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**Shared Services Canada**  
**Quarterly Financial Report**  
For the quarter ended September 30, 2013



Shared Services  
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# Shared Services Canada Quarterly Financial Report For the quarter ended September 30, 2013

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## 1.0 Introduction

This Quarterly Financial Report should be read in conjunction with the Main Estimates, as well as *Canada's Economic Action Plan 2012* (Budget 2012). It 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

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 and is responsible for delivering mandated email, data centre and network services to its 43 partner departments in a consolidated and standardized manner to support the delivery of Government of Canada programs and services. SSC also provides certain optional technology related services to government organizations on a cost-recovery basis. With a whole-of-government approach to IT, SSC is creating economies of scale to deliver more efficient, reliable and secure IT infrastructure services to Government of Canada departments. SSC's mandate was reinforced on June 29, 2012, with the passage of the *Shared Services Canada Act* by Parliament.

On April 1, 2013, through an Order in Council, SSC was given the mandate to provide services related to the acquisition and provision of hardware and software for Workplace Technology Devices, formerly known as End User Devices. This government-wide, standardized, centralized approach to supplying and supporting Workplace Technology Devices will reduce costs and strengthen the security of government systems. Throughout the fiscal year, progress on the transition of these new services will be updated and reported in the Quarterly Financial Report.

In addition to Workplace Technology Devices, SSC was also directed to invest \$20 million of its existing funding to enhance the Government's telepresence capacity to assist with travel costs reductions. This initiative was announced in the *Budget 2013 - Economic Action Plan*.

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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 expanded upon in 2014-15 in keeping with SSC's evolution and deepening organizational maturity.

Further details on SSC's authority, mandate, responsibilities and programs may be found in the [2013-14 Main Estimates](#) and [2013-14 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 presents the Department's spending authorities granted by Parliament and those used by the Department consistent with the Main Estimates for the 2013-14 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.

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 were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In 2013-14, the changes to departmental authorities were reflected in the *2013-14 Main Estimates* tabled in Parliament.

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.

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

SSC has a financial structure composed mainly of voted budgetary authorities that include Vote 15 - Operating Expenditures and Vote Netted Revenues and Vote 20 - Capital Expenditures, while the statutory authorities comprise the Contributions to employee benefit plans.

Over 89% 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.

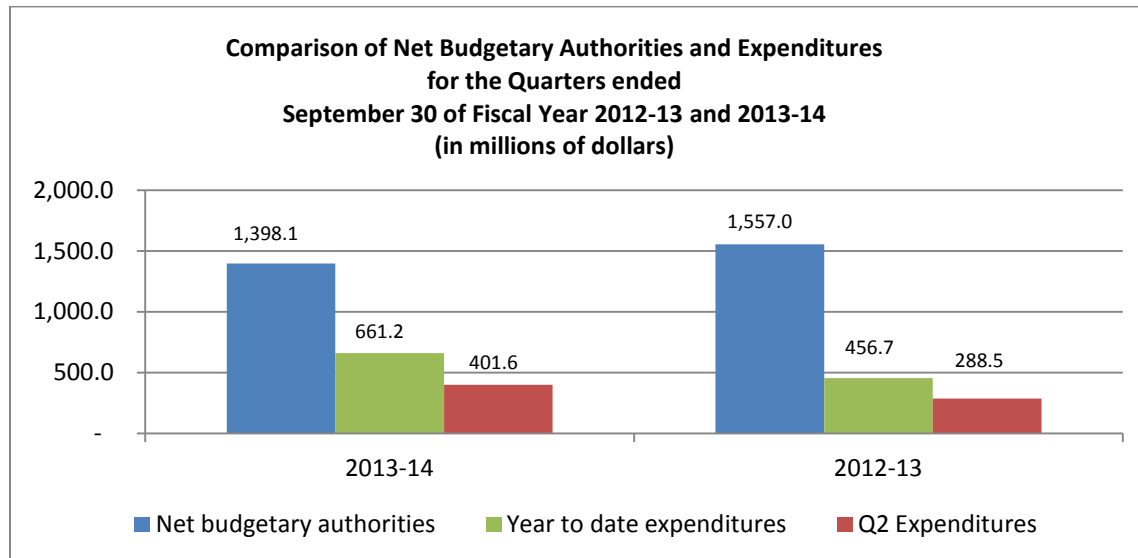
Total revenue authority for 2013-14 is \$320.7 million, which consists of spendable revenue for IT infrastructure services provided by SSC to its partnering organizations and other Government of Canada departments and agencies on a cost-recoverable basis.

## **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 2013-14 and the 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 quarter ended September 30, 2013 and September 30, 2012 for the Department's combined Vote 15 - Operating Expenditures, Vote 20 - Capital Expenditures and Statutory Authorities.

**Comparison of Net Budgetary Authorities and Expenditures for the Quarters ended September 30 of Fiscal Year 2012-13 and 2013-14**



**2.1 Significant Changes to Authorities**

For the period ending September 30, 2013, the authorities provided to the Department in the *2013-14 Main Estimates* include the saving measures identified in Budget 2012. They do not incorporate the initiatives and saving measures of Budget 2013. Authorities available for spending in fiscal year 2013-14 are \$1,398.1 million at the end of the second quarter as compared with \$1,557.0 million at the end of the second quarter of 2012-13, representing a decrease of \$158.9 million, or 10.2%. This net decrease is a combination of a decrease of \$300.6 million in Vote 15 - Operating Expenditures (includes a decrease in Vote Netted Revenues of \$47.5 million), an increase of \$95.8 million in Vote 20 - Capital Expenditures and a decrease in Budgetary Statutory Authorities of \$1.6 million.

**Comparison of Net Budgetary Authorities for the Quarters Ended September 30 of Fiscal Years 2012-13 and 2013-14**

Net authorities available (in millions of dollars)	2012-13	2013-14	Variance
Vote 15 - Operating Expenditures	1,740.8	1,440.2	(300.6)
Vote 20 - Capital Expenditures	82.9	178.7	95.8
Vote Netted Revenues	(368.2)	(320.7)	47.5
Statutory	101.5	99.9	(1.6)
<b>Total authorities</b>	<b>1,557.0</b>	<b>1,398.1</b>	<b>(158.9)</b>

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### **Vote 15 - Operating Expenditures (includes Vote Netted Revenues)**

The Department's Vote 15 decreased by \$300.6 million, which is mainly due to:

- A decrease of \$101.1 million as a result of the saving measures of Budget 2012.
- A decrease of \$100 million related to a transfer from Vote 15 - Operating Expenditures to Vote 20 - Capital Expenditures, in order to reflect the capital requirements estimated for the 2013-14 fiscal year.
- A decrease of \$47.5 million in the Vote Netted Revenues to reflect a transfer of appropriations from partnering organizations in lieu of revenues and to reflect a reduction resulting from products and services no longer being offered by SSC.
- A decrease of \$45.8 million related to the 2011-12 Operating Budget Carry Forward (the 2012-13 Operating Budget Carry Forward has not been approved yet).
- A decrease of \$6.2 million for various sunseting projects (Cyber Authentication and Cyber Security Strategy) and net adjustments with the partnering organizations as a result of the creation of SSC.

### **Vote 20 – Capital Expenditures**

The Department's Vote 20 increased by \$95.8 million, which is mainly due to:

- An increase of \$100.0 million related to a transfer from Vote 15 - Operating Expenditures to Vote 20 - Capital Expenditures, in order to reflect the capital requirements estimated for the 2013-14 fiscal year.
- An increase of \$4.0 million for net adjustments with the partnering organizations as a result of the creation of SSC.
- A decrease of \$4.7 million related to the 2011-12 Capital Budget Carry Forward (the 2012-13 Capital Budget Carry Forward has not been approved yet).
- A decrease of \$3.5 million relating to the sunseting funding for Data Center Sustainability Project for which funding is ending in 2013-14.

### **Budgetary Statutory Authorities**

The decrease of \$1.6 million in 2013-14 is related to the contributions to the Employee Benefit Plans (EBP) associated with the change in the Department's budgetary requirements for salary. This does not represent an appreciable change compared to 2012-13.

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

Compared to the previous year, the total year to date expenditures, ending September 30, 2013, have increased by \$204.5 million, from \$456.7 million to \$661.2 million as per the Table below. This represents an increase of 44.8% against expenditures recorded for the same period in 2012-13. This increase is largely attributed to the establishment of enterprise procurement and financial processes and procedures that better support the timely execution of transactions and operating requirements.

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## Comparison of Year to Date Expenditures for the Quarters ended September 30 of Fiscal Years 2012-13 and 2013-14

Net year to date expenditures (in millions of dollars)	2012-13	2013-14	Variance
Vote 15 - Operating Expenditures	426.2	619.0	192.8
Vote 20 - Capital Expenditures	3.8	27.4	23.6
Vote Netted Revenues	(24.1)	(35.2)	(11.1)
Statutory	50.8	50.0	(0.8)
<b>Total year to date expenditures</b>	<b>456.7</b>	<b>661.2</b>	<b>204.5</b>

The increase in spending is a combination of an increase of \$192.8 million in Vote 15 - Operating Expenditures, an increase of \$23.6 million in Vote 20 - Capital Expenditures as well as a minor decrease in EBP expenditures of \$0.8 million.

For the most part, this difference is explained by an increase in personnel expenditures, by \$111.1 million to \$323.6 million as of September 30, 2013 from \$212.5 million for the second quarter of 2012-13. This increase of 52.3% is primarily attributable to the transfer of departmental employees' pay files. As of the beginning of 2013-14, the Department is paying its employees directly (from its Operating authorities) resulting in a more timely spending pattern. In 2012-13, SSC was dependent on invoicing from other Departments which delayed spending on personnel costs. In 2013-14, there has also been additional payroll expenditure costs (corporate costs) related to signed collective bargaining agreements.

The remaining operating and capital expenditure increase is attributed to:

- Expenditures for informatics rentals also increased by \$40.5 million to \$107.9 million as of September 30, 2013 compared to \$67.4 million for the second quarter of 2012-13. This increase of 60% is mainly attributed to new contracts in support of the Workplace Technology Devices initiative and SSC's Transformation agenda.
- Acquisition of machinery and equipment expenditures also increased by \$31.0 million to \$48.7 million as of September 30, 2013 compared to \$17.6 million for the second quarter of 2012-13. This increase mostly reflects the consolidation of contracts and costs being processed at an earlier rate than in 2012-13.
- Repair and maintenance expenditures increased by \$10.3 million to \$22.7 million as of September 30, 2013 compared to \$12.4 million for the second quarter of 2012-13. This increase is mainly attributed to contract costs for repair and maintenance related to hardware being processed at an earlier rate than in 2012-13.

The collected Vote Netted Revenues of \$11.1 million represent an increase of 46.4% compared to the second quarter of 2012-13 since the billing has been processed on a regular schedule in 2013-14. The revenues are however dependent on the agreements with partners and clients being finalized.

### 3.0 Risks and Uncertainty

In SSC's first full year of operation, the focus was to put in place the management processes, procedures and controls required for a start-up federal department. As SSC enters its second year, the Department will continue to build into its work the necessary internal management rigour in order to mitigate risk and achieve success.

Risk management is a priority for SSC and the main risks are identified in the [2013-14 Report on Plans and Priorities](#). In this regard, the Department implemented strategies to foster strong relationships with partners, to manage its resources effectively and to ensure sound financial management. The Department will continue to promote its risk management practices by integrating these into the departmental planning and performance measures as well as in their decision-making.

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During a Management Accountability Framework (MAF) self-assessment exercise at SSC in 2012-13, risks related to financial management were identified. Although no major risk was identified during this exercise, an action plan was developed and its implementation is in progress.

SSC management incorporates the consideration of risks and opportunities in decision-making at all levels. One of the key components of the management rigour is the development and application of project management methodologies and tools to deliver the partner and transformation projects that are at the core of SSC's mandate. In fiscal year, 2013-14, SSC intends to increase its project management maturity level, as measured by the Government of Canada's Organizational Project Management Capacity Assessment process, and engage in targeted capacity enrichment.

As part of SSC's participation in the Management, Resources and Results Structure (MRSS) amendment cycle in 2013-14, SSC is developing a revised PAA and a corresponding Performance Measurement Framework (PMF) to ensure that it is delivering on the mandate of the Government of Canada.

There was also significant progress made in building SSC's internal audit and evaluation capacity in 2012-13, and SSC will continue to build on this work in 2013-14 as the risk-based internal audit and evaluation plan is implemented. In 2013-14, significant consultation and outreach will shape SSC's evaluation plan.

## **4.0 Significant changes in relation to Operations, Personnel and Programs**

The Honourable Diane Finley is now the new Minister of Public Works and Government Services with responsibilities for SSC as of July 15, 2013.

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

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## 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 Employee Benefit Plan) by fiscal year 2014-15 through increased efficiencies, better pricing and reductions in duplication, as IT infrastructure operations across 43 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.

In 2013-14, SSC will build on this foundation to further consolidate and improve IT service delivery and make significant progress on its mandated transformation initiatives. Savings will increase 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 \$104.5 million in SSC's authorities between fiscal year 2012-13 and 2013-14 related to Budget 2012.

There are no financial risks or uncertainties related to these savings.

### Approval by Senior Officials:

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Liseanne Forand, President  
Ottawa, Ontario  
Date:

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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 2013-14			Fiscal year 2012-13		
	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	Total available for use for the year ending March 31, 2013* **	Used during the quarter ended September 30, 2012	Year to date used at quarter-end
<b>Vote 15 - Operating expenditures</b>						
Gross Operating expenditures	1,440,204	380,282	619,037	1,740,750	283,706	426,215
Vote Netted Revenues	(320,745)	(24,321)	(35,206)	(368,200)	(24,052)	(24,052)
<b>Net Operating expenditures</b>	<b>1,119,459</b>	<b>355,961</b>	<b>583,831</b>	<b>1,372,550</b>	<b>259,654</b>	<b>402,163</b>
<b>Vote 20- Capital expenditures</b>	178,694	20,665	27,387	82,891	3,479	3,821
(S) Contributions to employee benefit plans	99,953	24,989	49,977	101,520	25,385	50,765
<b>Total Budgetary authorities</b>	<b>1,398,106</b>	<b>401,615</b>	<b>661,195</b>	<b>1,556,961</b>	<b>288,518</b>	<b>456,749</b>

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

\*\* 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.
- The decrease of authority in Vote 15 - Operating Expenditures is mainly due to the savings measures of Budget 2012 which were included in the Main Estimates of 2013-14 and to the transfer of \$100 million to the Vote 20 – Capital Expenditures in order to reflect the capital requirements estimated for the 2013-14 fiscal year.
- The increase in expenditures between the second quarter of 2013-14 and 2012-13 is largely attributed to the establishment of enterprise procurement and financial processes and procedures that better support the timely execution of transactions and operating requirements.

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

<i>(in thousands of dollars)</i>	Fiscal year 2013-14			Fiscal year 2012-13		
	Planned expenditures for the year ending March 31, 2014*	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013 * **	Expended during the quarter ended September 30, 2012	Year to date used at quarter-end
<b>Expenditures:</b>						
Personnel (includes EBP)	673,377	151,903	323,641	682,214	110,769	212,517
Transportation and communications	404,712	94,092	116,159	519,649	89,023	106,947
Information	925	466	514	485	133	143
Professional and special services	231,813	45,685	67,533	503,500	43,035	59,097
Rentals	72,380	71,608	107,860	30,235	43,182	67,449
Repair and maintenance	157,543	17,790	22,696	108,923	8,313	12,355
Utilities, materials and supplies	3,328	1,478	2,299	3,538	334	336
Acquisition of land, buildings and works	139	-	-	-	4	4
Acquisition of machinery and equipment	167,857	38,114	48,686	68,966	13,803	17,639
Transfer payments	-	-	-	-	-	-
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	6,777	4,800	7,013	7,651	3,974	4,314
<b>Total gross budgetary expenditures</b>	<b>1,718,851</b>	<b>425,936</b>	<b>696,401</b>	<b>1,925,161</b>	<b>312,570</b>	<b>480,801</b>
<b>Less Revenues netted against expenditures:</b>						
Vote Netted Revenues	320,745	24,321	35,206	368,200	24,052	24,052
<b>Total Revenues netted against expenditures:</b>	<b>320,745</b>	<b>24,321</b>	<b>35,206</b>	<b>368,200</b>	<b>24,052</b>	<b>24,052</b>
<b>Total net budgetary expenditures</b>	<b>1,398,106</b>	<b>401,615</b>	<b>661,195</b>	<b>1,556,961</b>	<b>288,518</b>	<b>456,749</b>

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

\*\* 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.
- The personnel (salary) expenditures have increase by 52.3% compared to the second quarter of 2012-13 due to the transfer of departmental employees' pay files. As of the beginning of 2013-14, the Department is paying its employees directly (from its Operating authorities) resulting in a more timely spending pattern. In 2012-13, SSC was dependent on invoicing from other departments which delayed spending on personnel costs. In 2013-14, there has also been additional payroll expenditure costs (corporate costs) related to signed collective bargaining agreements.
- The increase in Rentals (Informatics), acquisition of machinery and equipment as well as the increase in repair and maintenance is mostly attributed to new contracts established by SSC.
- The Vote Netted Revenues have increased by 46.4% compared to the second quarter of 2012-13 since the billing has been processed on a regular schedule.