



Treasury Board of Canada  
Secrétariat

Secrétariat du Conseil du Trésor  
du Canada

Canada

# **Quarterly Financial Report for TBS for the Quarter Ended June 30, 2011**

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# Quarterly Financial Report for TBS for the Quarter Ended June 30, 2011

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## 1. Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* (FAA (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 Estimates and Supplementary Estimates A.

A summary description of the TBS (Treasury Board of Canada Secretariat) program activities can be found in *Part II of the Main Estimates*.

The quarterly report has not been subject to an independent audit or review.

## **1.1 Basis of Presentation**

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes Treasury Board of Canada Secretariat's (TBS (Treasury Board of Canada Secretariat)) spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates A for the 2011-12 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.

As part of the departmental performance reporting process, Treasury Board of Canada Secretariat prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

## **1.2 TBS (Treasury Board of Canada Secretariat) Financial Structure**

TBS (Treasury Board of Canada Secretariat) manages both departmental and government-wide expenditures. Its departmental operating revenues and expenditures are managed under Vote 1, Program Expenditures.

Government-wide expenditures are managed via seven different votes. These include:

- Vote 5, Government Contingencies which serves to supplement other appropriations to provide the Government with sufficient flexibility to meet miscellaneous, urgent or unforeseen departmental expenditures between Parliamentary supply periods;
- Vote 10, Government-Wide Initiatives which supplements other appropriations in support of the implementation of strategic management initiatives in the Public Service of Canada;
- Vote 15, Compensation Adjustments which supplements the appropriations of other government departments and agencies that may need to be partially or fully augmented as a result of adjustments

made to terms and conditions of service or employment of the federal public service, including members of the Royal Canadian Mounted Police and the Canadian Forces, Governor in Council appointees and Crown Corporations as defined in section 83 of the FAA (Financial Administration Act);

- Vote 20, Public Service Insurance which covers revenues and expenses related to TBS' (Treasury Board of Canada Secretariat) role as the employer of the core public administration. This includes revenues and expenses for the Public Service Health Care Plan, Public Service Dental Care Plan, Disability Insurance, Provincial Payroll Taxes and other programs;
- Vote 25, Operating Budget Carry Forward which supplements other appropriations for the carry forward of unused operating funds from the previous fiscal year;
- Vote 30, Paylist Requirements which covers payroll requirements for departments and agencies related to legal requirements for the government as employer for items such as parental benefits and severance payments; and
- Vote 33, Capital Budget Carry Forward which supplements other appropriations for the capital budget carry forward from the previous fiscal year. This vote was created in 2011-12.

With the exception of Vote 20, these votes are approved by Parliament for the eventual transfer of funding to other government departments once specified criteria are met. TBS (Treasury Board of Canada Secretariat) does not incur any revenue or expenses related to these votes and thus they are not reflected in the Statement of Authorities or Planned Spending tables.

TBS (Treasury Board of Canada Secretariat) also incurs costs under Statutory Authorities, which represent payments made under legislation approved previously by Parliament and which are not part of the Annual Appropriation Bills. These expenditures mostly reflect the employer's share of Public Service Pension Plans, the Canada/Quebec Pension Plans, Employment Insurance Premiums and Public Service Death Benefits. These expenditures are initially charged to the accounts of TBS (Treasury Board of Canada Secretariat) but are eventually attributed to the Employee Benefit Plan Statutory Vote of each department and agency.

## 2. Highlights of Fiscal Quarter and Fiscal Year to Date

This section highlights the significant items that contributed to the net increase or decrease in resources available for the year and actual expenditures for the quarter ended June 30, 2011. The explanation of

variances considers that changes under 5% would have minimal impact on an interpretation of results.

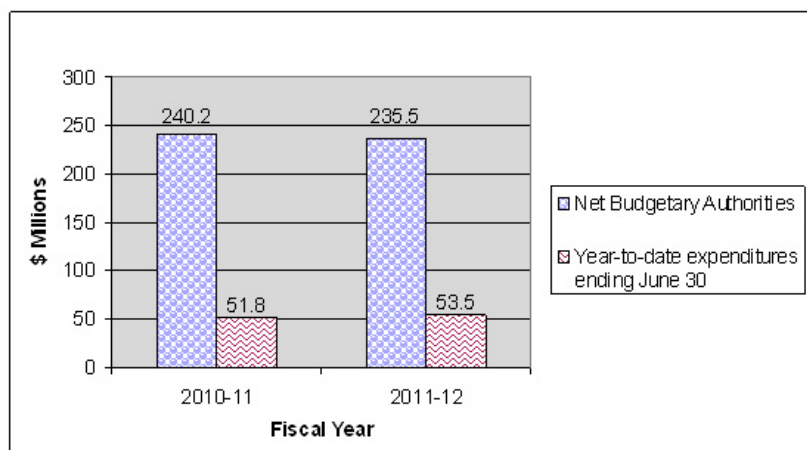
## Statement of Authorities - Vote 1, Program Expenditures

Program Expenditures to June 30, 2011 increased by approximately \$1.7 million when compared to the same quarter of 2010-11. Even though the 3% change is less than the standard 5% materiality threshold, it is nevertheless explained below. The change is the net effect of the following two factors:

- additional spending authorities for new initiatives including the Red Tape Reduction Commission, Litigation Management, the Financial Interoperability and Stewardship Initiative (FISI (Financial Interoperability and Stewardship Initiative)), the Classification Program, and Cyber Security; offset by,
- savings of approximately \$4.9 million in 2011-12 due to the TBS (Treasury Board of Canada Secretariat) Strategic Review and cost containment measures announced in previous Federal Budgets. TBS (Treasury Board of Canada Secretariat) is on track to realize its Strategic Review savings of \$11.5 million by 2013-14.

Graph 1 outlines the net budgetary authorities for Vote 1, Program Expenditures, which represent the resources available for use for the year (blue bar) as well as the year-to-date expenditures (red bar).

**Graph 1: Comparison of Net Budgetary Authorities and Expenditures for Vote 1 as of June 30, 2010-11 and 2011-12**



▼ Graph 1: Comparison of Net Budgetary Authorities and Expenditures for Vote 1 as of June 30, 2010-11 and 2011-12 - Text version

### Comparison of Net Budgetary Authorities and Expenditures for Vote 1 as of June 30, 2010-11 and 2011-12 (\$ millions of dollars)

	2010-2011	2011-2012

<b>Net Budgetary Authorities</b>	240.2	235.5
<b>Year-to-date expenditures ending June 30</b>	51.8	53.5

## Statement of Authorities - Vote 20, Public Service Insurance

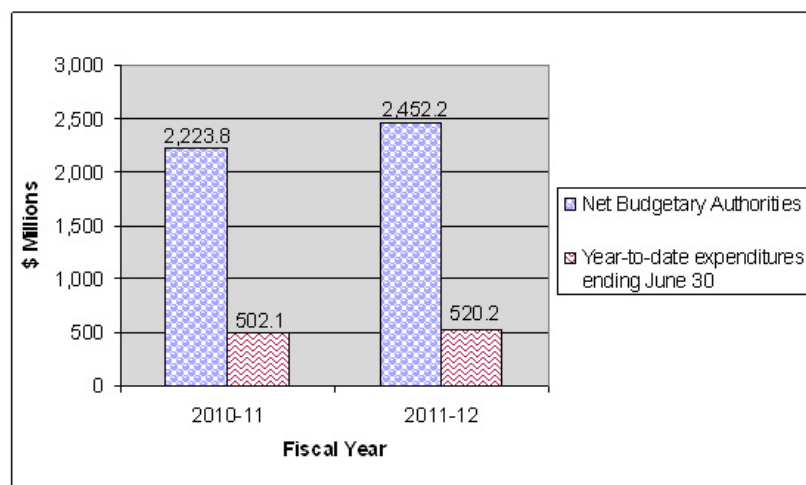
Public Service Insurance Payments include the employer share of the Public Service Health Care Plan, the largest such plan in Canada, as well as other benefit plans and provincial payroll taxes.

TBS (Treasury Board of Canada Secretariat) Vote 20 expenditures to June 2011 (first quarter) increased slightly by \$18.1 million, or 4%, when compared to the same quarter of 2010-11. This reflects differences in timing of payments under several plans, including the Public Service Dental Care Plan and the Public Service Health Care Plan (PSHCP (Public Service Health Care Plan)). The new PSHCP (Public Service Health Care Plan) contract implemented in November 2010 introduced electronic adjudication, new controls and a new methodology of funds management (i.e. payments now represent cheques issued versus cashed). In addition, PSHCP (Public Service Health Care Plan) pensioner contribution rates increased. There are multiple cost drivers and it is premature to draw trend conclusions at this time.

The Vote 20 authorities increased by \$228.4 million from 2010-11 to 2011-12. Public service employer payments have been steadily increasing due to: growth in membership, aging population with greater needs, increase in the use of prescription drugs and salary increases.

Graph 2 outlines the net budgetary authorities as well as actual expenditures for Vote 20, Public Service Insurance. This represents revenues and expenses related to TBS (Treasury Board of Canada Secretariat)' role as the employer of the core public administration.

**Graph 2: Comparison of Net Budgetary Authorities and Expenditures for Vote 20 as of June 30, 2010-11 and 2011-12**



**Comparison of Net Budgetary Authorities and Expenditures for Vote 20 as of June 30, 2010-11 and 2011-12 (\$ millions of dollars)**

	2010-2011	2011-2012
<b>Net Budgetary Authorities</b>	2,223.8	2,452.2
<b>Year-to-date expenditures ending June 30</b>	501.1	520.2

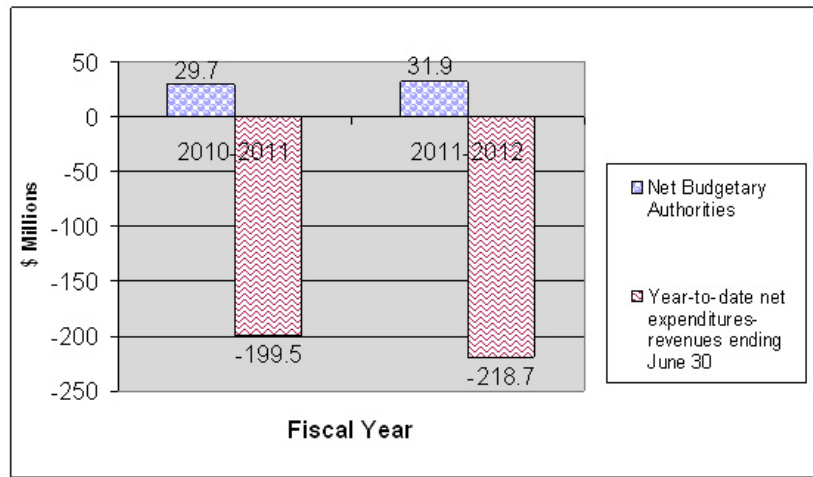
**Statement of Authorities – Statutory Authorities**

TBS (Treasury Board of Canada Secretariat) Statutory Authorities expenditures have a large credit balance at the end of the first quarter in both fiscal years. This is due to the timing of flow-through payments to Public Works and Government Services Canada (PWGSC (Public Works and Government Services Canada)) primarily related to employer contributions made under the *Public Service Superannuation Act* (PSSA (Public Service Superannuation Act)), and is not reflective of any forecasted annual decrease. TBS (Treasury Board of Canada Secretariat) receives the employee contribution of the pension payments from Government departments and agencies and then transfers them to PWGSC (Public Works and Government Services Canada) to fund the PSSA (Public Service Superannuation Act). The net effect on the financial statements of TBS (Treasury Board of Canada Secretariat) will be zero at year-end.

Statutory authorities of \$31.9 million have increased slightly from last year and reflect the TBS (Treasury Board of Canada Secretariat) share of pensions and related benefits.

Graph 3 outlines the net budgetary authorities as well as net actual expenditures for TBS (Treasury Board of Canada Secretariat)' Statutory Authorities.

**Graph 3: Comparison of Net Budgetary Authorities and Net Expenditures for Statutory Authorities as of June 30, 2010-11 and 2011-**



▼ Graph 3: Comparison of Net Budgetary Authorities and Net Expenditures for Statutory Authorities as of June 30, 2010-11 and 2011-12 - Text version

**Statutory Authorities (\$ millions of dollars)**

	<b>2010-2011</b>	<b>2011-2012</b>
<b>Net Budgetary Authorities</b>	29.7	31.9
<b>Year-to-date expenditures ending June 30</b>	(199.5)	(218.7)

**Statement of Departmental Budgetary Expenditures by Standard Object**

The increase in Personnel Costs of \$10 million is largely related to the timing differences in payments made under the Public Service Dental Care and the Public Service Health Care Plans as described earlier (refer to Statement of Authorities – Vote 20 Public Service Insurance).

The increase in the amounts expended for transportation and communications is also largely timing differences. Transportation reflects costs incurred for the National Forum of the National Managers’ Community held in May. These charges will be transferred to Public Works and Government Services in the next reporting period. The communications increase is due to the timing of the payment of regular telephone bills.

The increase in expenditures for utilities, materials and supplies, and the acquisition of machinery and equipment is due to procurement and contracting undertaken as a result of the cyber attack.

The decrease in other subsidies and payments is a timing difference, and mainly reflects items temporarily in suspense pending identification and coding to the appropriate account.

### 3. Risks and Uncertainties

TBS (Treasury Board of Canada Secretariat) maintains a corporate risk inventory. Most of these risks do not have a significant financial impact. However, similar to most organizations, the risk that our information will be compromised and/or unavailable due to a cyber attack, and the risk that our premises and infrastructure will not be available due to an emergency situation (fire, natural disaster, etc.) would have financial impacts. Mitigation measures are in place to minimize these impacts.

TBS (Treasury Board of Canada Secretariat) is addressing reduced flexibility to its operating budget as a result of the 2010 Strategic Review in Budget 2011 and the cost containment measures of \$1.7 million set out in Budget 2010.

TBS (Treasury Board of Canada Secretariat) is managing the implementation of these measures through proportional reduced budget allocations to sectors supported by rigorous monitoring of staffing and expenditures in line with business, financial and human resources planning.

As the Public Services Health Care Plan (PSHCP (Public Service Health Care Plan)) is driven by many variables, there could be significant shifts from the forecast in a given year caused by changes in: plan membership, the cost of drugs and medical treatments, use of plan entitlements and provincial tax regulation. TBS (Treasury Board of Canada Secretariat) continues to closely monitor payment activity and trends.

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

This section highlights any significant changes which impact the estimates or expenditures of approved resources available for the year or have impacted actual expenditures for the quarter ended June 30, 2011.

There are two significant operational changes:

- A Pay Direct Drug Card for the PSHCP (Public Service Health Care Plan) was successfully launched in November 2010. TBS (Treasury Board of Canada Secretariat) is closely monitoring the implementation of this new initiative.
- The current TBS (Treasury Board of Canada Secretariat) Data Centre infrastructure is at the end of its life span. The risk of imminent, severe and lengthy system outages is very high due to facilities issues with cooling, power, fire suppression systems and physical structure. Therefore, the Data Centre will be relocated to a dedicated, centralized Government of Canada Data Centre that meets the current and planned requirements of TBS (Treasury Board of Canada Secretariat). Once this

relocation is complete, the TBS (Treasury Board of Canada Secretariat) and Department of Finance networks will be separated.

## 5. Budget Constraint

As a result of the TBS (Treasury Board of Canada Secretariat) Strategic Review announced in the Federal Budget 2011, the Secretariat has found savings totalling \$11.5 million, leading to the elimination of 84 positions over three years (see page 230 of Budget 2011), starting in fiscal year 2011-12.

Through this review, opportunities were identified to better align activities with core roles and to achieve internal efficiencies. Some of these changes have already been implemented, and others are now underway.

More than half of the savings in the strategic review are as a result of changes made in the Service Sector. These changes came about as a result of the mandate given to the Privy Council Office to undertake the Administrative Services Review (ASR (Administrative Services Review)) announced in Budget 2010. The ASR (Administrative Services Review) was a continuation of efforts initiated through the Service Sector's work.

Effective July 8, 2011, the Regional Communications Network, which provided regional communications intelligence to the Privy Council Office, ceased operations. TBS (Treasury Board of Canada Secretariat) has managed the bulk of the reductions through attrition, and will continue to work closely with affected employees to support them through this transition using the tools provided through workforce adjustment.

## 6. Approval by Senior Officials

Approved by,

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**Originally signed by:**

Michelle d'Auray, Secretary of Treasury Board Secretariat

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**Originally signed by:**

Christine Walker, Chief Financial Officer

Ottawa, Canada

Date: August 17th, 2011

# Appendix

## For the quarter ended June 30, 2011

**Table 1:**

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

Description	Fiscal year 2010-2011			Fiscal year 2011-2012	
	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended June 30, 2010	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended June 30, 2011
Expenditures	(in dollars)			(in dollars)	
Personnel	2,798,548,874	407,404,199	407,404,199	3,127,652,225	417,721
Transportation and communications	6,281,852	708,472	708,472	5,876,650	1,078
Information	909,281	63,760	63,760	1,047,555	76
Professional and special services	52,607,468	8,386,062	8,386,062	48,346,730	8,297
Rentals	1,202,037	162,159	162,159	1,330,486	134
Repair and maintenance	424,248	97,541	97,541	1,373,078	106
Utilities, materials and supplies	1,890,510	49,040	49,040	1,948,066	154
Acquisition of machinery and equipment	4,040,282	513,486	513,486	4,764,194	891
Transfer payments	720,000	411,572	411,572	520,000	1
Other subsidies and payment	3,369,205	2,298,554	2,298,554	2,242,526	1,192
<b>Total gross budgetary expenditures</b>	<b>2,869,993,757</b>	<b>420,094,845</b>	<b>420,094,845</b>	<b>3,195,101,510</b>	<b>429,653</b>
<b>Less Revenues netted against expenditures:</b>					
VNR (VNR) - Centrally managed items	-369,999,000	-65,689,846	-65,689,846	-469,252,000	-74,738
VNR (VNR) - Program expenditures	-6,335,410	0	0	-6,243,112	
<b>Note 1</b>					
<b>Government-Wide Expenses included above</b>					
1 Personnel	2,591,170,000	356,808,839	356,808,839	2,919,098,000	365,360
2 Transportation and communications	0	27,571	27,571	0	1
4 Professional and special services	0	3,697,693	3,697,693	0	2,862
10 Professional and special services	520,000	361,572	361,572	520,000	1
12 Other subsidies and payments	2,122,511	-30,914	-30,914	1,859,200	
<b>Total</b>	<b>2,593,812,511</b>	<b>360,864,761</b>	<b>360,864,761</b>	<b>2,921,477,200</b>	<b>368,226</b>

[\*] Government-Wide Expenses include Vote 20 and \$20,000 statutory for Public Service Pension Adjustment Act

Description	Fiscal year 2010-2011			Fiscal year 2011-2012	
	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended June 30, 2010	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended June 30, 2011
<b>Expenditures</b>	<b>(in dollars)</b>			<b>(in dollars)</b>	
Total Revenues netted against expenditures[*]	-376,334,410	-65,689,846	-65,689,846	-475,495,112	-74,738
<b>Total net budgetary expenditures (Note 1)</b>	<b>2,493,659,347</b>	<b>354,404,999</b>	<b>354,404,999</b>	<b>2,719,606,398</b>	<b>354,915</b>
<b>Note 1</b>					
<b>Government-Wide Expenses included above</b>					
1 Personnel	2,591,170,000	356,808,839	356,808,839	2,919,098,000	365,360
2 Transportation and communications		0	27,571	27,571	0
4 Professional and special services		0	3,697,693	3,697,693	0
10 Professional and special services	520,000	361,572	361,572	520,000	1
12 Other subsidies and payments	2,122,511	-30,914	-30,914	1,859,200	
<b>Total</b>	<b>2,593,812,511</b>	<b>360,864,761</b>	<b>360,864,761</b>	<b>2,921,477,200</b>	<b>368,226</b>

[\*] Government-Wide Expenses include Vote 20 and \$20,000 statutory for Public Service Pension Adjustment Act

## For the quarter ended June 30, 2011

**Table 2:**  
**STATEMENT OF AUTHORITIES (unaudited)**

Description	Fiscal year 2010-2011			Fiscal year 2011-2012		
	Total available for use for the year ending March 31, 2011*	Used during the quarter ended June 30, 2010	Year to date used at quarter-end	Total available for use for the year ending March 31, 2012[*]	Used during the quarter ended June 30, 2011	Year to date used at quarter-end
<b>Expenditures</b>	<b>(in dollars)</b>			<b>(in dollars)</b>		
Vote 1 - Program Expenditures	240,175,503	51,812,753	51,812,753	235,502,149	53,460,777	53,460,777
Vote 20 - Public Service Insurance	2,223,793,511	502,096,643	502,096,643	2,452,205,200	520,189,821	520,189,821
<b>Statutory Authorities</b>						
A111 - President of the Treasury Board - Salary and motor car allowance	78,649	19,409	19,409	77,516	16,477	

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

Description	Fiscal year 2010-2011			Fiscal year 2011-2012		
	Total available for use for the year ending March 31, 2011*	Used during the quarter ended June 30, 2010	Year to date used at quarter-end	Total available for use for the year ending March 31, 2012[*]	Used during the quarter ended June 30, 2011	Year to date used at quarter-end
<b>Expenditures</b>	<b>(in dollars)</b>			<b>(in dollars)</b>		
A140 - Contributions to employee benefit plans	29,591,684	7,397,921	7,397,921	31,801,533	7,950,383	7,950,383
A145 - Unallocated employer contributions made under the PSSA (Public Service Superannuation Act) and other retirement acts and the EI Act	0	-206,573,189	-206,573,189	0	-226,700,391	-226,700,391
A681 - Payments under the Public Service Pension Adjustment Act	20,000	493	493	20,000	416	416
A683 - Payments for the pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act	0	-349,031	-349,031	0	-1,775	-1,775
Total Statutory Authorities	29,690,333	-199,504,397	-199,504,397	31,899,049	-218,734,890	-218,734,890
<b>Total authorities</b>	<b>2,493,659,347</b>	<b>354,404,999</b>	<b>354,404,999</b>	<b>2,719,606,398</b>	<b>354,915,708</b>	<b>354,915,708</b>

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

Date modified: 2017-01-30