after services are rendered, and thus revenues may be collected in a subsequent quarter.
- PSPC manages a variety of real property projects that progress through phases from planning to funding and from procurement to construction. Historical trends have shown that expenditures against these projects are not incurred evenly throughout the year; thus, quarter-to-quarter fluctuations are normal. Such projects include the Alaska Highway in British Columbia and Yukon, and the rehabilitation of the Parliamentary Precinct in Ottawa.
- PILT issued by PSPC are funded through a statutory vote and paid on behalf of other participating federal departments. Payments are subsequently recovered from the participating departments and are recorded as statutory grants in the Public Accounts of Canada. Timing fluctuations can occur between the payments and the recoveries from the other departments.
- PSPC also manages seized property for the Government of Canada pursuant to the *Seized Property Management Act*. The financial management of this activity is undertaken through the non-budgetary Seized Property Working Capital Account. Charged to this account are expenditures and advances made to maintain and manage any seized or restrained property. PSPC recovers its costs from this account once the property owner loses the right to the property and it is disposed of.

1.4 COVID-19 pandemic

The COVID-19 pandemic represents a serious global health threat that has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. PSPC has been actively engaged in supporting the Government of Canada's pandemic response, through procurements in response to an unprecedented and urgent demand for personal protective equipment (PPE), COVID-19 testing kits and supplies, vaccines and vaccination supplies and other medical equipment such as ventilators and emergency mobile medical units and beds. PSPC also received funding to operationalize the Essential Services Contingency Reserve to support the provision of PPE for essential services in Canada. COVID-19 will continue to have an impact on PSPC's financial situation for the foreseeable future as the Department continues to play a central role in response and recovery efforts.

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

2.1 Significant changes to authorities

When compared to the same quarter of the previous year, **year-to-date PSPC authorities available for use decreased by \$521.4 million** (\$4,640.1 million in the first quarter of the fiscal year ending March 31, 2023 compared to \$5,161.5 million in the first quarter of the fiscal year ending March 31, 2022) as reflected in [Table 1–Statement of authorities \(unaudited\) – For the quarter ended June 30, 2022 \(in thousands of dollars\)](#). Major reasons for the decrease are outlined below:

Year-over-year variances in authorities available for use (in millions of dollars)

Initiatives	Operating	Capital	Budgetary Statutory Authorities	Total Variance
Price and Volume Protection	104.8	-	-	104.8
Procurement Initiatives	24.9	-	5.8	30.7
Government of Canada’s Pay System	15.7	-	3.2	18.9
Planning and Investment in PSPC’s Assets Portfolio	28.5	(22.6)	1.0	6.9
E-Procurement Solution	(2.7)	-	(0.1)	(2.8)
Cost and Profit Assurance	(2.3)	-	(0.6)	(2.9)
Cape Breton Operations	(4.4)	-	(0.2)	(4.6)
Card Acceptance and Postage Fees	(5.8)	-	-	(5.8)
Transfer to Shared Services Canada for Enterprise Services	(8.1)	-	-	(8.1)
Supplies for the Health System (COVID-19)	(650.9)	-	-	(650.9)
Other	(2.3)	-	(5.3)	(7.6)
Cumulative variance in authorities available for use	(502.6)	(22.6)	3.8	(521.4)

Groupings can change between quarters due to materiality of initiatives. Amounts may not balance with other public documents due to rounding.

The **cumulative decrease of \$521.4 million** from the first quarter of the fiscal year ending March 31, 2022 can be explained by:

Price and Volume Protection – increase of \$104.8 million

The increase is a result of funding received for the protection from inflation and price variations relating to space requirements for real property elements over which PSPC has very little or no control such as rent, cost of utilities and accommodations costs.

Procurement Initiatives – increase of \$30.7 million

As announced in Budget 2021, the funding will allow PSPC to continue to modernize federal procurement and create opportunities for specific communities by diversifying the federal supplier base.

The funding will also ensure that PSPC is adequately prepared to support the Canadian Coast Guard and the Canadian Armed Forces as they both continue to deliver defence and marine procurement projects via Canada's Defence Policy and the National Shipbuilding Strategy.

Government of Canada's Pay System – increase of \$18.9 million

The increase mainly relates to timing of funding to support pay stabilization and to reduce the backlog of pay transactions for the Government of Canada.

Planning and Investment in PSPC's Assets Portfolio – increase of \$6.9 million

The increase reflects the Department's current funding approval to plan and deliver on its capital plan. This funding will ensure that PSPC maintains the quality of its infrastructure for the benefit of all Canadians.

E-Procurement Solution – decrease of \$2.8 million

The decrease is mainly due to the timing of receipt of funding for project expenditures. As announced in Budget 2018, the E-Procurement Solution will modernize the government's procurement function, making purchasing simpler and easier to access.

Cost and Profit Assurance – decrease of \$2.9 million

The decrease is due to the end of incremental funding received for the Cost and Profit Assurance program, which audits and provides oversight of defence contracts to enhance procurement efficiency and lower costs.

Cape Breton Operations – decrease of \$4.6 million

The decrease is mainly due to a reduction in workers' compensation costs related to former Cape Breton Development Corporation employees.

Card Acceptance and Postage Fees – decrease of \$5.8 million

The decrease is due to the end of incremental funding received for Card Acceptance and Postage fees. Funding will be adjusted should future approvals be received.

Transfer to Shared Services Canada for Enterprise Services – decrease of \$8.1 million

The decrease is due to the transfer of resources to Shared Services Canada to support the Enterprise Service Model for government IT services such as software, hardware, mainframe and telephony services, as announced in Budget 2021.

Supplies for the Health System (COVID-19) – decrease of \$650.9 million

The decrease is due to the reduction in funding to support the Government of Canada's response to the COVID-19 pandemic when compared to the previous fiscal year.

Other – decrease of \$7.6 million

The decrease is the result of funding variances in miscellaneous projects and activities, such as the permanent reduction in departments' travel budgets announced in Budget 2021.

2.2 Significant changes to year-to-date net expenditures

As presented in [Table 2 - Departmental budgetary expenditures by standard object \(unaudited\)](#), **year-to-date total net budgetary expenditures have increased by \$64.0 million** as compared to the same quarter of the previous year (\$1,251.7 million in the current fiscal year compared to \$1,187.7 million in the previous fiscal year).

Overall, total spending at the end of the first quarter represents 27% of annual planned expenditures for the current fiscal year compared to 23% for the first quarter of the previous year.

Year-over-year variances in net budgetary expenditures (presented by standard object) (in millions of dollars)

Standard Object	June 30, 2022 Year to date used at quarter end	June 30, 2021 Year to date used at quarter end	Year-over-year variance
Personnel	431.6	432.3	(0.7)
Transportation and communications	11.6	15.7	(4.1)
Information	3.1	2.1	1.0
Professional and special services	258.3	286.1	(27.8)
Rentals	318.0	296.2	21.8
Repair and maintenance	203.5	174.0	29.5
Utilities, materials and supplies	33.9	42.5	(8.6)
Acquisition of land, buildings and works	79.8	95.6	(15.8)
Acquisition of machinery and equipment	7.9	13.3	(5.4)
Transfer payments	263.1	274.0	(10.9)
Public Debt charges	28.4	28.6	(0.2)
Other subsidies and payments	63.0	48.3	14.7
Revenues netted against expenditures	(450.5)	(521.0)	70.5
Total net budgetary expenditures	1,251.7	1,187.7	64.0

Comparative figures have been reclassified to conform to the current year's presentation. Amounts may not balance with other public documents due to rounding.

The year-over-year **net increase of \$64.0 million** is mainly attributable to:

Professional and special services – decrease of \$27.8 million

- The decrease is mainly due to:
 - Professional labour cost and legal services billings occurring earlier in the first quarter of the previous year;
 - GCdocs licenses expenditures were reclassified from “Professional and Special Services” to “Rentals” last fiscal year and this reclassification occurred in the second quarter; and

- Reduction in professional services due to priority changes under the Digital Services Branch.
- This decrease was partially offset by:
 - Various construction and retrofit projects such as West Memorial Building Phase II as well as projects for the Alaska Highway, Energy Services Acquisition Program, including the User Building Conversion Plan projects that advanced into the project delivery stage this quarter.

Rentals – increase of \$21.8 million

- The increase is due to:
 - Rent payments paid earlier in the year as compared to the previous year; and
 - GCdocs licenses expenditures being reclassified from “Professional and Special Services” to “Rentals” in the second quarter of the previous fiscal year.

Repair and maintenance – increase of \$29.5 million

- The increase is due to:
 - New contracts for repair projects and property management services for the Canada Border Services Agency;
 - Construction fees related to Alaska Highway projects for drainage repairs and improvements;
 - Repair and maintenance projects for the Esquimalt Graving Dock (dock extension);
 - Projects for other government departments are on the rise as compared to the previous fiscal year as projects were delayed due to uncertainty related to COVID-19 pandemic; and
 - Various repair projects in the Quebec region such as the Cap-aux-Meules consolidation and wharf extension project for Transport Canada.

Utilities, materials and supplies – decrease of \$8.6 million

- The decrease is due to a reduction in procurement related to the COVID-19 pandemic.
- This decrease was offset by an increase in the demand for measles, mumps, and rubella (MMR)-related vaccines in the first quarter of the current fiscal year as provinces and territories resume normal immunization programs and replenish the stock of routine vaccines as well as a general increase in first-quarter orders of other vaccines.

Acquisition of land, buildings and works – decrease of \$15.8 million

- The decrease is due to the completion of the Big Bar Fish Passage remediation work for Fisheries and Oceans Canada in the previous fiscal year.

Transfer payments – decrease of \$10.9 million

- The decrease is due to a timing difference between when a payment in lieu of taxes is issued and when the cost is recovered from other government departments.

Other subsidies and payments – increase of \$14.7 million

- The increase is mainly due to timing differences between the receipts and payment of invoices compared to the previous year such as the payments in lieu of taxes for PSPC-owned buildings and payment of fees related to point-of-sale transactions.

Other standard objects – decrease of \$9.4 million

- The decrease is attributable to minor changes in expenditures related to day-to-day operations.

Revenues netted against expenditures – decrease of \$70.5 million

- The decrease is due to:
 - Timing differences of billings for various services (real property, real estate management, dedicated procurement) provided to other government departments compared to the previous year;
 - Winding down of the Parks Canada project to rehabilitate the Trent-Severn Waterway and Rideau Canal;
 - Rescheduling of the Randle Reef Stage 3 remediation project in the Hamilton Harbour, which was delayed to the third quarter of this fiscal year; and
 - Reduction in the varicella and pertussis vaccines for which several large orders were placed at year-end of the previous fiscal year to meet minimum contract requirements.
- The decrease was partially offset by:
 - Increased revenues from other government departments for Oracle licenses and database archive services such as GCdocs and GCcase; and
 - Large orders of MMR-related vaccines placed in the first quarter of the current fiscal year as provinces and territories resume normal immunization programs and replenish the stock of routine vaccines as well as a general increase in the first-quarter orders of other vaccines.

3. Risks and uncertainties

PSPC integrates risk management principles into business planning, decision-making and organizational processes to minimize negative impacts and maximize opportunities across our diverse range of services and operations. Risk management at PSPC is carried out in accordance with the Treasury Board Secretariat's Framework for the Management of Risk, the Management Accountability Framework, and PSPC's Integrated Risk Management Framework.

The following key risks were identified as having a potential financial impact on PSPC's operations:

- PSPC's dependency on clients' expenditures: More than half of PSPC's financial and human resources are tied directly to cost-recovered services and activities. In a context of reduced expenditures on the part of client departments and agencies, there is a risk that PSPC could face unpredictable and reduced business volumes and associated reduced resources. In response to this risk, PSPC continually adjusts to fluctuations in operational demands while maintaining the quality of its services. This includes sustaining rigorous management of revenues, expenditures, forecasting and commitment monitoring, and working closely with other departments through the client service network to identify changing requirements and their impacts on the Department.
- PSPC's ability to undertake and deliver complex, transformational and interdepartmental major projects and procurements: There are inherent risks in PSPC undertaking and delivering complex, transformational and interdepartmental major projects and procurements on time, within the approved budget and according to scope, which could ultimately have an impact on the

Department's service strategy. In order to address these risks, PSPC has implemented disciplined investment and project management processes, established service agreements and service standards with clear identification of responsibilities, ensured sound contract management, engaged early with client departments and other stakeholders, and developed the departmental Investment Plan (IP).

- In 2016, the Department implemented a new pay system as part of the Pay Transformation Initiative. The implementation was a major undertaking that experienced challenges. There is a risk that the ongoing stabilization of pay administration for the Government of Canada will be slowed down, impacting the timeliness and accuracy of employee pay, the transfer of accurate pay data to pension, and the ability for the Department to continue resolving existing pay errors.
- The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption globally resulting in an economic slowdown. While the pandemic has been ongoing for some time now, the duration and impact of the COVID-19 outbreak is still unknown at this time. As a result, it is not possible to reliably estimate the length and severity of the impact on PSPC's financial results in future periods.

4. Significant changes to operations, personnel and programs

There were no significant changes to operations and programs during the first quarter ended June 30, 2022.

The Prime Minister announced the appointment of Scott Jones as Associate Deputy Minister of Public Services and Procurement Canada, effective April 11, 2022.

Approved by:

Paul Thompson
Deputy Minister

Public Services and Procurement Canada

Gatineau, Canada
August 29, 2022

Wojo Zielonka
Assistant Deputy Minister and
Chief Financial Officer
Public Services and Procurement Canada

Gatineau, Canada
August 29, 2022

Table 1 – STATEMENT OF AUTHORITIES (unaudited)

	Fiscal year ending March 31, 2023			Fiscal year ending March 31, 2022		
	Total available for use for the year ending March 31, 2023 1) 2)	Used during the quarter ended June 30, 2022	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2022 1) 2)	Used during the quarter ended June 30, 2021	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Vote 1						
Gross operating expenditures	4,196,816	891,356	891,356	4,689,509	896,306	896,306
Vote-netted revenues	(1,330,000)	(215,432)	(215,432)	(1,320,046)	(281,396)	(281,396)
Net operating expenditures	2,866,816	675,924	675,924	3,369,463	614,910	614,910
Vote 5 - Capital expenditures	1,610,417	176,168	176,168	1,632,969	166,909	166,909
Revolving fund authorities						
Real Property Services Revolving Fund						
Gross expenditures	2,478,068	277,211	277,211	2,066,333	288,977	288,977
Revenues	(2,479,911)	(157,413)	(157,413)	(2,062,171)	(178,067)	(178,067)
Net expenditures	(1,843)	119,798	119,798	4,162	110,910	110,910
Translation Bureau Revolving Fund						
Gross expenditures	177,701	32,553	32,553	159,497	38,750	38,750
Revenues	(170,349)	(30,103)	(30,103)	(156,129)	(30,727)	(30,727)
Net expenditures	7,352	2,450	2,450	3,368	8,023	8,023
Optional Services Revolving Fund						
Gross expenditures	262,724	22,672	22,672	178,789	7,141	7,141
Revenues	(262,401)	(47,550)	(47,550)	(178,860)	(30,811)	(30,811)
Net expenditures	323	(24,878)	(24,878)	(71)	(23,670)	(23,670)
Total of all revolving funds						
Gross expenditures	2,918,493	332,436	332,436	2,404,619	334,868	334,868
Revenues	(2,912,661)	(235,066)	(235,066)	(2,397,160)	(239,605)	(239,605)
Total revolving fund net expenditures	5,832	97,370	97,370	7,459	95,263	95,263

Table 1 – STATEMENT OF AUTHORITIES - CONTINUED (unaudited)

	Fiscal year ending March 31, 2023			Fiscal year ending March 31, 2022		
	Total available for use for the year ending March 31, 2023 1) 2)	Used during the quarter ended June 30, 2022	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2022 1) 2)	Used during the quarter ended June 30, 2021	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Other budgetary statutory authorities						
Contributions to employee benefit plans	156,456	39,114	39,114	151,129	36,511	36,511
Minister of PSP salary and motor car allowance	92	23	23	91	23	23
Refunds of amounts credited to revenues in previous years	-	-	-	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	543	-	-	419	-	-
Collection agency fees	-	-	-	-	-	-
Payment in lieu of taxes to municipalities and other taxing authorities ²⁾	-	263,066	263,066	-	274,036	274,036
Total other budgetary statutory authorities	157,091	302,203	302,203	151,639	310,570	310,570
Total budgetary authorities	4,640,156	1,251,665	1,251,665	5,161,530	1,187,652	1,187,652
Non-budgetary authority						
Seized Property Working Capital Account	-	-	-	-	-	-
Total authorities	4,640,156	1,251,665	1,251,665	5,161,530	1,187,652	1,187,652

Net decrease of \$521.4 million

Notes:

1) Includes only Authorities available for use and approved by Parliament at quarter-end. Amounts may not balance with other public documents due to rounding.

2) Consistent with the presentation in the Main Estimates, "Total available for use for the year", for both fiscal years ending March 31, 2023 and March 31, 2022, under "PILT", is presented net of planned PILT made to municipalities and the equivalent planned recoveries from other government departments. A description of PILT is provided in Section 1.3 of this report.

Table 2 – DEPARTMENTAL BY BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

	Fiscal year ending March 31, 2023			Fiscal year ending March 31, 2022		
	Planned expenditures for the year ending March 31, 2023 1) 2)	Expended during the quarter ended June 30, 2022	Year-to-date used at quarter end	Planned expenditures for the year ending March 31, 2022 1) 2)	Expended during the quarter ended June 30, 2021	Year-to-date used at quarter end
<i>(In thousands of dollars)</i>						
Expenditures						
Personnel	1,762,744	431,547	431,547	1,627,865	432,297	432,297
Transportation and communications	85,002	11,648	11,648	97,843	15,700	15,700
Information	18,390	3,118	3,118	20,543	2,059	2,059
Professional and special services	2,358,665	258,338	258,338	2,251,036	286,060	286,060
Rentals	1,318,749	317,986	317,986	1,282,961	296,241	296,241
Repair and maintenance	1,327,264	203,484	203,484	1,275,967	174,019	174,019
Utilities, materials and supplies	367,022	33,892	33,892	911,359	42,470	42,470
Acquisition of land, buildings and works	933,516	79,770	79,770	652,672	95,596	95,596
Acquisition of machinery and equipment	171,127	7,918	7,918	199,886	13,313	13,313
Transfer payments ²⁾	-	263,066	263,066	-	274,037	274,037
Public Debt charges	129,345	28,347	28,347	92,345	28,564	28,564
Other subsidies and payments	410,993	63,049	63,049	466,259	48,297	48,297
Total gross budgetary expenditures	8,882,817	1,702,163	1,702,163	8,878,736	1,708,653	1,708,653
Less revenues netted against expenditures						
Revolving funds revenues	(2,912,661)	(235,066)	(235,066)	(2,397,160)	(239,605)	(239,605)
Vote-netted revenues	(1,330,000)	(215,432)	(215,432)	(1,320,046)	(281,396)	(281,396)
Total revenues netted against expenditures	(4,242,661)	(450,498)	(450,498)	(3,717,206)	(521,001)	(521,001)
Total net budgetary expenditures	4,640,156	1,251,665	1,251,665	5,161,530	1,187,652	1,187,652

Net increase of \$64.0 million

Notes:

1) Includes only Authorities available for use and approved by Parliament at quarter-end. Amounts may not balance with other public documents due to rounding.

2) Consistent with the presentation in the Main Estimates, "Planned expenditures for the year" for both fiscal years ending March 31, 2023 and March 31, 2022, under "Transfer payments", are presented net of planned PILT made to municipalities and the equivalent planned recoveries from other government departments. A description of PILT is provided in Section 1.3 of this report.