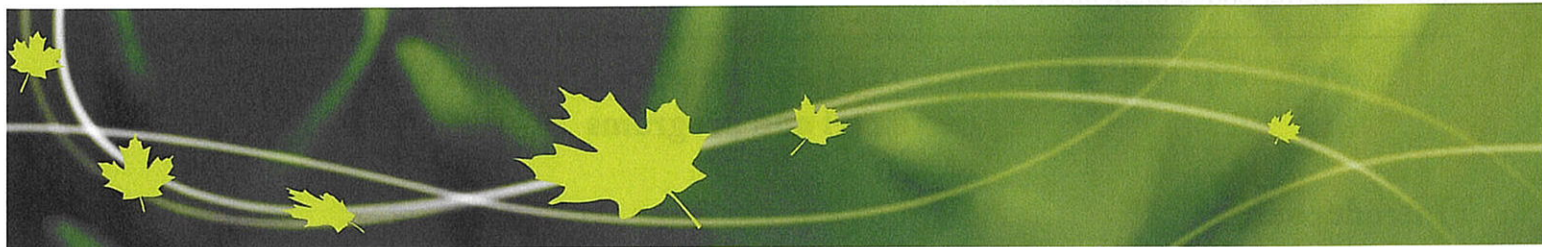




Environment and
Climate Change Canada

Environnement et
Changement climatique Canada



DEPARTMENTAL QUARTERLY FINANCIAL REPORT

Q2/2017-18

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

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 Supplementary Estimates for the current year.

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.

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 program activities 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 and Supplementary Estimates for the 2017-18 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 to be 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, 2017. The funding available for use includes the 2017-18 Main Estimates, the Supplementary Estimates "A" and the Operating and Capital budget carry-forwards. Authorities for Supplementary Estimates "B" and "C" will follow later this year and will be included in the third Quarterly Financial Report. Funding for the Oceans Protection Plan and Youth Employment Strategy initiatives were approved in Supplementary Estimates "A". ECCC's total available authorities for use for the year ending March 31, 2018 is higher by approximately \$13.0M (\$1,048.2M - \$1,035.2M)¹ when compared to the same quarter of the previous year. This difference is explained by an increase in Vote 5 – Capital of \$12.0M (\$84.7M - \$72.7M), and in Vote 1 – Net Operating of \$9.1M (\$747.2 – \$738.1M), offset by a decrease in Budgetary Statutory authorities for the Employee Benefit Plans of \$7.0M (\$85.7M - \$92.7M) and in Vote 10 – Grants and Contributions of \$1.1M (\$130.6M - \$131.7M).

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

Vote 1 – Net Operating authorities

The \$9.1M increase compared to last fiscal year in the net Operating authorities is mainly due to the following:

- \$11.2M increase related to the Oceans Protection Plan;
- \$10.7M increase related to initiatives supporting Clean Growth and Climate Change;
- \$7.7M increase related to activities Addressing Air Pollution;
- \$6.1M increase related to the Contaminated Sediment Remediation Projects;
- \$1.2M increase related to Managing Transboundary Water Issues; and,
- \$0.2M increase for various other smaller adjustments.

offset by:

- \$4.5M decrease related to departmental reductions to Professional Services, Advertising and Travel announced in Budget 2016;
- \$4.5M decrease related to a reduction in the amount carried forward from previous year to continue work on specific projects;
- \$2.8M decrease related to the Federal Contaminated Sites Action Plan;
- \$2.7M decrease related to the World Class Oil Spills Regime;
- \$2.6M decrease related to initiatives associated with the revitalization of meteorological services;
- \$2.6M decrease related to the Great Lake Ecosystem Initiative;
- \$2.0M decrease related to the Lake Winnipeg Basin Initiative;
- \$1.8M decrease related to the Federal Infrastructure Initiative;
- \$1.7M decrease related to the Single Window Initiative;
- \$1.4M decrease related to the Lake Simcoe Initiative;
- \$0.8M decrease related to the National Conservation Plan and the BC Treaty; and,
- \$0.6M decrease related to the Management of Metis Rights (Powley);

Vote 5 – Capital authorities

The \$12M increase compared to last fiscal year in the Capital authorities is mainly due to the following:

- \$15.0M increase related to initiatives associated with the revitalization of meteorological services;
- \$1.9M increase related to activities Addressing Air Pollution;
- \$1.5M increase related to the World Class Oil Spills Regime;
- \$0.5M increase related to the National Conservation Plan and the Oceans Protection Plan; and,
- \$0.4M increase related to the Federal Infrastructure Initiative.

offset by:

- \$7.2M decrease related to a reduction in the amount carried forward from previous year to continue work on specific projects; and,
- \$0.1M decrease related to initiatives supporting Clean Growth and Climate Change and Great Lakes Ecosystem Initiatives.

Vote 10 – Grants and contributions authorities

The \$1.1M decrease compared to last fiscal year in the Grants and Contributions authorities is mainly due to the following:

- \$17.3M decrease related to the Sustainable Development Technology Fund;
- \$6.1M decrease related to the Lake Simcoe Initiative;
- \$2.0M decrease related to the Inuit Impact and Benefit Agreement;
- \$0.8M decrease related to the Lake Winnipeg Basin Initiative; and,
- \$0.1M decrease from various other smaller adjustments.

offset by:

- \$14.2M increase related to initiatives supporting Clean Growth and Climate Change; and,
- \$11.0M increase related to the Youth Employment Strategy.

Statutory authorities

The \$7.0M decrease compared to last fiscal year in the Budgetary statutory authorities is mainly due to the following:

- \$7.0M decrease related to the contributions to Employee Benefit Plans (EBP).

Expenditures analysis by authority

Detailed of expenditures by authority are presented in Tables 1 and 2.

In the second quarter of 2017-18, total budgetary expenditures were \$246.4M compared to \$230.1M reported for the same period in 2016-17, resulting in an increase of \$16.3M or 7.1% (\$246.4M - \$230.1M). Year to date expenditures as of September 30, 2017 are \$457.8M which represents an increase of \$15.8M or 3.6% (\$457.8M - \$442.0M) compared to the same period in 2016-17.

Vote 1 – Net Operating authorities used during the second quarter of 2017-18 totalled \$199.5M, which represents an increase of \$20.9M or 11.7% (\$199.5M - \$178.6M) compared to the same quarter in 2016-17. Year to date expenditures also increased by \$36.5M or 10.8% (\$372.8M - \$336.3M). Both

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increases are mainly due to the disbursements of salary retroactive payments to indeterminate employees for the current year following the ratification and signing of some collective agreements.

Vote 5 – Capital authorities used during the second quarter of 2017-18 totalled \$9.9M, which represents an increase of \$2.1M or 26.9% (\$9.9M - \$7.8M) compared to the same quarter in 2016-17. Year to date expenditures have also increased by \$1.8M or 15.0% (\$13.1M - \$11.3M) compared to the same period last year. Both increases are mainly attributable to the Eureka Storage Building Recapitalization Project, a one-year investment occurring in 2017-18.

Vote 10 – Grants and Contributions authorities used during the second quarter of 2017-18 totalled \$15.7M, which represents a decrease of \$7.4M or 32.0% (\$15.7M - \$23.1M) compared to the same quarter in 2016-17. This variance is mainly due to a delay in a contribution payment to the Nature Conservancy of Canada for the Natural Areas Conservation Program. Year to date expenditures have decreased by \$21.5M or 42.2% (\$29.4M - \$50.9M) compared to the same period last year. This is mainly due to the transfer of responsibilities of the Sustainable Development Technology Fund from ECCC to Innovation, Science and Economic Development Canada (ISED).

Statutory authorities used during the second quarter of 2017-18 totalled \$21.4M, which represents an increase of \$0.7M or 3.4% (\$21.3M - \$20.6M) compared to the same quarter in 2016-17. Year to date expenditures have also decreased by \$1.0M (\$42.5M - \$43.5M). This is mainly due to the elimination of the statutory grant of \$2.3M to Sustainable Development Technology Canada for the NextGen Biofuels Fund.

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 \$27.4M or 17.6% (\$183.4M - \$156.0M) and \$40.6M or 13.2% (\$347.2M - \$306.6M) compared to the same quarter last year. This is mainly explained by the disbursements of retroactive salary payments to indeterminate employees for the current year following the ratification and signing of collective agreements.

Professional and special services expenditures have decreased by \$5.8M or 19.1% (\$24.6M - \$30.4M) compared to the same quarter last year. Year to date expenditures have decreased by \$5.9M or 12.2% (\$42.3M - \$48.2M) compared to previous year. Both decreases are mainly due to lower engineering services related to the capital investment in Eureka and to a reprofile of funds related to the Contaminated Sediment Remediation Projects.

Repair and maintenance expenditures have increased by \$3.9M or 185.7% (\$6.0M - \$2.1M) compared to previous year. Year to date expenditures have increased by \$4.5M or 132.4% (\$7.9M - \$3.4M). Both

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increases are mainly attributable to the Eureka Storage Building Recapitalization Project, a one-year investment occurring in 2017-18.

Utilities, materials and supplies expenditures have decreased by \$1.9M or 20.2% (\$7.5M - \$9.4M) compared to the same quarter last year. Year to date expenditures have decreased by \$2.8M or 17.7% (\$13.0M - \$15.8M) compared to previous year. The variance is mainly attributed to delays in delivery from fiscal year 2015-16 resulting in a higher than usual level of procurement activity in the second quarter in 2016-17.

Transfer payments expenditures have decreased by \$7.4M or 32.0% (\$15.7M - \$23.1M) compared to the same quarter last year. This variance is mainly due to a delay in a contribution payment to the Nature Conservancy of Canada for the Natural Areas Conservation Program. Year to date expenditures have decreased by \$23.8M or 44.7% (\$29.4M - \$53.2M). This is mainly due to the elimination of the Sustainable Development Technology Fund as a result of the transfer of responsibilities from ECCC to Innovation, Science and Economic Development Canada (ISED).

Quarterly other subsidies and payments have decreased by \$0.4M or 14.1% (\$3.1M - \$2.7M) compared to the same quarter last year. Year to date expenditures have increased by \$2.7M or 75% (\$6.2M - \$3.5M) compared to last year. This increase is attributable to salary overpayments that occurred in 2016-17 but that were only recognized in the financial system in 2017-18 and for new salary overpayments that occurred in 2017-18. This situation is due to the implementation of the Phoenix pay system.

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.

Budget 2017 provided ECCC significant funding to support implementation of a wide variety of initiatives under the Pan-Canadian Framework on Clean Growth and Climate Change. It also made available funding to contribute to the protection of Canada's freshwater resources and the actions to prevent and manage air pollution. In this context, ECCC will continue to conduct program monitoring and proactive financial risk management and planning, all of which have been integrated into ECCC's business planning processes.

The Government of Canada has implemented a new pay system as part of the pay transformation initiative. There are known issues associated with the implementation of this system that have resulted in salary over/underpayments to employees. ECCC has proactively implemented a number of

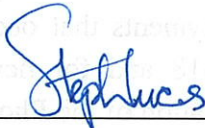
compensatory controls to monitor this risk and will continue to monitor and report on the situation closely in consultation with Public Services and Procurement Canada (PSPC) and Treasury Board Secretariat (TBS).

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:

- Mr. Matt Jones was appointed to the position of Assistant Deputy Minister of the Pan-Canadian Framework Implementation Office, effective July 10, 2017;
- Ms. Isabelle Bérard was appointed to the position of Assistant Deputy Minister of International Affairs Branch, effective July 24, 2017.

Approved by:

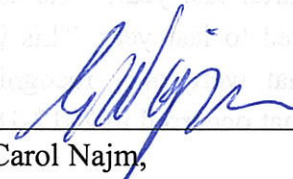


Stephen Lucas,
Deputy Minister

Gatineau, Canada

Date:

23/11/2017



Carol Najm,
Chief Financial Officer

Gatineau, Canada

Date:

NOV 17 2017

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 For the quarter ended *September 30, 2017*

Statement of Authorities (unaudited) – Table 1

Fiscal year 2017-18 (in thousands of dollars)

	Total available for use for the year ending March 31, 2018*	Used during the quarter ended September 30, 2017	Year to date used at quarter end
Vote 1 – Net Operating expenditures	747,156	199,513	372,785
Vote 5 – Capital expenditures	84,693	9,876	13,062
Vote 10 – Grants and contributions	130,626	15,662	29,371
Budgetary Statutory – Employee Benefit Plans	85,613	21,092	42,183
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	84	21	42
Budgetary Statutory – Refund of previous years revenue	0	0	0
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	275	320
Budgetary Statutory – Canada Foundation for Sustainable Development Technology Grant	0	0	0
Total Budgetary authorities	1,048,172	246,439	457,763
Non-budgetary authorities	-	-	-
Total authorities	1,048,172	246,439	457,763

* The Total funding available for use includes the 2017-18 Main Estimates, Supplementary Estimates "A" and the Operating and Capital budget carry-forwards. Authorities for Supplementary Estimates "B" and "C" will be included in Q3.

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 For the quarter ended *September 30, 2017*

Statement of Authorities (unaudited) – Table 2

Fiscal year 2016-17 (in thousands of dollars)

	Total available for use for the year ending March 31, 2017*	Used during the quarter ended September 30, 2016	Year to date used at quarter end
Vote 1 – Net Operating expenditures	738,101	178,557	336,317
Vote 5 – Capital expenditures	72,698	7,823	11,339
Vote 10 – Grants and contributions	131,734	23,103	50,869
Budgetary Statutory – Employee Benefit Plans	92,567	20,462	40,924
Budgetary Statutory – Minister’s Salary and Motor Car Allowance	84	21	42
Budgetary Statutory – Refund of previous years revenue	0	52	94
Budgetary Statutory – Spending of proceeds from the disposal of surplus Crown assets	0	104	135
Budgetary Statutory – Canada Foundation for Sustainable Development Technology Grant	0	0	2,290
Total Budgetary authorities	1,035,184	230,122	442,010
Non-budgetary authorities	-	-	-
Total authorities	1,035,184	230,122	442,010

* The Total funding available for use includes the 2016-17 Main Estimates, Supplementary Estimates "A" and the Operating and Capital budget carry-forwards. Authorities for Supplementary Estimates "B" and "C" will be included in Q3.

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

Fiscal year 2017-18 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2018*	Expended during the quarter ended September 30, 2017	Year to date used at quarter end
Expenditures:			
Personnel	629,299	183,361	347,247
Transportation and communications	38,379	7,219	13,212
Information	3,519	580	1,147
Professional and special services	174,510	24,605	42,336
Rentals	33,568	5,807	16,662
Repair and maintenance	16,665	6,008	7,894
Utilities, materials and supplies	49,543	7,493	12,983
Acquisition of land, buildings and works	1,052	59	82
Acquisition of machinery and equipment	45,628	3,505	5,104
Transfer payments	130,626	15,662	29,371
Other subsidies and payments	4,915	3,077	6,228
Total gross budgetary expenditures	1,127,704	257,376	482,266
Less Revenues netted against expenditures:			
Revenues	79,532	10,937	24,503
Total Revenues netted against expenditures:	79,532	10,937	24,503
Total net budgetary expenditures	1,048,172	246,439	457,763

* The Planned expenditures includes the 2017-18 Main Estimates, Supplementary Estimates "A" and the Operating and Capital budget carry-forwards. Authorities for Supplementary Estimates "B" and "C" will be included in Q3.

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

Fiscal year 2016-17 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2017*	Expended during the quarter ended September 30, 2016	Year to date used at quarter end
Expenditures:			
Personnel	622,105	155,973	306,596
Transportation and communications	42,248	7,695	12,845
Information	4,819	802	1,220
Professional and special services	166,807	30,438	48,237
Rentals	31,096	5,709	16,269
Repair and maintenance	20,505	2,083	3,355
Utilities, materials and supplies	50,592	9,406	15,778
Acquisition of land, buildings and works	800	46	47
Acquisition of machinery and equipment	48,950	4,097	5,496
Transfer payments	131,734	23,103	53,159
Other subsidies and payments	4,124	2,696	3,559
Total gross budgetary expenditures	1,123,780	242,048	466,561
Less Revenues netted against expenditures:			
Revenues	88,596	11,926	24,551
Total Revenues netted against expenditures:	88,596	11,926	24,551
Total net budgetary expenditures	1,035,184	230,122	442,010

* The Planned expenditures includes the 2016-17 Main Estimates, Supplementary Estimates "A" and the Operating and Capital budget carry-forwards. Authorities for Supplementary Estimates "B" and "C" will be included in Q3.