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Shared Services Canada
Quarterly Financial Report
For the quarter ended December 31, 2012



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1.0 Introduction

This Quarterly Financial 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 Accounting Standard 1.3. This Quarterly Financial Report should be read in conjunction with the Main Estimates and Supplementary Estimates (A & B) of 2012-13, as well as Canada's Economic Action Plan 2012 (Budget 2012). This Quarterly Financial Report has not been subject to an external audit or review.

1.1 Authority, Mandate and Programs

Shared Services Canada (SSC) is a federal department created on August 4, 2011, to fundamentally transform how the Government of Canada manages its information technology (IT) infrastructure. SSC reports to Parliament through the Minister of Public Works and Government Services Canada (PWGSC) and will deliver email, data centre and network services to its 43 partner organizations in a consolidated and standardized manner to support the delivery of Government of Canada programs and services. SSC may also provide these services to other federal government organizations and with the approval of the Governor in Council, to provincial and non-governmental organizations.

The *Shared Services Canada Act* received Royal Assent on June 29, 2012. This legislation establishes SSC as a department. With its passage, the Government of Canada is re-affirming its commitment to our mandate, which is to streamline, consolidate and standardize IT infrastructure services in order to reduce costs and improve email, data centre and networks across government. With a whole-of-government approach to IT, SSC will create economies of scale to deliver more efficient, reliable and secure IT infrastructure services to Government of Canada departments.

SSC's Program Alignment Architecture (PAA), as approved by the Treasury Board of Canada, supports the achievement of the following strategic outcome: Mandated services are delivered in a consolidated and standardized manner to support the delivery of Government of Canada programs and services for Canadians.

The current PAA is an interim structure that will be reviewed and refined in future fiscal years.

Further information on the mandate, roles, responsibilities and programs of SSC can be found in the 2012-13 [Main Estimates](#) and [Report on Plans and Priorities](#).

1.2 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 and Supplementary Estimates for the 2012-13 fiscal years.

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 authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annual limits provided 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 as presented through the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, as do the expenditures presented in this report.

1.3 Shared Services Canada Financial Structure

SSC has a financial structure composed mainly of voted budgetary authorities that include Vote 20 - Operating Expenditures, Vote 25 - Capital and a Vote Netted Revenue authority, while the statutory authorities comprise the Contributions to employee benefit plans.

Over 89 percent of the Department's budget is devoted to support its IT consolidation and standardization goals while ensuring that current and future IT infrastructure services offered to the Government of Canada are maintained in an environment of operational excellence.

2.0 Highlights of Fiscal Quarter and Fiscal Year-to-Date (YTD) Results

The numbers presented in the report are in accordance with the Government-Wide Chart of Accounts for Canada for 2012-13 and the Treasury Board Accounting Standard (TBAS) 1.3. SSC is a new department and received its first financial authorities on April 1, 2012. Its financial processes will be refined as the fiscal year progresses.

2.1 Significant Changes to Authorities

The attached Statement of Authorities reflects \$1.6 billion in SSC's total authorities at December 31, 2012 and do not incorporate the impact of the Budget 2012 approved saving measures. Please note that for the period ending December 31, 2012, the authorities provided to the Department include the Main Estimates, the Supplementary Estimates (A & B), and funding from the TB central votes, such as the reimbursement of eligible payroll expenditures and the Operating and Capital Budget Carry Forward from 2011-12.

The authorities available for use are a combination of Vote 20 - Operating Expenditures, \$1,376.6 million net of Vote Netted Revenues of (\$368.2 million), Vote 25 - Capital, \$87.9 million, as well as Budgetary Statutory Authorities of \$101.5 million.

Vote 20 - Operating Expenditures

The Department's Vote 20 gross authorities of \$1,744.8 million are comprised of \$1,695.6 million in operating authorities with an additional \$3.4 million authorized for reimbursement of eligible payroll expenditures, \$45.8 million authorized for the Operating Budget Carry Forward reduced by \$368.2 million of revenues credited to the vote in the Main Estimates, giving a total authority of \$1,376.6 million.

Vote 25 - Capital

The Department's Vote 25 authorities are comprised of \$83.2 million in capital authorities along with an additional \$4.7 million authorized for the Capital Budget Carry Forward giving a total authority of \$87.9 million.

Budgetary Statutory Authorities

The Department's Budgetary Statutory Authorities are comprised of \$101.5 million of contributions to employee benefit plans as identified on the 2012-13 Main Estimates.

3.0 Risks and Uncertainty

SSC is putting in place rigorous management processes that will help to mitigate risks with its infrastructure consolidation and renewal initiatives and which will provide the ability to adjust quickly. Through its ongoing, proactive engagement with partners and stakeholders, SSC will appropriately size, structure and judiciously manage its transformation initiatives. SSC will closely monitor projects with a focus on management excellence and will proactively monitor and manage all risks.

Given that SSC is in its first year of operation, and its business intake process is still evolving, there are some risks associated with the migration and capture of information in relation to contracts, projects, liabilities, assets and inventory. Dedicated efforts are being invested to support the gathering of this information from partnering departments and agencies.

SSC is engaging extensively with partner departments to mitigate risk of transforming the IT infrastructure. These transformation initiatives will drive significant change across existing operations from both a process and technology perspective. SSC has embedded disciplined change and process management throughout its initiatives, with proven principles and project management techniques to sustain the engagement of numerous partners, and to design services that will integrate with existing departmental systems. Transformation also requires timely procurement in order to permit the delivery of forecasted savings.

Further assessment of key risks, their likelihood and the potential impact on the organization are being developed within a Corporate Risk Profile under an Integrated Risk Management Framework that has been identified as a priority during the first year of operation.

4.0 Significant changes in relation to Operations, Personnel and Programs

As this is the first year of operation of SSC, there are no changes to report in relation to Operations, Personnel and Programs in the last quarter. SSC has established its organizational and governance structure to support the delivery of its mandate.

5.0 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 the back office.

Like other departments and agencies, SSC has an important part to play in supporting the Government in its efforts to return to a balanced budget. SSC was created to find efficiencies and deliver 'value for money' through its *operate* and *transform* mandate. In particular, by taking an enterprise approach, SSC will move the Government of Canada to a single email system, reduce the number of data centres from over 300 to fewer than 20, and will build an integrated and efficient telecommunications network to support the delivery of programs and services to Canadians. The end result will be a modern, reliable and secure IT platform for the Government of Canada, at a lower cost.

As set out in Economic Action Plan 2012, SSC's contribution to the Government's deficit reduction efforts will amount to \$74.7 million in 2012-13, \$104.5 million in 2013-14 and \$150 million on an ongoing basis beginning in 2014-15. In the short-term, SSC will capitalize on the savings that are achievable through increased efficiency, better pricing, and reductions in duplication that become possible when you consolidate operations across 43 partner organizations. Specific initiatives that SSC will undertake to achieve our budget commitments are, first and foremost, our major consolidation initiatives.

SSC's immediate contribution to reduce the deficit takes place within the context of a longer term transformation agenda and will be guided through three key priorities: to maintain operational stability across our 43 partner departments; to generate savings that can be used to contribute to the Government's deficit reduction efforts and to fund our investments; and to plan, design and build a new IT infrastructure platform over an eight-year period. Given the importance of IT infrastructure to the Government and its operations, SSC will move forward in a gradual and prudent way.

At the end of third quarter, SSC is on track to achieving the 2012-13 Economic Action Plan Savings of \$74.7 million.

Approval by Senior Officials:

Liseanne Forand, President
Ottawa, Ontario
Date:

Gina Rallis, Senior Assistant Deputy Minister and Chief Financial Officer
Ottawa, Ontario
Date:

6.0 Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2012-2013		
	Total available for use for the year ending March 31, 2013 * **	Used during the quarter ended <i>December 31, 2012</i>	Year to date used at quarter-end
Vote 20			
Gross Operating expenditures	1,744,797	381,749	807,964
Vote Netted Revenues	(368,200)	(98,218)	(122,270)
Net Operating Expenditures	1,376,597	283,531	685,694
 Vote 25- Capital expenditures	 87,891	 11,320	 15,141
Budgetary statutory authorities	101,520	25,375	76,140
Total Budgetary authorities	1,566,008	320,226	776,975

* Includes authorities available for use and granted by Parliament at quarter-end as well as the authorized TB Central Vote transfers for the reimbursement of eligible payroll expenditures, the Operating Budget and Capital Budget Carry Forward.

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

Notes:

- Totals may not add and may not agree with details provided elsewhere due to rounding.
- Pursuant to section 31.1 of the *Financial Administration Act*, Order-in-Council P.C. 2011-877 effective August 4, 2011 and Order-in-Council P.C. 2011-1297 effective November 15, 2011, \$585,987 thousand (Operating - Vote 20) and \$59,338 thousand (Capital - Vote 25) is deemed to have been appropriated to SSC for the year ended March 31, 2012. With the transfer of the Telecommunications Informatics Revolving Fund, SSC also became responsible for the related activities as well as the IT infrastructure activities which were managed through a Vote Netted Revenues arrangement.
- SSC is a new department and received its first financial authorities on April 1, 2012. The Department is still working through transitional issues with its 43 partner departments, including the standardization of financial processes and the transfer of salary expenditures. Adjustments will be made throughout this fiscal year as these issues are resolved.

7.0 Departmental Budgetary Expenditures by Standard Object (unaudited)

<i>(In thousands of dollars)</i>	Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2013* **	Expended during the quarter ended December 31, 2012	Year to date used at quarter-end
Expenditures:			
Personnel	684,730	164,491	377,008
Transportation and communications	522,444	132,099	239,046
Information	487	161	304
Professional and special services	506,118	38,552	97,649
Rentals	30,396	28,974	96,423
Repair and maintenance	109,507	14,534	26,889
Utilities, materials and supplies	3,553	2,657	2,993
Acquisition of land, buildings and works	0	0	4
Acquisition of machinery and equipment	69,281	38,794	56,433
Transfer payments	0	0	0
Public debt charges	0	0	0
Other subsidies and payments	7,692	(1,818)	2,496
Total gross budgetary expenditures	1,934,208	418,444	899,245
Less Revenues netted against expenditures:			
Vote Netted Revenues	368,200	98,218	122,270
Total Revenues netted against expenditures:	368,200	98,218	122,270
Total net budgetary expenditures	1,566,008	320,226	776,975

* Includes authorities available for use and granted by Parliament at quarter-end as well as the authorized TB Central Vote transfers for the reimbursement of eligible payroll expenditures, the Operating Budget and Capital Budget Carry Forward.

** Planned expenditures do not reflect measures announced in Budget 2012.

Notes:

- Totals may not add and may not agree with details provided elsewhere due to rounding.
- Pursuant to section 31.1 of the *Financial Administration Act*, Order-in-Council P.C. 2011-877 effective August 4, 2011 and Order-in-Council P.C. 2011-1297 effective November 15, 2011, \$645,325 thousand is deemed to have been appropriated to SSC for the year ended March 31, 2012. With the transfer of the Telecommunications Informatics Revolving Fund, SSC also became responsible for the related activities as well as the IT infrastructure activities which were managed through a Vote Netted Revenues arrangement.
- SSC is a new department and received its first financial authorities on April 1, 2012. SSC therefore has no historical information. The planned expenditures are based on estimates. These will continue to be refined as the year progresses.