



Service | Innovation | Value

**Shared Services Canada**  
**Quarterly Financial Report**  
For the quarter ended September 30, 2014



Shared Services  
Canada

Services partagés  
Canada

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## 1.0 Introduction

This Quarterly Financial Report should be read in conjunction with the [2014-15 Main Estimates](#), as well as Budget 2012 and 2013. Shared Services Canada (SSC) had no items in the 2014-15 Supplementary Estimates (A) process. This 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. It has not been subject to an external audit or review.

### 1.1 Authority, Mandate and Programs

The Government of Canada created Shared Services Canada (SSC) in 2011 to modernize how the government manages its information technology (IT) infrastructure. SSC has brought together people, IT resources and assets to improve the efficiency, reliability and security of the government's IT infrastructure, increase productivity across departments and agencies, and support the vision of a 21<sup>st</sup> century public service, as articulated in [Blueprint 2020](#).

SSC reports to Parliament through the Minister of Public Works and Government Services and Minister responsible for SSC. The Department is mandated to deliver email, data centre and telecommunication services, including videoconferencing and Wi-Fi, to partner organizations. In addition, SSC provides services related to workplace technology devices (WTD), and cyber and IT security services. It also offers optional services on a cost-recovery basis to other federal organizations.

As part of its mandate, SSC is maintaining and improving IT infrastructure service delivery while renewing the government's aging IT infrastructure. In doing so, the Department is:

- working in partnership with key public and private sector stakeholders;
- adopting enterprise wide approaches for managing IT infrastructure services; and
- implementing efficient and effective business management processes in support of its mandate.

The main legislative authorities for the department may be found in the [Shared Services Canada Act](#).

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In 2013-14, SSC developed a revised Program Alignment Architecture (PAA) and a corresponding Performance Measurement Framework (PMF) to ensure that it delivers on its mandate. SSC's PAA, as approved by the Treasury Board of Canada, supports the achievement of the following strategic outcome: Modern, reliable, secure and cost-effective IT infrastructure services to support government priorities and program delivery. The current PAA, while supporting the achievement of SSC's commitments to Parliament and Canadians, is an evergreen document that will evolve as the Department's programs mature.

As part of SSC's participation in the 2014-15 Management, Resources and Results Structure (MRSS) amendment cycle and in preparation for its 2015-16 performance reporting obligations, the Department is currently reviewing the identification and alignment of programs, in addition to the collection, management, and reporting of departmental financial and non-financial information on program performance.

Further details on SSC's authority, mandate, responsibilities and programs may be found in the [2014-15 Main Estimates](#) and [2014-15 Report on Plans and Priorities](#).

## **1.2 Basis of Presentation**

This quarterly financial report has been prepared by management using an expenditure basis of accounting (modified cash accounting). The accompanying Statement of Authorities presents the Department's spending authorities granted by Parliament and those used by the Department consistent with the 2014-15 Main Estimates.

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.

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

## **1.3 Shared Services Canada Financial Structure**

SSC has a financial structure composed mainly of voted budgetary authorities that include Vote 1 - Operating Expenditures, Vote Netted Revenues and Vote 5 - Capital Expenditures, while the statutory authorities comprise the Contributions to employee benefit plans (EBP).

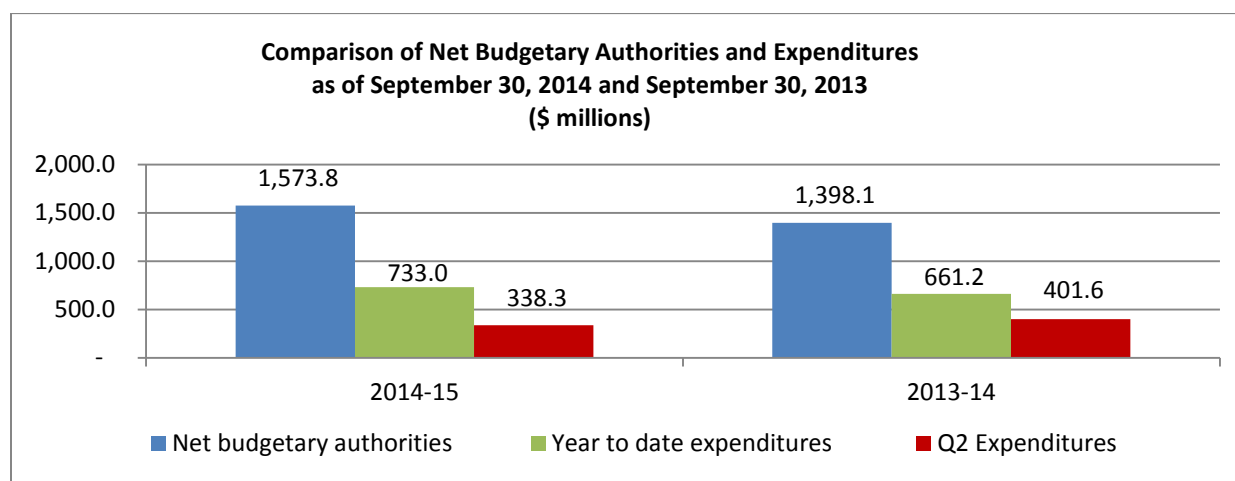
Over 91% of the Department's budget is devoted to support its IT consolidation and standardization goals while ensuring that current and future IT infrastructure services offered to the Government of Canada are maintained in an environment of operational excellence.

Total vote netted revenue authority for 2014-15 is \$413.7 million, which consists of spendable revenue for IT infrastructure services provided by SSC to partner organizations and other Government of Canada departments and agencies on a cost-recovery basis.

## 2.0 Highlights of Fiscal Quarter and Fiscal Year-to-Date Results

The numbers presented in the report are in accordance with the Government-Wide Chart of Accounts for Canada for 2014-15 and Treasury Board Accounting Standard (TBAS) 1.3.

The following graph provides a comparison of the net budgetary authorities available for spending, and year to date expenditures, for the quarters ending September 30, 2014, and September 30, 2013, for the Department's combined Vote 1 - Operating Expenditures, Vote 5 - Capital Expenditures and Statutory Authorities.



### 2.1 Significant Changes to Authorities

For the period ending September 30, 2014, the authorities provided to the Department include the Main Estimates and the Budget Carry Forward from 2013-14. They also incorporate the savings measures identified in Budget 2012 and Budget 2013; however they do not reflect the initiatives and savings measures of Budget 2014.

Authorities available for spending in 2014-15 were \$1,573.8 million at the end of the second quarter as compared with \$1,398.1 million at the end of the second quarter of 2013-14, representing an increase of \$175.7 million, or 12.6%. This net increase is a combination of an increase of \$210.8 million in Vote 1 - Operating Expenditures, an increase of \$59.6 million in Vote 5 - Capital Expenditures, a decrease in Budgetary Statutory Authorities of \$1.7 million and an increase of \$93.0 million in Vote Netted Revenues which reduced the total net authorities available.

#### Comparison of Net Budgetary Authorities for the Quarters Ended September 30 of 2014-15 and 2013-14

Net Authorities Available (\$ millions)	2014-15	2013-14	Variance
Vote 1 - Operating Expenditures	1,651.0	1,440.2	210.8
Vote 5 - Capital Expenditures	238.3	178.7	59.6
Vote Netted Revenues	(413.7)	(320.7)	(93.0)
Statutory (EBP)	98.2	99.9	(1.7)
<b>Total Net Authorities</b>	<b>1,573.8</b>	<b>1,398.1</b>	<b>175.7</b>

#### Vote 1 - Operating Expenditures (includes Vote Netted Revenues)

The Department's Vote 1 increased by \$210.8 million, mainly due to:

- A net increase of \$98.3 million related to the procurement of software for Workplace Technology Devices and other projects;

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- A net increase of \$93.0 million in Vote Netted Revenues to reflect the increase of revenue related to core and optional services offered to partner organizations and other federal organizations, as well as revenue related to projects;
- An increase of \$61.2 million related to the 2013-14 Operating Budget Carry Forward;
- An increase of \$6.9 million related to funds received from Treasury Board Central Votes for collective agreements;
- A net decrease of \$3.9 million for the net adjustments with partner organizations as a result of the creation of SSC and the various sunsetting projects (Cyber Authentication and Cyber Security Strategy); and
- A decrease of \$44.7 million as a result of the savings measures of Budget 2012.

**Vote 5 - Capital Expenditures**

The Department's Vote 5 increased by \$59.6 million, mainly due to:

- An increase of \$38.7 million related to funding for various projects involving other departments [Carling Campus (consolidation of National Defence's design and fit-up of IT infrastructure at their new location), Pay Modernization, TBS Workspace Renewal, Biometrics and Electronic Travel Authorization];
- An increase of \$21.7 million related to the 2013-14 Capital Budget Carry Forward; and
- A net decrease of \$0.8 million related to the sunsetting funding for the Data Center Sustainability Project and Immigration Information Sharing.

**Budgetary Statutory Authorities**

The decrease of \$1.7 million in 2014-15 is related to contributions to the Employee Benefit Plans (EBP) associated with the change in the Department's budgetary requirements for salary, as well as a decrease of \$0.8 million for additional savings measures of Budget 2012.

**2.2 Explanations of Significant Variances from Previous Year Expenditures**

Compared to the previous year, the total year-to-date expenditures, ending September 30, 2014, have increased by \$71.8 million, from \$661.2 million to \$733.0 million as per the Table below. This represents an increase of 10.9% against expenditures recorded for the same period in 2013-14.

**Comparison of Year-to-Date Expenditures for the Quarters Ended September 30 of 2014-15 and 2013-14**

<b>Net Year-to-Date Expenditures (\$ millions)</b>	<b>2014-15</b>	<b>2013-14</b>	<b>Variance</b>
Vote 1 - Operating Expenditures	714.3	619.0	95.3
Vote 5 - Capital Expenditures	27.9	27.4	0.5
Vote Netted Revenues	(49.5)	(35.2)	(14.3)
Statutory (EBP)	40.3	50.0	(9.7)
<b>Total Net Year-to-Date Expenditures</b>	<b>733.0</b>	<b>661.2</b>	<b>71.8</b>

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**Vote 1- Increase of \$95.3 million**

The operating expenditures net increase is attributed to:

- Transportation and telecommunications expenditures increased by \$52.7 million, from \$116.2 million in 2013-14 to \$168.9 million for the same period in 2014-15. This increase is mostly due to higher expenditures in telecommunications services as well as invoices being processed earlier than in 2013-14;
- Rentals and acquisitions of machinery and equipment increased by \$44.2 million. This increase is primarily attributable to the new contracts for the acquisition of software for workplace technology devices;
- Other subsidies and payments expenditures have increased by \$13.8 million compared to the 2013-14 second quarter. This variance can be explained by the implementation of the payment of salaries in arrears system which generated a one-time transition payment for all employees paid on a bi-weekly basis; and
- Personnel expenditures decreased by \$34.9 million (excluding EBP), mainly due to a reduction of one-time severance pay settlement payouts. In the second quarter of 2013-14, this expense represented \$35.2 million compared to \$0.7 million for the same period in 2014-15.

**Vote Netted Revenue - Variance of \$14.3 million**

- The collected Vote Netted Revenues have increased by \$14.3 million compared to the second quarter of 2013-14 since the agreements with partners and clients are being finalized earlier compared to last fiscal year.

### **3.0 Risks and Uncertainty**

As SSC moves forward with the operationalization of its transformation agenda, the management of internal and external risks continues to be vital in supporting strategic and business planning, as well as the successful delivery of SSC services to partner organizations.

SSC's Risk Management process is a structured methodology for managing risks across the strategic, operational, and project levels of the Department. One of the key components of the management rigour is the development and application of industry proven project management methodologies, processes, and tools to deliver the partner and transformation projects that are at the core of SSC's mandate. In 2013-14 SSC attained a Government of Canada Organizational Project Management Capacity Assessment (OPMCA) Level 3. In future years, SSC intends to maintain this level while striving to increase it to level 4 by continuous improvement initiatives.

Financial Management, as it relates to the achievement of SSC's self-funding requirement, is one of three key organizational risks identified in the [2014-15 Report on Plans and Priorities](#). With the active engagement of senior management in risk identification, assessment, monitoring and reporting functions, targeted mitigation strategies are being implemented across the Department to ensure effective financial processes, controls and accountabilities are in place.

Additional risks, risk drivers, and mitigation strategies that may impact the department's Investment Plan will be reflected in the 2015-16 Report on Plans and Priorities.

### **4.0 Significant Changes in Relation to Operations, Personnel and Programs**

There have been no significant changes in relation to operations, personnel and programs over the last quarter.

## **5.0 Budget 2012 Implementation**

This section provides an overview of the savings measures announced in Budget 2012 that are being 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 all departments and agencies, SSC supported the government in its efforts to introduce measures to return to a balanced budget by 2014-15. The Department's mandate was specifically designed to find efficiencies and deliver value for money. SSC will achieve Budget 2012 savings of \$150.0 million (including EBP) by fiscal year 2014-15 through increased efficiencies, better pricing and reductions in duplication, as IT infrastructure operations across partner organizations are consolidated and standardized.

In the first year of implementation, SSC achieved savings of \$74.7 million by consolidating telecommunications service contracts, leveraging buying power and introducing a very lean internal services model. Savings have increased to \$104.5 million in 2013-14 and will result in ongoing savings of \$150.0 million by 2014-15. There is a variance of \$45.5 million in SSC's authorities between fiscal year 2013-14 and 2014-15 related to Budget 2012 initiatives.

To achieve departmental savings, in 2014-15 SSC will deploy business solutions to enable efficient delivery of client-centred internal services. In addition, SSC will standardize and develop internal departmental policies, processes and reports in support of sound management. The Department will build on its internal financial control framework and improve the efficiency of IT goods and services procurement by deploying an electronic procure-to-pay system. Also, SSC will implement the new enterprise email solution and become the first federal department to adopt the new email system.

### **Approval by Senior Officials:**

*Original signed by Liseanne Forand*

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Liseanne Forand, President

Ottawa, Ontario  
November 25, 2014

*Original signed by Elizabeth Tromp*

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Elizabeth Tromp, Acting Senior Assistant  
Deputy Minister and Chief Financial Officer

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## 6.0 Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2014-15			Fiscal year 2013-14		
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended September 30, 2014	Year to date used at quarter-end	Total available for use for the year ending March 31, 2014 *	Used during the quarter ended September 30, 2013	Year to date used at quarter-end
<b>Vote 1 - Operating expenditures</b>						
Gross Operating expenditures	1,651,083	366,949	714,297	1,440,204	380,282	619,037
Vote Netted Revenues	(413,731)	(65,257)	(49,454)	(320,745)	(24,321)	(35,206)
<b>Net Operating expenditures</b>	<b>1,237,352</b>	<b>301,692</b>	<b>664,843</b>	<b>1,119,459</b>	<b>355,961</b>	<b>583,831</b>
<b>Vote 5 - Capital expenditures</b>	<b>238,271</b>	<b>16,480</b>	<b>27,862</b>	<b>178,694</b>	<b>20,665</b>	<b>27,387</b>
(S) Contributions to employee benefit plans	98,211	20,158	40,316	99,953	24,989	49,977
<b>Total Budgetary authorities</b>	<b>1,573,834</b>	<b>338,330</b>	<b>733,021</b>	<b>1,398,106</b>	<b>401,615</b>	<b>661,195</b>

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

**Notes:**

- The net increase of authority in Vote 1 - Operating Expenditures is mainly due to the funding received for the Workplace Technology Devices and the decrease related to the savings measures of Budget 2012 and 2013 both included in the 2014-15 Main Estimates, as well as to the 2013-14 Operating Budget Carry Forward.
- The increase of authority in Vote 5 - Capital Expenditures is mainly due to the additional funding for various projects and to the 2013-14 Capital Budget Carry Forward.
- The net increase in expenditures at quarter-end of 2014-15 compared to 2013-14 is mostly attributable to a new contract related to Workplace Technology Devices and invoices being processed earlier than in 2013-14.
- The increase in Vote Netted Revenues received is related to the agreements with partners and clients which are being finalized earlier compared to last fiscal year. The year-to-date Vote Netted Revenues also include a negative adjustment in the first quarter to reverse 2013-14 revenues that were not realized.



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## 7.0 Departmental Budgetary Expenditures by Standard Object (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2014-15			Fiscal year 2013-14		
	Planned expenditures for the year ending March 31, 2015*	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014*	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end
<b>Expenditures:</b>						
Personnel (includes EBP)	674,785	139,095	279,061	673,377	151,903	323,641
Transportation and telecommunications	476,750	112,587	168,897	404,712	94,092	116,159
Information	1,658	46	89	925	466	514
Professional and special services	191,537	51,935	78,305	231,813	45,685	67,533
Rentals	256,852	117,178	143,512	72,380	71,608	107,860
Repair and maintenance	72,528	20,215	32,593	157,543	17,790	22,696
Utilities, materials and supplies	12,261	1,224	1,988	3,328	1,478	2,299
Acquisition of land, buildings and works	0	0	0	139	0	0
Acquisition of machinery and equipment	294,158	(41,455)	57,202	167,857	38,114	48,686
Transfer payments	0	0	0	0	0	0
Public debt charges	0	0	0	0	0	0
Other subsidies and payments	7,036	2,762	20,828	6,777	4,800	7,013
<b>Total gross budgetary expenditures</b>	<b>1,987,565</b>	<b>403,587</b>	<b>782,475</b>	<b>1,718,851</b>	<b>425,936</b>	<b>696,401</b>
<b>Less Revenues netted against expenditures:</b>						
Vote Netted Revenues	413,731	65,257	49,454	320,745	24,321	35,206
<b>Total Revenues netted against expenditures</b>	<b>413,731</b>	<b>65,257</b>	<b>49,454</b>	<b>320,745</b>	<b>24,321</b>	<b>35,206</b>
<b>Total net budgetary expenditures</b>	<b>1,573,834</b>	<b>338,330</b>	<b>733,021</b>	<b>1,398,106</b>	<b>401,615</b>	<b>661,195</b>

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

**Notes:**

- The decrease in personnel expenditures is mainly due to a reduction of one-time severance pay settlement payouts and a decrease in contributions to the Employee Benefit Plans (EBP).
- The increase in transportation and telecommunications is mostly attributed to increased expenditures in telecommunications services as well as invoices being processed earlier than in 2013-14.
- The net increase in rentals and acquisition of machinery and equipment in 2014-15 is mostly attributed to new contracts established by SSC. Also, a reallocation between these two types of expenditures explains the variance occurred during this quarter.
- The Vote Netted Revenues increase is due to earlier finalization of the agreements with partners and clients in 2014-15. The year-to-date Vote Netted Revenues also include a negative adjustment in the first quarter to reverse 2013-14 revenues that were not realized.
- The increase in other subsidies and payments compared to the 2013-14 second quarter and planned expenditures for 2014-15 is explained by the implementation of the payment of salaries in arrears system which generated a one-time transition payment for all employees paid on a bi-weekly basis.

## **8.0 Glossary**

### ***Appropriations acts***

Expenditures made by government require the authority of Parliament. That authority is provided in two ways: annual Appropriation Acts or Supply Bills specify the amounts and broad purposes for which funds can be spent; and other specific statutes authorize payments and set out the amounts and time periods for those payments. The amounts approved in appropriation acts are referred to as voted amounts, and the expenditure authorities provided through other statutes are called statutory authorities.

#### ***Vote 1 - Operating Expenditures***

A vote that covers most day-to-day expenses, such as salaries, utilities and minor capital expenditures.

#### ***Vote 5 - Capital Expenditures***

A vote used when capital expenditures equal or exceed \$5 million. Capital vote would include items expected to exceed \$10,000.

### ***Authorities***

Expenditure authorities are approvals from Parliament for individual government organizations to spend up to specific amounts. Expenditure authority is provided in two ways:

- Annual Appropriation Acts that specify the amounts and broad purposes for which funds can be spent; and
- Other specific statutes that authorize payments and set out the amounts and time periods for those payments.

### ***Collective agreement***

Collective agreement means an agreement in writing entered into under the *Public Service Staff Relations Act* between the employer and a bargaining agent and containing provisions covering terms and conditions of employment and related matters.

### ***Employee Benefit Plan (EBP)***

A statutory item that includes employer contributions for the Public Service Superannuation Plan, the Canada and the Quebec Pension Plans, Death Benefits, and the Employment Insurance accounts. Expressed as a percentage of salary, the EBP rate is changed every year as directed by the Treasury Board Secretariat.

### ***Expenditure basis (modified cash accounting)***

Costs are reported when liabilities are incurred or cash is paid out. Revenues are reported when cash is received.

### ***Frozen allotments***

Frozen allotments are used to prohibit the spending of funds previously appropriated by Parliament. There are two types of frozen allotments:

- Permanent: where the Treasury Board has directed that funds lapse at the end of the year
- Temporary: where an appropriation is frozen until such time as a condition has been met

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***Full accrual method of accounting***

Costs are reported based on their consumption. Revenues are reported when earned.

***Government-wide Chart of Accounts***

The Government-wide Chart of Accounts (COA) provides the framework for identifying, collecting and reporting financial transactions to satisfy the government's corporate information requirements. The COA contains accounts and codes for all the fields that comprise the government-wide coding block.

***Main Estimates***

Each year, the government prepares estimates in support of its request to Parliament for authority to spend public funds. This request is formalized through the introduction of appropriation bills in Parliament. In support of the Appropriation Act, the Main Estimates identify the spending authorities (Votes) and amounts to be included in subsequent appropriation bills. Parliament is asked to approve these Votes to enable the government to proceed with its spending plans.

***Management, Resources and Results Structures (MRRS)***

A common approach and structure to the collection, management and reporting of financial and non-financial performance information.

An MRRS provides detailed information on all departmental programs (e.g.: program costs, program expected results and their associated targets, how they align to the government's priorities and intended outcomes, etc.) and establishes the same structure for both internal decision making and external accountability.

***Operating Budget Carry Forward***

Treasury Board centrally managed vote that permits departments to bring forward eligible lapsing funds from one fiscal year to the next in an amount up to five percent of the operating budgets contained in their Main Estimates. (See also Voted and statutory appropriations.)

***Payment in arrears***

The adoption of the payment in arrears means that employees are paid on Wednesday for the ten days worked (from a Thursday to a Wednesday) that concluded two weeks prior to the pay day.

***Performance Measurement Framework (PMF)***

A requirement of the Policy on Management, Resources and Results Structure, a PMF sets out an objective basis for collecting information related to a department's programs. A PMF includes the department's strategic outcome(s), expected results of programs, performance indicators and associated targets, data sources and data collection frequency and actual data collected for each indicator.

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***Program Alignment Architecture (PAA)***

A structured inventory of a department's programs, where programs are arranged in a hierarchical manner to depict the logical relationship between each program and the Strategic Outcome(s) to which they contribute.

***Reports on Plans and Priorities (RPP)***

[Reports on Plans and Priorities](#) are expenditure plans for each department and agency (excluding Crown corporations). They describe departmental priorities, expected results and associated resource requirements covering a three-year period, beginning with the year indicated in the title of the report.

***Standard objects***

A system in accounting that classifies and summarizes records by categories, such as type of good or service acquired, for monitoring and reporting.

***Strategic Outcome***

A long-term and enduring benefit to Canadians that is linked to the department's mandate, vision, and core functions.

***Sunsetting***

The end of temporary funding.

***Supplementary Estimates***

The President of the Treasury Board tables three Supplementary Estimates usually in late spring, late fall and early spring to obtain the authority of Parliament to adjust the government's expenditure plan set out in the estimates for that fiscal year. Supplementary Estimates serve two purposes. First, they seek authority for revised spending levels that Parliament will be asked to approve in an Appropriation Act. Second, they provide Parliament with information on changes in the estimated expenditures to be made under the authority of statutes previously passed by Parliament. Each Supplementary Estimates document is identified alphabetically A, B, C.

***Vote Netted Revenues Authority***

The authority by which Shared Services Canada has permission to collect and spend revenue earned and collected from the provision of IT services within the government.