

DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE  
QUARTERLY FINANCIAL REPORT  
For the quarter ended June 30, 2011

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

I. 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.

A summary description of the Department's program activities can be found within the [2011-12 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 Estimates for the 2011-12 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 moneys 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 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

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which the aggregate of expenditures incurred within the fund may exceed the revenues. This authority was increased, effective April 1, 2011, from \$4 million to \$131 million. This increase is mainly attributable to the ePassport initiative.

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

The Department's net budgetary expenditures as of June 30, 2011 were \$372 million compared to \$401 million as of June 30, 2010, representing 14% of the total budgetary authorities available for use for year ending March 31, 2012; the same percentage used at quarter-end last year. The Department has therefore been consistent in its spending this quarter versus its authorities provided, compared to the first quarter of the previous fiscal year.

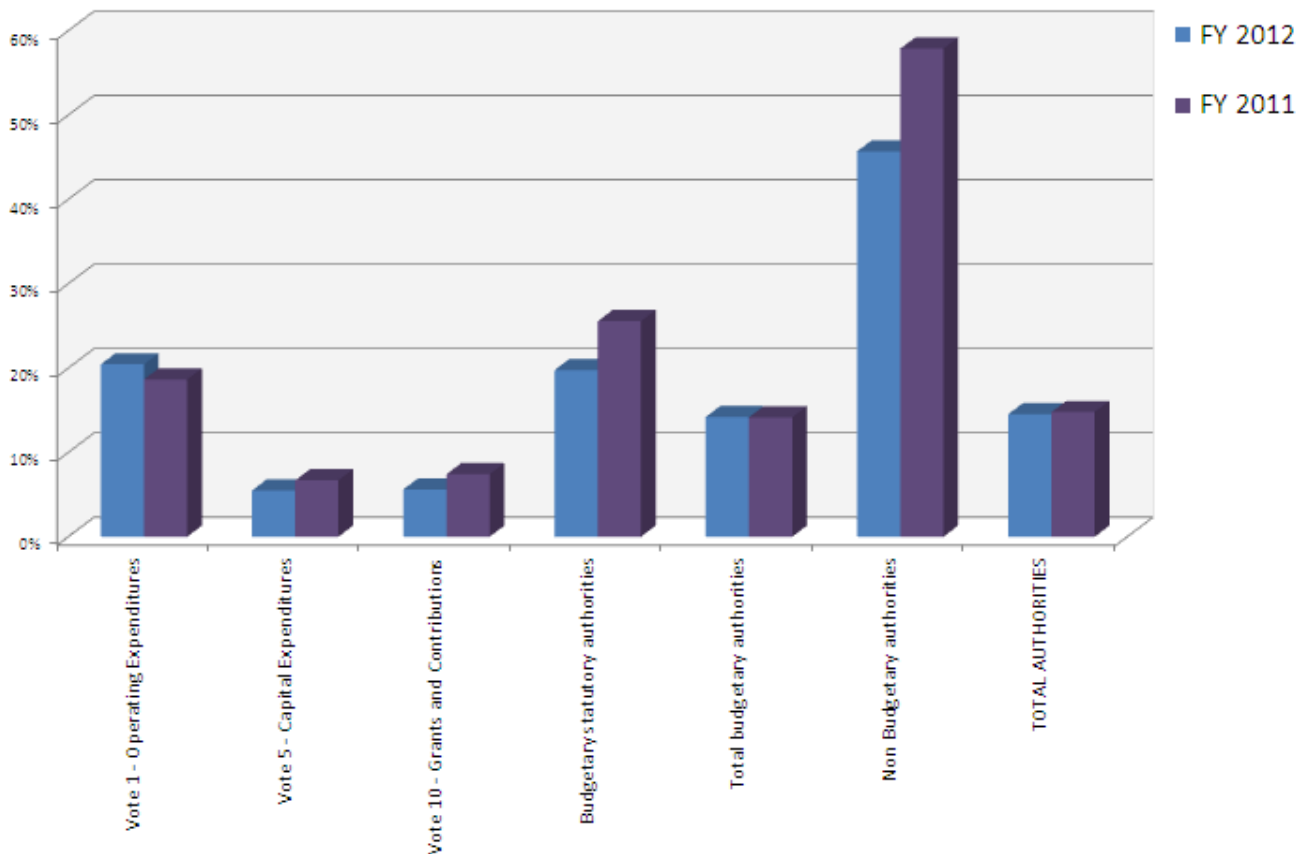
Operating expenditures (Vote 1) are at 20% of the annual budget, while Capital expenditures (Vote 5) and Grant and Contributions (Vote 10) are significantly lower, at 5% and 6% respectively. Capital expenditures are normally quite low in the first quarter because of the timing of projects. A significant portion of Grant and Contribution payments are for assessed contributions to international organizations which are not paid until the fourth quarter of each year.

*A. Significant changes to Authorities*

As at June 30, 2011, total authorities available for use by the Department have decreased by \$397 million compared to the same quarter in the prior year. This net decrease is attributable to a decrease in Vote 1 of \$181 million, a decrease in Vote 5 of \$12 million, and decrease in Vote 10 of \$77 million, offset by an increase in statutory authorities of \$53 million. Non-budgetary authorities decreased by \$14 million. As approved by Parliament, the Export Development Canada (EDC) Canada Account is no longer included within the Main Estimates of the Department. The removal of this entity accounts for the remaining \$167 million decrease in available authorities.

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Percentage of Budget used by Authorities



The total budgetary authority for 2010-11 included \$266 million in mostly one-time funding received under the Supplementary Estimates (A) process. However, because of Parliament's dissolution related to the general election, the Department did not request any funding in the Supplementary Estimates (A) process in 2011-12.

i. Budgetary Authorities

Vote 1 – Operating expenditure authorities decreased by \$181 million mainly due to the discontinuation of funding that occurred in 2010-11 for 4 different items, which represent \$212 million of the decrease:

- hosting of the G8 and G20 Summits,
- settling the AbitibiBowater claim,
- responding to the Haiti earthquake, and
- programming in Afghanistan.

This was offset by increased funding of \$43 million to strengthen security at missions abroad and to strengthen Canada's network of missions abroad. The Department's authorities were also reduced to reflect currency gains from the strong Canadian dollar.

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**Vote 5 – Capital** expenditure authorities decreased by \$12 million. In 2011-12, the department received \$44 million in new funding, including \$34 million for strengthening security at missions abroad. This new funding is primarily offset by the cessation of one time funding received in 2010-11 relating to:

- transfers from partner departments (\$18 million),
- reinvestment of revenues from the sale of real property abroad (\$14 million),
- response to the Haiti earthquake (\$11 million), and
- construction of an Emergency Watch and Response Centre in the National Capital Region (\$9 million).

**Vote 10 – Grants and Contributions** authorities decreased by \$77 million mainly due to the strong Canadian dollar, which has reduced the need for authorities relating to assessed contributions to international organization, as they are paid in foreign currencies (\$37 million). There was also the removal of the requirement for funding relating to Canada's initial response to the Haiti earthquake (\$12 million) and programming in Afghanistan (\$24 million).

**ii. Budgetary Statutory Authorities**

The total available for use as at June 30, 2011 increased by \$53 million, mainly due to a \$45 million increase for Passport Canada. This amount represents the projected deficit for the Passport Canada Revolving Fund, and will first be funded by unused Accumulated Net Charge Against the Fund's Authority (ANCAFA) of \$27 million, with the remaining deficit of \$18 million to be funded through access to their continuing non-lapsing authority.

**iii. Non Budgetary Authorities**

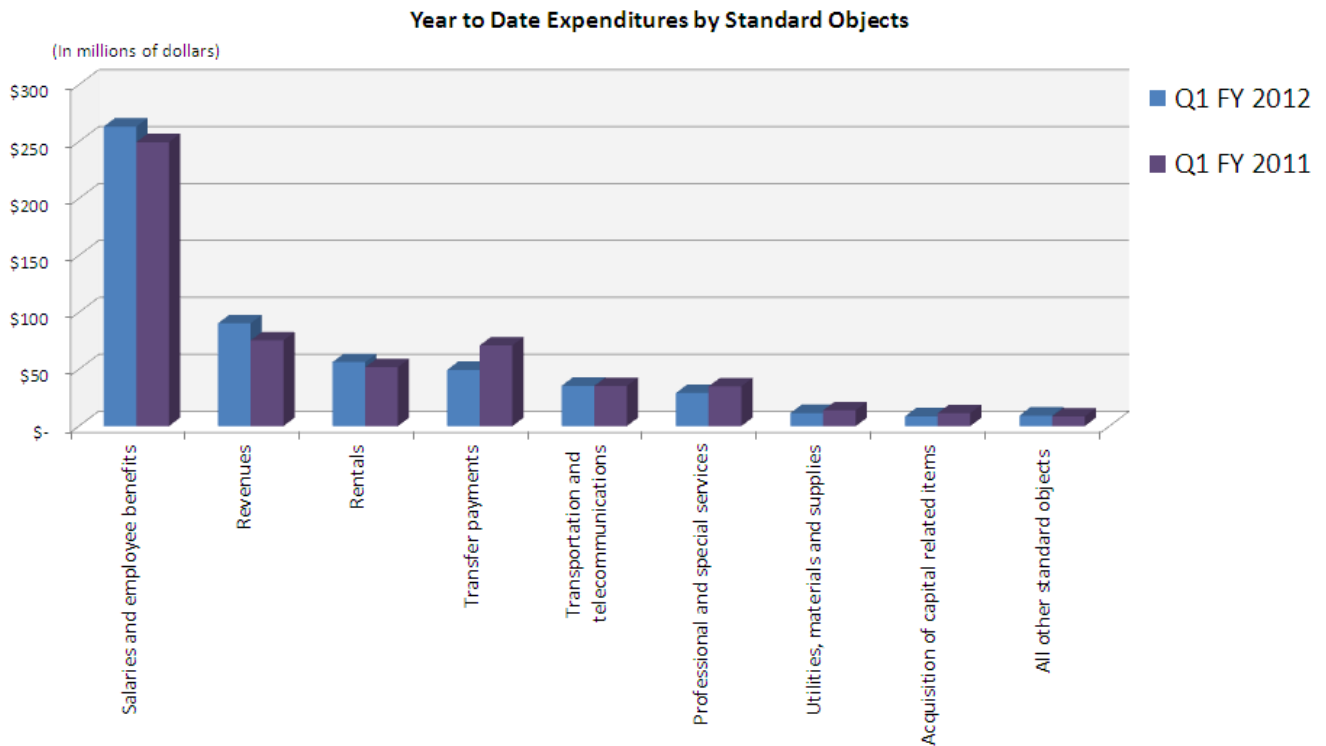
The Department's non budgetary authorities decreased by \$14 million as at June 30, 2011 compared to the same quarter in the previous year. This decrease was attributable to a decrease of \$1 million in the Working Capital Advances for loans and advances to personnel working or engaged abroad and a decrease of \$13 million in Working Capital Advances for advances made to posts abroad.

***B. Significant changes to budgetary expenditures by standard object***

**i. Expenditures**

The majority of the expenditures by standard object remained constant compared to the same quarter of the previous fiscal year, and as a percentage of planned expenditures. For all Standard Objects except Other, the expenditures incurred for the first quarter were at, or below, 25% of the budget. Those below were partially the result of the Governor General Warrants (see Section 4).

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ii. Revenues

Although there was no change in the planned revenue this quarter compared to the previous year's quarter (\$333 million), there was an increase in the actual revenue collected of \$15 million. This increase was mainly due to the change in the business process for co-locators abroad. Monies were collected earlier than in the previous year resulting in a \$13 million increase in co-locator revenue this quarter as compared to the previous year's first quarter.

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 on June 27, 2011.

Following the announcement by the Minister of Finance in the Budget 2010 that the operating budgets of departments, as appropriated by Parliament, would be frozen at their 2010-11 levels for 2011-12 and 2012-13, the Department has taken several concrete actions to manage the financial resources within these levels. The Resource Management Committee is chaired by the Deputy Minister of Trade and is responsible for:

- addressing strategic financial management and resource allocation matters,
- overseeing capacity building on financial management and implementation of the Chief Financial Officer Model, and

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- providing advice and guidance on initial resource allocations each financial year, meeting in-year resource pressures and re-allocations among resources centres.

In addition, the Committee on Headquarters Operation's mandate is to ensure that financial, human resources and accommodation resources at headquarters are aligned and stay within the Department's reference levels.

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

*i. Key Senior Personnel Change*

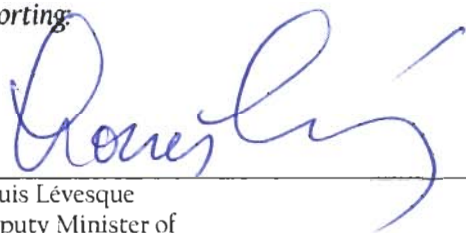
Effective July 4, 2011, Nadir Patel became the Assistant Deputy Minister of Corporate Finance and Operations and Chief Financial Officer of the Department.

*ii. Governor General Warrants*

As a result of the election period, the Department received funding through the Governor General Special Warrants for the period April 1 to June 29, 2011. During this period, only the funding urgently required for the public good was requested which resulted in some projects being postponed to later in the fiscal year. This may have an impact on the final results of the Department at year-end.

5. Approval by Senior Officials

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



Louis Lévesque  
Deputy Minister of  
International Trade



Morris Rosenberg  
Deputy Minister of  
Foreign Affairs



Robert Dufresne  
A/Chief Financial Officer and  
Assistant Deputy Minister

Ottawa, Ontario  
August 19, 2011

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### 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 June 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 June 30, 2010	Year to date used at quarter-end
<i>(In thousands of dollars)</i>						
Vote 1 - Operating Expenditures	1,385,028	283,040	283,040	1,565,829	291,915	291,915
Vote 5 - Capital Expenditures	211,368	11,552	11,552	223,065	14,895	14,895
Vote 10 - Grants and Contributions	879,830	49,278	49,278	956,586	70,776	70,776
Budgetary statutory authorities	140,306	27,712	27,712	87,770	22,424	22,424
<b>Budgetary authorities (excluding Export Development Canada)</b>	<b>2,616,532</b>	<b>371,582</b>	<b>371,582</b>	<b>2,833,250</b>	<b>400,010</b>	<b>400,010</b>
<i>Export Development Canada</i>				500	563	563
<b>Total Budgetary authorities</b>	<b>2,616,532</b>	<b>371,582</b>	<b>371,582</b>	<b>2,833,750</b>	<b>400,573</b>	<b>400,573</b>
Non Budgetary authorities	27,892	12,741	12,741	41,605	24,068	24,068
<i>Export Development Canada</i>				166,500	(800,055)	(800,055)
<b>TOTAL AUTHORITIES</b>	<b>2,644,424</b>	<b>384,323</b>	<b>384,323</b>	<b>3,041,855</b>	<b>(375,414)</b>	<b>(375,414)</b>

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

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**TABLE I: 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 June 30, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011 *	Expended during the quarter ended June 30, 2010	Year to date used at quarter-end
<i>(In thousands of dollars)</i>						
<b>Expenditures</b>						
Salaries and employee benefits	1,022,896	262,983	262,983	1,016,292	249,362	249,362
Transportation and telecommunications	183,997	35,269	35,269	186,785	35,147	35,147
Information	21,880	1,877	1,877	41,877	2,149	2,149
Professional and special services	259,437	29,059	29,059	351,184	34,822	34,822
Rentals	225,829	56,179	56,179	234,110	51,626	51,626
Repair and maintenance	33,167	5,384	5,384	42,744	4,699	4,699
Utilities, materials and supplies	83,381	11,365	11,365	95,086	13,789	13,789
Acquisition of land, buildings and works	95,497	3,638	3,638	135,976	5,903	5,903
Acquisition of machinery and equipment	137,505	4,889	4,889	100,568	5,397	5,397
Transfer payments	880,080	49,291	49,291	956,836	70,791	70,791
Other	5,550	1,974	1,974	4,484	1,543	1,543
<b>Export Development Canada</b>						
Professional and special services				-	18	18
Transfer payments				-	(5,027)	(5,027)
Other				500	5,572	5,572
<b>Total gross budgetary expenditures</b>	<b>2,949,219</b>	<b>461,908</b>	<b>461,908</b>	<b>3,166,442</b>	<b>475,791</b>	<b>475,791</b>
<b>Less revenues netted against expenditures</b>						
Revenues	332,687	90,326	90,326	332,692	75,218	75,218
<b>Total revenues netted against expenditures</b>	<b>332,687</b>	<b>90,326</b>	<b>90,326</b>	<b>332,692</b>	<b>75,218</b>	<b>75,218</b>
<b>TOTAL NET BUDGETARY EXPENDITURES</b>	<b>2,616,532</b>	<b>371,582</b>	<b>371,582</b>	<b>2,833,750</b>	<b>400,573</b>	<b>400,573</b>

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