



Treasury Board of Canada
Secrétariat

Secrétariat du Conseil du Trésor
du Canada

Canada

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

Published: 2014-09-30

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Published by Treasury Board of Canada, Secretariat
90 Elgin, Ottawa, Ontario, K1A 0R5, Canada

Catalogue Number: BT12-9E-PDF
ISSN: 2561-1852

This document is available on the Government of Canada website, Canada.ca

This document is available in alternative formats upon request.

Aussi offert en français sous le titre : Rapport financier trimestriel du SCT pour le trimestre terminé le 30 septembre 2014

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

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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)*, *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 been reviewed by the Departmental Audit Committee.

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 The 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 September 30, 2014.

Statement of Authorities - Vote 1, Program Expenditures

Program Expenditure Authorities increased by \$101.4 million from fiscal year 2013-14 to 2014-15, or by 47%. The change is mainly due to the net effect of the factors below:

- Total increases of \$114.2 million in funding in 2014-15 related to Budget announcements, key initiatives, and other recent approvals including:
 - \$74.9 million for a settlement of claims against the crown;
 - \$28.2 million for Workspace Renewal, the Classification Program, the Workplace Wellness and Productivity Strategy (Budget 2014), and the Joint Learning Program;
 - \$7.6 million for transfers from central votes including compensation associated with signed collective agreements (\$1.1 million) and the operating budget carry forward (\$6.5 million);
 - \$3.1 million for the Web Renewal Initiative (Budget 2013); 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 September 30, 2014 increased by approximately \$49.1 million or 47% when compared to the same period in fiscal year 2013-14. This is comprised of the following increases:

- \$45 million related to the settlement of claims against the crown;
- \$5.9 million due to a one-time transition payment for implementing salary payments in arrears by the Government of Canada;
- \$4.7 million due to additional license fees in support of the Financial Management Transformation initiative. The majority of this will be cost recovered from Other Government Departments; and
- \$1.6 million due to timing differences.

This is offset by decreases of \$7.8 million in personnel which are mainly attributed to one-time severance payments and miscellaneous decreases of \$0.3 million.

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).

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

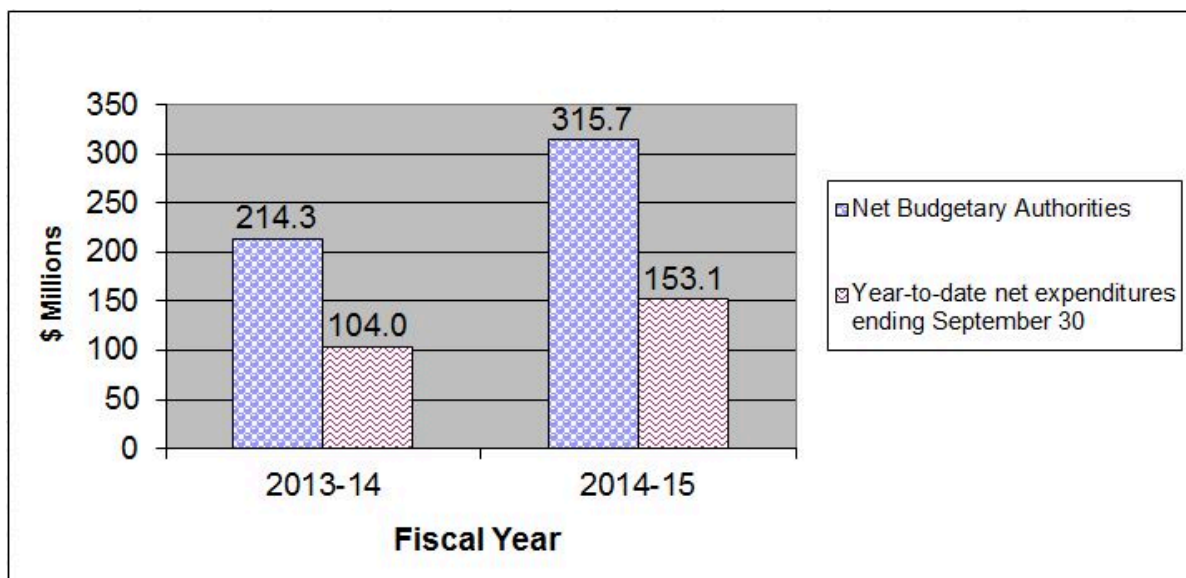


Table 1: Comparison of Net Budgetary Authorities and Expenditures for Vote 1 as of September 30, for fiscal years 2013-14 and 2014-15

Vote 1 (in millions \$)	2013-2014	2014-2015	Variance
Net Budgetary Authorities	214.3	315.7	101.4
Year-to-date expenditures ending September 30	104.0	153.1	49.1

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 Vote 20 Vertical Strategic Review.

Vote 20 net expenditures increased by \$37.9 million, or 3.5%, when compared to the same period in 2013-14. This is comprised of the following increases:

- \$32 million for the Public Service Health Care Plan. The increase is attributable to a higher unit cost per claim as well as higher plan utilization rates by the membership;
- \$7.7 million due to a reduction in revenues for revolving funds (\$6.4 million) and for special accounts (\$1.3 million). This is due to lower recoveries from Citizenship and Immigration Canada related to the Passport Office, as well as from the Canadian Grains Commission, Industry Canada, and HRSDC;
- \$2.2 million for the Pensioners' Dental Services Plan (PDSP); and

- \$0.6 million for net miscellaneous increases.

This is offset by decreases of:

- \$2.6 million for Provincial Payroll Taxes; and
- \$2 million for the Public Service Dental Care Plan (PSDCP). This reflects the transition of active employees from the PSDCP to pensioners in the PDSP following the Deficit Reduction Action Plan.

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 September 30, for fiscal years 2013-14 and 2014-15.

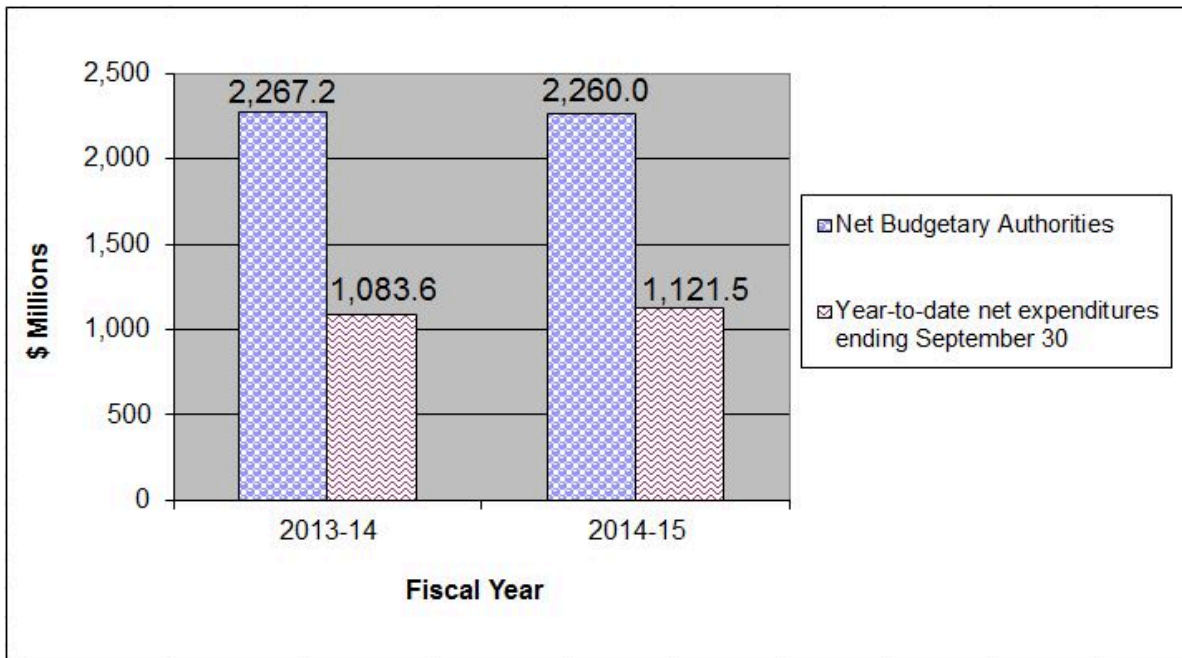


Table 2: Comparison of Net Budgetary Authorities and Expenditures for Vote 20 as of September 30, for fiscal years 2013-14 and 2014-15

Vote 20 (in millions \$)	2013-2014	2014-2015	Variance
Net Budgetary Authorities	2,267.2	2,260.0	-7.3
Year-to-date expenditures ending September 30	1,083.6	1,121.5	37.9

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 largely 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. An 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 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 PSSA. 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).

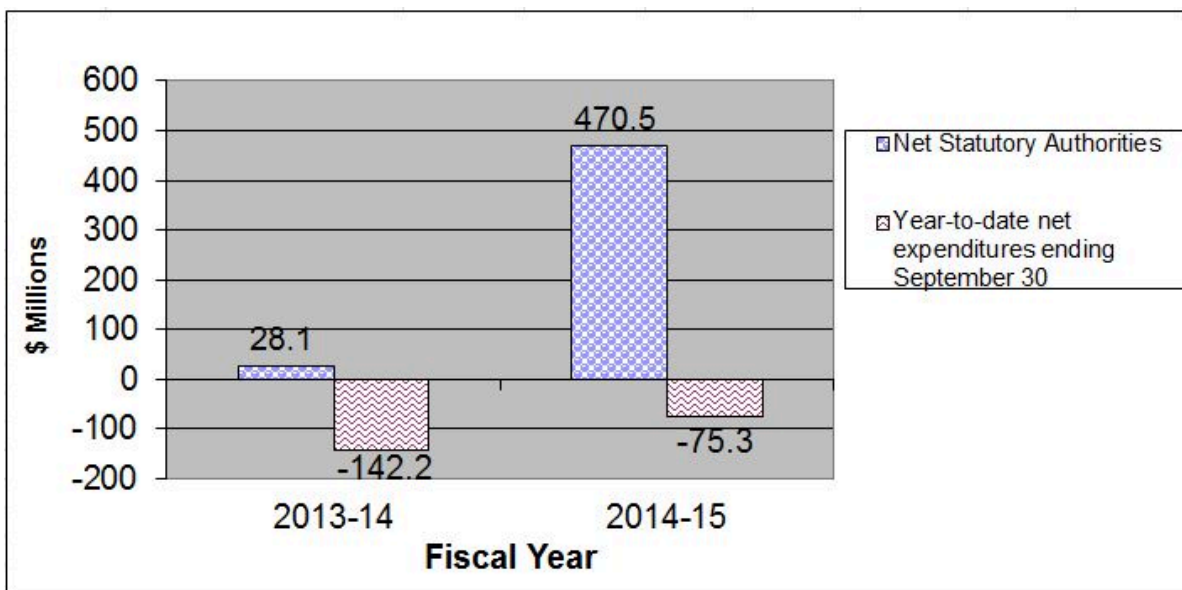


Table 3: Comparison of Net Statutory Authorities and Net Expenditures for Statutory Authorities as of September 30, for fiscal years 2013-14 and 2014-15

Statutory Authorities (in millions \$)	2013-14	2014-15	Variance
Net Statutory Authorities	28.1	470.5	442.4
Year-to-date net expenditures ending September 30	-142.2	-75.3	-66.9

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 \$89 million resulting from an increase of \$66.9 million in Statutory Authorities, \$29.9 million in Vote 20, and a decrease of \$7.8 million in Vote 1.

- The \$66.9 million increase in Statutory expenditures is related to:
 - \$118 million decrease in recoveries related to employee benefit plans from other departments and agencies due to timing differences; and
 - \$51.1 million decrease in pension contributions for regular employees due to rate changes.
- The \$29.9 million increase in Vote 20 personnel expenditures is mainly attributed to an increase in the Public Service Health Care Plan and the Pensioners' Dental Services Plan (\$33.4 million), and miscellaneous net increases (\$1 million). This is offset by decreases of \$4.4 million for the Public Service Dental Plan and Provincial Payroll taxes.
- The \$7.8 million decrease in personnel expenditures for Vote 1 is mainly attributed to a reduction in severance payments. These were one-time

severance payments made in 2013-14 which did not re-occur.

Year to date expenditures for other subsidies and payments have increased by \$50.2 million. This is mainly due to settlement of claims against the crown of \$45 million and transition payments of \$5.9 million for implementing salary payments in arrears by the Government of Canada. This is offset by decreases of \$0.7 million mainly pertaining to timing differences.

Year to date net revenues have decreased by \$7.9 million as a result of timing differences and reductions in revenue from Revolving Funds and Special Accounts from Public Service Insurance. The latter is due mainly to machinery of government changes.

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, human resources targets and priority commitment performance.

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 occurred in the department during the current quarter related to Operations, Personnel and Programs.

In support of the Government of Canada's commitments to modernize the way we work and manage government operations in a sustainable and responsible manner, the TBS Workplace Renewal Initiative has put in place the following transformation:

- Replacing of desktop computers with either laptops or tablets, in an effort to provide a mobile work environment for employees.
- TBS e-mail accounts have been capped at 2GB limit in response of the GoC E-mail Transformation Initiative (ETI) and in preparation for the transfer to the new e-mail system led by Shared Services Canada.

Other notable changes include Bill Matthews' appointment as the Comptroller General of Canada effective July 17, 2014.

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.

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.

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 second quarter of fiscal year 2013-14 and the second 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.

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

6. Approval by Senior Officials

Approved by,

Yaprak Baltacioğlu, Secretary

Christine Walker, Chief Financial Officer

Ottawa, Canada

Date:

Appendix

For the quarter ended September 30, 2014

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

	Fiscal year 2013-2014			Fiscal year 2014-2015	
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014
Expenditures:					
1 Personnel	2,910,192,782	731,403,625	1,191,770,777	3,353,645,199	741,642
2 Transportation and communications	3,183,767	353,024	586,396	3,022,495	347
3 Information	443,610	107,683	184,157	3,546,889	76
4 Professional and special services	48,982,173	16,470,419	26,356,178	56,966,843	18,160
5 Rentals	719,106	982,566	1,653,467	2,739,897	5,358
6 Repair and maintenance	1,051,628	146,954	190,237	1,477,341	215

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated contributions made under the PSSA and other retirement acts and the Employer Payments made under the Public Service Pension Adjustment Act; Payments for settlement pursuant to section 30 of the Crown Liability and Proceedings Act).

	Fiscal year 2013-2014			Fiscal year 2014-2015	
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014
7 Utilities, materials and supplies	950,169	173,641	241,181	1,023,625	154,000
9 Acquisition of machinery and equipment	5,608,437	611,714	987,602	4,668,247	313,000
10 Transfer payments	520,000	5,936	355,936	500,001	105,000
12 Other subsidies and payments	2,716,459	-1,919,162	2,099,690	91,796,016	45,058
Total gross budgetary expenditures	2,974,368,131	748,336,399	1,224,425,620	3,519,386,553	811,432
Less Revenues netted against expenditures:					
Vote Netted Revenues (VNR) - Centrally managed items	-450,980,664	-86,415,613	-175,668,861	-459,001,612	-102,076
Vote Netted Revenues (VNR) - Program expenditures	-13,680,699	-3,380,765	-3,380,765	-14,141,304	-1,272

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated contributions made under the PSSA and other retirement acts and the Employer Payments made under the Public Service Pension Adjustment Act; Payments for settlement pursuant to section 30 of the Crown Liability and Proceedings Act).

	Fiscal year 2013-2014			Fiscal year 2014-2015	
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014
Total Revenues netted against expenditures	-464,661,363	-89,796,378	-179,049,626	-473,142,916	-103,349
Total net budgetary expenditures	2,509,706,768	658,540,020	1,045,375,995	3,046,243,637	708,082

Note 1

Government-Wide Expenses included above *

1 Personnel	2,717,742,061	680,508,677	1,088,061,943	3,159,863,009	693,919
2 Transportation and communications	0	4,227	11,574	0	2
4 Professional and special services	0	7,086,502	13,515,313	0	9,700
5 Rentals	0	1,995	1,995	0	
10 Transfer payments	520,000	2,336	352,336	500,000	55
12 Other subsidies and payments	0	122,169	1,082,169	1,640,811	-122

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated contributions made under the PSSA and other retirement acts and the Employer Payments made under the Public Service Pension Adjustment Act; Payments for settlement pursuant to section 30 of the Crown Liability and Proceedings Act).

	Fiscal year 2013-2014			Fiscal year 2014-2015	
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014
Total	2,718,262,061	687,725,905	1,103,025,329	3,162,003,820	703,554

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated contributions made under the PSSA and other retirement acts and the Employer Payments made under the Public Service Pension Adjustment Act; Payments for 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 September 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 September 30, 2014
Vote 1 - Program Expenditures	214,344,779	50,209,681	103,979,431	315,726,956	99,726,792
Vote 20 - Public Service Insurance	2,267,261,397	557,162,760	1,083,595,346	2,260,002,208	557,857,708

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

	Fiscal year 2013-2014			Fiscal year 2014-15	
	Total available for use for the year ending March 31, 2014 *	Used during the quarter ended September 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 September 30, 2014

Statutory Authorities

A111 - President of the Treasury Board - Salary and motor car allowance	79,102	19,675	39,350	80,300	20,075
A140 - Contributions to employee benefit plans	28,001,490	7,000,373	14,000,746	27,434,173	6,858,543
A145 - Unallocated employer contributions made under the PSSA and other retirement acts and the Employment Act (EI)	0	44,112,834	-156,292,906	443,000,000	43,619,779

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

	Fiscal year 2013-2014			Fiscal year 2014-15	
	Total available for use for the year ending March 31, 2014 *	Used during the quarter ended September 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 September 30, 2014
A681 - Payments under the Public Service Pension Adjustment Act	20,000	2	2	0	0
A683 - Payments for the pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act	0	34,696	54,028	0	78
Total Statutory Authorities	28,100,592	51,167,579	-142,198,782	470,514,473	50,498,319
Total authorities	2,509,706,768	658,540,020	1,045,375,995	3,046,243,637	708,082,819

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

Date modified: 2017-01-17

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