

# Departmental Quarterly Financial Report

## July - September 2017

### Table of Contents

#### **I. Statement outlining results, risks and significant changes in operations, personnel and program for the quarter ended September 30, 2017**

[1. Introduction](#)

[2. Highlights of Fiscal Quarter and Fiscal Year to-Date \(YTD\) Results](#)

[3. Risks and Uncertainties](#)

[4. Significant Changes in Relation to Operations, Personnel and Programs](#)

[5. Approvals by Senior Officials](#)

#### **II. Financial Statements**

[Statement of Authorities \(unaudited\)](#)

[Departmental Budgetary Expenditures by Standard Object \(unaudited\)](#)

---

## **I. Statement outlining results, risks and significant changes in operations, personnel and program for the quarter ended September 30, 2017**

### **1. Introduction**

This 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. This quarterly report should be read in conjunction with the [Main and Supplementary Estimates](#) as well as *Economic Action Plan 2016 and 2017 (Budget 2016 and Budget 2017)*.

A summary description of Veterans Affairs Canada's (VAC) program activities can be found in [Part II of the Main Estimates](#).

### **Basis of Presentation**

This quarterly report has been prepared using an expenditure basis of accounting. The accompanying Statement of Authorities includes VAC's spending authorities granted by Parliament and those used by the Department, consistent with the [Main and Supplementary Estimates](#) for the 2017-18 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 monies 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.

The quarterly report has not been subject to an external audit but has been reviewed by the Departmental Audit Committee.

## 2. Highlights of Fiscal Quarter and Fiscal Year to-Date (YTD) Results

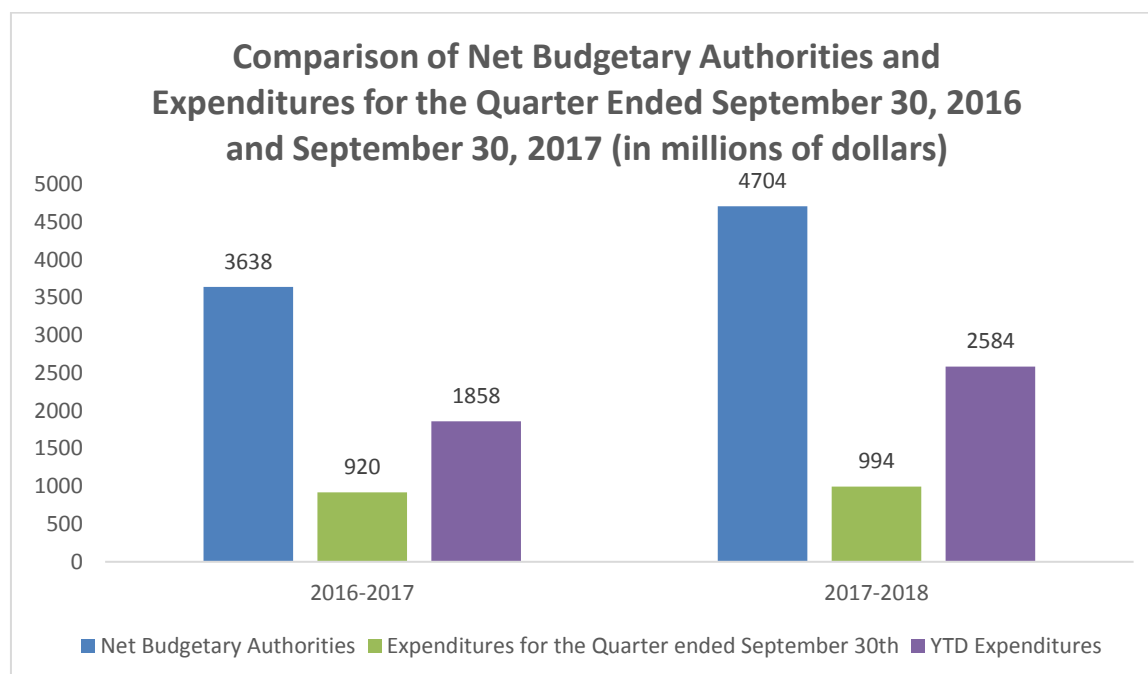
### Statement of Authorities

Overall, VAC's authorities reflect the changing demographic profile and changing needs of the men, women, and families the Department serves. This is evidenced by an increase in the number of modern-day Veterans and survivors (forecast to increase from 103,376 as of June 30, 2017, to 108,100 as of March 31, 2018) and a decrease in the number of War Service Veterans and survivors (forecast to decrease from 74,291 as of June 30, 2017, to 67,600 as of March 31, 2018). Despite the slight decrease in overall Veterans and recipients of VAC benefits, recent program enhancements have increased the demand on New Veterans Charter programs and benefits.

As at September 30, 2017, total authorities available (i.e. budget) for the year have increased by \$1,066M (29.3%) compared to the same quarter of the previous year, from \$3,638M to \$4,704M. This increase is the result of a \$1,003M increase in Vote 5, Grants and Contributions, a \$64M increase in Vote 1, Operating Expenditures, and a \$1M decrease in statutory authorities related to employee benefit costs. Over eighty percent of the departmental budget increase relates to the Budget 2016 commitment to restore critical access to services for Veterans, as well as to ensure the long-term financial security of disabled Veterans. These authorities also reflect an annual adjustment based on updated client participation and program expenditures.

Total authorities used (i.e. expenditures) during the second quarter of 2017-18 are \$74M (8.1%) more when compared to the same three-month period of 2016-17, from \$920M to \$994M. A break-down in the spending for the second quarter of 2017-18 indicates that Grant and Contribution spending increased by \$83M, primarily due to the Budget 2016 commitment to increase the Disability Award (maximum increased to \$360,000 in 2017), as well as making a top-up payment to all Veterans who received a Disability Award since April 1, 2006. Another contributing factor is the Budget 2016 commitment to increase the Earnings Loss Benefit to replace 90% of an eligible Veteran's pre-release military salary. Spending on Operating expenditures decreased slightly by \$8M, and spending on statutory authorities remained relatively stable with a small decrease of approximately \$242K.

Figure 1 – 2<sup>nd</sup> Quarter and Year-to-date Expenditures Compared to Budget



As a result of the Government's expenditure management cycle, there are often fluctuations by quarter and between fiscal years when comparing budgets and expenditures. This is primarily a result of the quasi-statutory nature of the Department's programs, which are demand-driven and based on need and entitlement. In other words, Veterans who meet the eligibility criteria for VAC's programs are paid as they apply for benefits.

### Statement of Departmental Budgetary Expenditures by Standard Object

When analyzed by Standard Object, expenditures in the second quarter are generally consistent in comparison with prior-year spending. The largest variances include:

Veterans Affairs Canada  
Quarterly Financial Report  
For the quarter ended September 30, 2017

- An increase of \$83M in Transfer Payments which, as noted above, relates primarily to the Budget 2016 commitment to increase the Disability Award (maximum increased to \$360,000 in 2017), as well as making a top-up payment to all Veterans who received a Disability Award since April 1, 2006. Also, the department continues to see increased requirements for the Earnings Loss and Supplementary Retirement Benefit and a decrease in requirements for Disability Pensions due to a decrease in the number of War Service Veterans and Survivors.
- A decrease of \$11M in Utilities, Materials and Supplies which relates primarily to a decrease in certain types of treatment benefits for Veterans. Part of this decrease relates to the timing of payments as the decrease is less than \$3M from a year to date perspective.

### 3. Risks and Uncertainties

---

VAC is dedicated to enhancing the health and well-being of Veterans and their families and recognizes that its success in fulfilling this mandate is directly related to the effective management of risk. Sound risk management equips the Department to respond proactively to change and uncertainty by using risk-based information to support effective decision-making, resource allocation, and, ultimately, better results for Canadians. Additionally, it can lead to effective service delivery, better project management, and an increase in value for money.

VAC operates in a dynamic and complex environment characterized by internal and external drivers of change. The Department employs integrated risk management tools to proactively and systematically recognize, understand, accommodate and capitalize on new challenges and opportunities, with a focus on results. In addition, the Department has effective internal control systems in place, proportionate to the risks being managed.

VAC continues to manage through effective engagement across the Department. As such, the Department's executive-level committee (Senior Management Committee) recommends overall direction for financial management and control, and the Corporate Management Committee ensures alignment of investments with departmental strategies and other initiatives. Each branch is required to have an Integrated Business Plan that has been approved by the Senior Management Committee to confirm that it has a plan in place to address the financial requirements of the branch. The Department captures program and corporate level risk in the Integrated Business Plans, including several key risks: delays in achieving the required staffing levels may delay implementation of some Departmental commitments; despite the broad range of Veterans' programs and services available, some CAF members may not transition successfully from military to civilian life; and the department may have difficulty addressing the volume of commitments made to Veterans in a timely manner. Risk response strategies are established to lessen any impact should such risks occur.

Additionally, the Deputy Minister's Advisory Committee (DMAC) provides an advisory function for senior departmental officials as well as performing an important oversight role in ensuring that Budget 2015 and Budget 2016 commitments are met. DMAC was established, in the context of Budget 2015 decisions to improve service delivery, to support VAC and the Department of National Defence (DND) in advancing a "Veteran-centric" approach to the protection and care of Veterans.

This integrated risk management process ultimately supports the Department in meeting its financial objectives. Further information on risks facing the Department and the steps taken to mitigate them can be found in the 2017-18 Departmental Plan.

### 4. Significant Changes in Relation to Operations, Personnel and Programs

---

Effective August 28, 2017, The Honourable Seamus O'Regan assumed the role of Minister of Veterans Affairs and Associate Minister of National Defence.

#### Mandate Commitments:

During the second quarter of 2017-18, Veterans Affairs announced the launch of the Veterans in the Public Service Unit (VPSU). The VPSU is a unit within Veterans Affairs created to help Veterans navigate the Federal Public Service hiring process. The unit works with managers from across the public service, in promoting the training, experiences and skill-sets of Canadian Veterans for employment within the Public Service.

#### Commemorative Activities:

On August 19, 2017, the Government of Canada delegation attended a ceremony in Dieppe, France, to honour Canadians who took part in the Dieppe Raid. The ceremony began in the Square du Canada and proceeded somberly down the Esplanade, stopping to lay wreaths at the Canadian regimental monuments along the way. Dignitaries, Veterans, representatives of Indigenous and Veterans' associations, Royal Canadian Mounted Police, Canadian youth, and parliamentarians composed the delegation. A contingent of the Canadian Armed Forces made up of units and branches involved in the raid also participated.

## 5. Approvals by Senior Officials

Original signed by:

---

W.J. Natynczyk  
General (Retired)  
Deputy Minister  
Ottawa, ON  
November 28, 2017

---

Elizabeth M. Stuart  
Rear-Admiral (Retired)  
Chief Financial Officer  
Charlottetown, PE  
November 21, 2017

## II. Financial Statements

### Veterans Affairs Canada

Quarterly Financial Report for the Quarter Ended September 30, 2016

#### STATEMENT OF AUTHORITIES (*unaudited*)

Fiscal Year 2016-17

<i>(in thousands of dollars)</i>	Total available for use for the year ended March 31, 2017*	Used during the quarter ended September 30, 2016	Year-to-date used at quarter-end
<b>Vote 1 - Net Operating expenditures</b>	<b>879,912</b>	<b>229,594</b>	<b>439,255</b>
<b>Vote 5 - Grants and Contributions</b>	<b>2,725,592</b>	<b>682,308</b>	<b>1,402,409</b>
Statutory Authority - Minister's Salary and Motor Car Allowance	84	35	42
Statutory Authority - Court Award - <i>Crown Liability and Proceeding Act</i>	0	3	3
Statutory Authority - Refunds of Previous Years Revenue	0	2	32
Statutory Authority – Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	0	6	6
Statutory Authority - Contributions to Employee Benefit Plans - Program	31,891	7,972	15,945
Statutory Authority - Veterans Insurance Actuarial Liability Adjustment	175	0	0
Statutory Authority - Returned Soldiers Insurance Actuarial Liability Adjustment	10	0	0
Statutory Authority - Re- establishment credits under Section 8 of the <i>War Services Grants Act</i>	2	0	0
Statutory Authority - Repayments under Section 15 of the <i>War Services Grants Act</i>	10	0	0
<b>Total Statutory</b>	<b>32,172</b>	<b>8,018</b>	<b>16,028</b>
<b>Total Budgetary authorities</b>	<b>3,637,676</b>	<b>919,920</b>	<b>1,857,692</b>
<b>Non-budgetary authorities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Authorities</b>	<b>3,637,676</b>	<b>919,920</b>	<b>1,857,692</b>

Veterans Affairs Canada  
Quarterly Financial Report  
For the quarter ended September 30, 2017

**Veterans Affairs Canada**

**Quarterly Financial Report for the Quarter Ended September 30, 2017**

**STATEMENT OF AUTHORITIES (unaudited)**

**Fiscal Year 2017-18**

<i>(in thousands of dollars)</i>	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
<b>Vote 1 - Net Operating expenditures</b>	<b>944,086</b>	<b>221,101</b>	<b>422,475</b>
<b>Vote 5 - Grants and Contributions</b>	<b>3,728,239</b>	<b>765,123</b>	<b>2,146,483</b>
Statutory Authority - Minister's Salary and Motor Car Allowance	84	21	42
Statutory Authority - Court Award - <i>Crown Liability and Proceeding Act</i>	0	0	5
Statutory Authority - Refunds of Previous Years Revenue	0	3	4
Statutory Authority – Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	0	0	0
Statutory Authority - Contributions to Employee Benefit Plans - Program	30,920	7,730	15,460
Statutory Authority - Veterans Insurance Actuarial Liability Adjustment	175	0	0
Statutory Authority - Returned Soldiers Insurance Actuarial Liability Adjustment	10	0	0
Statutory Authority - Re- establishment credits under Section 8 of the <i>War Services Grants Act</i>	2	0	0
Statutory Authority - Repayments under Section 15 of the <i>War Services Grants Act</i>	10	0	0
<b>Total Statutory</b>	<b>31,201</b>	<b>7,754</b>	<b>15,511</b>
<b>Total Budgetary authorities</b>	<b>4,703,526</b>	<b>993,978</b>	<b>2,584,469</b>
<b>Non-budgetary authorities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Authorities</b>	<b>4,703,526</b>	<b>993,978</b>	<b>2,584,469</b>

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

Veterans Affairs Canada  
Quarterly Financial Report  
For the quarter ended September 30, 2017

**Veterans Affairs Canada**

**Quarterly Financial Report for the Quarter Ended September 30, 2016**

**Departmental budgetary expenditures by Standard Object (unaudited)**

**Fiscal year 2016-17**

Expenditures (in thousands of dollars)	Planned expenditures for the year ended March 31, 2017	Expended during the quarter ended September 30, 2016	Year-to-date used at quarter-end
01 Personnel	241,734	72,109	150,027
02 Transportation and communications	29,073	7,071	12,813
03 Information	5,617	138	201
04 Professional and special services	417,616	100,966	182,262
05 Rentals	7,268	1,070	2,149
06 Repair and maintenance	6,608	595	4,108
07 Utilities, materials and supplies	194,720	52,619	95,932
08 Acquisition of land, buildings and works	1,652	1,047	1,047
09 Acquisition of machinery and equipment	2,313	562	649
10 Transfer payments	2,725,789	682,308	1,402,409
11 Public debt charges	0	0	0
12 Other subsidies and payments	5,286	1,435	6,095
<b>Total gross budgetary expenditures</b>	<b>3,637,676</b>	<b>919,920</b>	<b>1,857,692</b>
<b>Less Revenues netted against expenditures</b>			
<b>Total Revenues netted against expenditures:</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total net budgetary expenditures</b>	<b>3,637,676</b>	<b>919,920</b>	<b>1,857,692</b>

**Veterans Affairs Canada**

**Quarterly Financial Report for the Quarter Ended September 30, 2017**

**Departmental budgetary expenditures by Standard Object (unaudited)**

**Fiscal year 2017-18**

Expenditures (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
01 Personnel	227,949	73,410	132,088
02 Transportation and communications	30,895	7,275	13,869
03 Information	6,248	406	452
04 Professional and special services	463,047	101,977	189,082
05 Rentals	8,085	1,246	2,397
06 Repair and maintenance	11,025	1,065	1,601
07 Utilities, materials and supplies	218,654	42,035	91,761
08 Acquisition of land, buildings and works	735	0	0
09 Acquisition of machinery and equipment	2,572	356	551
10 Transfer payments	3,728,436	765,123	2,146,483
11 Public debt charges	0	0	0
12 Other subsidies and payments	5,880	1,085	6,185
<b>Total gross budgetary expenditures</b>	<b>4,703,526</b>	<b>993,978</b>	<b>2,584,469</b>
<b>Less Revenues netted against expenditures</b>			
<b>Total Revenues netted against expenditures:</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total net budgetary expenditures</b>	<b>4,703,526</b>	<b>993,978</b>	<b>2,584,469</b>

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