

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

**Statement outlining results, risks and significant changes in operations,
personnel and program**

This document may not be fully accessible. For an accessible version, please visit [Foreign Affairs and International Trade Canada Quarterly Financial Report for the quarter ended June 30, 2012](#)

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

1. Introduction

This report has been prepared by management as required by section 65.1 of the *Financial Administration Act* in the form and manner prescribed by Treasury Board. The report has not been subject to an external audit or review, and should be read in conjunction with the Main Estimates, Supplementary Estimates A, the Quarterly Financial Reports from fiscal year 2011-12 as well as *Canada's Economic Action Plan 2012* (Budget 2012).

A summary description of the department's program activities can be found within the [2012-13 Estimates, Part II - The Main Estimates](#).

A. Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the department's spending authorities granted by Parliament and those used by the department consistent with the Main and Supplementary Estimates for the 2012-13 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.

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 2012-13 Main Estimates.

In fiscal year 2012-13, 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.

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

B. Financial Structure

The department has one revolving fund, Passport Canada, which is included in the statutory authorities in the accompanying Statement of Authorities. Passport Canada (PPT) is expected to be financially viable, meaning that the full cost of its operations should be equal to its revenue. To support any deficit, PPT has a drawdown authority by which the aggregate of expenditures incurred within the fund may exceed the revenues.

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

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

The department's net budgetary expenditures for Quarter One are \$349 million compared to \$372 million during the same quarter of the previous fiscal year representing 13% of the total budgetary authorities available for use for year ending March 31, 2013; 14% was used at the same date last year.

Operating expenditures (Vote 1) are at 21% of the annual budget, while Capital expenditures (Vote 5) and Grants and Contributions (Vote 10) are significantly lower, at 12% and 2% respectively. Capital expenditures are normally quite low because of the timing of projects. A significant portion of Grants and Contributions relate to assessed contributions to international organizations which are not paid until the fourth quarter of each year. Vote 15 (Vote 17 in 2011-12) was transferred from Treasury Board Secretariat (TBS) through the Supplementary B process during the third quarter of 2011-12, hence the balance as at June 30, 2011 is NIL. This vote is to fund the provision of pensions, insurance and social security for locally engaged staff.

A. Significant changes to Authorities

As at June 30, 2012, total authorities available for use by the department have increased by \$8 million compared to the same period in the prior year:

| Authorities | 2012-13* | 2011-12 | Variances | % |
|---|------------------|------------------|--------------|-------------|
| Vote 1 - Net Operating expenditures | 1,363,584 | 1,385,028 | (21,444) | (2%) |
| Vote 5 - Capital expenditures | 201,519 | 211,368 | (9,849) | (5%) |
| Vote 10 - Grants and contributions | 858,977 | 879,830 | (20,853) | (2%) |
| Vote 15 - Locally engaged staff pensions, insurance and social security | 50,779 | - | 50,779 | - |
| Budgetary statutory authorities | 151,813 | 140,306 | 11,507 | 8% |
| Non-budgetary authorities | 26,036 | 27,892 | (1,856) | (7%) |
| TOTAL AUTHORITIES | 2,652,708 | 2,644,424 | 8,284 | 0.3% |

* Total available for use does not reflect measures announced in Budget 2012.

i. Budgetary Authorities

Vote 1 – Net Operating expenditures authorities have decreased by \$21 million mainly due to the transfer of \$57 million of funding to Shared Services Canada and due to an adjustment of \$14 million for currency exchange fluctuations on expenditures abroad. This was offset by new funding of \$46 million for various initiatives such as:

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

Canada's engagement in Afghanistan;
Foreign Inflation on operations abroad;
Transfers from partner departments to support their staff abroad;
Strengthening security at missions abroad; and,
Funding related to government advertising programs.

Vote 5 – Capital expenditures authorities have decreased by around \$10 million. This is mainly due to approximately \$32 million of decreased funding for specific projects, such as the Moscow Chancery relocation and for strengthening Canada's network abroad. This decrease was offset by incremental funding of approximately \$23 million for strengthening security at missions abroad and transfers from partner departments to support their staff abroad.

Vote 10 – Grants and Contributions authorities have decreased by \$21 million mainly due to an adjustment of \$55 million to budgetary requirements for assessed contributions to international organizations. This reduction is due to currency fluctuations and to changes to UN peacekeeping missions. This was offset by new funding of \$34 million for various initiatives such as:

Canada Fund for Local Initiatives;
Canada's engagement in Afghanistan;
Funding for activities related to the prevention of Human Smuggling and Illegal Migration; and,
International Science and Technology Partnership Programs.

Vote 15 – Locally engaged staff pension, insurance and social security programs

Funding for Locally engaged staff pension, insurance and social security programs was transferred to DFAIT from Treasury Board Secretariat through the Supplementary Estimates B under Vote 17 in the third quarter of 2011-12. This year, the funding was approved through the Main Estimates under Vote 15.

ii. Budgetary Statutory Authorities

The total available for use as at June 30, 2012 increased by \$12 million mainly due an increase of \$22 million to the forecasted deficit of the Passport Office Revolving Fund, due to the implementation of the ePassport initiative. This is offset by a decrease of \$9 million to the employee benefit plan (EBP) budgetary requirements for DFAIT.

iii. Non-budgetary Authorities

The department's non budgetary authorities decreased by \$2 million as at June 30, 2012 compared to the same quarter in the previous year. This decrease is attributable to a decrease in the Working Capital Advances for loans and advances to personnel and posts abroad.

B. Significant changes to budgetary expenditures by standard object

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

i. Expenditures

The overall consumption rate for year to date expenditures has decreased by 1% from 2011-12.

| a) For fiscal year 2012-2013 | | | |
|---|---|----------------------------------|------------------|
| (In thousands of dollars) | Fiscal year 2012-2013 | | Consumption rate |
| | Planned expenditures for the year ending March 31, 2013* ** | Year to date used at quarter end | |
| Expenditures | | | |
| Salaries and employee benefits | 1,043,971 | 266,531 | 26% |
| Other operating: | | | |
| Transportation and communications | 179,633 | 30,330 | 17% |
| Information | 27,666 | 1,198 | 4% |
| Professional and special services | 292,451 | 36,605 | 13% |
| Rentals | 220,342 | 57,208 | 26% |
| Repair and maintenance | 43,540 | 4,711 | 11% |
| Utilities, materials and supplies | 84,711 | 15,634 | 18% |
| Other | 14,538 | 1,439 | 10% |
| Total Operating (excl. salary & benefits) | 862,880 | 147,124 | 17% |
| Acquisition of land, buildings and works | 144,658 | 13,534 | 9% |
| Acquisition of machinery and equipment | 72,785 | 4,632 | 6% |
| Total Acquisition | 217,443 | 18,166 | 8% |
| Transfer payments | 859,227 | 15,874 | 2% |

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

| a) For fiscal year 2012-2013 | | | |
|--|---|----------------------------------|------------------|
| (In thousands of dollars) | Fiscal year 2012-2013 | | Consumption rate |
| | Planned expenditures for the year ending March 31, 2013* ** | Year to date used at quarter end | |
| Total gross budgetary expenditures | 2,983,520 | 447,695 | 15% |
| Less revenues netted against expenditures | | | |
| Revenues | 356,849 | 98,840 | |
| Total revenues netted against expenditures | 356,849 | 98,840 | 28% |
| TOTAL NET BUDGETARY EXPENDITURES | 2,626,672 | 348,855 | 13% |

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

** Total available for use does not reflect measures announced in Budget 2012.

| b) For fiscal year 2011-2012 | | | |
|-----------------------------------|---|----------------------------------|------------------|
| (In thousands of dollars) | Fiscal year 2012-2013 | | Consumption rate |
| | Planned expenditures for the year ending March 31, 2013* ** | Year to date used at quarter end | |
| Expenditures | | | |
| Salaries and employee benefits | 1,022,896 | 262,983 | 26% |
| Other operating: | | | |
| Transportation and communications | 183,997 | 35,269 | 19% |
| Information | 21,880 | 1,877 | 9% |
| Professional and special services | 259,437 | 29,059 | 11% |
| Rentals | 225,829 | 56,179 | 25% |
| Repair and maintenance | 33,167 | 5,384 | 16% |

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

| b) For fiscal year 2011-2012 | | | |
|--|---|----------------------------------|------------------|
| (In thousands of dollars) | Fiscal year 2012-2013 | | Consumption rate |
| | Planned expenditures for the year ending March 31, 2013* ** | Year to date used at quarter end | |
| Utilities, materials and supplies | 83,381 | 11,365 | 14% |
| Other | 5,550 | 1,974 | 36% |
| Total Operating (excl. salary & benefits) | 813,241 | 141,107 | 17% |
| Acquisition of land, buildings and works | 95,497 | 3,638 | 4% |
| Acquisition of machinery and equipment | 137,505 | 4,889 | 4% |
| Total Acquisition | 233,002 | 8,527 | 4% |
| Transfer payments | 880,080 | 49,291 | 6% |
| Total gross budgetary expenditures | 2,949,219 | 461,908 | 16% |
| Less revenues netted against expenditures | | | |
| Revenues | 332,687 | 90,326 | |
| Total revenues netted against expenditures | 332,687 | 90,326 | 27% |
| TOTAL NET BUDGETARY EXPENDITURES | 2,616,532 | 371,582 | 14% |

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

** Total available for use does not reflect measures announced in Budget 2012.

Salaries and employee benefits - The consumption rate compared to last year is the same. The increase in expenses is proportionally equal to the increase in the budget, which was due to the transfer of the new Vote 15 – Locally engaged staff pensions, insurance and social security program offset by salary reductions mainly due to the transfer of employees to Shared Services Canada (SSC).

Total operating (excluding salary & benefits) - The consumption rate after the first quarter is at 17%, the same as at the first quarter last fiscal year.

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

Acquisition of land, building, works, machinery and equipment - Based on trends, capital expenditures tend to be reflected later in the year. Although the consumption rate is at 8%, compared to 4% for the first quarter last year, the department is projecting a net surplus of \$100,000.

Transfer payments - The majority of G&C payments, especially for assessed contributions, are reflected in the financial system in the last quarter.

ii. Revenues

Although there was an increase in planned revenues this year, \$357 million compared to last year, \$333 million, due to a projected increase in Passport revenue, the consumption rate for the first quarter is proportionally equal to that of the first quarter period last fiscal year. Overall, 28% of the 2012-13 planned revenues were collected as of June 30, 2012.

3. Risks and Uncertainties

This quarterly report reflects the results of the current fiscal period in relation to the Main Estimates for which full supply was released, along with the Supplementary Estimates A on June 29, 2012.

Like other federal government organizations, DFAIT faces budget constraints. The majority of its salary, operating and capital expenditures are funded through voted authorities. Over the last few years, the federal government has announced a series of initiatives and realignment strategies to renew and modernize its expenditure management system to ensure value for money of federal expenditures while operating more efficiently.

Over the past few years, DFAIT has been examining how it can improve its alignment with government policy and management priorities, and looking at more efficient ways of doing business and delivering services. DFAIT has also taken steps to address the cumulative impact of successive rounds of government-wide reduction exercises. In managing these reductions, DFAIT has rigorously examined its programs for efficiency, effectiveness and continued relevance to government priorities.

DFAIT currently faces the likelihood of pressures against its authorities for the foreseeable future. The Budget 2010 Cost Containment Measures will require the department to finance, on a permanent basis, the costs of wage increases resulting from current and future collective agreements negotiated between 2010-11 and 2012-13; additionally, the Administrative Services Review (ASR) may have future impacts on the organization and delivery of corporate services. The implementation of these efficiency measures could have an impact on the department's workforce. The ongoing impact of these measures coupled with an ongoing requirement to reallocate funds to meet emerging priorities will likely continue to put pressure on the department's envelope.

Furthermore, as announced in Canada's Economic Action Plan (Budget 2012), the government has completed a strategic and operating review of the cost of programs delivered by the federal government. For DFAIT this means a reduction in its program of \$71.8 million in 2012-13 (\$87.6M including initiatives under the International Assistance

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

Envelope (IAE)), \$115.7 million in 2013-14 (\$144.5M including initiatives under the IAE), and \$168 million in 2014-15 (\$197.1M including initiatives under the IAE). The Horizontal Initiative review of the International Assistance Envelope, also announced in the 2012 Budget, will result in an additional reference level reduction of \$18.5 million in 2012-13, \$28.8 million in 2013-14, and \$29.1 million in 2014-15 and future years.

In recognition of this tightening fiscal environment, DFAIT will continue to examine its departmental program spending, making reallocations against identified priorities. The department will need to continue exploring actions to mitigate and manage the impact of these efficiency measures in order to achieve the best results for Canadians.

4. Significant changes in relation to operations, personnel and programs

i. Shared Services Canada

Pursuant to s. 31.1 of the Financial Administration Act and Order-in-Council P.C. 2011-1297 effective November 15, 2011, the department transferred some responsibility for Informatics Hardware and Software to Shared Services Canada (SSC), including the stewardship responsibility for the assets and liabilities related to the program. Since the transfer did not take effect until the third quarter of fiscal year 2011-12, all 2011-12 figures in the Statement of Authorities and Table 1 include amounts relating to SSC, whereby the 2012-13 figures exclude SSC expenditures. Fiscal year 2011-12 figures will be adjusted in the Third Quarter to reflect this transfer.

5. Budget 2012 Implementation

This section provides an overview of the savings announced in Budget 2012 that are being implemented within Foreign Affairs and International Trade (DFAIT) to modernize and align operations to best advance Canadian values and priorities while reducing the costs of maintaining their presence in Canada and abroad, without affecting services to Canadians.

Foreign Affairs and International Trade Canada's savings will be:

\$71.8 million in 2012-13;
\$115.7 million in 2013-14; and,
\$168 million in 2014-15 and ongoing.

Since April 1, 2012, substantial savings at headquarters have been achieved via:

The reorganization and consolidation of organizations within the department;
The alignment of organizations with Financial Management Advisor Model that will result in stronger financial stewardship;
A department-wide reduction in the travel budget that will be mitigated through enhanced access to video-conferencing technology at missions, regional offices and headquarters;
A reduction in the amount of office space DFAIT leases in the National Capital Region;
A reduction of our vehicle fleet at our missions; and,

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

Phasing out the international Canadian studies program, and reducing the funding and geographic scope of the International Scholarships Program.

The 2012 Budget announced that the department would sell some official residences abroad and move to more practical and economical ones, generating capital revenue of \$80 million.

The balance of 2012-13 Budget 2012 savings will be reflected later in the fiscal year.

Expenditures in the first quarter of 2012-13 are only slightly less than the same period last fiscal year, given that the implementation of these initiatives was launched in the first quarter.

The department has put in place rigorous planning, monitoring and financial risk management measures to achieve the budgetary savings as expected.

6. Approval by Senior Officials

Approved, as required by the *Policy on Financial Resource Management, Information and Reporting*:

Originally signed by:

Louis Lévesque
Deputy Minister of International Trade

Morris Rosenberg
Deputy Minister of Foreign Affairs

Nadir Patel
Chief Financial Officer and Assistant Deputy Minister, Corporate Planning, Finance and Human Resources

Ottawa, Ontario
Date: August 29, 2012

| a) Statement of Authorities (Unaudited) for Fiscal year 2012-2013 | | | |
|---|--|---|----------------------------------|
| (In thousands of dollars) | Fiscal year 2012-2013 | | |
| | Total available for use for the year ending March 31, 2013 * ** | Used during the quarter ended June 30, 2012 | Year to date used at quarter end |
| Vote 1 - Net Operating expenditures | 1,363,584 | 285,795 | 285,795 |
| Vote 5 - Capital expenditures | 201,519 | 23,538 | 23,538 |

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

| a) Statement of Authorities (Unaudited) for Fiscal year 2012-2013 | | | |
|---|---|---|----------------------------------|
| (In thousands of dollars) | Fiscal year 2012-2013 | | |
| | Total available for use for the year ending March 31, 2013 * ** | Used during the quarter ended June 30, 2012 | Year to date used at quarter end |
| Vote 10 - Grants and contributions | 858,977 | 15,856 | 15,856 |
| Vote 15 - Locally engaged staff pensions, insurance and social security | 50,779 | 11,156 | 11,156 |
| Budgetary statutory authorities | 151,813 | 12,510 | 12,510 |
| Total Budgetary authorities | 2,626,672 | 348,855 | 348,855 |
| Non-budgetary authorities | 26,036.308 | 5,907 | 5,907 |
| TOTAL AUTHORITIES | 2,652,708.308 | 354,762 | 354,762 |

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

** Total available for use does not reflect measures announced in Budget 2012.

| b) Statement of Authorities (Unaudited) for Fiscal year 2011-2012 | | | |
|---|---|---|----------------------------------|
| (In thousands of dollars) | Fiscal year 2012-2013 | | |
| | Total available for use for the year ending March 31, 2013 * ** | Used during the quarter ended June 30, 2012 | Year to date used at quarter end |
| Vote 1 - Net Operating expenditures | 1,385,028 | 283,040 | 283,040 |
| Vote 5 - Capital expenditures | 211,368 | 11,552 | 11,552 |
| Vote 10 - Grants and contributions | 879,830 | 49,278 | 49,278 |
| Vote 15 - Locally engaged staff pensions, insurance and social security | | | |
| Budgetary statutory authorities | 140,306 | 27,712 | 27,712 |
| Total Budgetary authorities | 2,616,532 | 371,582 | 371,582 |

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

| b) Statement of Authorities (Unaudited) for Fiscal year 2011-2012 | | | |
|---|---|---|----------------------------------|
| (In thousands of dollars) | Fiscal year 2012-2013 | | |
| | Total available for use for the year ending March 31, 2013 * ** | Used during the quarter ended June 30, 2012 | Year to date used at quarter end |
| Non-budgetary authorities | 27,892 | 12,741 | 12,741 |
| TOTAL AUTHORITIES | 2,644,424 | 384,323 | 384,323 |

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

** Total available for use does not reflect measures announced in Budget 2012.

| a) Departmental budgetary expenditures by Standard Object (unaudited) for Fiscal year 2012-2013 | | | |
|---|---|---|----------------------------------|
| (In thousands of dollars) | Fiscal year 2012-2013 | | |
| | Planned expenditures for the year ending March 31, 2013* ** | Expended during the quarter ended June 30, 2012 | Year to date used at quarter end |
| Expenditures | | | |
| Salaries and employee benefits | 1,043,971 | 266,531 | 266,531 |
| Transportation and communications | 179,633 | 30,330 | 30,330 |
| Information | 27,666 | 1,198 | 1,198 |
| Professional and special services | 292,451 | 36,605 | 36,605 |
| Rentals | 220,342 | 57,208 | 57,208 |
| Repair and maintenance | 43,540 | 4,711 | 4,711 |
| Utilities, materials and supplies | 84,711 | 15,634 | 15,634 |
| Acquisition of land, buildings and works | 144,658 | 13,534 | 13,534 |
| Acquisition of machinery and equipment | 72,785 | 4,632 | 4,632 |
| Transfer payments | 859,227 | 15,874 | 15,874 |

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

| a) Departmental budgetary expenditures by Standard Object (unaudited) for Fiscal year 2012-2013 | | | |
|---|--|---|----------------------------------|
| (In thousands of dollars) | Fiscal year 2012-2013 | | |
| | Planned expenditures for the year ending March 31, 2013* ** | Expended during the quarter ended June 30, 2012 | Year to date used at quarter end |
| Other | 14,538 | 1,439 | 1,439 |
| Total gross budgetary expenditures | 2,983,520 | 447,695 | 447,695 |
| Less revenues netted against expenditures | | | |
| Revenues | 356,849 | 98,840 | 98,840 |
| Total revenues netted against expenditures | 356,849 | 98,840 | 98,840 |
| TOTAL NET BUDGETARY EXPENDITURES | 2,626,672 | 348,855 | 348,855 |

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

** Total available for use does not reflect measures announced in Budget 2012.

| b) Departmental budgetary expenditures by Standard Object (unaudited) for Fiscal year 2011-2012 | | | |
|---|--|---|----------------------------------|
| (In thousands of dollars) | Fiscal year 2011-2012 | | |
| | Planned expenditures for the year ending March 31, 2012* | Expended during the quarter ended June 30, 2011 | Year to date used at quarter end |
| Expenditures | | | |
| Salaries and employee benefits | 1,022,896 | 262,983 | 262,983 |
| Transportation and communications | 183,997 | 35,269 | 35,269 |
| Information | 21,880 | 1,877 | 1,877 |
| Professional and special services | 259,437 | 29,059 | 29,059 |
| Rentals | 225,829 | 56,179 | 56,179 |

Foreign Affairs and International Trade Canada Quarterly Financial Report

For the quarter ended June 30, 2012

| b) Departmental budgetary expenditures by Standard Object (unaudited) for Fiscal year 2011-2012 | | | |
|---|--|---|----------------------------------|
| (In thousands of dollars) | Fiscal year 2011-2012 | | |
| | Planned expenditures for the year ending March 31, 2012* | Expended during the quarter ended June 30, 2011 | Year to date used at quarter end |
| Repair and maintenance | 33,167 | 5,384 | 5,384 |
| Utilities, materials and supplies | 83,381 | 11,365 | 11,365 |
| Acquisition of land, buildings and works | 95,497 | 3,638 | 3,638 |
| Acquisition of machinery and equipment | 137,505 | 4,889 | 4,889 |
| Transfer payments | 880,080 | 49,291 | 49,291 |
| Other | 5,550 | 1,974 | 1,974 |
| Total gross budgetary expenditures | 2,949,219 | 461,908 | 461,908 |
| Less revenues netted against expenditures | | | |
| Revenues | 332,687 | 90,326 | 90,326 |
| Total revenues netted against expenditures | 332,687 | 90,326 | 90,326 |
| TOTAL NET BUDGETARY EXPENDITURES | 2,616,532 | 371,582 | 371,582 |

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

** Total available for use does not reflect measures announced in Budget 2012.

* If you require a plug-in or a third-party software to view this file, please visit the [alternative formats section of our help page](#).