



Canadian
Heritage

Patrimoine
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Canada



Canadian Heritage's Quarterly Financial Report

For the quarter ended June 30, 2017



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Quarterly Financial Report for the Quarter Ended June 30, 2017

1. Introduction

This first quarterly financial report should be read in conjunction with the Main Estimates and Supplementary Estimates (A). It has been prepared by management as required by section 65.1 - [Quarterly financial reports of the Financial Administration Act](#) and in the form and manner prescribed by the Treasury Board in accordance with the special purpose financial reporting framework described in the GC4400 policy instrument. The first quarterly report has not been subject to an external audit or review.

The quarterly financial report outlines the results, risks and significant changes in operations, personnel and programs and includes financial information tables for the quarter. The purpose of the quarterly financial information tables is to provide a comparison of in-year departmental spending with authorities granted by Parliament, as well as comparative financial information for the preceding year.

1.1 Authority, Mandate and Program Activities

Canadian Heritage promotes an environment in which all Canadians take full advantage of dynamic cultural experiences, celebrating our history and heritage, and built strong communities. The Department invests in the future by supporting the arts, our official and indigenous languages and our athletes and the sport system.

Further details on the Department of Canadian Heritage's (PCH) authority, mandate and program activities can be found in the [2017-18 Departmental Plan](#) and the [2017-18 Main Estimates](#).

1.2 Basis of Presentation

This first quarterly financial 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 (A) for the 2017-2018 fiscal year.

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.

PCH 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.

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1.3 Canadian Heritage Financial Structure

PCH has a financial structure composed of voted budgetary authorities that include Vote 1 – Operating expenditures and Vote 5 – Grants and Contributions, and Statutory authorities which are composed of contributions to employee benefits plans, Ministers' Salary and motor car allowances and Statutory Payments for Lieutenant Governors.

2. Highlights of Fiscal Quarter and Fiscal Year-to-Date (YTD) Results

2.1 Statement of Authorities

PCH's 2017-2018 authorities available for use at the end of the first quarter have increased by approximately \$59.9 million when compared to the same quarter of 2016-2017. More specifically, the total available for use increased by \$36.1 million in Vote 5 - Grants and contributions and \$23.8 million in Vote 1 - Operating expenditures.

The overall increase of \$59.9 million is mainly due to new funding that was secured last year for initiatives and sought in 2016-2017 Supplementary Estimates (B) and (C). These items are now reflected in PCH's 2017-2018 Main Estimates:

- \$17.6 million to support the provision of services in the Territories in French and Indigenous languages;
- \$10.5 million for the Grants and Contributions Modernization Initiative including repairs to the roof of the Canadian Conservation Institute;
- \$6.4 million to support the celebrations of Montreal's 375th anniversary;
- \$6.3 million for the celebrations of the 150th anniversary of Confederation;
- \$5.6 million for the transfer of funds and responsibilities for the Multiculturalism Program;
- \$5.2 million to support the promotion of Canadian artists and cultural industries on the world stage; and
- \$5.0 million for the Harbourfront Centre Funding Program;
- \$2.4 million to support the new Court Challenges Program; and
- (\$0.9) million decrease for the Budget 2016 reductions in Professional Services, Advertising and Travel.

\$6.9 million was also sought in 2017-2018 Supplementary Estimates (A) to support the Young Canada Works Program. Funding was secured later last year.

These increases are partially offset by a decrease of \$5.0 million for the Aboriginal Languages Initiative to support Indigenous community efforts across Canada to preserve, revitalize and promote their Indigenous languages. Funding for 2017-2018 was announced in Budget 2017 and will be sought later in the year through supplementary estimates process.

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The following table provides details on the changes in authorities observed from 2016-2017 to 2017-2018 at the end of the first quarter (Main Estimates and Supplementary Estimates (A)).

| Items | <i>(in millions of \$)</i> | | | |
|--|----------------------------|-------------|------------|--------------|
| | Vote 1 | Vote 5 | Statutory | Total |
| Funding to support the provision of services in the Territories in French and Indigenous languages | 0.0 | 17.6 | 0.0 | 17.6 |
| Funding for the Grants and Contributions Modernization Initiative including repairs to the roof of the Canadian Conservation Institute | 10.5 | 0.0 | 0.0 | 10.5 |
| Funding to support the Young Canada Works Program | 0.2 | 6.6 | 0.1 | 6.9 |
| Funding to support the celebrations of Montreal's 375 th anniversary | 0.0 | 6.4 | 0.0 | 6.4 |
| Increase in funding for the celebrations of the 150 th anniversary of Confederation | 6.3 | 0.0 | 0.0 | 6.3 |
| Transfer of funds and responsibilities for the Multiculturalism Program | 4.8 | 0.0 | 0.8 | 5.6 |
| Funding to support the promotion of Canadian artists and cultural industries on the world stage | 2.4 | 2.6 | 0.2 | 5.2 |
| Funding for the Harbourfront Centre Funding Program | 0.0 | 5.0 | 0.0 | 5.0 |
| Funding to support the Court Challenges Program | 0.5 | 1.9 | 0.0 | 2.4 |
| Other Adjustments | 0.0 | 1.0 | (1.1) | (0.1) |
| Decrease in funding for the Budget 2016 reductions in Professional Services, Advertising and Travel | (0.9) | 0.0 | 0.0 | (0.9) |
| Decrease in funding for the Aboriginal Languages Initiative to support Indigenous community efforts across Canada to preserve, revitalize and promote their Indigenous languages | 0.0 | (5.0) | 0.0 | (5.0) |
| Grand Total | 23.8 | 36.1 | 0.0 | 59.9 |

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2.2 Departmental Budgetary Expenditures by Standard Object

Total expenditures for the first quarter of 2017-2018 have remained quite comparable to the same quarter of 2016-2017, though an increase of \$3.1M (1.0%) occurred: from \$316,334K to \$319,451K.

The Vote 5 – Grants and Contributions expenditures for the first quarter of 2017-2018 have remained relatively constant compared to the previous year's first quarter—still, a decrease of \$2.4M, from \$269,434K to \$266,985K, was observed. This 0.9% decrease is mainly due to the net effect of the following increases and decreases:

- \$54.7M – Canada Celebration & Commemoration Program: the increase is triggered by Canada's 150th anniversary of Confederation (\$48.6M) and Montreal's 375th anniversary (\$6.1M);
- \$7.5M – Canada Cultural Spaces Fund: the source of the increase is due to the social infrastructure projects which support the improvement, renovation and construction of arts and heritage facilities, the acquisition of specialized equipment, and the conducting of feasibility studies for cultural infrastructure projects;
- \$7.0M – Canada Arts Presentation Fund: this upsurge is mainly attributable to the increase in the program's grant maximum and authority at its last program renewal; thus, more funding is now being provided through grants agreements—which are generally paid out in full at the beginning of the fiscal year compared to contributions;
- (\$68.4M) – Canada Periodical Fund: the significant decrease is caused by a delay in payments in 2017-2018 compared to 2016-2017. The difference will be resolved in the next quarter.

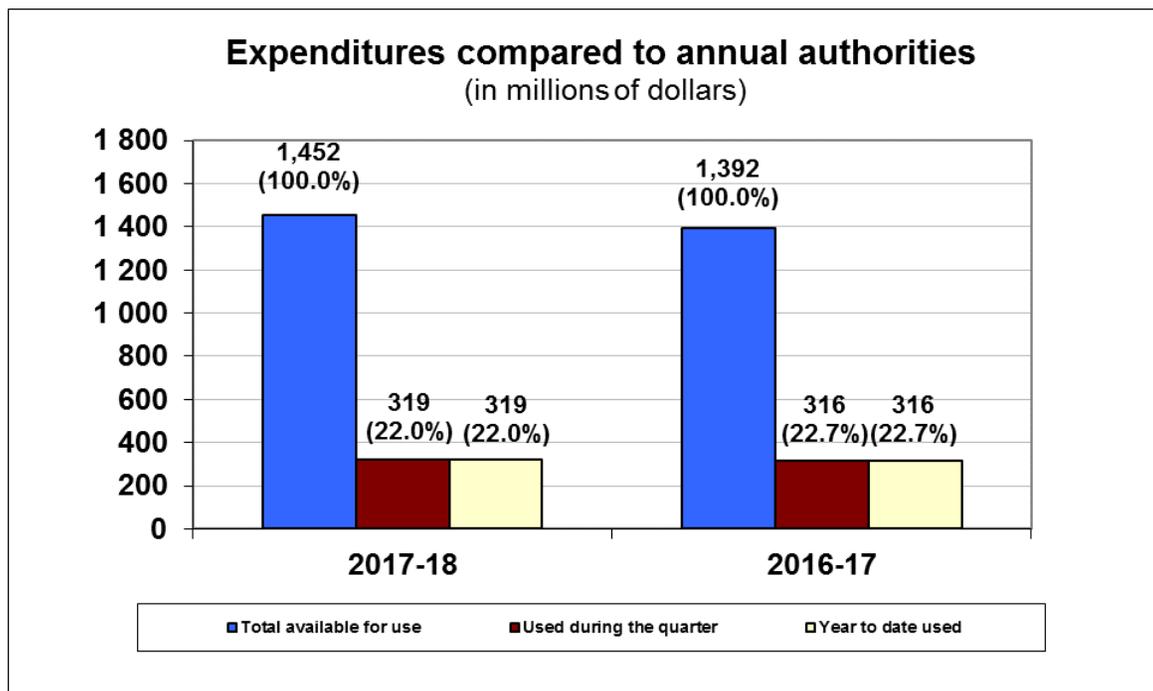
The Vote 1 – Operating expenditures for the first quarter of 2017-2018 have increased by \$5.6M when compared to 2016-2017. This is mainly due to the \$1.5M increase in Personnel, \$1.4M in Professional and Special Services, and \$0.7M in Utilities Materials and Supplies. The rise in Personnel payments is mainly due to the signing of newly ratified collective agreements and other pay related issues. Together, these occurrences triggered a higher amounts in retroactive payments, other allowances and benefits such as parental leave and severance, as well as an increase in seasonal and student pay compared to last year's first quarter. The \$1.4M augmentation in Professional and Special services compared to the same quarter in 2016-2017 is as a result of the Capital Experience Program involvement in Canada's 150th anniversary of Confederation which incurred more expenses than in the same quarter of 2016-2017 such as for Canada Day celebrations and promotional materials for Canada 150th initiatives.

Statutory Expenditures are at a similar level to those observed in 2016-2017.

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As noted in the table below, PCH has spent 22.0% (\$319M) of its authorities in the first quarter of 2017-2018, which is relatively on par with last year's 22.7% (\$316M) for the same period of 2016-17.



Text version of the above image:

| Expenditures Compared to Annual Authorities (in millions of dollars) | | |
|--|------------------|------------------|
| | 2017-2018 | 2016-2017 |
| Total available for use | 1,452 (100.0%) | 1,392 (100.0%) |
| Used during the quarter | 319 (22.0%) | 316 (22.7%) |
| Year-to-date used | 319 (22.0%) | 316 (22.7%) |

3. Risks and Uncertainties

Canadian Heritage continues to operate in a time of change. The standardization and consolidation of processes, as part of the government-wide enabling functions initiative, requires the analysis of financial and non-financial risks and the implementation of adequate internal controls and other risk mitigation strategies to ensure effective and efficient processes in order to support strong management oversight.

A dominant financial risk lies in the fact that departments are required to absorb or fund activities within its existing spending authorities, or to cash manage until increased

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spending authorities are approved without compromising program results. As an example, the Department will have to self-fund an ongoing portion of salary increases for the ratified collective bargaining agreements from the last round of public service negotiations.

4. Significant Changes in Relation to Operations, Personnel and Programs

Since the Department's third quarter of 2016-2017, changes to the Canadian Heritage senior management personnel were implemented. Patrick Borbey, Associate Deputy Minister of Canadian Heritage was appointed President of the Public service Commission in May 2017. Effective May 23, 2017, Guylaine F. Roy became Associate Deputy Minister of Canadian Heritage. Ms. Jenifer Aitken also joined PCH as Assistant Deputy Minister of Strategic Policy, Planning and Corporate Affairs, on April 24, 2017.

5. Approval by Senior Officials

Approved by:

Graham Flack, Deputy Minister

Gatineau, Canada
Date: August 24, 2017

Andrew Francis, Chief Financial Officer

Gatineau, Canada
Date: August 21, 2017

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Statement of Authorities (unaudited)

Fiscal year 2017-2018 and 2016-2017 (in thousands of dollars)

| | Total available for use for the year ending March 31, 2018 * | Used during the quarter ended June 30, 2017 | Year to date used at quarter-end 2017-2018 | Total available for use for the year ending March 31, 2017 * | Used during the quarter ended June 30, 2016 | Year to date used at quarter-end 2016-2017 |
|---|--|---|--|--|---|--|
| Vote 1 - Operating expenditures | 209,085 | 46,156 | 46,156 | 185,308 | 40,670 | 40,670 |
| Vote 5 - Grants and contributions | 1,216,635 | 266,985 | 266,985 | 1,180,502 | 269,434 | 269,434 |
| Statutory - Contributions to employee benefit plans | 23,757 | 5,929 | 5,929 | 23,716 | 5,874 | 5,874 |
| Statutory - Minister of Canadian Heritage - Salary and motor car allowance | 84 | 22 | 22 | 84 | 7 | 7 |
| Statutory - Minister of State (Minister of Sport and Persons with Disabilities) - Motor car allowance | 2 | 0 | 0 | 2 | 0 | 0 |
| Statutory - Minister of State (Minister of Status of Women) - Motor car allowance | 0 | 0 | 0 | 2 | 0 | 0 |
| Statutory - Salaries of the Lieutenant-Governors | 1,196 | 359 | 359 | 1,196 | 349 | 349 |
| Statutory - Payments under the <i>Lieutenant Governors Superannuation Act</i> (R.S.C., 1985, c. L-8) | 637 | 0 | 0 | 637 | 0 | 0 |
| Statutory - Supplementary Retirement Benefits - Former Lieutenant-Governors | 182 | 0 | 0 | 182 | 0 | 0 |
| Spending of Crown Asset Proceeds | 21 | 0 | 0 | 21 | 0 | 0 |
| Total Budgetary authorities | 1,451,599 | 319,451 | 319,451 | 1,391,650 | 316,334 | 316,334 |
| Total authorities | 1,451,599 | 319,451 | 319,451 | 1,391,650 | 316,334 | 316,334 |

* Includes only Authorities available for use and granted by Parliament at quarter-end.

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Departmental budgetary expenditures by Standard Object (unaudited)

Fiscal year 2017-2018 and 2016-2017 (in thousands of dollars)

| | Total available for use for the year ending March 31, 2018 * | Used during the quarter ended June 30, 2017 | Year to date used at quarter-end 2017-2018 | Total available for use for the year ending March 31, 2017 * | Used during the quarter ended June 30, 2016 | Year to date used at quarter-end 2016-2017 |
|--|--|---|--|--|---|--|
| Expenditures | | | | | | |
| Personnel | 176,300 | 42,872 | 42,872 | 162,710 | 41,386 | 41,386 |
| Transportation and communications | 6,532 | 828 | 828 | 5,284 | 471 | 471 |
| Information | 5,284 | 774 | 774 | 4,085 | 377 | 377 |
| Professional and special services | 37,736 | 5,234 | 5,234 | 33,668 | 3,865 | 3,865 |
| Rentals | 6,980 | 876 | 876 | 5,569 | 740 | 740 |
| Repair and maintenance | 2,220 | 164 | 164 | 1,282 | 225 | 225 |
| Utilities, materials and supplies | 5,304 | 994 | 994 | 4,905 | 278 | 278 |
| Acquisition of machinery and equipment | 3,689 | 170 | 170 | 2,370 | 52 | 52 |
| Transfer payments | 1,217,454 | 266,985 | 266,985 | 1,181,321 | 269,434 | 269,434 |
| Other subsidies and payments | 2,707 | 1,321 | 1,321 | 2,009 | 642 | 642 |
| Total gross budgetary expenditures | 1,464,206 | 320,218 | 320,218 | 1,403,203 | 317,470 | 317,470 |
| Less Revenues netted against expenditures: | | | | | | |
| Revenue credited to the Vote | -12,607 | -767 | -767 | -11,553 | -1,136 | -1,136 |
| Total Revenues netted against expenditures: | -12,607 | -767 | -767 | -11,553 | -1,136 | -1,136 |
| Total net budgetary expenditures | 1,451,599 | 319,451 | 319,451 | 1,391,650 | 316,334 | 316,334 |

* Includes only Authorities available for use and granted by Parliament at quarter-end.