



**Environment Canada Quarterly Financial Report**  
**Statement outlining results, risks and significant changes in operations,**  
**personnel and programs**  
**For the quarter ended September 30, 2011**

## 1. Introduction

Environment Canada has prepared this second quarterly report as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board Secretariat. This quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates.

A summary description of the Environment Canada program activities can be found in *Part II of the Main Estimates*.

This quarterly report has not been subject to an external audit or review.

### Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting (modified cash accounting). The accompanying Statement of Authorities includes Environment Canada's spending authorities granted by Parliament and those used by the Department, consistent with the Main Estimates for the 2011-2012 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 money 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.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

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.

## **2. Highlights of fiscal quarter and fiscal year to date (YTD) results**

### **Statement of Authorities**

Based on Environment Canada's Main Estimates, Budget 2011 and other adjustments, the gross reference level for 2011-2012 is expected to be \$1,081 million, subject to the approval of the Supplementary Estimates later this fiscal year.

This quarterly report, ending September 30<sup>th</sup> 2011, reflects the authorities that were approved for this period, which don't include renewals. Budget 2011 funding will follow through Supplementary Estimates (B) and (C) later this year. It is to be noted that Environment Canada did not request any Supplementary Estimates (A) this year. Environment Canada's authorities available for use decreased by approximately \$206.9 million when compared to the same quarter of 2010-2011, of which \$131.9 million is in Operating Vote, \$4.8 million is in Capital Vote, \$65.6 million is in grants and contributions Vote and \$4.6 million is in statutory vote for the Employee Benefits Plan (EBP). Since the end of the first quarter on June 30<sup>th</sup> 2011, Environment Canada received an additional \$42.3 million: \$25 million through the Operating Budget Carry Forward, \$7.4 million through the Capital Budget Carry Forward and \$9.9 million to cover the fees related to the employee benefits.

#### **The decrease in the authorities is mainly due to the following:**

A \$145.5 million decrease in funding due to the termination of temporary funding to be renewed for the Clean Air Agenda (CAA). This funding was used primarily to deliver a regulation that aims to reduce greenhouse gas emissions from the industrial, transportation, consumer and commercial products sectors. We are presently seeking renewal for this initiative.

A \$33.4 million decrease in funding is due to the termination of temporary funding to be renewed for Canada's Chemical Management Plan (CMP) Initiative. The CMP aimed to accelerate the pace of the risk assessment to address the legacy of un-assessed substances under the *Canadian Environmental Protection Act, 1999*, by 2020. We are presently seeking renewal for this initiative.

A \$19.5 million decrease in funding of the Contaminated Sites Action Plan initiative. The Federal Contaminated Sites Action Plan (FCSAP) was established in 2005 for the long-term management of federal contaminated sites. These investments were part of Canada's Economic Action Plan.

A \$12.5 million decrease in the funding of the grant for Sustainable Development Technology of Canada (SDTC). A \$7.3 million decrease in funding due to the elimination of the Modernizing Federal Laboratories initiative. This funding was required in order to improve Environment Canada's ability to provide quality scientific data to Canadians through Canada's Economic Action Plan.

A \$19.7 million decrease through Strategic Review of which \$7.7M is already included in the eliminated initiatives listed above (\$4.2M for CMP and \$3.5M for CAA). The remaining \$12.0M

directly reduces Environment Canada's Main Estimates. This review has identified opportunities to focus on priorities and deliver Environment Canada suite of programs and services more efficiently, while ensuring the right balance between environmental stewardship and economic interests.

Temporary funding for the Security and Prosperity Partnership Initiative has decreased by \$2.3 million. This funding was going toward dialogue between Canada and the United States with the purpose of providing greater cooperation on security and economic issues.

A \$9.1 million decrease to the Freshwater program under the Action Plan on Clean Water Initiative. This long-term funding was established to preserve and protect the environment of Lake Simcoe, Lake Winnipeg, the St. Lawrence River and the Great Lakes.

A \$5.8 million decrease for the cost containment measure as first presented in the Budget 2010. Two significant actions were announced in the Budget to address that issue:

- Operating Budgets will be capped at the 2010-11 levels for fiscal years 2011-12 and 2012-13.
- Any wage and salary increases set in the *Expenditure Restraint Act* and in collective agreements applying from the beginning of 2010-11 and until the end of 2012-13 are to be absorbed by organizations.

These measures apply to all federal organizations appropriated by Parliament including departments, agencies and Crown Corporations.

**These decreases in the authorities are mainly offset by the following:**

The inclusion of the Operating Budget Carry Forward of 25 million, which represents an increase of 1.5 million in comparison with 2010-11 carry forward.

The inclusion of the Capital Budget Carry Forward of 7.4 million, which represents an increase of 5.2 million in comparison with 2010-11 carry forward.

The inclusion of 9.9 million received to cover payroll requirements. In 2010-11, as of the end of the second quarter no additional funding was requested for that purpose.

An increase of \$8 million due to the renewal of the Great Lakes Action Plan initiative. The ongoing funding will be used to continue the environmental restoration of the areas of concern (AOC) identified under Canada-United States Great Lakes Water Quality Agreement (GLWQA) between Canada and the United States.

An increase of \$7.2 million due to the renewal of the Canadian Environmental Sustainability Indicators (CESI) program. The funding will be used to produce reports on environmental indicators that track the long-term trends for issues of key concern to Canadians.

An increase of \$6.4 million for the Meteorological / Navigational Areas initiative. The funding will be used to enable Environment Canada to provide meteorological services and navigational warning services for defined regions of the Arctic Ocean. Meteorological and navigational (MET/NAV) areas

are delimited sea areas for which a designated country assumes responsibility for the dissemination of meteorological information and the broadcasting of navigational warnings under the Global Maritime Distress and Safety system.

### **Statement of Departmental Expenditures by Standard Object**

Environment Canada was operating under Governor General Special Warrants until mid-June this year when the Department received approval of the 2011-2012 Main Estimates. Environment Canada's spending decreased by approximately \$60 million compared to the same quarter of 2010-2011. This decrease is due to the election call this year and the need to limit spending because of cost containment measures announced in 2010.

Overall, the Department authorities on September 30, 2011 decreased by approximately 16% compared to the authorities on the same date last year and there was a similar decrease in spending (13%). The budget cuts announced in 2010 will be felt even more in the coming quarters primarily in personnel costs because actions will materialize in the third quarter.

### **3. Risks and Uncertainties**

This section covers the financial risks associated with the second period of the fiscal year. Please refer to the 2011-12 Report on Plans and Priorities for the departmental risk profile.

Environment Canada is primarily funded through voted parliamentary spending authorities and statutory authorities for operating expenditures, capital expenditures and transfer payments. The Department is also partially funded through vote-netted revenue votes. Environment Canada authorities have decreased from 2010-2010 to 2011-2012 as per the Main Estimates. However, Budget 2011 has renewed several initiatives as well as provided new program investments to the Department. This funding will be included in the Supplementary Estimates to be tabled in Parliament later in the year.

The Department has to consider several external factors, such as economic climate, technological and scientific development, government priorities, and central agencies or government-wide initiatives, which may have an impact on the Department's operational capacity. In addition to the domestic challenges, the fluctuating international economic climate might be a risk. Environment Canada is also a knowledge-based organization and as such, relies on its talented and committed workforce to continue delivering programs and services.

Internally, some key risks are related to human resource, financial and information management as well as business continuity that could affect the Department's operational capacity to meet its priorities in subsequent years. For example, effective resource management can be expected to be challenged by the need for fiscal restraint, as a result of the Budget 2010 Cost Containment Measures. Budget 2010 announced that the operating budgets of departments would be frozen at their 2010-11 level for fiscal years 2011-12 and 2012-13. Management is reviewing the impacts of the cost containment measures on

departmental activities. As a result, during the second quarter, 776 indeterminate Environment Canada employees were notified that their position might be affected by this measure. Environment Canada has conducted extensive planning in order to carry out its core program and ensure its resources are aligned with its departmental priorities. Consequently, Environment Canada's main objectives have not changed. The Department aims to provide Canadians with a healthy, safe and sustainable environment. Other measures were also put in place such as enhancing departmental integrated planning, streamlining business processes and increasing performance measurement capacity. In the context of managing risks related to resource management and information for decision-making, the Department continued to make progress toward the provision of improved tools and processes through the Corporate Accountability and Administrative Renewal initiative. With this initiative, the Department is seeking to streamline and standardize its system of internal controls, improve financial information through the implementation of tools such as standardized departmental financial reports for managers and the implementation of the Asset Lifecycle Management system. In addition, the Department is seeking to increase the efficiency of business processes.

In summary, in the face of identified risks, the Department has implemented strategies to foster strong relationships with partners, better manage resources, and enhance information management. The Department will continue to advance risk management practices through strengthened processes to integrate risk management into departmental planning, and by better linking risk and performance management.

### **Significant changes in relation to operations, personnel and programs**

A new Parliament was elected on May 2, 2011. Consequently, votes for the remainder of the main estimate were allocated for a total of \$872.1 million in the second quarter. Subsequently, the Department received capital and operating budget carry-forward funds as well as additional personnel votes from Vote 30 of the Treasury Board. The total available authorities on September 30 was \$914.5 million.

Moreover, despite the Government of Canada's budget reduction period, Budget 2011 indicates to Canadians through strategic, targeted investments, that the environment remains a priority.

Given what has been accomplished to date, Budget 2011 allows for significant investments according to strategic environmental priorities in initiatives that include:

- taking mitigation and adaptation measures relating to the effects of climate change;
- improving weather services provided to Canadians;
- cleaning up the Great Lakes;
- investing in environmental science to emphasize the Department's achievements and the government's steadfast commitment in this regard.

Environment Canada's main objectives have not changed. The Department still aims to provide Canadians with a healthy, safe and sustainable environment. However, we must also target spending

and the use of our existing resources. We have reviewed our work methods and looked at what work to carry out in the future and we are adjusting our efforts as much as possible to be more effective and efficient.

Approved by:

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Deputy Minister

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Date

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Acting Chief Financial Officer

\_\_\_\_\_  
Date

Environment Canada  
 For the quarter ended September 30, 2011  
 Statement of Authorities (unaudited)

	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Total available for use for the year ending March 31, 2012*	Used during the quarter ended September 30, 2011	Year to date used at quarter end	Total available for use for the year ending March 31, 2011	Used during the quarter ended September 30, 2010	Year to date used at quarter end
(In thousands of dollars)						
Vote 1 – Net operating expenditures	<b>687,400</b>	<b>183,638</b>	<b>344,790</b>	795,858	188,955	363,959
Vote 5 – Capital expenditures	<b>49,107</b>	<b>2,441</b>	<b>2,741</b>	53,866	4,736	6,256
Vote 10 – Grants and contributions	<b>93,398</b>	<b>7,384</b>	<b>9,241</b>	159,002	19,265	29,858
Budgetary statutory authorities	<b>84,573</b>	<b>7,061</b>	<b>28,204</b>	89,199	30,015	44,888
<b>TOTAL AUTHORITIES</b>	<b>914,478</b>	<b>200,524</b>	<b>384,976</b>	1,097,925	242,971	444,961

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

Environment Canada

For the quarter ended September 30, 2011

Departmental budgetary expenditures by Standard Object (unaudited)

	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended September 30, 2011	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended September 30, 2010	Year to date used at quarter end
(In thousands of dollars)						
<b>Expenditures:</b>						
Personnel	<b>563,895</b>	<b>152,214</b>	<b>309,777</b>	613,764	170,982	325,622
Transportation and communications	<b>58,492</b>	<b>9,922</b>	<b>17,082</b>	71,523	13,164	23,746
Information	<b>3,532</b>	<b>504</b>	<b>690</b>	4,242	647	884
Professional and special services	<b>138,329</b>	<b>20,551</b>	<b>29,435</b>	171,912	26,196	39,290
Rentals	<b>27,107</b>	<b>5,072</b>	<b>16,250</b>	37,490	5,861	17,915
Repair and maintenance	<b>12,426</b>	<b>3,324</b>	<b>5,610</b>	16,339	3,901	5,563
Utilities, materials and supplies	<b>32,888</b>	<b>6,733</b>	<b>11,144</b>	34,624	8,285	14,047
Acquisition of land, buildings and works	<b>3,924</b>	<b>46</b>	<b>48</b>	3,367	64	128
Acquisition of machinery and equipment	<b>45,184</b>	<b>3,775</b>	<b>7,485</b>	50,498	6,720	11,483
Transfer payments	<b>93,398</b>	<b>7,384</b>	<b>9,241</b>	159,002	19,265	29,858
Other subsidies and payments	<b>3,946</b>	<b>2,807</b>	<b>3,054</b>	5,285	3,125	4,033
<b>TOTAL GROSS BUDGETARY EXPENDITURES</b>	<b>983,121</b>	<b>212,332</b>	<b>409,816</b>	1,168,046	258,210	472,569
<b>Less revenues netted against expenditures</b>						
Revenues	<b>68,643</b>	<b>11,808</b>	<b>24,840</b>	70,121	15,239	27,608
Total revenues netted against expenditures	<b>68,643</b>	<b>11,808</b>	<b>24,840</b>	70,121	15,239	27,608
<b>TOTAL BUDGETARY EXPENDITURES</b>	<b>914,478</b>	<b>200,524</b>	<b>384,976</b>	1,097,925	242,971	444,961

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