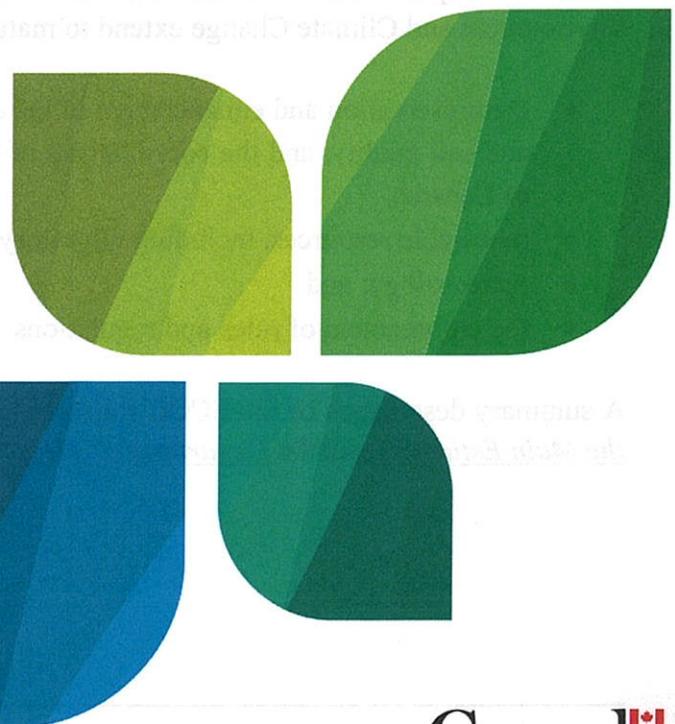


DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q3/2019-20



Canada 

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

Introduction

This third quarterly 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 (TB)*. This quarterly report should be read in conjunction with the Main Estimates and Budget 2019.

This quarterly report has not been subject to an external audit or review.

Authority, Mandate and Program Activities

Environment and Climate Change Canada (ECCC) is the lead federal department for a wide range of environmental issues. The department addresses these issues through various actions including the implementation of the Pan-Canadian Framework on Clean Growth and Climate Change; engaging with our strategic partners including provinces, territories and Indigenous peoples; monitoring; science-based research; policy and regulatory development; and, through the enforcement of environmental laws. The department's programs focus on minimizing threats to Canadians and their environment from pollution; equipping Canadians to make informed decisions on weather, water and climate conditions; and conserving and restoring Canada's natural environment.

The department's program focus reflects the interdependence between environmental sustainability and economic well-being.

Under the Department of the Environment Act, the powers, duties and functions of the Minister of Environment and Climate Change extend to matters such as:

- the preservation and enhancement of the quality of the natural environment, including water, air and soil quality, and the coordination of the relevant policies and programs of the Government of Canada;
- renewable resources, including migratory birds and other non-domestic flora and fauna;
- meteorology; and
- the enforcement of rules and regulations.

A summary description of the ECCC Raison d'être and core responsibilities can be found in *Part II of the Main Estimates* and the *Departmental Plan*.

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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 2019-20 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 money 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 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 departmental financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of the fiscal quarter and the fiscal year-to-date (YTD) results

Authority analysis

The Statement of Authorities presented in this quarterly financial report (see Table 1) reflects the authorities that were approved as of December 31, 2019. The funding available for use includes the 2019-20 Main Estimates, the Operating and Capital budget carry-forwards and the compensation allocations from Treasury Board Central Vote related to the new collective agreements. Authorities for the Supplementary Estimates "B" will follow later this year.

ECCC's total available authorities for use for the year ending March 31, 2020 are higher by approximately \$210.3M (\$1,869.8M - \$1,659.5M)¹ when compared to the same quarter of the previous year. This difference is explained by an increase in Vote 1 – Net Operating of \$36.1M (\$877.2M - \$841.1M), in Vote 5 – Capital of \$17.5M (\$109.5M - \$92.0M), in Vote 10 – Grants and Contributions of \$154.1M (\$787.7M - \$633.6M) and in Budgetary Statutory authorities of \$2.7M (\$95.4M - \$92.7M).

¹ See also Statement of Authorities – Tables 1 and 2.

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Vote 1 – Net Operating authorities

The \$36.1M increase compared to last fiscal year in the net Operating authorities is mainly due to the following:

- \$17.8M increase related to Protecting Canada's Nature, Parks & Wild Spaces;
- \$16.9M increase related to Federal Contaminated Sites Action Plan;
- \$15.1M increase related to the compensation allocations from TB Central Vote related to the new collective agreements;
- \$6.2M increase related to initiatives associated with the revitalization of meteorological services;
- \$5.8M increase related to Impact Assessment and Regulatory Regime Implementation;
- \$5.5M increase related to an internal reallocation of funds in 2018-19 for the G7 Ocean Plastics Charter and the Global Commission on Adaptation;
- \$3.7M increase related to Carbon Pricing;
- \$1.6M increase related to the RADARSAT Constellation Mission; and
- \$1.2M increase related to Protecting Marine Life;

offset by:

- \$22.4M decrease related to a reduction in the amount carried forward from the previous year to continue work on specific projects;
- \$6.5M decrease related to Great Lake Ecosystem Initiatives;
- \$3.5M decrease related to the Budget 2018 Fiscal Dividend;
- \$2.7M decrease related to initiatives supporting Clean Growth and Climate Change;
- \$1.6M decrease related to the National Conservation Plan; and
- \$1.0M decrease for various other small initiatives.

Vote 5 – Capital authorities

The \$17.5M increase compared to last fiscal year in the Capital authorities is mainly due to the following:

- \$18.2M increase related to Strong Arctic and Northern Communities;
- \$6.5M increase related to initiatives associated with the revitalization of meteorological services; and
- \$1.5M increase related to Carbon Pricing;

offset by:

- \$6.7M decrease related to a reduction in the amount carried forward from the previous year to continue work on specific projects;
- \$1.4M decrease related to Addressing Air Pollution; and
- \$0.6M decrease for various other small initiatives.

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Vote 10 – Grants and contributions authorities

The \$154.1M increase compared to last fiscal year in the Grants and Contributions authorities is mainly due to the following:

- \$130.7M increase related to Low Carbon Economy Fund;
- \$76.2M increase related to Protecting Canada's Nature, Parks & Wild Spaces;
- \$1.6M increase related to Impact Assessment and Regulatory Regime Implementation; and
- \$0.7M increase for various other small initiatives;

offset by:

- \$32.4M decrease related to the National Conservation Plan;
- \$11.1M decrease related to Youth Employment Strategy;
- \$6.1M decrease related to initiatives supporting Clean Growth and Climate Change; and
- \$5.5M decrease related to an internal reallocation of funds in 2018-19 for the G7 Ocean Plastics Charter and the Global Commission on Adaptation.

Statutory authorities

The \$2.7M increase compared to last fiscal year in the Budgetary statutory authorities is mainly due to the following:

- \$2.7M increase related to the contributions to Employee Benefit Plans.

Expenditures analysis by vote

Details of expenditures by vote are presented in Tables 1 and 2.

In the third quarter of 2019-20, total budgetary expenditures were \$348.3M compared to \$278.3M reported for the same period in 2018-19, resulting in an increase of \$70.0M or 25.2%. Year to date expenditures as of December 31, 2019 are \$850.9M, which represents an increase of \$110.4M or 14.9% (\$850.9M - \$740.5M) compared to the same period in 2018-19.

Vote 1 – Net Operating authorities used during the third quarter of 2019-20 totalled \$224.0M, which represents an increase of \$28.9M or 14.8% (\$224.0M - \$195.1M) compared to the same quarter in 2018-19. This variance is mainly due to an increase of permanent salaries based on renewed collective agreements and to Protecting Canada's Nature, Parks & Wild Spaces, the Revitalization of Canada's Weather Services and the Impact Assessment and Regulatory Regime Implementation.

Year to date expenditures as of December 31, 2019 are \$622.1M which represents an increase of \$60.8M or 10.8% (\$622.1M - \$561.3M) compared to the same period in 2018-19. This variance is mainly due to

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an increase of permanent salaries based on renewed collective agreements and to Protecting Canada's Nature, Parks & Wild Spaces, the Revitalization of Canada's Weather Services and the Impact Assessment and Regulatory Regime Implementation. This is offset by a decrease in spending for the Clean Water Action Plan.

Vote 5 – Capital authorities used during the third quarter of 2019-20 totalled \$47.9M, which represents an increase of \$24.4M or 103.8% (\$47.9M – \$23.5M) compared to the same quarter in 2018-19. Year to date expenditures as of December 31, 2019 are \$68.2M, which represents an increase of \$26.8M or 64.7% (\$68.2M - \$41.4M) compared to the same period in 2018-19. Both variances are mainly due to an increase in engineering consulting fees related to radar replacement project and new funding related to the Strong Arctic and Northern Communities.

Vote 10 – Grants and Contributions authorities used during the third quarter of 2019-20 totalled \$52.6M, which represents an increase of \$14.6M or 38.5% (\$52.6M - \$38.0M) compared to the same quarter in 2018-19. This variance is mainly due to the timing of payments submitted for Protecting Canada's Nature, Parks & Wild Spaces offset by reduced funding for the National Conservation Plan. Year to date expenditures as of December 31, 2019 are \$88.5M, which represents an increase of \$15.7M or 21.6% (\$88.5M - \$72.8M) compared to the same period in 2018-19. This variance is mainly due to the timing of payments submitted for Protecting Canada's Nature, Parks & Wild Spaces and the Low Carbon Economy Fund, offset by reduced funding for the National Conservation Plan.

Statutory authorities used during the third quarter of 2019-20 totalled \$23.7M, which represents an increase of \$2.1M or 9.7% (\$23.7M - \$21.6M) compared to the same quarter in 2018-19. Year to date expenditures as of December 31, 2019 are \$72.0M, which represents an increase of \$7.0M or 10.8% (\$72.0M - \$65.0M) compared to the same period in 2018-19. Both variances are mainly due to an increase related to the contributions to Employee Benefit Plans.

Expenditures analysis by Standard Object

Details of expenditures by Standard Object are presented in Tables 3 and 4.

Quarterly and year to date Personnel expenditures have increased respectively by \$30.3M or 17.1% (\$207.5M - \$177.2M) compared to the same quarter last year, and by \$58.3M or 11.3% (\$575.1M - \$516.8M) compared to the same quarter last year. Both variances are mainly due to an increase in permanent salaries based on renewed collective agreements and to an increase in full-time equivalent employees mainly related to Protecting Canada's Nature, Parks & Wild Spaces.

Year to date Information expenditures have increased by \$1.8M or 75.0% (\$4.2M - \$2.4M) compared to the same quarter last year. This increase is mainly due to an increase in advertising activities related to the Nature Legacy advertising campaign.

Quarterly and year to date Professional Services expenditures have increased respectively by \$22.0M or 46.2% (\$69.6M - \$47.6M) compared to the same quarter last year, and by \$25.7M or 25.8% (\$125.4M

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– \$99.7M) compared to the same quarter last year. Both variances are mainly due to an increase in consulting fees related to radar replacement project and the Strong Arctic and Northern Communities initiative, as well as increased related to the Federal Contaminated Sites Action Plan.

Quarterly Transfer payments expenditures have increased by \$14.7M or 38.7% (\$52.7M - \$38.0M) compared to the same quarter last year. The increase is mainly due to the timing of payments submitted for Protecting Canada's Nature, Parks & Wild Spaces offset by reduced funding for the National Conservation Plan. Year to date Transfer payments expenditures have increased by \$15.7M or 21.6% (\$88.5M – \$72.8M) compared to the same quarter last year. The increase is mainly due to the timing of payments submitted for Protecting Canada's Nature, Parks & Wild Spaces and the Low Carbon Economy Fund, offset by reduced funding for the National Conservation Plan.

Quarterly Revenue collections have decreased by \$3.3M or 16.3% (\$17.0M - \$20.3M) compared to the same quarter last year. This is mainly due to decreased activities related to the Oil Sands Monitoring Program and the Canadian Coast Guard Program, and is offset by increased activities related to the NAVCAN Program. Year to date Revenue collections have decreased by \$5.7M or 11.6% (\$43.6M - \$49.3M) compared to the same quarter last year. This is mainly due to decreased activities related to the Oil Sands Monitoring Program.

Risks and Uncertainties

ECCC is primarily funded through voted parliamentary spending authorities for operating expenditures, capital expenditures, and transfer payments as well as statutory authorities. The Department is also partially funded through vote-netted revenues. ECCC's planned spending reflects approved funding by Treasury Board and Parliament.

ECCC's ability to deliver results for Canadians is influenced by a wide range of internal and external factors such as the increasing frequency of severe weather events, and the expectation to consult and collaborate with federal, provincial, territorial, Indigenous, and other partners to address common environmental challenges. In its financial management, the Department considers these factors and their potential impact related to the department's financial plan. For example:

- Budget 2019 confirmed the 2018 announcement of \$1.3 billion over five years to protect Canada's Nature Legacy.
- Budget 2019 also provided significant funding to ECCC to support the implementation of a wide variety of initiatives under the Pan-Canadian Framework on Clean Growth and Climate Change.

This additional funding represents new financial opportunities for ECCC in delivering on departmental expected outcomes. To ensure effective program delivery, ECCC will secure financial authorities in a timely manner so that program areas are able to quickly ramp up to meet new requirements and will continue to conduct program monitoring and proactive financial risk management and planning, all of which have been integrated into ECCC's business planning and reporting processes.

There are known issues associated with the implementation of the Phoenix pay system that have resulted in salary over/underpayments to employees. ECCC has proactively implemented a number of compensatory controls to monitor this risk and will continue to monitor and report on the situation closely in consultation with Public Services and Procurement Canada and Treasury Board Secretariat.

Significant changes in relation to operations, personnel and programs

The following major changes in relation to operations, personnel and programs occurred during the third quarter:

- On November 30, 2019, the Right Honourable Justin Trudeau, Prime Minister of Canada, appointed Jonathan Wilkinson as the Minister of Environment and Climate Change Canada.
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Approved by:



Martine Dubuc
Associate Deputy Minister

Gatineau, Canada

Date: 2020 01 25



Carol Najm,
Chief Financial Officer

Gatineau, Canada

Date: 2020 01 21

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Statement of Authorities (unaudited) – Table 1

Fiscal year 2019-20 (in thousands of dollars)

	Total available for use for the year ending March 31, 2020*	Used during the quarter ended December 31, 2019	Year to date used at quarter end
Vote 1 – Net Operating expenditures	877,210	224,041	622,135
Vote 5 – Capital expenditures	109,541	47,901	68,171
Vote 10 – Grants and contributions	787,709	52,652	88,542
Budgetary Statutory – Employee Benefit Plans	95,294	23,620	70,861
Budgetary Statutory – Minister's Salary and Motor Car Allowance	88	22	66
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	84	1,119
Total Budgetary authorities	1,869,842	348,320	850,894
Non-Budgetary authorities			
Total authorities	1,869,842	348,320	850,894

* The funding available for use includes the 2019-20 Main Estimates, the Operating and Capital budget carry-forwards and the Compensation Allocations related to the new collective agreements. Authorities for Supplementary Estimates "B" will follow later this year.

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Statement of Authorities (unaudited) – Table 2

Fiscal year 2018-19 (in thousands of dollars)

	Total available for use for the year ending March 31, 2019*	Used during the quarter ended December 31, 2018	Year to date used at quarter end
Vote 1 – Net Operating expenditures	841,129	195,105	561,295
Vote 5 – Capital expenditures	92,041	23,542	41,430
Vote 10 – Grants and contributions	633,640	38,026	72,795
Budgetary Statutory – Employee Benefit Plans	92,642	21,590	64,771
Budgetary Statutory – Minister's Salary and Motor Car Allowance	86	22	65
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	8	158
Total Budgetary authorities	1,659,538	278,293	740,514
Non-budgetary authorities			
Total authorities	1,659,538	278,293	740,514

* The Total funding available for use includes the 2018-19 Main Estimates, the Budget Implementation Vote, the Supplementary Estimates "A", the Operating and Capital budget carry-forwards, and the Compensation Allocations related to the new collective agreements.

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Departmental budgetary expenditures by Standard Object (unaudited) – Table 3

Fiscal year 2019-20 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2020*	Expended during the quarter ended December 31, 2019	Year to date used at quarter end
Expenditures:			
Personnel	742,945	207,503	575,077
Transportation and communications	36,863	9,902	27,490
Information	6,881	1,658	4,220
Professional and special services	222,095	69,630	125,363
Rentals	33,611	3,888	22,894
Repair and maintenance	29,398	4,268	9,023
Utilities, materials and supplies	43,230	9,048	21,968
Acquisition of land, buildings and works	1,095	29	136
Acquisition of machinery and equipment	44,194	6,230	13,109
Transfer payments	787,709	52,652	88,542
Other subsidies and payments	4,331	493	6,634
Total gross budgetary expenditures	1,952,351	365,302	894,457
Less Revenues netted against expenditures:			
Revenues	82,509	16,982	43,563
Total Revenues netted against expenditures:	82,509	16,982	43,563
Total net budgetary expenditures	1,869,842	348,320	850,894

* The planned expenditures available for use include the 2019-20 Main Estimates, the Operating and Capital budget carry-forwards and the Compensation Allocations related to the new collective agreements, and will be updated with Supplementary Estimates "B" later this year.

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Departmental budgetary expenditures by Standard Object (unaudited) – Table 4

Fiscal year 2018-19 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2019*	Expended during the quarter ended December 31, 2018	Year-to-date used at quarter end
Expenditures:			
Personnel	695,896	177,180	516,842
Transportation and communications	43,322	11,026	26,563
Information	6,077	1,148	2,363
Professional and special services	184,864	47,586	99,693
Rentals	37,449	5,025	24,131
Repair and maintenance	24,515	3,272	8,447
Utilities, materials and supplies	53,104	7,528	21,687
Acquisition of land, buildings and works	1,251	1,322	1,772
Acquisition of machinery and equipment	56,880	6,422	10,800
Transfer payments	633,640	38,026	72,795
Other subsidies and payments	6,359	1,297	6,380
Total gross budgetary expenditures	1,743,357	298,542	789,773
Less Revenues netted against expenditures:			
Revenues	83,819	20,249	49,259
Total Revenues netted against expenditures:	83,819	20,249	49,259
Total net budgetary expenditures	1,659,538	278,293	740,514

* The planned expenditures available for use includes the 2018-19 Main Estimates, the Budget Implementation Vote, the Supplementary Estimates "A", the Operating and Capital budget carry-forwards, and the Compensation Allocations related to the new collective agreements.