



Environment
Canada

Environnement
Canada



DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q3/2012-2013

Environment Canada Quarterly Financial Report
Statement outlining results, risks and significant changes in operations,
personnel and programs
For the quarter ended December 31, 2012

Introduction

This third quarterly report has been prepared by management 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, Supplementary Estimates and the previous Quarterly Financial Reports.

A summary description of the Environment Canada (EC) 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 2012-2013 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.

The Department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result, the measures announced in the Budget 2012 could not be reflected in the 2012-2013 Main Estimates.

In fiscal year 2012-2013, frozen allotments will be established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In future years, the changes to departmental authorities will be implemented through the Annual

Reference Level Update, as approved by Treasury Board, and reflected in the subsequent Main Estimates tabled in Parliament.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Statement of Authorities

This quarterly report, ending December 31, 2012, reflects the authorities that were approved for this period. The funding available for use includes the 2012-2013 Main Estimates, the Supplementary Estimates A and B, the operating and capital budget carry-forward, the payroll requirements to date for severance pays, parental benefits and termination benefits and additional compensation adjustments for signed collective agreements. Environment Canada's authorities "total available for use for the year ending March 31, 2013" is higher by approximately \$20.4M (\$1,066.5M – \$1,046.1M)¹ when compared to the same quarter of 2011-2012. This difference is explained by decreases in Vote 1 – Operating of \$43.7M (\$765.5M - \$809.2M)¹ offset by increases in Vote 5 – Capital of \$4.3M (\$60.8M - \$56.6M)¹, in Vote 10 – Grants and Contributions of \$55.7M (\$151.5M - \$95.8M)¹ and in Budgetary statutory authorities for the Employee Benefits Plan (EBP) of \$4.1M (\$88.7M - \$84.6M)¹.

The \$43.7M decrease in the Operating authorities is mainly due to the following:

- \$23.3M decrease representing the difference of a full year transfer of the control and supervision of the Email, Data Centre, Network Services Unit and Services Support Unit to Shared Services Canada (SSC);
- \$18.2M decrease in authorities from Treasury Board centrally funded votes for payroll requirements. The payments in lieu of severance for the employees represented by the Public Service Alliance of Canada (PSAC) were higher in 2011-2012 compared to 2012-2013;
- \$11.3M decrease for savings measures identified as part of the Budget 2012;
- \$5.3M increase in funding to improve Canada's weather services by ensuring the integrity of Government of Canada's weather and environmental monitoring and supercomputing infrastructure;
- \$4.1M increase in funding for the Great Lakes Nutrient Initiative; and,
- \$1.2M increase in funding for the 2015 Pan American Games.

The \$4.3M increase in the Capital authorities is mainly due to the following:

- \$3.5M increase in funding to improve Canada's weather services by ensuring the integrity of Government of Canada's weather and environmental monitoring and supercomputing infrastructure; and,
- \$0.9M increase in funding for the Great Lakes Nutrient Initiative.

¹ See Statement of Authorities.

The \$55.7M increase in the Grants and Contributions authorities is mainly due to the following:

- \$37.5M increase in funding available for Sustainable Development Technology Canada (SDTC) for the Next Generation Biofuels Fund;
- \$24.9M increase in funding for Canada's Fast Start Financing commitment under the Copenhagen Accord which supports climate change adaptation and mitigation in developing countries;
- \$0.2M increase in funding for the Great Lakes Nutrient Initiative;
- \$7.4M decrease in year over year funding for the Action Plan on Clean Water;
- \$1.5M decrease for savings identified as part of the Budget 2012; and,
- \$1.2M decrease for the sunsetting of the National Vehicle Scrappage program.

The \$4.1M increase in the Budgetary statutory authorities for the Employee Benefits Plan (EBP) is of a technical nature.

The EBP amount is adjusted at year-end and reflects the rate as stipulated by the Treasury Board Secretariat.

Expenditure Analysis

In the third quarter of 2012-2013, total budgetary expenditures were \$229.0M compared to \$232.2M reported in the same period of 2011-2012, indicating a decrease of \$3.2M between the two years.

Authorities used in Vote 1 during the third quarter of 2012-2013 decreased by \$1.0M compared to the same quarter last year, mainly due to lower personnel costs.

Authorities used in Vote 5 during the third quarter of 2012-2013 decreased by \$0.8M compared to the same quarter last year due to timing difference as to when expenditures took place this year versus last year.

Authorities used in Vote 10 increased by \$4.1M compared to the same quarter last year. This is mainly due to an earlier payment made to the United Nations Environment Programme (UNEP).

Statement of Departmental Expenditures by Standard Object

Compared to the previous year, the year to date expenditures at quarter-end are lower by \$15.9M. This represents a decrease of 2.6% against year to date expenditures in 2011-2012. This difference is explained by decreases in Operating expenditures of \$31.7M offset by increases in Capital, G&Cs and Statutory expenditures that amounted to \$15.8M.

Total expenditures for the third quarter, ending December 31st, 2012, were \$229.0M, or \$3.2M lower than the \$232.2M reported for the same period of 2011-2012.

Personnel expenditures have decreased by \$5.1M in the third quarter. This is mainly attributable to the transfer of employees to SSC and the Budget 2012 Saving Measures. Year to date expenditures have decreased by \$13.9M.

Expenditures on Transportation and Communication, and Rentals have continued to decrease in the third quarter by \$1.5M and \$1.1M respectively as a result of the transfer of some activities to SSC. Year to date expenditures for these two objects have decreased by \$8.5M.

Professional and special services expenditures have decreased by \$2.1M compared to the same quarter last year. Environment Canada contributes to the federal cost saving effort by achieving efficiencies in reducing the use of external professional services. Year to date expenditures have decreased by \$3.2M.

Expenditures on Acquisition of Machinery and Equipment have increased by \$3.1M in the third quarter due mainly to a payment of \$2.0M to SSC for service rendered related to servers.

The increase in Transfer Payments expenditures of \$4.1M in the third quarter is explained by payment to UNEP that was paid earlier this year. Year to date expenditures have increased by \$8.3M.

Risks and Uncertainties

This section covers the corporate risks associated with the 2012-2013 fiscal year. Please refer to the *2012-2013 Report on Plans and Priorities (RPP)* for the departmental risk analysis section.

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. Environment Canada authorities have increased from 2011-2012 to 2012-2013 as per the Main Estimates. However, 2012-2013 Report on Plans and Priorities is showing a decrease in planned spending for this fiscal year as a result of sun-setting programs such as the Species at Risk programming, Lake Winnipeg and Lake Simcoe programs of the Action Plan on Clean Water initiative and the transfer of funds to SSC. As announced in Budget 2012, renewal funding for sun-setting programs such as Species at Risk programming, Major Project Management Office and Lake Winnipeg has been allocated through Supplementary Estimates B. For the renewal funding of Lake Simcoe, it is anticipated to be received through Supplementary Estimates C and to be tabled in Parliament and reported on later in the year.

The Department has to consider several external factors, such as economic, technological and scientific developments, and government-wide initiatives, which may have an impact on its capacity to deliver on priorities.

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 resources management can be expected to be challenged by the need for fiscal restraint. To mitigate these risks Environment Canada has conducted extensive planning in order to carry out its core program and ensure its resources are aligned with its departmental priorities. Environment Canada's main objectives have not changed. The Department aims to provide Canadians with a clean, 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.

The transition of Information Technology (IT) accountabilities from Environment Canada to the new department of Shared Services Canada has introduced uncertainty in ensuring an integrated and seamless approach to service delivery to Canadians. IT services associated with email, data centres and telecommunications now fall under the purview of Shared Services Canada and are key IT services upon which Environment Canada is so heavily reliant. The risks associated with this transfer of services to a newly formed department can be articulated in the dependency of Environment Canada on Shared Services Canada for the provision of IT Services in support of mission-critical programs such as our emergencies program and weather forecasts and warnings, to IT Security to ensuring sufficient resourcing to delivery on key Government of Canada priorities. Environment Canada is working with Shared Services Canada to address these and other concerns to facilitate service delivery to Canadians in a seamless and dedicated fashion, via development of formal agreements to document roles, responsibilities and accountabilities, as well as participation in strategic planning committees to ensure that each party's future investments and activities are aligned.

Environment Canada implemented plans and identified core activities to deliver on its mandate. Departmental planning, prioritizing, forecasting, and reporting processes have been adapted to ensure alignment of core activities with key priorities. The Department developed and implemented a number of responses aimed at maintaining services while adopting new service models.

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.

Risks have not changed since the 2012-2013 second Departmental Quarterly Financial Report.

Significant changes in relation to operations, personnel and programs

There are no significant financial management governance changes in relation to operations, personnel and programs to report during the third quarter of 2012-2013.

The 2012-2013 Supplementary Estimates B were allocated in the third quarter for a total of \$5.0M. This funding is a result of increases of \$17.2M for new voted appropriations (Species at Risk programming, Lake Winnipeg Basin Initiative, Major Project Management Office, Health of the Oceans initiative and Reinvestment of Royalties from Intellectual Properties) and \$0.6M for transfers either internally or with other government departments which are offset by the implementation of the saving measures announced in Budget 2012. The Department also received an additional \$13.6M from

Treasury Board centrally funded votes in support of Treasury Board policies for payroll requirements for severance pays, parental benefits and termination benefits and additional compensation adjustments for signed collective agreements. The total available authorities on December 31, 2012 were \$1,066.5M.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce inefficiencies.

Budget 2012 announced that the Government will return to balanced budgets in the medium term. Like other departments and agencies, Environment Canada is contributing its share to achieve this goal. These savings are to be achieved over the next three years.

In total, our planned savings amount to \$13.3M for 2012-2013, \$31.5M for 2013-2014 and \$53.8M for 2014-2015 and ongoing. Approximately 70% of our savings will come through streamlining departmental operations through better management and by working with partners. Environment Canada initiatives to achieve these operational savings are for example:

- Domestic travel between major cities will be reduced and replaced, when possible, using communications technology such as videoconferencing, telepresence and webinar;
- International travel costs will also be reduced while ensuring that a physical presence continues at international meetings where the agenda is relevant to the mandate and the current priorities of EC; and
- Use of external professional services for such activities as information technology services, laboratory services and translation will also be reduced.

The remainder will come from eliminating or reducing programs that do not contribute to the Department's core mandate.

Environment Canada will support its workforce so that essential skills, knowledge and experience are maintained and fully developed through cost-effective means. The Department is taking a proactive role in providing a healthy and flexible work environment, while leveraging opportunities through partnerships to allow the development of its workforce.

Following the approval by Parliament in mid-December of the Supplementary Estimates B, the appropriations were adjusted to reflect the \$12.8M (net of Employee Benefits) for savings identified as part of the Budget 2012.

Budget 2012 savings measures are being implemented and are reflected in this quarterly financial report. In line with the operational saving identified above, expenditures on Transportation and Communication, and Professional and Special Services have decreased compared to last year.

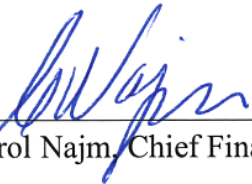
Approved by:



Bob Hamilton, Deputy Minister

FEB 27 2013

Date



Carol Najm, Chief Financial Officer

FEB 27 2013

Date

Gatineau, Canada

Environment Canada
For the quarter ended December 31, 2012
Statement of Authorities (unaudited)

	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Total available for use for the year ending March 31, 2013 ²	Used during the quarter ended December 31, 2012	Year to date used at quarter end	Total available for use for the year ending March 31, 2012 ³	Used during the quarter ended December 31, 2011 ⁴	Year to date used at quarter end
(In thousands of dollars)						
Vote 1 – Net Operating Expenditures	765,545	172,482	486,594	809,235	173,467	518,257
Vote 5 – Capital Expenditures	60,795	6,707	14,302	56,550	7,474	10,215
Vote 10 – Grants and Contributions	151,530	20,019	33,483	95,796	15,944	25,185
Budgetary Statutory Authorities	88,677	29,743	66,917	84,573	35,283	63,487
Total Budgetary Authorities	1,066,547	228,951	601,296	1,046,154	232,168	617,144
Non-Budgetary Authorities	-	-	-	-	-	-
Total Authorities	1,066,547	228,951	601,296	1,046,154	232,168	617,144

² Includes only Authorities available for use and granted by Parliament at quarter-end.

³ Pursuant to section 31.1 of the Financial Administration Act and Order-in-Council P.C. 2011-1297 effective November 15, 2011, \$21,724 thousand is deemed to have been appropriated to SSC (vote 17), which results in a reduction for the same amount in Environment Canada, Vote 1, Appropriation Act No.1, 2011-2012.

⁴ Excludes an amount of \$7,631 thousands incurred on behalf of SSC from the date of transfer of November 15 to December 31, 2011.

Environment Canada
 For the quarter ended December 31, 2012
 Departmental budgetary expenditures by Standard Object (unaudited)

	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended December 31, 2012	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2012 ⁵	Expended during the quarter ended December 31, 2011 ⁶	Year to date used at quarter end
(In thousands of dollars)						
Expenditures:						
Personnel	606,520	162,002	462,970	640,458	167,124	476,901
Transportation and communications	58,612	10,869	24,941	68,754	12,394	29,476
Information	3,340	1,039	1,887	4,288	369	1,059
Professional and special services	152,560	26,009	54,290	166,634	28,077	57,512
Rentals	23,294	5,827	19,183	31,818	6,934	23,184
Repair and maintenance	21,605	4,354	9,869	12,514	4,752	10,362
Utilities, materials and supplies	37,991	7,161	21,708	39,421	7,378	18,522
Acquisition of land, buildings and works	1,623	476	657	4,519	146	194
Acquisition of machinery and equipment	71,572	7,485	14,861	45,755	4,400	11,885
Transfer payments	151,530	20,019	33,483	95,796	15,944	25,185
Other subsidies and payments	5,730	643	3,365	4,840	(445)	2,609
Total gross budgetary expenditures	1,134,377	245,884	647,214	1,114,797	247,073	656,889
Less revenues netted against expenditures:						
Revenues	67,830	16,933	45,918	68,643	14,905	39,745
Total revenues netted against expenditures	67,830	16,933	45,918	68,643	14,905	39,745
Total net budgetary expenditures	1,066,547	228,951	601,296	1,046,154	232,168	617,144

⁵ Pursuant to section 31.1 of the Financial Administration Act and Order-in-Council P.C. 2011-1297 effective November 15, 2011, \$21,724 thousand is deemed to have been appropriated to SSC (vote 17), which results in a reduction for the same amount in Environment Canada, Vote 1, Appropriation Act No.1, 2011-2012.

⁶ Excludes an amount of \$7,631 thousands incurred on behalf of SSC from the date of transfer of November 15 to December 31, 2011.