



Treasury Board of Canada
Secretariat

Secrétariat du Conseil du Trésor
du Canada

Canada

Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended September 30, 2011

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Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended September 30, 2011

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**Statement Outlining Results, Risks and Significant Changes in
Operations, Personnel and Programs**

Table of Contents

1. Introduction
 - 1.1 Basis of Presentation
 - 1.2 TBS (Treasury Board of Canada Secretariat) Financial Structure
2. Highlights of Fiscal Quarter and Fiscal Year-to-Date
 - Statement of Authorities - Vote 1, Program Expenditures
 - Statement of Authorities -Vote 20, Public Service Insurance
 - Statement of Authorities – Statutory Authorities
 - Statement of Departmental Budgetary Expenditures by Standard Object
3. Risks and Uncertainties
4. Significant Changes in Relation to Operations, Personnel and Programs
5. Budget Constraint
6. Approval by Senior Officials
7. Appendix

1. Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* (FAA) and in the form and manner prescribed by the Treasury Board (TB). This quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates A.

A summary description of the Treasury Board of Canada Secretariat (TBS) 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 TBS (Treasury Board of Canada Secretariat)'s spending authorities and the Operating Budget Carry Forward 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, TBS (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:

- 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)'s 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 (Manitoba, Newfoundland, Ontario and Quebec) 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 paylist 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, both for departmental and government-wide payments made under legislation approved previously by Parliament, which are not part of the Annual Appropriation Bills. These expenditures mainly 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 statutory vote Contributions to employee benefit plans of each department and agency, including TBS (Treasury Board of Canada Secretariat).

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 September 30, 2011. The explanation of

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

Statement of Authorities - Vote 1, Program Expenditures

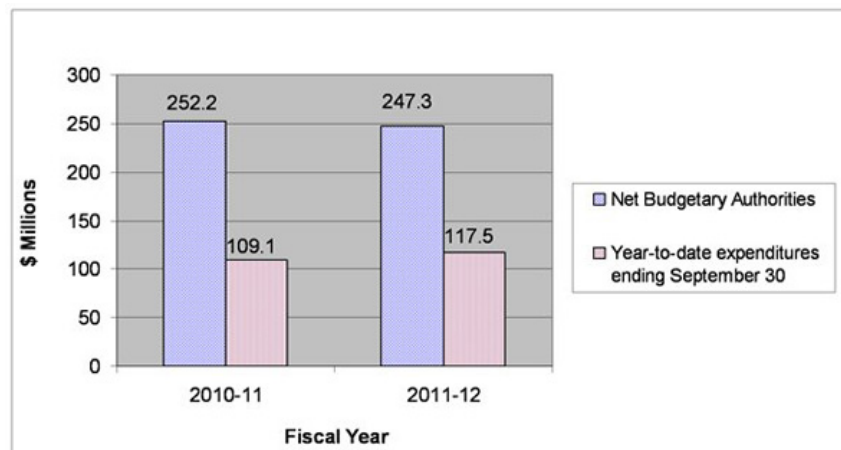
The Program Expenditure Authorities decreased by \$4.9 million, or by 2%. This is due to the sunset of funding for the Financial Interoperability and Stewardship Initiative and Budget 2010 cost containment measures.

The Year-to-date Program Expenditures to September 30, 2011 increased by approximately \$8.4 million or 8% when compared to year-to-date at quarter end of 2010-11. This is explained by the following factors:

- An increase of \$4.9 million or almost 60% of the total variance is related to one-time severance cash outs pursuant to collective agreements eliminating future severance pay accumulation. TBS (Treasury Board of Canada Secretariat) will be reimbursed for the payments within this fiscal year;
- An increase of \$2.2 million in expenditures related to the activity of the Red Tape Reduction Commission for identification of the compliance burden of regulatory requirements on business; and
- An increase of \$1.4 million primarily related to the relocation of the TBS (Treasury Board of Canada Secretariat) Data Centre.

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 September 30, 2010-11 and 2011-12



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

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

	2010-11	2011-12

Net Budgetary Authorities	252.2	247.3
Year-to-date expenditures ending September 30	109.1	117.5

Statement of Authorities -Vote 20, Public Service Insurance

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

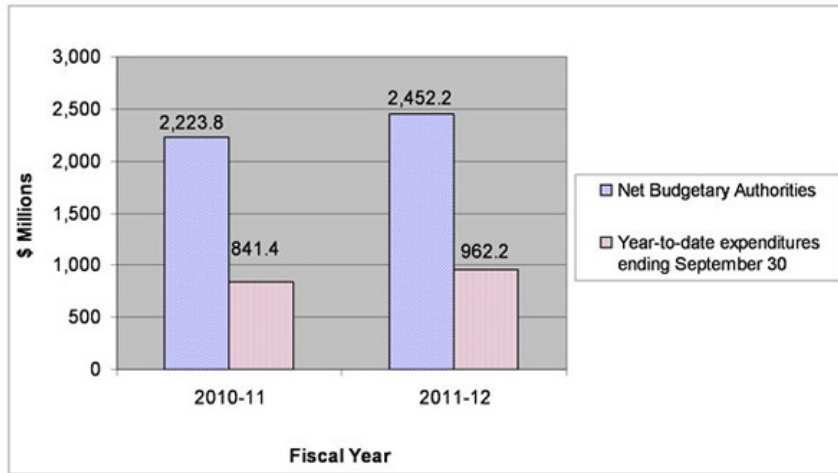
The Vote 20 net authorities increased by \$228.4 million from 2010-11 to 2011-12 (no change this quarter). Public service employer payments have been steadily increasing due to growth in membership, aging population with greater needs, increase in the use of prescription drugs and salary increases.

TBS (Treasury Board of Canada Secretariat) Vote 20 net expenditures have increased by \$121 million, or 14%, when compared to the same period of 2010-11, largely for two items:

- PSHCP (Public Service Health Care Plan) expenditures have increased by \$82 million. The new PSHCP (Public Service Health Care Plan) contract implemented in November 2010, which introduced various measures including a drug card and electronic claims adjudication, has resulted in an immediate reimbursement of drug claims at the point-of-sale versus the submission of paper claims. While claim volumes have also increased as a result of the card, it is premature to draw trend conclusions in claim patterns as there are multiple cost drivers affecting PSHCP (Public Service Health Care Plan) costs; and
- The increase in Provincial Payroll Taxes expenses by \$28 million is related to government-wide, one-time cash outs of severance pay stemming from new collective agreements.

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 September 30, 2010-11 and 2011-12



▼ Graph 2: Comparison of Net Budgetary Authorities and Expenditures for Vote 20 as of September 30, 2010-11 and 2011-12 - Text version

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

	2010-11	2011-12
Net Budgetary Authorities	2,223.8	2,452.2
Year-to-date expenditures ending September 30	841.8	962.2

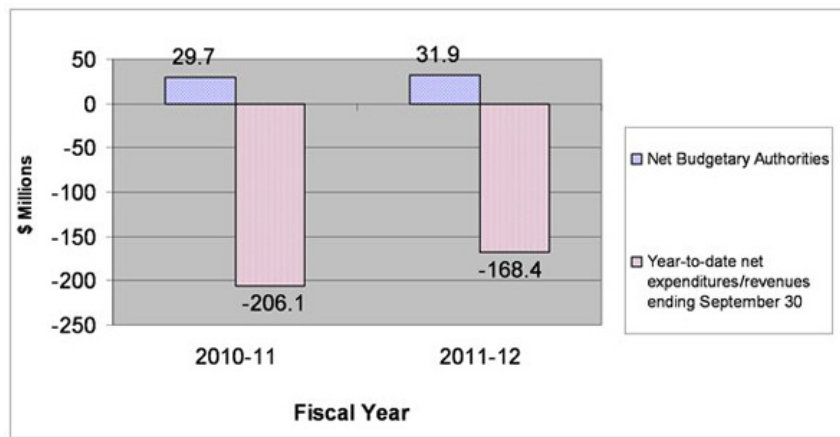
Statement of Authorities – Statutory Authorities

TBS (Treasury Board of Canada Secretariat) Statutory Authorities expenditures have a large negative balance at quarter end in both fiscal years. This is due to the timing of flow-through payments to Public Works and Government Services Canada (PWGSC) primarily related to employer contributions made under the *Public Service Superannuation (PSS) 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 PSS (Public Service Superannuation) account. The net effect on TBS (Treasury Board of Canada Secretariat)' financial statements 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 September 30, 2010-11 and



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

Statutory Authorities (\$ millions of dollars)

	2010-11	2011-12
Net Budgetary Authorities	29.7	31.9
Year-to-date net expenditures/revenues ending September 30	(206.1)	(168.4)

Statement of Departmental Budgetary Expenditures by Standard Object

The increase in the year-to-date personnel costs of \$189 million is largely related to the timing differences in payments made under the PSHCP (Public Service Health Care Plan) as described earlier (refer to Statement of Authorities – Vote 20 Public Service Insurance).

The other standard object variances related to Vote 1, Program Expenditures, are noted below. Variances less than 5% or \$100,000 would have minimal impact on an interpretation of the results.

- The increases in expenditures for repair and maintenance, and machinery and equipment, are largely due to the costs of Data Centre Relocation;
- The majority of the decrease in rentals is related to timing differences in payments; and
- 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 accounts.

3. Risks and Uncertainties

TBS (Treasury Board of Canada Secretariat) maintains a corporate risk profile. Similar to most organizations, risks related to IT (Information Technology) security, aging IT (Information Technology) infrastructure and emergency situations (fire, natural disaster, etc.) could have financial impacts, should they materialize. 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 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 September 30, 2011.

There are three 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 was at the end of its life span. The risk of imminent, severe and lengthy system outages was very high due to facilities issues with cooling, power, fire suppression systems and physical structure. Therefore, the Data Centre was relocated to a dedicated, centralized Government of Canada Data Centre that meets the current and planned requirements of TBS (Treasury Board of Canada Secretariat). In addition, as Finance was moving to a new building in 2014, the decision was taken to leverage the Data Centre relocation to split the TBS (Treasury Board

of Canada Secretariat) and Finance shared networks such that each department would have dedicated IT (Information Technology) services and networks; and

- TBS (Treasury Board of Canada Secretariat) will be working closely with the new Shared Services Canada organization to consolidate the existing resources and personnel relating to e-mail, data centres and networks, and associated internal services.

5. Budget Constraint

As a result of the TBS (Treasury Board of Canada Secretariat) Strategic Review announced in the Budget 2011, TBS (Treasury Board of Canada 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) 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 most 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,

Originally signed by:

Michelle d'Auray, Secretary of Treasury Board Secretariat

Originally signed by:

Christine Walker, Chief Financial Officer

Ottawa, Canada

Date:

Appendix

For the quarter ended September 30, 2011

Table 1

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

Description	Fiscal year 2010-2011			Fiscal year 2011-2012	
	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended September 30, 2010	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended September 30, 2011
Expenditures:					
1 Personnel	2,798,548,874	461,415,629	868,819,828	3,127,652,225	640,274,000
2 Transportation and communications	7,442,615	1,472,707	2,181,180	6,944,105	1,110,000
3 Information	1,077,298	144,185	207,945	1,237,836	177,000
4 Professional and special services	61,665,960	13,273,114	21,659,177	57,128,595	13,660,000
5 Rentals	1,424,150	284,244	446,403	1,572,160	211,000
6 Repair and maintenance	502,641	129,658	227,198	1,622,488	764,000
7 Utilities, materials and supplies	2,239,839	474,571	523,611	2,301,919	294,000
9 Acquisition of machinery and equipment	4,786,847	990,126	1,503,612	5,629,578	863,000
10 Transfer payments	720,000	50,451	462,023	520,000	420,000
12 Other subsidies and payment	3,599,570	-322,910	1,975,644	2,312,155	376,000
Total gross budgetary expenditures	2,882,007,794	477,911,775	898,006,620	3,206,921,062	658,154,000
Less Revenues netted against expenditures:					
Vote Netted Revenues (VNR) - Centrally managed items	-369,999,000	-87,172,409	-152,862,255	-469,252,000	-101,670,000
Vote Netted Revenues (VNR) - Program expenditures	-6,335,410	-816,049	-816,049	-6,243,112	
Note 1					
Government-Wide Expenses included above ±					
1 Personnel	2,591,170,000	408,541,777	765,350,616	2,919,098,000	580,820,000
2 Transportation and communications		136,114	163,685		1,000,000
4 Professional and special services		3,555,951	7,253,645		4,900,000
10 Transfer payments	520,000	451	362,023	520,000	360,000
12 Other subsidies and payments	2,122,511	198,840	167,926	1,859,200	800,000
Total	2,593,812,511	412,433,133	773,297,894	2,921,477,200	586,097,000

± 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 September 30, 2010	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended September 30, 2011
Total Revenues netted against expenditures	-376,334,410	-87,988,458	-153,678,304	-475,495,112	-101,670,000
Total net budgetary expenditures (Note 1)	2,505,673,384	389,923,317	744,328,315	2,731,425,950	556,483,000
Note 1					
Government-Wide Expenses included above *					
1 Personnel	2,591,170,000	408,541,777	765,350,616	2,919,098,000	580,820,000
2 Transportation and communications		136,114	163,685		1,000,000
4 Professional and special services		3,555,951	7,253,645		4,906,000
10 Transfer payments	520,000	451	362,023	520,000	360,000
12 Other subsidies and payments	2,122,511	198,840	167,926	1,859,200	800,000
Total	2,593,812,511	412,433,133	773,297,894	2,921,477,200	586,097,000

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

For the quarter ended September 30, 2011

Table 2

STATEMENT OF AUTHORITIES (Information Technology) IES (unaudited) (in dollars)

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 September 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 September 30, 2011	Year to date used at quarter-end
Vote 1 - Program Expenditures	252,189,540	57,245,262	109,058,015	247,321,701	64,084,319	117,545,000
Vote 20 - Public Service Insurance	2,223,793,511	339,259,711	841,356,354	2,452,205,200	442,043,540	962,233,000
Statutory Authorities						
A111 - President of the Treasury Board - Salary and motor car allowance	78,649	19,409	38,819	77,516	22,320	38,000
A140 - Contributions to employee benefit plans	29,591,684	7,397,921	14,795,842	31,801,533	7,950,383	15,900,000

* 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 September 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 September 30, 2011	Year to date used at quarter-end
A145 - Unallocated employer contributions made under the PSSA and other retirement acts and the <i>Employment Insurance Act</i>		-13,946,388	-220,519,578		42,375,210	-184,325,000
A681 - Payments under the <i>Public Service Pension Adjustment Act</i>	20,000	451	944	20,000	404	
A683 - Payments for the pay equity settlement pursuant to section 30 of the <i>Crown Liability and Proceedings Act</i>		-53,049	-402,080		7,214	5,000
Total Statutory Authorities	29,690,333	-6,581,656	-206,086,053	31,899,049	50,355,531	-168,379,000
Total authorities	2,505,673,384	389,923,317	744,328,315	2,731,425,950	556,483,390	911,399,000

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

Date modified: 2017-01-17