



REVISED - DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q2/2019-20 (Revised)



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

Erratum

Date: January 28, 2020

Location: Departmental budgetary expenditures by Standard Object (unaudited) – Table 3, Planned expenditures for the year ending March 31, 2020, Other subsidies and payments.

Revision: “Other subsidies and payments **\$4,330** thousands” replaces “Other subsidies and payments **\$4,318** thousands”.

Rationale for the revision: Original amount reported was not correct.

Introduction

This second 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](#)

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 September 30, 2019. The funding available for use includes the 2019-20 Main Estimates and the Operating and Capital budget carry-forwards. Authorities for Supplementary Estimates will follow later this year.

ECCC's total available authorities for use for the year ending March 31, 2020 are higher by approximately \$217.8M (\$1,852.1M - \$1,634.3M)¹ when compared to the same quarter of the previous year. This difference is explained by an increase in Vote 1 – Net Operating of \$30.6M (\$859.5M - \$828.9M), in Vote 5 – Capital of \$17.9M (\$109.5M - \$91.6M), in Vote 10 – Grants and Contributions of \$164.9M (\$787.7M - \$622.8M) and in Budgetary Statutory authorities of \$4.4M (\$95.4M - \$91.0M).

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

Vote 1 – Net Operating authorities

The \$30.6M increase compared to last fiscal year in the net Operating authorities is mainly due to the following:

- \$22.3M increase related to Protecting Canada’s Nature, Parks & Wild Spaces;
- \$16.9M increase related to Federal Contaminated Sites Action Plan;
- \$12.9M increase related to Impact Assessment and Regulatory Regime Implementation;
- \$7.6M increase related to Carbon Pricing;
- \$6.4M increase related to initiatives associated with the revitalization of meteorological services;
- \$1.6M increase related to the RADARSAT Constellation Mission;
- \$1.2M increase related to Protecting Marine Life;
- \$1.0M increase related to compensation allocations from TBS related to the new collective agreements; and
- \$0.2M increase related to the implementation of the Program and Administrative Services Modernization Initiative.

offset by:

- \$22.4M decrease related to a reduction in the amount carried forward from the previous year to continue work on specific projects;
- \$7.6M decrease related to Great Lake Ecosystem Initiatives;
- \$3.5M decrease related to the Budget 2018 Fiscal Dividend;
- \$3.3M decrease related to initiatives supporting Clean Growth and Climate Change;
- \$1.6M decrease related to the National Conservation Plan; and
- \$1.1M decrease for various other small initiatives.

Vote 5 – Capital authorities

The \$17.9M 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;
- \$6.9M 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.

Vote 10 – Grants and contributions authorities

The \$164.9M increase compared to last fiscal year in the Grants and Contributions authorities is mainly due to the following:

- \$131.7M increase related to Low Carbon Economy Fund;
- \$81.3M increase related to Protecting Canada’s Nature, Parks & Wild Spaces;
- \$2.6M increase related to Impact Assessment and Regulatory Regime Implementation; and
- \$0.6M increase for various other small initiatives;

offset by:

- \$33.7M decrease related to the National Conservation Plan;
- \$11.1M decrease related to Youth Employment Strategy;
- \$5.5M decrease related to initiatives supporting Clean Growth and Climate Change; and
- \$1.0M decrease related to Carbon Pricing.

Statutory authorities

The \$4.4M increase compared to last fiscal year in the Budgetary statutory authorities is mainly due to the following:

- \$4.4M 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 second quarter of 2019-20, total budgetary expenditures were \$268.9M compared to \$242.4M reported for the same period in 2018-19, resulting in an increase of \$26.5M or 10.9%. Year to date expenditures as of September 30, 2019 are \$502.6M, which represents an increase of \$40.4M or 8.7% (\$502.6M - \$462.2M) compared to the same period in 2018-19.

Vote 1 – Net Operating authorities used during the second quarter of 2019-20 totalled \$205.7M, which represents an increase of \$19.4M or 10.4% (\$205.7M - \$186.3M) compared to the same quarter in 2018-19. This variance is mainly due to the increase in full-time equivalent employees, mainly related to Protecting Canada’s Nature, Parks & Wild Spaces and to permanent salaries based on renewed collective agreements. Year to date expenditures as of September 30, 2019 are \$398.1M, which represents an increase of \$31.9M or 8.7% (\$398.1M - \$366.2M) compared to the same period in 2018-19. This variance is mainly due to an increase in full-time equivalent employees mainly related to Protecting Canada’s Nature, Parks & Wild Spaces, Chemicals Management Plan, Carbon Pricing and initiatives supporting Clean Growth and Climate Change, to permanent salaries based on collective agreements, and an increase in travel expenditures by public servants to support stakeholder engagement, employee training and relocation expenses.

Vote 5 – Capital authorities used during the second quarter of 2019-20 totalled \$16.0M, which represents an increase of \$1.0M or 6.7% (\$16.0M – 15.0M) compared to the same quarter in 2018-19. Year to date expenditures as of September 30, 2019 are \$20.3M, which represents an increase of \$2.4M or 13.4% (\$20.3M - \$17.9M) compared to the same period in 2018-19. Both variances are mainly due to an increase related to the acquisition of machinery and equipment for measuring and controlling laboratory installation and the purchase of test vehicles for the Enhanced Vehicle Verification Initiative, offset by a decrease of engineering consulting fees related to radar replacement project.

Vote 10 – Grants and Contributions authorities used during the second quarter of 2019-20 totalled \$22.6M, which represents an increase of \$3.2M or 16.5% (\$22.6M - \$19.4M) compared to the same quarter in 2018-19. Year to date expenditures as of September 30, 2019 are \$35.9M, which represents an increase of \$1.1M or 3.2% (\$35.9M - \$34.8M) compared to the same period in 2018-19. Both variances are mainly due to increased payments related to the Science Horizons Youth Internship Program and to the timing of payments submitted for the World Meteorological Organization, Protecting Canada’s Nature, Parks & Wild Spaces and is offset by reduced funding for the National Conservation Plan.

Statutory authorities used during the second quarter of 2019-20 totalled \$24.7M, which represents an increase of \$2.9M or 13.3% (\$24.7M - \$21.8M) compared to the same quarter in 2018-19. Year to date expenditures as of September 30, 2019 are \$48.3M, which represents an increase of \$4.9M or 11.3% (\$48.3M - \$43.4M) 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 Personnel expenditures have increased by \$17.9M or 10.5% (\$187.8M - \$169.9M) compared to the same quarter last year. This increase is mainly due to the increase in full-time equivalent employees, mainly related to Protecting Canada’s Nature, Parks & Wild Spaces and to permanent salaries based on renewed collective agreements. Year to date Personnel expenditures have increased by \$27.9M or 8.2% (\$367.6M - \$339.7M) compared to the same quarter last year. This variance is mainly due to the increase in full-time equivalent employees, mainly related to Protecting Canada’s Nature, Parks & Wild Spaces, Chemicals Management Plan, Carbon Pricing and initiatives supporting Clean Growth and Climate Change and to permanent salaries based on renewed collective agreements.

Year to date Transportation and communications expenditures have increased by \$2.1M or 13.5% (\$17.6M - \$15.5M) compared to the same quarter last year. This increase is mainly due to an increase in travel expenditures by public servants to support stakeholder engagement, employee training and to relocation expenses.

Year to date Professional Services expenditures have increased by \$3.6M or 6.9% (\$55.7M – \$52.1M) compared to the same quarter last year. This increase is mainly due to an increase in expenditures related to Strong Arctic and Northern Communities, to Federal Contaminated Sites Action Plan, and is offset by a decrease of engineering consulting fees related to radar replacement project.

Quarterly and year to date Acquisition of machinery and equipment expenditures have increased respectively by \$1.6M or 61.5% (\$4.2M - \$2.6M) and \$2.5M or 56.8% (\$6.9M - \$4.4M) compared to the same quarter last year. Both variances are mainly explained by an increase in expenditures related to measuring and controlling laboratory installation and the purchase of test vehicles for Enhanced Vehicle Verification Initiative.

Quarterly Transfer payments expenditures have increased by \$3.2M or 16.5% (\$22.6M - \$19.4M) compared to the same quarter last year. The increase is mainly due to increased payments related to the Science Horizons Youth Internship, and to the timing of payments submitted for the World Meteorological Organization and to Protecting Canada's Nature, Parks & Wild Spaces, and is offset by reduced funding for the National Conservation Plan.

Quarterly Other subsidies and payments expenditures have increased by \$1.3M or 50.0% (\$3.9M - \$2.6M) compared to the same quarter last year. This is mainly explained by an increase in salary overpayments management related to the Chemical Management Plan Initiative, and an advance for an agreement with Natural Resources Canada (NRCan) linked to the Oil Sands Monitoring Program.

Year to date Revenue collections have decreased by \$2.3M or 8.0% (\$26.6M - \$28.9M) compared to the same quarter last year. This is mainly due to decreased activities related to the Oil Sands Monitoring Program and timing of payments submitted for the Ocean Disposals 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 second quarter:

- On August 23, 2019, the Right Honourable Justin Trudeau, Prime Minister of Canada, appointed T. Christine Hogan as the Deputy Minister of Environment and Climate Change Canada effective September 30, 2019.
- On July 23, 2019, the Deputy Minister and the Associate Deputy Minister announced the retirement of David Grimes, Assistant Deputy Minister for Meteorological Service of Canada, effective August 2, 2019. Diane Campbell was appointed to the position of Assistant Deputy Minister for Meteorological Service of Canada, effective August 5, 2019.
- On July 2, 2019, the Deputy Minister and the Associate Deputy Minister announced the appointment of Dr. Shawn J. Marshall to the position of Environment and Climate Change Canada's first Departmental Science Advisor.

Approved by:

T. Christine Hogan,
Deputy Minister

Gatineau, Canada
Date:

Carol Najm,
Chief Financial Officer

Gatineau, Canada
Date:

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 September 30, 2019	Year to date used at quarter end
Vote 1 – Net Operating expenditures	859,477	205,664	398,094
Vote 5 – Capital expenditures	109,541	15,988	20,269
Vote 10 – Grants and contributions	787,709	22,621	35,891
Budgetary Statutory – Employee Benefit Plans	95,294	23,620	47,241
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	88	22	44
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	-	1,016	1,035
Total Budgetary authorities	1,852,109	268,931	502,574
Non-budgetary authorities	-	-	-
Total authorities	1,852,109	268,931	502,574

* The funding available for use includes the 2019-20 Main Estimates and the Operating and Capital budget carry-forwards and will be updated with Supplementary Estimates in the subsequent QFR.

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 September 30, 2018	Year to date used at quarter end
Vote 1 – Net Operating expenditures	828,903	186,279	366,191
Vote 5 – Capital expenditures	91,630	14,990	17,888
Vote 10 – Grants and contributions	622,790	19,369	34,769
Budgetary Statutory – Employee Benefit Plans	90,865	21,590	43,181
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	86	29	43
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	150	150
Total Budgetary authorities	1,634,274	242,407	462,222
Non-budgetary authorities	-	-	-
Total authorities	1,634,274	242,407	462,222

* The Total funding available for use includes the 2018-19 Main Estimates, the Budget Implementation Vote and Operating and Capital budget carry-forwards.

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 September 30, 2019	Year to date used at quarter end
Expenditures:			
Personnel	725,212	187,828	367,574
Transportation and communications	36,863	9,278	17,588
Information	6,881	1,790	2,562
Professional and special services	222,095	35,922	55,733
Rentals	33,611	4,819	19,006
Repair and maintenance	29,398	3,496	4,754
Utilities, materials and supplies	43,230	7,466	12,919
Acquisition of land, buildings and works	1,095	31	107
Acquisition of machinery and equipment	44,194	4,241	6,875
Transfer payments	787,709	22,621	35,891
Other subsidies and payments**	4,330	3,883	6,164
Total gross budgetary expenditures	1,934,618	281,376	529,173
Less Revenues netted against expenditures:			
Revenues	82,509	12,445	26,598
Total Revenues netted against expenditures:	82,509	12,445	26,598
Total net budgetary expenditures	1,852,109	268,931	502,574

* The planned expenditures available for use include the 2019-20 Main Estimates and the Operating and Capital budget carry-forwards and will be updated with Supplementary Estimates in the subsequent QFR.

**The Other subsidies and payments for the Planned expenditures for the year ending March 31, 2020 have been updated to reflect an amount of \$4,330 thousands.

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 September 30, 2018	Year to date used at quarter end
Expenditures:			
Personnel	681,094	169,906	339,669
Transportation and communications	43,524	8,977	15,529
Information	4,662	713	1,216
Professional and special services	185,702	35,173	52,107
Rentals	37,612	3,641	19,107
Repair and maintenance	24,622	3,208	5,175
Utilities, materials and supplies	53,352	8,572	14,159
Acquisition of land, buildings and works	1,247	23	40
Acquisition of machinery and equipment	57,146	2,569	4,378
Transfer payments	622,790	19,369	34,769
Other subsidies and payments	6,343	2,581	4,979
Total gross budgetary expenditures	1,718,094	254,731	491,128
Less Revenues netted against expenditures:			
Revenues	83,819	12,325	28,906
Total Revenues netted against expenditures:	83,819	12,325	28,906
Total net budgetary expenditures	1,634,274	242,407	462,222

* The planned expenditures available for use include the 2018-19 Main Estimates, the Budget Implementation Vote and Operating and Capital budget carry-forwards.