



Treasury Board of Canada
Secrétariat

Secrétariat du Conseil du Trésor
du Canada

Canada

Quarterly Financial Report for TBS for the Quarter Ended June 30, 2014

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Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended June 30, 2014

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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 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. Economic Action Plan 2012 (Budget 2012) Implementation

6. 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 the Supplementary Estimates A as well as *Canada's Economic Action Plan 2012 (Budget 2012)*, *Canada's Economic Action Plan 2013 (Budget 2013)*, and *Canada's Economic Action Plan 2014 (Budget 2014)*.

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 2014-15 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.

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 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 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 authorities available for the year and actual expenditures for the quarter ended June 30, 2014.

Statement of Authorities – Vote 1, Program Expenditures

Program Expenditure Authorities increased by \$94.9 million from fiscal year 2013-14 to 2014-15, or by 44%. The change is mainly due to the net effect of the factors below:

- Total increases of \$107.7 million in funding in 2014-15 related to Budget announcements, key initiatives, and other recent approvals including:
 - \$74.9 million for an out-of-court settlement;
 - \$28.2 million for Workspace Renewal, the Classification Program, the Workplace Wellness and Productivity Strategy (Budget 2014), and the Joint Learning Program;
 - \$3.1 million for the Web Renewal Initiative (Budget 2013);
 - \$1.1 million for incremental compensation associated with signed collective agreements; and
 - Other increases totalling \$0.4 million.
- These increases were offset by a decrease of funding of \$12.8 million comprised of:
 - \$7.6 million reduction in funding as part of the Economic Action Plan 2012;
 - \$4.3 million reduction related to funding to modernize the human resources data and systems in departments and agencies (\$3.5 million) and for the Secretariat's Workspace Renewal Project (\$0.8 million);

- \$0.5 million transferred to Shared Services Canada for the Workplace Technology Devices Initiative (Budget 2013); and
- Other miscellaneous decreases totalling \$0.4 million.

Vote 1 expenditures to June 30, 2014 decreased by approximately \$0.4 million or 0.8% when compared to the same period in fiscal year 2013-14. This is due to reductions of:

- \$4.7 million in personnel which is mainly attributed to one-time severance payments;
- \$2.4 million due to timing differences in subsidies and payments; and
- \$0.3 million related to the settlement of claims against the crown.

This is offset by increases of:

- \$5.9 million in personnel due to a one-time transition payment for implementing salary payments in arrears by the Government of Canada; and
- \$1.1 million for Financial Management Transformation activities, departmental investments, and the Web Renewal Initiative.

Graph 1 outlines the Net Budgetary Authorities for Vote 1, Program Expenditures, which represent the resources available for use for the year (blue bars) as well as the year-to-date expenditures (red bars).

Graph 1: Comparison of Net Budgetary Authorities and Expenditures for Vote 1 as of June 30, for fiscal years 2013-14 and 2014-15.

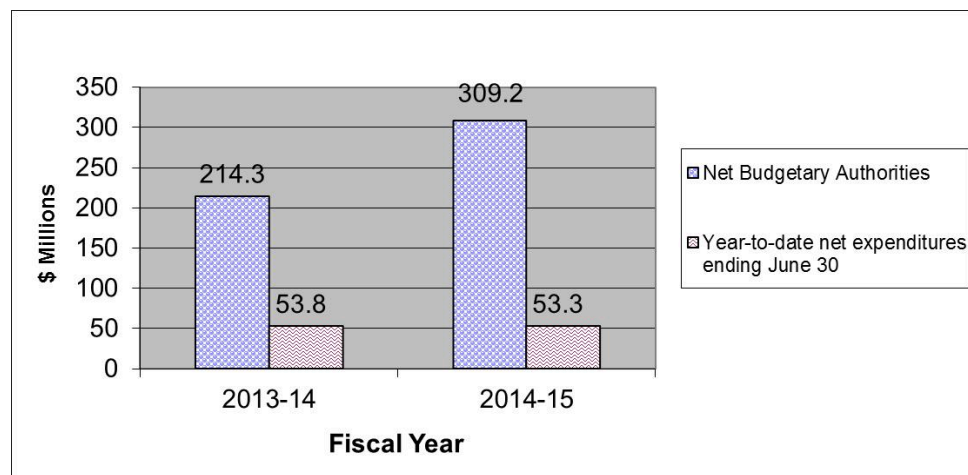


Table 1: Comparison of Net Budgetary Authorities and Expenditures for Vote 1 as of June 30, for fiscal years 2013-14 and 2014-15

Vote 1 (in millions \$)	2013-2014	2014-2015
Net Budgetary Authorities	214.3	309.2
Year-to-date expenditures ending June 30	53.8	53.3

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 \$7.3 million, or 0.3%, from 2013-14 to 2014-15 mainly due to the 2008 Strategic Review.

Vote 20 net expenditures increased by \$37.2 million, or 7.1%, when compared to the same period in 2013-14. This is comprised of the following increases:

- \$23.7 million due to timing differences; and
- \$14.2 million attributed to the Public Service Health Care Plan. This is in line with forecasted increases in the membership population and utilization rates.

These increases are offset by:

- Miscellaneous decreases of \$0.7 million.

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

Graph 2: Comparison of Net Budgetary Authorities and Expenditures for Vote 20 as of June 30, for fiscal years 2013-14 and 2014-15.

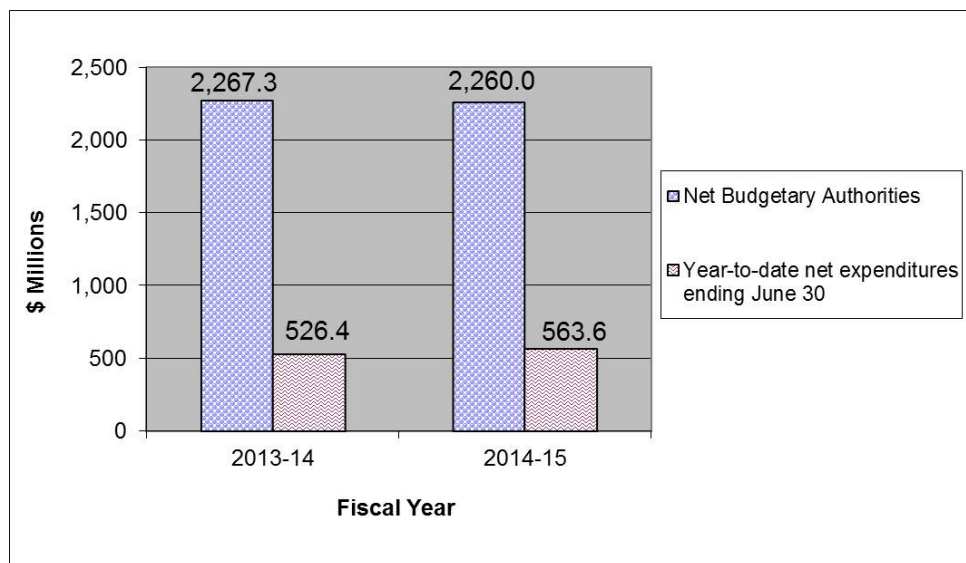


Table 2: Comparison of Net Budgetary Authorities and Expenditures for Vote 20 as of June 30, for fiscal years 2013-14 and 2014-15

Vote 20 (in millions \$)	2013-2014	2014-2015
Net Budgetary Authorities	2,267.3	2,260.0
Year-to-date expenditures ending June 30	526.4	563.6

Statement of Authorities – Statutory Authorities

Statutory Authorities, which reflect the Secretariat's share of pension and related benefits, have increased by \$442.4 million when compared to the same period of 2013-14. The increase is due to the addition of a statutory item for employer contributions made under the *Public Service Superannuation Act (PSSA)*, offset by a reduction in the contributions to employee benefit plans. A recent evaluation of the Public Service Pension Plan identified a need for additional funding of \$443 million to address the actuarial deficits in the Public Service Pension Fund. This funding is required for a period of thirteen years beginning in 2012-13. The next triennial actuarial evaluation could however change the figure for 2015-16 and beyond.

The Secretariat's Statutory 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 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 Statutory Authorities (blue bars) as well as actual expenditures for the Secretariat's Statutory Authorities (red bars).

Graph 3: Comparison of Net Statutory Authorities and Expenditures for Statutory Authorities as of June 30, for fiscal years 2013-14 and 2014-15

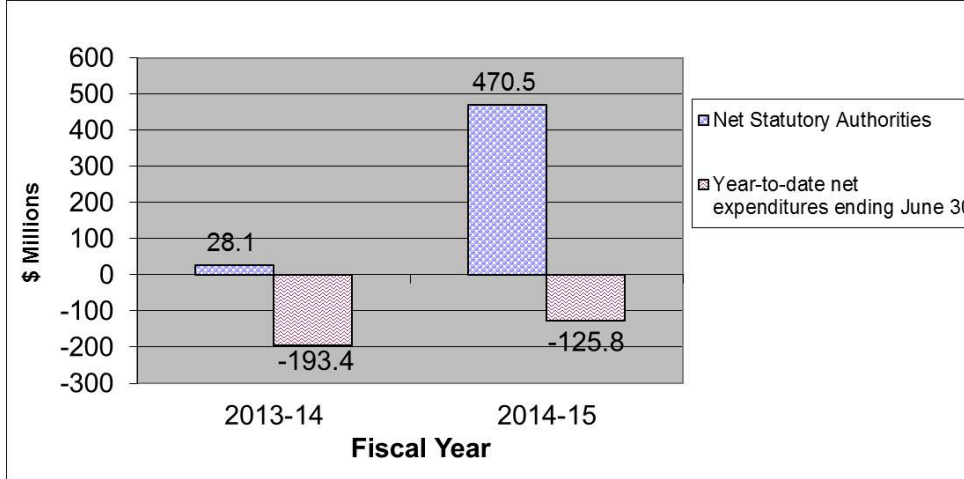


Table 3: Comparison of Net Statutory Authorities and Expenditures for Statutory Authorities as of June 30, for fiscal years 2013-14 and 2014-15

Statutory Authorities (in millions \$)	2013-14	2014-15
Net Statutory Authorities	28.1	470.5
Year-to-date net expenditures ending June 30	-193.4	-125.8

Statement of Departmental Budgetary Expenditures by Standard Object

This section elaborates on variances in expenditures for Statutory items, Vote 20, and Vote 1 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 \$78.8 million resulting from an increase of \$67.6 million in Statutory Authorities, \$16 million in Vote 20, and a decrease of \$4.7 million in Vote 1.

- The \$67.6 million increase in Statutory expenditures is related to:
 - \$63.3 million decrease in recoveries from other departments and agencies due to timing differences; and
 - \$4.3 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 2014.
- The \$16 million increase in Vote 20 personnel expenditures is mainly attributed to an increase in the Public Service Health Care Plan.
- The \$4.7 million decrease in personnel expenditures for Vote 1 is mainly attributed to a reduction in one-time severance payments in 2014-15 Q1 as compared to 2013-14 Q1.

Year to date expenditures for other subsidies and payments have increased by \$3.2 million. This is mainly due to transition payments of \$5.9 million for implementing salary payments in arrears by the Government of Canada offset by a reduction of \$2.7 million due to timing differences and due to settlement of claims against the crown.

Year to date revenues for Public Service Insurance have decreased by \$21.4 million mainly due to a reduction in revenues for the Public Service Health Care Plan, Pensioners' Dental Service Plan, Revolving Funds and Special Accounts.

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, in a context where the pace and complexity of efforts to standardize and consolidate back-office systems poses some challenge and risk, the Secretariat continues to focus on ensuring that appropriate policies, frameworks, tools and guidance are in place to support more efficient enterprise-wide approaches and operational savings.

The Secretariat is addressing reduced flexibility to its operating budget 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, 2014.

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 from or left the Secretariat, or as work was reorganized, vacancies were effectively managed to reduce the number of potentially affected employees.

5. Economic Action Plan 2012 (Budget 2012) Implementation

This section provides an overview of the savings measures announced in the Budget, implemented in order to: modernize government and programs; make it easier for Canadians and businesses to interact with government; and, modernize and reduce back office inefficiencies.

The Secretariat has fully achieved the Budget 2012 savings of \$23.6 million in 2014-15 by implementing efficiency measures and program reductions that aligned resources to its core mandate, transformed internal processes, and streamlined and focused internal operations. With these changes the Secretariat focused on supporting management excellence and accountability across government.

In the first year of implementation, Secretariat reference levels were reduced by approximately \$7.6 million. Specifically, savings were achieved in 2012-13 by eliminating the Internal Audit Human Resource Management

Framework (\$3.2 million including employee benefit plans (EBP)) and the Financial Interoperability and Stewardship Initiative (\$1.6 million); as well as reductions to the Departmental Audit Software Initiative (\$2.1 million) and other miscellaneous savings. These savings increased to \$15.1 million in 2013-14 and resulted in ongoing savings of \$23.6 million starting in 2014-15.

There is a variance of \$7.6 million in the Secretariat's authorities between the first quarter of fiscal year 2013-14 and the first quarter of 2014-15 related to Budget 2012 initiatives.

Funding for certain initiatives, which have met project objectives, was eliminated in 2014-15, such as:

- \$2.76 million in savings by standardizing internal service delivery. Service improvements include: consolidating 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.
- \$3.0 million in savings by eliminating redundancies in various administrative and corporate functions and centralizing processes in the areas of people management, expenditure management and corporate support, as well as reducing the number of EXs throughout the Secretariat thereby reducing executive overhead and their administrative support teams.
- \$1.11 million in savings achieved by transforming government-wide Information Management and Information Technology (IMIT) focusing on stewardship, policy, and IMIT horizontal initiatives that have cross-government impact.
- \$0.48 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 Web 2.0 tools.
- \$0.23 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 consolidating the Management Accountability Framework; and, increasing delegation to deputy heads.

6. Approval by Senior Officials

Approved by,

Yaprak Baltacioğlu, Secretary

Christine Walker, Chief Financial Officer

Ottawa, Canada

Date:

Appendix

For the quarter ended June 30, 2014

**Table 1 - Departmental budgetary expenditures by Stanc
(in dollars)**

	Fiscal year 2013-2014		Y d a q e
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	
Expenditures:			
1 Personnel	2,910,192,782	460,367,152	4
2 Transportation and communications	3,183,767	233,372	
3 Information	443,610	76,474	
4 Professional and special services	48,982,173	9,885,759	
5 Rentals	719,106	670,901	
6 Repair and maintenance	1,051,628	43,283	
7 Utilities, materials and supplies	950,169	67,540	
9 Acquisition of machinery and equipment	5,608,437	375,888	

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated on other retirement acts and the Employment Act (EI); Payments made under the Public Service pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act)

	Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Y d a q e
10 Transfer payments	520,000	350,000	
12 Other subsidies and payments	2,716,459	4,018,853	
Total gross budgetary expenditures	2,974,368,131	476,089,222	4
Less Revenues netted against expenditures:			
Vote Netted Revenues (VNR) - Centrally managed items	-450,980,664	-89,253,247	-
Vote Netted Revenues (VNR) - Program expenditures	-13,680,699	0	
Total Revenues netted against expenditures	-464,661,363	-89,253,247	-
Total net budgetary expenditures	2,509,706,768	386,835,974	3

Note 1

Government-Wide Expenses included above*

1 Personnel	2,717,742,061	407,553,266	4
2 Transportation and communications	0	7,348	
4 Professional and special services	0	6,428,811	
5 Rentals	0	0	
10 Transfer payments	520,000	350,000	
12 Other subsidies and payments	0	960,000	
Total	2,718,262,061	415,299,425	4

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated on other retirement acts and the Employment Act (EI); Payments made under the Public Service pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act)

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

	Fiscal year 2013-2014			Fiscal year 2014-2015		
	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	Total available for use for the year ending March 31, 2015*	Used during the quarter ended June 30, 2014	Year to date used at quarter-end
Vote 1 - Program Expenditures	214,344,779	53,769,750	53,769,750	309,224,433	53,338,585	53,338,585
Vote 20 - Public Service Insurance	2,267,261,397	526,432,586	526,432,586	2,260,002,208	563,636,582	563,636,582
Statutory Authorities						
A111 - President of the Treasury Board - Salary and motor car allowance	79,102	19,675	19,675	80,300	20,075	20,075
A140 - Contributions to employee benefit plans	28,001,490	7,000,373	7,000,373	27,434,173	6,858,543	6,858,543
A145 - Unallocated employer contributions made under the PSSA and other retirement acts and the Employment Act (EI)	0	-200,405,740	-200,405,740	443,000,000	-132,665,198	-132,665,198
A681 - Payments under the Public Service Pension Adjustment Act	20,000	0	0	0	0	0
A683 - Payments for the pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act	0	19,331	19,331	0	16,444	16,444
Total Statutory Authorities	28,100,592	-193,366,361	-193,366,361	470,514,473	-125,770,129	-125,770,129
Total authorities	2,509,706,768	386,835,974	386,835,974	3,039,741,114	491,205,038	491,205,038

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

Date modified: 2017-01-17