



Treasury Board of Canada  
Secrétariat

Secrétariat du Conseil du Trésor  
du Canada

Canada

# **Quarterly Financial Report for TBS for the Quarter Ended December 31, 2015**

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# Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended December 31, 2015

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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 manner prescribed by the Treasury Board (TB). The quarterly report should be read in conjunction with the Main Estimates and the Supplementary Estimates (A) and (B) as well as Canada's Economic Action Plan 2013 (Budget 2013), Canada's Economic Action Plan 2014 (Budget 2014) and Canada's Economic Action Plan 2015 (Budget 2015).

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) and (B) for the 2015-16 fiscal year. The 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 a cash 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 (PSHCP), Public Service Dental Care Plan (PSDCP), Pensioners' Dental Services Plan (PDSP), Disability Insurance, Provincial Payroll Taxes (Manitoba, Newfoundland, Ontario and Quebec), Public Service Management Insurance Plan (PSMIP) 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.

The funding within these votes is approved by Parliament. With the exception of Vote 20, the funding within government-wide expenditure votes is eventually transferred from the Secretariat to other government departments and agencies once specified criteria are met. The Secretariat does not directly receive revenue or incur expenses related to Votes 5, 10, 15, 25, 30, 33 unless the Secretariat meets the specified criteria.

Expenditures incurred against Statutory Authorities 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 Statutory Vote of the Secretariat but are attributed throughout the fiscal year to the statutory vote contributions to employee benefit plans of each department and agency, including the Secretariat.

As a result, this Quarterly Financial Report will highlight the financial results of Vote 1 – Program Expenditures, Vote 20 – Public Service Insurance and Statutory Authorities and expenditures directly related to the Secretariat.

## 2. Highlights of Fiscal Quarter and Fiscal Year-to-Date

The following section highlights the financial results and provides explanations of differences, exceeding a materiality threshold of \$1M, for the fiscal quarter ended December 31, 2015 as compared to the same period last year.

### Highlights of Fiscal Quarter and Fiscal Year to Date (thousands of dollars)

	<b>14-15 Authorities to March 31, 2015</b>	<b>15-16 Authorities to March 31, 2016</b>	<b>Variance in Authorities</b>	<b>Year-to-date expenditures as at Q3 14- 15</b>	<b>Year-to-date expenditures as at Q3 15- 16</b>	<b>Varia Expe</b>
<b>Vote 1 - Program Expenditures</b>	315,656	260,411	-55,244	221,486	162,810	
<b>Vote 20 - Public Service Insurance</b>	2,260,002	2,250,071	-9,932	1,585,601	1,686,604	
<b>Statutory Authorities</b>	470,514	470,735	220	-170,692	-290,341	
<b>Total</b>	<b>3,046,172</b>	<b>2,981,217</b>	<b>-64,955</b>	<b>1,636,395</b>	<b>1,559,073</b>	

### Statement of Voted and Statutory Authorities

Total budgetary authorities available for use decreased in 2015-16 from those in 2014-15 by \$65.0M (2.1%). This is the result of a decrease in Vote 1 authorities of \$55.2M and a decrease in Vote 20 authorities of \$9.9M, offset by an increase in spending authority to make statutory payments of \$0.2M.

The change in spending authority by Vote 1, Vote 20 and Statutory Votes is summarized below:

<b>Explanation of Changes (thousands of dollars)</b>	<b>Change (\$)</b>
<b>Vote 1 - Program Expenditures</b>	

<b>Explanation of Changes (thousands of dollars)</b>	<b>Change (\$)</b>
<b>Sunset of funding for an out-of-court settlement for claims against the Crown</b>	-74,920
<b>Sunset of funding for the Workspace Renewal Initiative (Phase 1)</b>	-9,923
<b>Sunset of funding for the Web Renewal Initiative</b>	-1,987
<b>Return of funding to the Fiscal Framework for the National Managers' Community</b>	-1,589
<b>Other miscellaneous requirements</b>	-1,133
<b>Transfer-in of funding from other government departments and agencies for the TBS-led Government-Wide Back Office Transformation Initiative</b>	16,067
<b>Top-up of funding to discharge obligations for the same out-of-court settlement for claims against the Crown</b>	12,500
<b>Increase in the eligible Operating Budget Carry Forward amount received in 2015- 16 compared to 2014- 15</b>	4,706
<b>Funding for the Workspace Renewal Initiative (Phase 2)</b>	1,035
<b>Sub-total Program Expenditures</b>	<b>-55,244</b>
<b>Vote 20 - Public Service Insurance</b>	
<b>Return to the Fiscal Framework of the 2008 Vertical Review savings</b>	-10,200
<b>Other miscellaneous requirements</b>	268
<b>Sub-total Public Service Insurance</b>	<b>-9,932</b>
<b>Statutory</b>	
<b>Sub-total Statutory Authorities</b>	<b>220</b>
<b>Total Authorities</b>	<b>-64,955</b>

The only key change in Vote 1 TBS Program Authorities since Q2 is primarily due to an increase in funding received for the payout of an out-of-court settlement under the White class action lawsuit to respond to new eligible claimants. All other changes noted in the above table were previously reported in the Secretariat's Quarterly Financial Report for the period ended September 30, 2015.

# Statement of Departmental Budgetary Expenditures by Standard Object

At the end of Q3, budgetary expenditures had decreased by \$77.3M (4.7%) as compared to the same period last year. The change in expenditures by standard object is summarized below:

<b>Standard Object</b>	<b>Explanation of Changes (2015-16 compared to 2014-15)</b>	<b>Change (thousands of dollars)</b>
<b>Vote 1 - Program Expenditures</b>		
<b>1 Personnel</b>	The decrease is primarily due to a decline in requirements for centrally funded items such as severance and maternity payments.	-2,284
<b>4 Professional Services</b>	The increase is primarily due to funds expended on the My GCHR Initiative (part of the TBS-led Government-Wide Back Office Transformation Initiative) and to a lesser extent costs to redevelop the National Joint Council Indices software database.	14,873
<b>5 Rentals</b>	The decrease is mainly due to the one-time purchase of licenses that was recorded in 2014-15 in support of Financial Management Transformation (part of the TBS-led Government-Wide Back Office Transformation Initiative). The majority of costs were recovered from other governments departments and agencies.	-4,990
<b>9 Acquisition of machinery and equipment</b>	The increase is mainly due to the purchase of office furniture to fit-up 90 Elgin St. as part of phase 1 of the TBS Workspace Renewal Initiative.	2,615

<b>Standard Object</b>	<b>Explanation of Changes (2015-16 compared to 2014-15)</b>	<b>Change (thousands of dollars)</b>
<b>12 Other Subsidies &amp; Payments</b>	The decrease is mainly due to the payout of an out-of-court settlement to eligible claimants under the White class action lawsuit, as well as a one-time transition payment for implementing salary in arrears for TBS employees. These expenses were partially offset by receipt of funding in 2014-15 from other government departments and agencies for the Government-Wide Back Office Transformation Initiative. Funding was later transferred to Public Services and Procurement Canada (PSPC) to pay in part the My GCHR and the Financial Management Transformation components of the initiative.	-67,053
<b>Other</b>	Miscellaneous Expenditures	-1,838
<b>Sub-total Program Expenditures</b>		<b>-58,677</b>
<b>Vote 20 - Public Service Insurance</b>		
<b>1 Personnel</b>	The increase in expenditures is primarily due to higher costs per service for the PSHCP, the impact of plan design changes which came into effect on October 1, 2014 and to a lesser extent, the residual impact from the elimination of the annual deductible on PSHCP, which came into effect on January 1, 2015. Expenditures also increased for the Disability Insurance Plan and Provincial Payroll Taxes due to the timing of accumulated payments to PSPC in 2015-16 as compared to 2014-15. The overall increase was partially offset by decreased expenditures for the PSMIP attributable to the premium holiday that came into effect on January 1, 2015, reducing the amount that the employer has to contribute. The premium holiday was extended for another 12 months starting January 1, 2016.	151,014

<b>Standard Object</b>	<b>Explanation of Changes (2015-16 compared to 2014-15)</b>	<b>Change (thousands of dollars)</b>
<b>4 Professional Services</b>	This increase is primarily due to administration costs related to the PSHCP.	4,294
<b>45/46 Vote Net Revenue</b>	This is mainly due to an increase in revenue as a result of changes implemented to the PSHCP, with a view to achieving a 50-50 cost-sharing ratio with pensioners by April 1, 2018 (currently at 31.25% in 2nd year), as well as an increase in recoveries as a result of higher salary forecasts for personnel related to the delivery of the CPP and EI programs.	-56,432
<b>Other</b>	Miscellaneous Expenditures	2,126
<b>Sub-total Public Service Insurance</b>		<b>101,003</b>
<b>Statutory</b>		
<b>1 Personnel</b>	The Secretariat recovers from other government departments and agencies their share of the employer contributions to the pension plan and transfers them to PSPC to offset payment charges. The decrease in statutory expenditures is mainly due to the timing of flow-through payments primarily related to employer contributions made under the Public Service Superannuation Act (PSSA). The net effect on the financial statements of the Secretariat will be zero by year-end.	-119,647
<b>Other</b>	Miscellaneous Expenditures	1
<b>Sub-total Statutory Items</b>		<b>-119,648</b>
<b>Total Expenditures</b>		<b>-77,322</b>

### 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's core mandate and priorities. Similar to most organizations,

certain risks could have financial impacts should they materialize and response strategies have been developed and measures are in place to minimize their likelihood.

With the election of a new Government, the President of the Treasury Board has been given a new mandate of diverse and complex priority initiatives to undertake within compressed timelines and existing Vote 1 resources. The Secretariat will need to balance a broad range of needs and perspectives in designing and implementing these new initiatives while respecting proposed timelines.

Constantly evolving cyber threats could compromise Government of Canada information systems, infrastructure and data with potentially significant disruption to Government of Canada program and service delivery. TBS is progressively evolving its risk response, including learning lessons from significant incidents, in order to keep up with the pace of technology and counter significant threats.

The cost of delivering the PSHCP is driven by many variables. As a result there could be significant shifts in spending in a given year due to: 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 spending activity and trends in Vote 20, and is seeking contingency funding in 2015-16 to address unplanned cost increases.

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

This section highlights significant changes which occurred in the Secretariat during the current quarter related to Operations, Personnel and Programs.

A new Program Alignment Architecture (PAA) was implemented for TBS in fiscal year 2015-16. The PAA is the reporting framework that allows the Secretariat to display to Canadians the programs it delivers, the money that is being spent to deliver these programs, and the results that Canadians are getting for this money. The Secretariat revised its PAA to better reflect core business activities which positions TBS to tell its results and performance story to Cabinet, Parliament and citizens in a simple and sustainable way.

As part of the Workspace Renewal Initiative, TBS will be consolidating its operations from 11 locations to three by 2018. The new offices have been designed to meet the Government of Canada Workplace 2.0 fit-up standards

and offer a truly modern workplace. One of the locations, the James Michael Flaherty Building, located at 90 Elgin Street, houses approximately 65% of TBS's staff. The move to this location was completed in August 2015. The remaining TBS employees who will be moving to 219 Laurier in 2017 (approximately 35% of TBS's staff ) were consolidated into the East Tower of L'Esplanade Laurier (140 O'Connor Street) in December 2015.

## 5. Approval by Senior Officials

Approved by,

Original signed by

Original signed by

\_\_\_\_\_  
Yaprak Baltacıoğlu, Secretary

\_\_\_\_\_  
Renée LaFontaine, Chief Financial Officer

Ottawa, Canada

Date: February 23, 2016

## Appendix

### For the quarter ended December 31, 2015

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

	Fiscal year 2014-2015			Planned expenditures for the year ending March 31, 2015
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended December 31, 2014	Year to date used at quarter-end	
<b>Expenditures:</b>				
<b>1 Personnel</b>	3,353,853,519	504,141,133	1,784,969,697	3,354,698,20

\* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unalloc under the *PSSA* and other retirement acts and the *Employment Act (EI)*; Payment *Pension Adjustment Act*; Payments for the pay equity settlement pursuant to sec *Proceedings Act*).

	Fiscal year 2014-2015			Planned expenditures for the year ending March 31, 2015
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended December 31, 2014	Year to date used at quarter-end	
<b>2 Transportation and communications</b>	3,022,495	366,068	927,924	2,558,18
<b>3 Information</b>	3,546,889	92,440	234,430	594,58
<b>4 Professional and special services</b>	56,687,279	18,397,860	46,910,930	78,759,48
<b>5 Rentals</b>	2,739,897	451,043	6,459,250	4,309,32
<b>6 Repair and maintenance</b>	1,477,341	374,653	667,691	854,37
<b>7 Utilities, materials and supplies</b>	1,023,625	135,004	345,682	890,09
<b>9 Acquisition of machinery and equipment</b>	4,668,247	717,208	1,838,518	3,282,15
<b>10 Transfer payments</b>	500,001	74,668	530,851	500,00
<b>12 Other subsidies and payments</b>	91,796,016	16,076,283	68,409,793	19,761,67
<b>Total gross budgetary expenditures</b>	3,519,315,309	540,826,359	1,911,294,766	3,466,208,09
<b>Less Revenues netted against expenditures:</b>				
<b>Vote Netted Revenues (VNR) - Centrally managed items</b>	-459,001,612	-101,756,707	-271,664,763	-471,752,47
<p>* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unalloc under the <i>PSSA</i> and other retirement acts and the <i>Employment Act (EI)</i>; Payment <i>Pension Adjustment Act</i>; Payments for the pay equity settlement pursuant to sec <i>Proceedings Act</i>).</p>				

	Fiscal year 2014-2015			Planned expenditures for the year ending March 31, 2015
	Expended during the quarter ended December 31, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 201	
<b>Vote Netted Revenues (VNR) - Program expenditures</b>	-14,141,304	-1,962,741	-3,235,235	-13,238,65
<b>Total Revenues netted against expenditures</b>	-473,142,916	-103,719,448	-274,899,998	-484,991,13
<b>Total net budgetary expenditures</b>	3,046,172,393	437,106,911	1,636,394,768	2,981,216,96
<b>Government-Wide Expenses included above *</b>				
<b>1 Personnel</b>	3,159,863,009	454,305,482	1,639,497,658	3,162,413,87
<b>2 Transportation and communications</b>	0	1,751	4,906	
<b>4 Professional and special services</b>	0	7,516,502	23,407,533	
<b>5 Rentals</b>	0	7,887	9,120	
<b>10 Transfer payments</b>	500,000	2,168	408,351	500,00
<b>12 Other subsidies and payments</b>	1,640,811	1,730,121	2,609,643	1,909,20
<b>Total</b>	3,162,003,820	463,563,911	1,665,937,210	3,164,823,08
<p>* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unalloc under the PSSA and other retirement acts and the <i>Employment Act (EI)</i>; Payment Pension Adjustment Act; Payments for the pay equity settlement pursuant to sec Proceedings Act).</p>				

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

	Fiscal year 2014-2015			Fis
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended December 31, 2014	Year to date used at quarter-end	Total available for use for the year ending March 31, 2016 *
<b>Vote 1 - Program Expenditures</b>	315,655,712	68,421,089	221,486,466	260,411,477
<b>Vote 20 - Public Service Insurance</b>	2,260,002,208	464,106,417	1,585,600,708	2,250,070,604
<b>Statutory Authorities</b>				
<b>A111 - President of the Treasury Board - Salary and motor car allowance</b>	80,300	20,075	60,225	82,100
<b>A140 - Contributions to employee benefit plans</b>	27,434,173	6,858,543	20,575,629	27,652,781
<b>A145 - Unallocated employer contributions made under the PSSA and other retirement acts and the Employment Act (EI)</b>	443,000,000	-102,306,873	-191,352,292	443,000,000

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

	Fiscal year 2014-2015			Fis
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended December 31, 2014	Year to date used at quarter-end	Total available for use for the year ending March 31, 2016 *
<b>A681 - Payments under the <i>Public Service Pension Adjustment Act</i></b>	0	2,168	2,174	0
<b>A683 - Payments for the pay equity settlement pursuant to section 30 of the <i>Crown Liability and Proceedings Act</i></b>	0	5,491	21,858	0
<b>Total Statutory Authorities</b>	470,514,473	-95,420,595	-170,692,406	470,734,881
<b>Total authorities</b>	3,046,172,393	437,106,911	1,636,394,768	2,981,216,962

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

Date modified: 2017-01-05