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Secrétariat

Secrétariat du Conseil du Trésor
du Canada

Canada

Quarterly Financial Report for TBS for the Quarter Ended September 30, 2012

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Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended September 30, 2012

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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. Savings measures

6. Economic Action Plan 2012 (Budget 2012) Implementation

7. Approval by Senior Officials

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 as well as Canada's Economic Action Plan 2012 (Budget 2012), for fiscal year 2012-13.

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' spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates A, for the 2012-13 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.

The Department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result the measures announced in the Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-13, frozen allotments will be established by Treasury Board authority in departmental votes to prohibit the spending of funds identified as savings in Budget 2012. In future years, the changes to departmental authorities will be implemented through the Annual Reference Level Update, as approved by Treasury Board, and reflected in the subsequent Main Estimates tabled in Parliament.

1.2 TBS (Treasury Board of Canada Secretariat) Financial Structure

TBS 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 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 supplements other appropriations in support of the implementation of strategic management initiatives in the Public Service of Canada;
- Vote 15, Compensation Adjustments 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 Financial Administration Act;
- Vote 20, Public Service Insurance covers revenues and expenses related to Treasury Board'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 supplements other appropriations for the carry forward of unused operating funds from the previous fiscal year;
- Vote 30, Paylist Requirements supplements other appropriations for requirements related to parental and maternity allowances, entitlements on cessation of service or employment and adjustments made to terms and conditions of service or employment of the federal public administration including members of the Royal Canadian Mounted Police and the Canadian Forces, where these have not been provided from the Compensation Adjustments Vote; and,
- Vote 33, Capital Budget Carry Forward which supplements other appropriations for the carry forward of unused capital funds 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 does not incur any revenues or expenses related to these votes, thus they are not reflected in the Statement of Authorities or Planned Spending tables.

TBS 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 but are eventually attributed to the statutory vote contributions to employee benefit plans of each department and agency, including TBS.

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, 2012.

Statement of Authorities - Vote 1, Program Expenditures

The Vote 1 authorities have increased by \$3.6 million from 2011-12 to 2012-13, or by 1.4%. The change is mainly due to the net effect of the following factors:

- Total increases of \$29.1 million comprised of:
 - \$9.4 million to establish and maintain a Litigation Management Unit to manage employment and labour relations litigation and to fund litigation costs in responding to challenges to federal public sector labour and employment legislation. Funding is provided via a frozen allotment. Resources that are not required will be returned to the Fiscal Framework;
 - \$7.8 million to modernize human resources data and systems in departments and agencies;
 - \$4.6 million to implement Canada's Cyber Security Strategy to protect federal digital infrastructure;
 - \$3.3 million for the US - Canada Regulatory Cooperation Council in support of its work to eliminate unnecessary burdens on cross-border trade, reduce costs, foster cross-border investment and promote certainty for businesses and the public;
 - \$2.3 million to pay for items such as parental benefits and entitlements on cessation of service or employment; and,
 - Other increases of \$1.7 million;
- These increases in funding were offset by \$25.5 million of decreases including:
 - \$9.9 million for the transfer of resources to Shared Services Canada (SSC);
 - \$8.5 million for budget reductions relating to the 2010 TBS Strategic Review as reported in Budget 2011;
 - \$2.5 million due to the sun-setting of resources for the Cabinet Directive on Streamlining Regulations; and,
 - \$3.0 million for the wind down of the Internal Audit Human Resources Management Framework (IAHRMF) and \$1.6 million for the wind down of the Financial Interoperability and Stewardship Initiative (FISI), as part of the Economic Action Plan 2012.

The Vote 1 expenditures have decreased by approximately \$15.7 million or 13 % when compared to year-to-date at quarter end of 2011-12. This is mainly explained by the following factors:

- Decreases of \$17.2 million:

- \$5.6 million relating to the payout of accumulated severance benefits which occurred in 2011-12 for several bargaining units;
- \$3.8 million in expenditures related to activities transferred to SSC that are no longer charged to TBS;
- \$1.5 million related to a reduced requirement for term and casual employment;
- \$0.8 million in expenditures related to the one-time costs in 2011-12 for the data centre relocation;
- Savings measures including:
 - \$2.0 million reduction as part of the 2010 TBS Strategic Review;
 - \$0.5 million reduction as a result of cost cutting measures outlined in the 2008 Horizontal Review of Human Resources; and,
 - A decrease in expenditures of \$1.5 million for IAHRMF and \$1.5 million for FISI as part of the measures announced in Economic Action Plan 2012.
- These decreases were offset by an increase for various items totalling \$1.5 million.

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

Graph 1: Comparison of Net Budgetary Authorities and Expenditures for Vote 1 as of September 30, for fiscal years 2011-12 and 2012-13

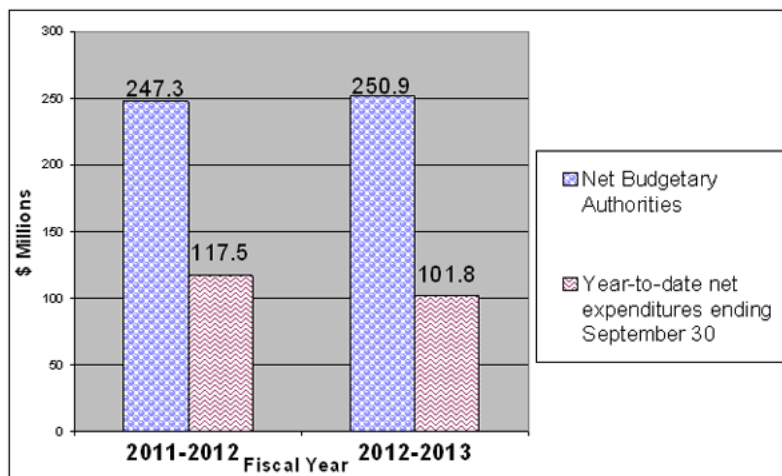


Table 1: Comparison of Net Budgetary Authorities and Expenditures for Vote 1 as of September 30, for fiscal years 2011-12 and 2012-13

Vote 1 (in millions \$)	2011-2012	2012-2013
Net Budgetary Authorities	247.3	250.9
Year-to-date net expenditures ending September 30	117.5	101.8

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 authorities decreased by \$175 million or 7% from 2011-12 to 2012-13 (no change for this quarter), as a result of:

- The transfer of the management of pension, insurance and social security programs for Locally Engaged Staff to the Department of Foreign Affairs and International Trade, Department of National Defence and the Canadian Tourism Commission; and,
- The successful introduction of the pay direct card for Public Service Health Care Plan.

TBS Vote 20 expenditures have decreased by a net of \$28.7 million, or 3%, when compared to the same period in 2011-12. The key elements are attributable to the following:

- A one-time \$29.1 million expense decrease resulting from the transfer of the management of the Locally Engaged Staff program to other government departments; these costs are not incurred in Vote 20 in this fiscal year;
- A \$19 million expense decrease in Public Service Dental Care Plan (PSDCP) expenditures, resulting from the change in the payment methodology to the Plan Administrator that took effect this fiscal year;
- A \$19.4 million increase in expenditures within the reporting quarters, mainly due to timing differences with respect to payments for the Disability Insurance Plan.

Graph 2 outlines the net budgetary authorities and expenditures for Vote 20, Public Service Insurance. This represents revenues and expenses related to TB's 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, for fiscal years 2011-12 and 2012-13

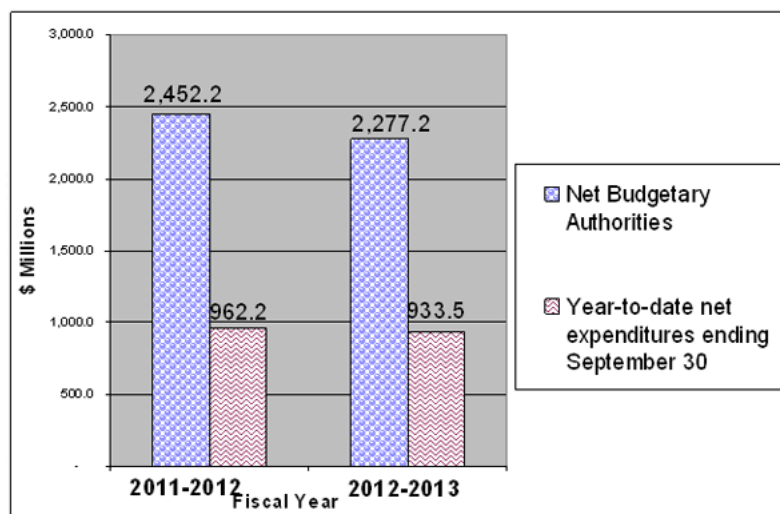


Table 2: Comparison of Net Budgetary Authorities and Expenditures for Vote 20 as of September 30, for fiscal years 2011-

12 and 2012-13

Vote 20 (in millions \$)	2011-2012	2012-2013
Net Budgetary Authorities	2,452.2	2,277.2
Year-to-date net expenditures ending September 30	962.2	933.5

Statement of Authorities – Statutory Authorities

Statutory Authorities of \$30.6 million (no change for this quarter) have decreased slightly from last year, and reflect the TBS departmental share of pensions and related benefits. The decrease is the result of a reduction in the salary envelope from \$172.9 million in 2011-12 to \$165.6 million in 2012-13 and a reduction in the Employee Benefit Plan (EBP) rate from 18% in 2011-12 to 17.6% in 2012-13.

TBS Statutory Authorities expenditures have a large credit balance at the end of the second quarter 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 Act (PSSA). TBS receives the employer contribution of the pension payments from Government departments and agencies and then transfers them to PWGSC to fund the Public Service Pension Plan. The net effect on TBS financial statements will be zero at year-end in any given fiscal year.

Graph 3 outlines the net budgetary authorities as well as net actual expenditures for TBS' Statutory Authorities.

Graph 3: Comparison of Net Budgetary Authorities and Net Expenditures for Statutory Authorities as of September 30, for fiscal years 2011-12 and 2012-13

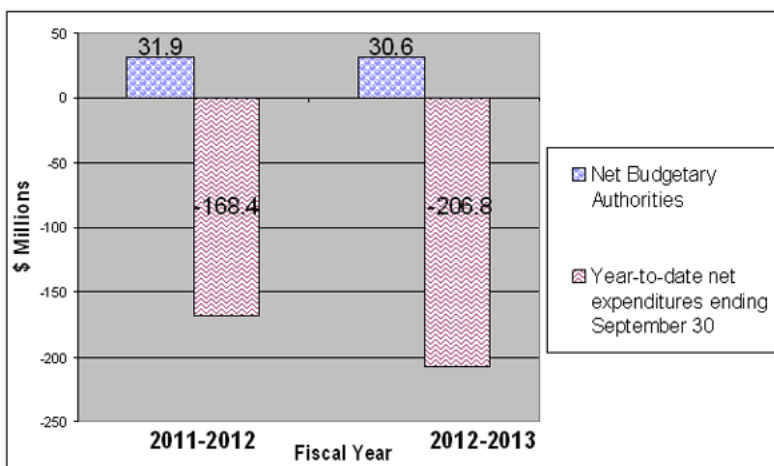


Table 3: Comparison of Net Budgetary Authorities and Net Expenditures for Statutory Authorities as of September 30, for fiscal years 2011-12 and 2012-13

Statutory Authorities (in millions \$)	2011-2012	2012-2013

Net Budgetary Authorities	31.9	30.6
Year-to-date net expenditures ending September 30	-168.4	-206.8

Statement of Departmental Budgetary Expenditures by Standard Object

This section elaborates on variances in expenditures for Vote 1, Vote 20 and Statutory Authorities by standard object in order to explain changes in spending trends.

Year-to-date personnel expenditures have decreased by \$78.5 million resulting from a reduction of \$38 million in Statutory Authorities, \$32.5 million in Vote 20 and \$8 million in Vote 1.

- The reduction of \$38 million in Statutory Authorities is due to the gradual increase to the members' pension contribution rates and decrease to the employer's share.
- \$29.1 million of the \$32.5 million reduction in Vote 20 personnel expenditures is mainly due to the transfer of the management of the pension, insurance and social security programs for Locally Engaged Staff to other government departments.
- \$8.0 million reduction in personnel in Vote 1 is mainly due to decreases of:
 - \$5.6 million in expenditures relating to the payout of accumulated severance benefits which occurred in 2011-12 for several bargaining units;
 - \$1.5 million related to the transfer of activities to SSC;
 - \$1.5 million related to a reduced requirement for term and casual employment;
 - \$0.5 million related to 2011-12 expenditures for the Red Tape Reduction Commission which is no longer ongoing in 2012-13; and,
 - Savings measures resulting in decreased spending of:
 - \$0.5 million from the 2008 Horizontal Review of Human Resources;
 - \$1.8 million from the 2010 TBS Strategic Review; and,
 - \$0.6 million for IAHRMF from the Economic Action Plan 2012;
 - \$0.9 million in other miscellaneous expenditures.
 - Offset by increases of:
 - \$2.9 million due to the introduction of the new Internal Support Services directive which identifies recoveries as revenue rather than offsetting expenditures as was the case in prior periods; and,
 - \$2.0 million for workforce adjustment costs related to the various savings measures.

Transportation and communications expenditures decreased by \$1.2 million due to resources being transferred to Shared Services Canada.

Professional Services expenditures increased by \$2.5 million, mainly as a result of:

- \$4.8 million increase due to the timing of payments of administrative fees for both Public Service Health Care and Dental Plans;
- \$0.8 million decrease due to the transfer of resources to Shared Services Canada; and
- \$1.5 million decrease due to the wind down of the Financial Interoperability and Stewardship Initiative as outlined in Economic Action Plan 2012.

Machinery and equipment expenditures decreased by \$1.0 million due to timing differences of payments for software and maintenance renewals which occurred earlier in 2011-12 than they did in 2012-13, and additionally due to the transfer of services and resources to Shared Services Canada.

Other subsidies and payments increase of \$0.5 million is related to the timing of quarterly payments for the Joint Learning Program.

There were no significant variances to report in the other standard objects.

The Directive on Internal Support which came into effect in April 2012, requires Departments to report recoveries as revenue rather than offsetting expenditures as was the case in prior periods. As a result of the directive, Program Expenditures and Vote Netted Revenues have both increased; however, the net effect is zero.

3. Risks and Uncertainties

TBS maintains a Corporate Risk Profile which identifies and assesses high-level risks that could affect the achievement of the TBS objectives and priorities. Similar to most organizations, certain risks could have financial impacts, should they materialize. For example, risks related to the security of data and information and to the transformation of administrative and business processes. Response strategies have been developed and measures are in place to minimize their likelihood. For example, the Secretariat is strengthening its network security and information management practices, and ensuring effective planning and priority-setting around key transformation initiatives.

TBS is addressing reduced flexibility to its operating budget as a result of: the expenditure restraint measures reported in Economic Action Plan 2012 (\$7.6 million in 2012-13), the 2010 Strategic Review reported in Budget 2011 (\$9.7 million in 2012-13) and savings measures in response to the freeze on operating budgets set out in Budget 2010. TBS is managing the implementation of these measures through proportionally reduced budget allocations to sectors, supported by rigorous monitoring of staffing and expenditures in line with business, financial and human resources planning.

The Public Service Insurance forecast is driven by fluctuations in economic assumptions, including, but not limited to: plan membership, use of plan entitlements, increases in salaries and provincial tax regulations. TBS 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 expenditures or approved resources available for the year or have impacted actual expenditures for the quarter ended September 30, 2012.

A new directive on Internal Support Services came into effect April 1, 2012. This change applies to departments that are providing internal services to other departments on a cost-recovery basis. In the past, recoveries from other departments were used to offset expenditures. The new directive requires that recoveries made by departments be reported as Vote Netted Revenues. Following the implementation of the directive, recoveries are reported as Vote Netted Revenues, resulting in an increase to both expenditures and to revenues with a net effect of zero.

5. Savings measures

As a result of the TBS 2010 Strategic Review reported in Budget 2011, TBS 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. Strategic Communications and Ministerial Affairs have implemented the 2010 Strategic Review decision to eliminate the Regional Communications Network. 2012-13 fiscal year savings are on target and remain at approximately 88% of the overall savings to be implemented. The remaining Strategic Review reduction initiatives are all underway.

6. Economic Action Plan 2012 (Budget 2012) Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to: refocus government and programs, make it easier for Canadians and business to deal with their government, and, modernize and reduce the back office.

TBS will achieve Budget 2012 savings of \$23.6 million by fiscal year 2014-15 through efficiency measures and program reductions that align resources to its core mandate, scaling back where the need is reduced, transforming how it works internally and consolidating, streamlining and focusing internal business processes.

In the first year of implementation, the Secretariat reference levels will be reduced by approximately \$7.6 million. Savings will increase to \$15.1 million in 2013-14 and will result in ongoing savings of \$23.6 million by 2014-15.

There is a variance of \$4.8 million (including EBP) in the Secretariat's authorities between fiscal year 2011-12 and 2012-13 related to two Budget 2012 initiatives. In its role as management board, TBS provides funding to support departments and agencies in meeting government-wide

management priorities. When new approaches have been well entrenched, central funding can be reduced or eliminated. Specifically, savings are achieved in 2012-13 by winding down the Internal Audit Human Resource Management Framework (\$3.2 million including EBP) and the Financial Interoperability and Stewardship Initiative (\$1.6 million). In addition to the reduction in authorities, expenditures to date have also decreased by approximately \$3.1 million (including EBP).

There were no other significant changes to report this quarter. The balance of the 2012-13 Budget 2012 savings will be reflected in subsequent quarterly financial reports.

There are no financial risks or uncertainties related to these savings.

Other measures referenced in Budget 2012 include:

- The development of an action plan by the President of the Treasury Board to address the Red Tape Reduction Commission's Recommendations Report in the coming months, and the adoption of measures to implement the Canada-U.S. Border and Regulatory Action Plan commitments over the next two years. Effective August 1, 2012, responsibilities for the Action Plan Commitments was subsequently transferred to the Privy Council Office; and,
- The pursuit of additional standardization and consolidation opportunities as part of the ongoing implementation of the Administrative Services Review.

No incremental funding was required for TBS to complete the above work which is well under way.

7. Approval by Senior Officials

Approved by,

Originally signed by: Ottawa, Canada

Yaprak Baltacioglu, Secretary

Date:

Originally signed by:

Christine Walker, Chief Financial Officer

Appendix

For the quarter ended September 30, 2012

**Table 1 - Departmental budgetary expenditures by Standard Object (*unaudited*)
(in dollars)**

	Fiscal year 2011-2012			Fiscal year 2010-2011
	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended September 30, 2011	Year to date used at quarter-end	Expended during the quarter ended September 30, 2010
Expenditures:				
1 Personnel	3,127,652,225	640,274,487	1,057,995,955	2,111,111,111
2 Transportation and communications	6,944,105	1,110,711	2,188,721	1,111,111
3 Information	1,237,836	177,212	253,364	1,111,111
4 Professional and special services	57,128,595	13,660,943	21,958,298	1,111,111
5 Rentals	1,572,160	211,279	345,765	1,111,111
6 Repair and maintenance	1,622,488	764,614	870,893	1,111,111
7 Utilities, materials and supplies	2,301,919	294,334	448,776	1,111,111
9 Acquisition of machinery and equipment	5,629,578	863,563	1,755,301	1,111,111
10 Transfer payments	520,000	420,404	421,935	1,111,111
12 Other subsidies and payment	2,312,155	376,589	1,569,024	1,111,111
Total gross budgetary expenditures	3,206,921,062	658,154,137	1,087,808,032	3,206,921,062
Less Revenues netted against expenditures:				
Vote Netted Revenues (VNR) - Centrally managed items	-469,252,000	-101,670,747	-176,408,934	-469,252,000
Vote Netted Revenues (VNR) - Program expenditures	-6,243,112	0	0	-6,243,112
Total Revenues netted against expenditures	-475,495,112	-101,670,747	-176,408,934	-475,495,112
Total net budgetary expenditures (Note 1)	2,731,425,950	556,483,390	911,399,098	2,731,425,950
Note 1				
Government-Wide Expenses included above*				
1 Personnel	2,919,098,000	580,820,433	946,181,098	2,919,098,000
2 Transportation and communications	0	1,532	3,059	0
4 Professional and special services	0	4,906,703	7,769,237	0
10 Transfer payments	520,000	360,404	361,935	520,000
12 Other subsidies and payments	1,859,200	8,042	8,042	1,859,200
Total	2,921,477,200	586,097,115	954,323,372	2,921,477,200

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

**Table 2 - Statement of Authorities (*unaudited*)
(in dollars)**

	Fiscal year 2011-2012			Fiscal year 2012-2013		
	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	Total available for use for the year ending March 31, 2013 [±]	Used during the quarter ended September 30, 2012	Year to date used at quarter-end
Vote 1 - Program Expenditures	247,321,701	64,084,319	117,545,096	250,866,115	52,219,525	101,7
Vote 20 - Public Service Insurance	2,452,205,200	442,043,540	962,233,360	2,277,219,568	434,357,858	933,4
Statutory Authorities						
A111 - President of the Treasury Board - Salary and motor car allowance	77,516	22,320	38,797	77,516	19,379	
A140 - Contributions to employee benefit plans	31,801,533	7,950,383	15,900,767	30,481,520	7,620,380	15,2
A145 - Unallocated employer contributions made under the PSSA (Public Service Superannuation Act) and other retirement acts and the Employment Act (EI)	0	42,375,210	-184,325,181	0	4,839,936	-222,0
A681 - Payments under the Public Service Pension Adjustment Act	20,000	404	820	20,000	271	
A683 - Payments for the pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act	0	7,214	5,439	0	4,788	
Total Statutory Authorities	31,899,049	50,355,531	-168,379,359	30,579,036	12,484,755	-206,7
Total authorities	2,731,425,950	556,483,390	911,399,098	2,558,664,719	499,062,138	828,5

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

Date modified: 2017-01-17

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