



Treasury Board of Canada
Secrétariat

Secrétariat du Conseil du Trésor
du Canada

Canada

Quarterly Financial Report for TBS for the Quarter Ended June 30, 2013

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Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended June 30, 2013

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

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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) 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 the Supplementary Estimates A as well as *Canada's Economic Action Plan 2012 (Budget 2012)*.

A summary description of the Treasury Board of Canada Secretariat (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 the Secretariat's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and the Supplementary Estimates A for the 2013-14 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, 2012 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 were established by Treasury Board authority in departmental votes to prohibit the spending of funds identified as savings in Budget 2012. In 2013-14, the changes to departmental authorities were reflected in the 2013-14 Main Estimates tabled in Parliament.

1.2 Secretariat Financial Structure

The 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 Financial Administration Act;
 - Vote 20, Public Service Insurance which 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 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 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. The 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.

The 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 also initially charged to the accounts of the Secretariat but are eventually attributed to the statutory vote contributions to employee benefit plans of each department and agency, including the 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 June 30, 2013.

Statement of Authorities – Vote 1, Program Expenditures

The Program Expenditure Authorities decreased by \$22.3 million from 2012-13 to 2013-14, or by 9%. The change is mainly due to the net effect of the factors below:

- Total decreases of \$25.5 million in funding requirements in 2013-14 related to Budget announcements and key initiatives including:
 - \$9.3 million reduction in funding as part of the Economic Action Plan 2012;
 - \$5.3 million reductions in funding for the Classification Program (\$4 million) and the Joint Learning Program (\$1.3 million);
 - \$4.3 million reduction in funding to modernize the human resources data and systems in departments and agencies;
 - \$3.3 million reduction in funding due to the transferring of the US-Canada Regulatory Cooperation Council to Privy Council Office.
 - \$1.5 million reduction in funding as part of the 2010 Strategic Review;
 - \$1.3 million reduction in funding for the Secretariat Work Space Renewal;
 - Other miscellaneous decreases totalling \$0.5 million.
- These decreases were offset by \$3.2 million increases in funding comprised of:
 - \$2.2 million for the incremental compensation associated with the recently signed collective agreements;
 - \$0.6 million transfer from Regional Development Agencies for audit services;
 - \$0.4 million to implement Canada's Cyber Security Strategy to protect federal digital infrastructure.

The Vote 1 expenditures to June 30, 2013 have increased slightly by approximately \$4.2 million or 8% when compared to the same period in fiscal year 2012-13. This is mainly due to the \$4.9 million for the one-time severance payments pursuant to collective agreements.

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, for fiscal years 2012-13 and 2013-14

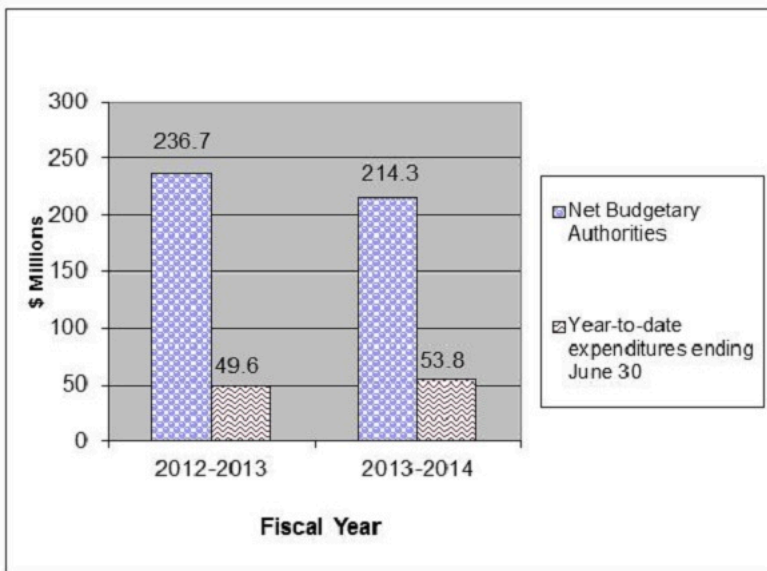


Table 1: Comparison of Net Budgetary Authorities and Expenditures for Vote 1 as of June 30, for fiscal years 2012-13 and 2013-14

Vote 1 (in millions \$)	2012-2013	2013-2014
Net Budgetary Authorities	236.7	214.3
Year-to-date expenditures ending June 30	49.6	53.8

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.

There was a small decrease in Vote 20 Authorities of \$10 million from 2012-13 to 2013-14 as a result of:

- An \$8 million reduction as part of the 2008 Strategic Review; and
- \$2 million of funding reductions for the Joint Learning Program.

The Vote 20 Net Expenditures have increased by \$27.3 million, or 5%, when compared to the same period of 2012-13. This amount is a net result of \$15.8 million in revenues related to the Benefit plans and:

- A \$43.1 million increase in expenditures is comprised of:
 - \$24.7 million due to a difference in timing of payments compared to the last fiscal year, under certain plans including the Provincial Payroll taxes (\$20 million), the Public Service Dental Plan (\$2.6 million) and the Public Service Health Care Plan (\$2.1 million);
 - \$10.2 million related to the Disability Insurance (DI) plan as a result of a 20% premium rate increase effective February 1, 2013;
 - \$4.2 million is for the RCMP Life and Disability insurance benefit due to the end of the premium holiday in December 2012; and

- o \$4 million increase for the Pensioner’s Dental Service Plan attributable to a 5% increase in membership to the plan and 2% increase in provincial dental fees as of January 2013.

Graph 2 outlines the Net Budgetary Authorities for Vote 20, Public Service Insurance, which represent the resources available for use for the year (blue bar) as well as year-to-date expenditures (red bar).

Graph 2: Comparison of Net Budgetary Authorities and Expenditures for Vote 20 as of June 30, for fiscal years 2012-13 and 2013-14

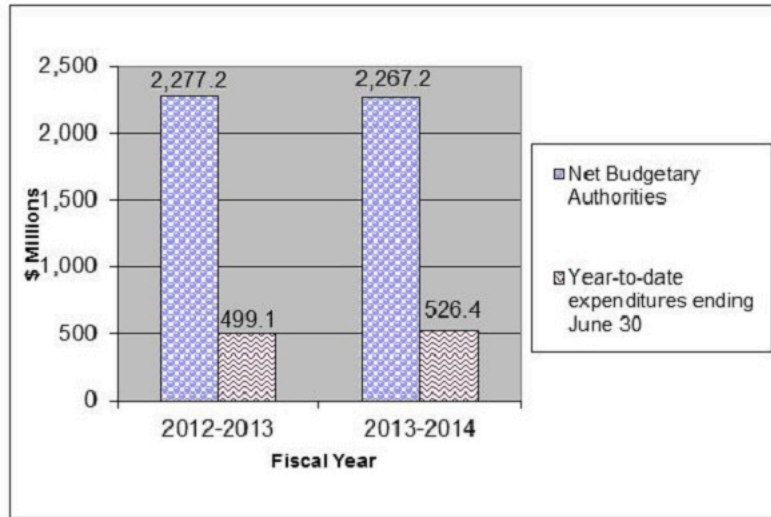


Table 2: Comparison of Net Budgetary Authorities and Expenditures for Vote 20 as of June 30, for fiscal years 2012-13 and 2013-14

Vote 20 (in millions \$)	2012-2013	2013-2014
Net Budgetary Authorities	2,277.2	2,267.2
Year-to-date expenditures ending June 30	499.1	526.4

Statement of Authorities – Statutory Authorities

Statutory Authorities, which reflect the Secretariat’s share of pension and related benefits, have decreased by \$2.5 million or 8% when compared to the same period of 2012-13. The decrease is the result of a reduction in the Salary envelope from \$165.6 million in 2012-13 to \$157.1 million in 2013-14 and a reduction in the EBP (employee benefit plan) rate from 17.6% in 2012-13 to 17.4% in 2013-14.

The 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) primarily related to employer contributions made under the *Public Service Superannuation Act* (PSSA), and is not reflective of any forecasted annual decrease. The Secretariat receives the employee

contribution of the pension payments from Government departments and agencies and then transfers them to PWGSC to fund the PSSA. The net effect on the financial statements of the Secretariat will be zero at year-end.

Graph 3 outlines the Net Budgetary Authorities as well as actual expenditures for the Secretariat's Statutory Authorities.

Graph 3: Comparison of Net Budgetary Authorities and Net Expenditures for Statutory Authorities as of June 30, for fiscal years 2012-13 and 2013-14

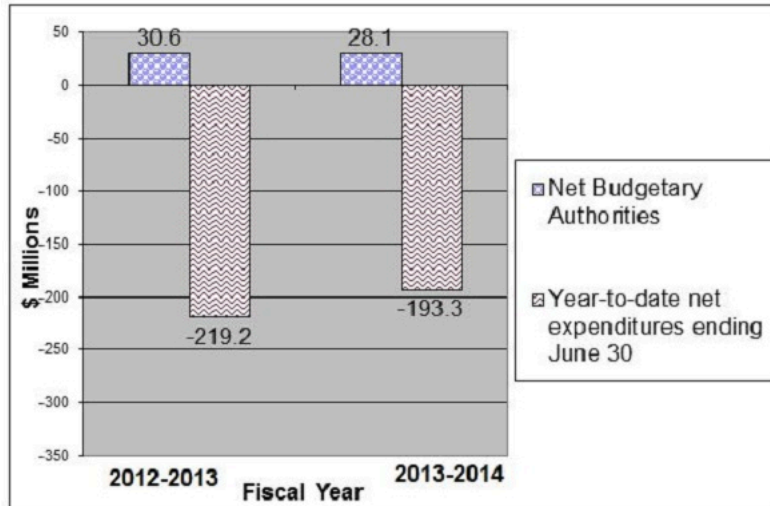


Table 3: Comparison of Net Budgetary Authorities and Net Expenditures for Statutory Authorities as of June 30, for fiscal years 2012-13 and 2013-14

Statutory Authorities (in millions \$)	2012-2013	2013-2014
Net Budgetary Authorities	30.6	28.1
Year-to-date expenditures ending June 30	-219.2	-193.3

Statement of Departmental Budgetary Expenditures by Standard Object

This section elaborates on variances in expenditures for both Vote 1, Vote 20 and Statutory Authorities by standard object in order to explain changes in spending trends from the same quarter the previous fiscal year.

Year-to-date personnel expenditures have increased by \$70.7 million resulting from an increase of \$42.1 million in Vote 20, \$25.8 million in Statutory Authorities and \$2.7 million in Vote 1.

- The \$42.1 million increase in Vote 20 personnel expenditures are detailed below:
 - \$22.9 million can be attributed to a difference in timing of payments for the Provincial Payroll taxes (\$20 million), the Public Service Dental Plan (\$1.9 million) and the Public Service Health Care Plan (\$1 million);

- \$10.2 million is related to the Disability Insurance (DI) plan as a result of a 20% premium rate increase effective February 1, 2013;
 - \$4.2 million is for the RCMP Life and Disability insurance benefit due to the end of the premium holiday on December 2012 under the long-term disability insurance line;
 - \$4 million is for the Pensioner's Dental Service Plan attributable to a 5% increase in membership to the plan and 2% increase in provincial dental fees as of January 2013; and
 - Other net increases totalling \$0.8 million for other insurance and benefits plans.
- The \$25.9 million increase in Statutory Authorities are related to the:
 - \$17.6 million increase of pension contributions for periods of leave without pay, contributions for buying back service, contributions for regular employees and new contributions since January 2013;
 - \$8.9 million decrease in recoveries due to timing differences; and
 - \$0.6 million decrease as a result of reductions in the salary expenses and the decrease in the EBP contribution rate.
- The \$2.7 million increase in personnel expenditures for Vote 1 is mainly due to:
 - \$4.9 million for the one-time severance payments pursuant to collective agreements eliminating future severance pay accumulation for voluntary departure or retirement; and
 - \$2.2 million in salary reductions as a result of a reduced workforce.

Other payments and subsidies increased by \$1.8 million due to timing differences. There were no significant variances to report in the other standard objects.

3. Risks and Uncertainties

The Secretariat maintains a Corporate Risk Profile which identifies and assesses high-level risks that could affect the achievement of the Secretariat objectives and priorities. Similar to most organizations, certain risks could have financial impacts should they materialize. 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 to mitigate risks related to the security of data and information.

The Secretariat is addressing reduced flexibility to its operating budget as a result of the expenditure restraint measures reported in Economic Action Plan 2012 (\$9.3 million in 2013-14), the 2010 Strategic Review reported in Budget 2011 (\$1.5 million in 2013-14). The Secretariat is managing the implementation of these measures through reduced budget allocations to sectors and supported by rigorous monitoring of staffing and expenditures against financial and human resources targets.

As the Public Service Health Care Plan is driven by many variables, there could be significant shifts from the budget in a given year as a result of changes in: plan membership, the cost of drugs and medical treatments, use of plan entitlements and provincial tax regulations. The Secretariat continues to closely monitor payment activity and trends.

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

This section highlights significant changes which impact the expenditures or approved resources available for the year or have impacted actual expenditures for the quarter ended June 30, 2013.

Since the release of [Budget 2012](#), the Secretariat has been implementing measures to increase efficiency and reduce expenditures in the department, as part of the Government's efforts to reduce the deficit.

These measures are changing the way the Secretariat works. Through the creation of pooled administrative support services; delayering management levels; the increased use of risk-based delegations to ministers and departments; the more extensive use of expertise and experience in departments and agencies to guide, implement and monitor policies; and greater use and pooling of data and electronic publications, the Secretariat is reducing its operating costs and adjusting the organization of work.

To achieve the ongoing savings, the Secretariat has eliminated 178 positions across the department. As people retired or left the Secretariat, or as work was reorganized, vacancies were effectively managed to reduce the number of potentially affected employees.

5. Saving Measures

As a result of the 2010 Strategic Review reported in Budget 2011, the Secretariat found savings totalling \$11.5 million, leading to the elimination of 84 positions (these positions are separate from the 178 positions eliminated as a result of Budget 2012) 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, and to cease operation of the Regional Communications Network located across Canada. The Secretariat has fully implemented its 2013-14 and on-going savings target of \$11.5 million as laid out in the 2010 Strategic Review results.

6. Economic Action Plan 2012 (Budget 2012) Implementation

This section provides an overview of the savings measures announced in Budget 2012 that are being 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.

The Secretariat 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 by consolidating, streamlining and focusing internal business processes. With these changes the Secretariat will focus on supporting management excellence and accountability across government.

In the first year of implementation, the Secretariat reference levels have been reduced by approximately \$7.6 million. Specifically, savings were achieved in 2012-13 by winding down the Internal Audit Human Resource Management Framework (\$3.2 million including employee benefit plan, EBP) and the Financial Interoperability and Stewardship Initiative (\$1.6 million); as well as reductions to the Departmental Audit Software Initiative (\$1.5 million) and other miscellaneous savings. 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 \$9.3 million in the Secretariat's authorities between first quarter of fiscal year 2012-2013 and the first quarter of 2013-2014 related to Budget 2012 initiatives. In its role as management board, the Secretariat provides funding to support departments and agencies in meeting government-wide management priorities.

Specifically savings are achieved in 2013-2014 by eliminating funding to the following initiatives as the objectives of these projects have been met:

- \$2.47 million in savings by using standardization for a more effective and efficient internal service delivery. Service improvements include: consolidating translation, editing and publishing services; moving to a single financial software; standardizing work tools including printers, scanners and photocopiers; implementing HR service standards; and reducing internal communications services.
- \$2.40 million in savings by eliminating work redundancies through streamlining various administrative and corporate functions and centralizing processes in the areas of people management, expenditure management and corporate support, as well as de-layering the number of EXs throughout the Secretariat thereby reducing executive overhead and their administrative support teams.
- \$2.10 million for the Departmental Audit Software Initiative as program objectives have been achieved and work can be undertaken by departments and agencies without the Secretariat funding.
- \$1.10 million in savings achieved by transforming government-wide Information Management and Information Technology (IMIT) focusing

on stewardship, policy, and IMIT horizontal initiatives that have an impact across government.

- \$0.68 million in savings by modernizing the provision of policy support and advice to departments and agencies, leveraging existing community networks and making more systematic use of readily available collaborative tools such as GCPEDIA.
- \$0.56 million reduction achieved by transforming strategic support to Treasury Board Ministers and Departments by: moving towards electronic formats for reports in order to make information available to Parliament and to Canadians in a more cost-effective, timely and efficient manner; streamlining oversight and accountability by re-scoping the Management Accountability Framework and increasing delegation to Deputy Heads.

In addition to the reduction in authorities, expenditures to date have also decreased by approximately \$0.45 million.

There were no other significant changes to report this quarter. The balance of the 2013-14 Budget 2012 savings will be reflected in subsequent quarterly financial reports.

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

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 June 30, 2013

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

Fiscal year 2012-2013			Fiscal year
Planned expenditures for the year ending March 31, 2013 [±]	Expended during the quarter ended June 30, 2012	Year to date used at quarter-end	Planned expenditures for the year ending March 31,

Expenditures:

	Fiscal year 2012-2013			Fiscal year
	Planned expenditures for the year ending March 31, 2013*	Expended during the quarter ended June 30, 2012	Year to date used at quarter-end	Planned expenditures for the year ending March 31,
1 Personnel	2,926,587,092	389,610,864	389,610,864	2,910,192
2 Transportation and communications	5,268,865	518,011	518,011	3,183
3 Information	685,015	49,482	49,482	443
4 Professional and special services	53,288,209	10,181,010	10,181,010	48,982
5 Rentals	1,062,197;	182,302	182,302	719
6 Repair and maintenance	2,098,678	209,288	209,288	1,051
7 Utilities, materials and supplies	1,861,985	97,285	97,285	950
9 Acquisition of machinery and equipment	5,886,633	297,263	297,263	5,608
10 Transfer payments	520,000	361	361	520
12 Other subsidies and payment	5,448,696	2,207,460	2,207,460	2,716
Total gross budgetary expenditures	3,002,707,370	403,353,326	403,353,326	2,974,368
Less Revenues netted against expenditures:				
Vote Netted Revenues (VNR) - Centrally managed items	-445,197,000	-73,428,572	-73,428,572	-450,980
Vote Netted Revenues (VNR) - Program expenditures	-13,044,094	-483,475	-483,475	-13,680
Total Revenues netted against expenditures	-458,241,094	-73,912,046	-73,912,046	-464,661
Total net budgetary expenditures (<u>Note 1</u>)	2,544,466,276	329,441,280	329,441,280	2,509,706
Note 1				
Government-Wide Expenses included above**				
1 Personnel	2,719,958,397	338,883,786	338,883,786	2,717,742
2 Transportation and communications	0;	5,368	5,368	
4 Professional and special services	0	5,790,720	5,790,720	
10 Transfer payments	520,000	361	361	520
12 Other subsidies and payments	1,958,171	979,084	979,084	
Total	2,722,436,568	345,659,319	345,659,319	2,718,262

* Planned expenditures do not reflect measures announced in Budget 2012.

** 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 2012-2013			Fiscal year 2013-2014		
	Total available for use for the year ending March 31, 2013**	Used during the quarter ended June 30, 2012	Year to date used at quarter-end	Total available for use for the year ending March 31, 2014*	Used during the quarter ended June 30, 2013	Year to date used at quarter-end
Vote 1 - Program Expenditures	236,667,672	49,570,773	49,570,773	214,344,779	53,769,750	53,769,750
Vote 20 - Public Service Insurance	2,277,219,568	499,135,434	499,135,434	2,267,261,397	526,432,586	526,432,586
Statutory Authorities						
A111 - President of the Treasury Board - Salary and motor car allowance	77,516	19,379	19,379	79,102	19,675	19,675
A140 - Contributions to employee benefit plans	30,481,520	7,620,380	7,620,380	28,001,490	7,000,373	7,000,373
A145 - Unallocated employer contributions made under the PSSA (Public Service Superannuation Act) and other retirement acts and the Employment Act (EI)	0	-226,905,120	-226,905,120	0	-200,405,740	-200,405,740
A681 - Payments under the Public Service Pension Adjustment Act	20,000	361	361	20,000	0	0

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

** Total available for use does not reflect measures announced in Budget 2012.

	Fiscal year 2012-2013			Fiscal year 2013-2014		
	Total available for use for the year ending March 31, 2013**	Used during the quarter ended June 30, 2012	Year to date used at quarter-end	Total available for use for the year ending March 31, 2014 [‡]	Used during the quarter ended June 30, 2013	Year to date used at quarter-end
A683 - Payments for the pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act	0	73	73	0	19,331	19,331
Total Statutory Authorities	30,579,036	-219,264,928	-219,264,928	28,100,592	-193,366,361	-193,366,361
Total authorities	2,544,466,276	329,441,280	329,441,280	2,509,706,768	386,835,974	386,835,974

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

** Total available for use does not reflect measures announced in Budget 2012.

Date modified: 2017-01-17