



Canadian
Heritage

Patrimoine
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Canada



Canadian Heritage's Quarterly Financial Report

For the quarter ended December 31, 2017



Table of contents

| | |
|--|----|
| 1. Introduction | 3 |
| 1.1 Authority, Mandate and Program Activities | 3 |
| 1.2 Basis of Presentation | 3 |
| 1.3 Canadian Heritage Financial Structure | 4 |
| 2. Highlights of Fiscal Quarter and Fiscal Year-to-Date (YTD) Results..... | 4 |
| 2.1 Statement of Authorities | 4 |
| 2.2 Departmental Budgetary Expenditures by Standard Object | 6 |
| 3. Risks and Uncertainties | 8 |
| 4. Significant Changes in Relation to Operations, Personnel and Programs | 8 |
| 5. Approval by Senior Officials | 9 |
| Statement of Authorities (unaudited) | 10 |
| Departmental budgetary expenditures by Standard Object (unaudited) | 11 |

Quarterly Financial Report for the Quarter Ended December 31, 2017

1. Introduction

This third quarterly financial report should be read in conjunction with the Main Estimates and Supplementary Estimates (A & B). It has been prepared by management as required by section 65.1 - [Quarterly financial reports of the Financial Administration Act](#) and is 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 third 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

The Department of Canadian Heritage and its Portfolio organizations play a vital role in the cultural, civic and economic life of Canadians. Our policies and programs promote an environment where Canadians can experience dynamic cultural expressions, celebrate our history and heritage and build 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 third 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 & B) for the 2017-18 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.

Canadian Heritage

Quarterly Financial Report for the Quarter Ended December 31, 2017

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 2017-18 authorities available for use at the end of the third quarter have increased by \$95.0 million when compared to the same quarter of 2016-17. More specifically, the total available for use increased by \$59.7 million in Vote 5 - Grants and Contributions and \$35.2 million in Vote 1 - Operating expenditures.

The overall increase of \$95.0 million is mainly due to new initiatives whose funding was secured late last year in the 2016-17 Supplementary Estimates process—and reflected in the 2017-2018 Main Estimates—as well as funding secured in this year's Supplementary Estimates (A&B).

The following table provides details on the changes in authorities observed from 2016-17 to 2017-18 at the end of the third quarter (Main Estimates and Supplementary Estimates (A), (B) and other transfers from TBS Central Votes).

Canadian Heritage

Quarterly Financial Report for the Quarter Ended December 31, 2017

| Items | <i>(in millions of \$)</i> | | | |
|---|----------------------------|-------------|------------|--------------|
| | Vote 1 | Vote 5 | Statutory | Total |
| Increase in funding for the celebrations of the 150 th anniversary of Confederation | 5.9 | 11.9 | 0.0 | 17.8 |
| 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 | 1.3 | 11.8 |
| Funding to support the promotion of Canadian artists and cultural industries on the world stage | 4.8 | 5.6 | 0.4 | 10.8 |
| Funding to support the celebrations of Montreal's 375 th anniversary | 0.0 | 6.4 | 0.0 | 6.4 |
| Compensation Allocations for new Collective Bargaining Agreements | 6.0 | 0.0 | 0.0 | 6.0 |
| Funding to support the Next Generation of Canadian Olympic and Paralympic athletes (Budget 2015) | 0.0 | 5.0 | 0.0 | 5.0 |
| Funding for the Support of High Performance Athletes (Budget 2017) | 0.0 | 5.0 | 0.0 | 5.0 |
| Increase funding to support the Young Canada Works Program | 0.1 | 4.8 | 0.0 | 4.9 |
| Increase in the Operating Budget Carryforward | 4.7 | 0.0 | 0.0 | 4.7 |
| Increase in funding related to government advertising programs - Canada's 150th anniversary of Confederation | 4.5 | 0.0 | 0.0 | 4.5 |
| Funding for the Harbourfront Centre Funding Program | 0.0 | 4.0 | 0.0 | 4.0 |
| Funding to support the new Court Challenges Program | 0.5 | 1.9 | 0.0 | 2.4 |
| Transfer from the Department of Indian Affairs and Northern Development to support activities related to the production of an Indigenous Peoples Atlas of Canada | 0.0 | 1.1 | 0.0 | 1.1 |
| Other Adjustments | (0.9) | 1.4 | (1.6) | (1.1) |
| Decrease in funding for the Budget 2016 reductions in Professional Services, Advertising and Travel | (0.9) | 0.0 | 0.0 | (0.9) |
| Decrease due to the phasing out of the previous Aboriginal Languages Initiative that is being replaced with an enhanced initiative. The funding authorities for this new Aboriginal Languages Initiative, that will support Indigenous community efforts across Canada to preserve, revitalize and promote their Indigenous languages, will be sought in the fourth quarter of 2017-18. | 0.0 | (5.0) | 0.0 | (5.0) |
| Grand Total | 35.2 | 59.7 | 0.1 | 95.0 |

Quarterly Financial Report for the Quarter Ended December 31, 2017

2.2 Departmental Budgetary Expenditures by Standard Object

Total expenditures for the third quarter of 2017-18 have decreased by \$123.9M (-35%) from \$353.0M to \$229.1M compared to the same quarter of 2016-17.

Transfer Payments expenditures for the third quarter of 2017-18 have decreased by \$121.7M, from \$302.4M to \$180.7M. This 40% decrease is mainly due to the following:

Decreases:

- \$101.8M – Canada Media Fund: the decrease was caused by the timing difference of last year's third quarter payment as time was taken to amend the Terms and Conditions. The payment was posted during the second quarter this fiscal year;
- \$25.5M – Development and Enhancement of Official Languages Programs: the decrease was mainly a result of the bilateral agreements which are subject to specific conditions and can result in fluctuations in the amounts and timing of payments throughout the year;
- \$3.9M – Canada Celebration & Commemoration Program: the decrease was triggered by the winding down of Canada's 150th Anniversary of Confederation whose events were mainly in the summer of 2017;
- \$3.2M – Canada Arts Presentation Fund Program: the decrease was caused by a difference in timing for payments that are now made earlier in the fiscal year; and

Increases:

- \$8.7M – Aboriginal Peoples' Program: the spending increase was related to the new funding to be received in support the Aboriginal Languages Initiative;
- \$3.3M – Athlete Assistant Program: the increase was in relation to the extra funding received in Supplementary Estimates (B) for High Performance Athletes; and
- \$1.5M – Museums Assistance Program: the increase was due to the expending of funds received for the Youth Canada Works Program whose financing is part of the Youth Employment Strategy Initiative.

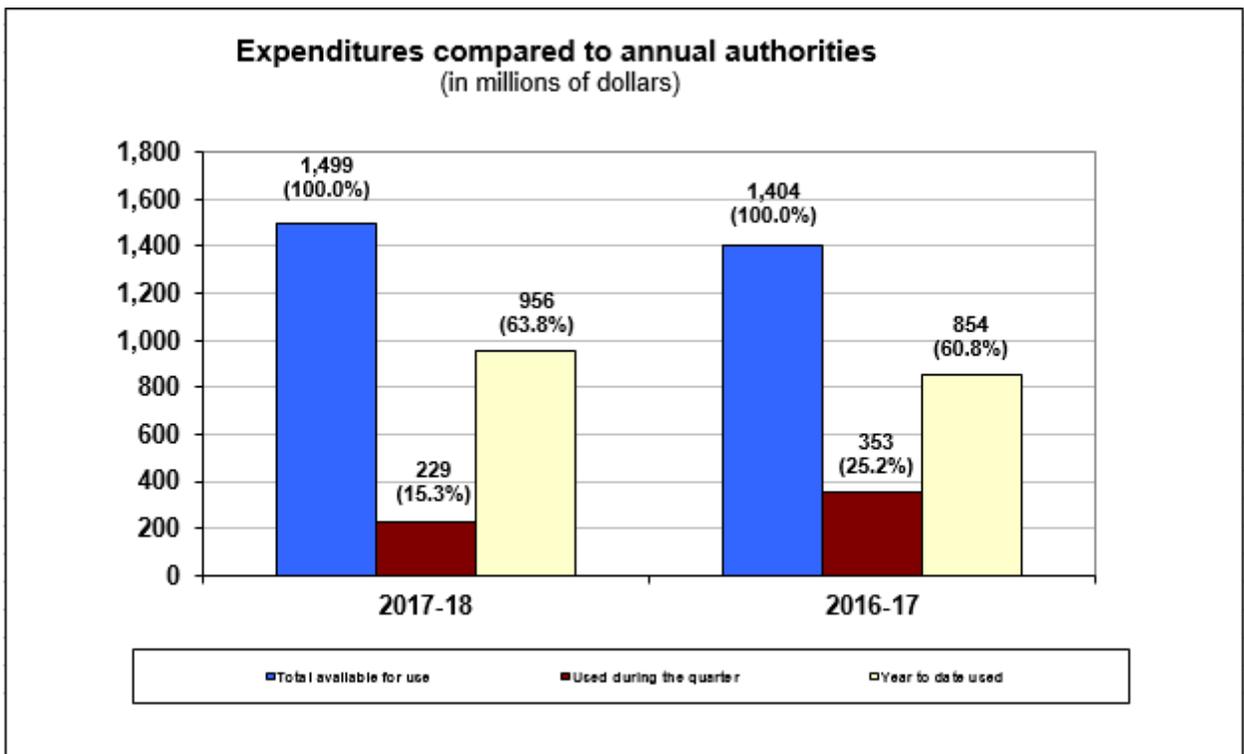
Operating expenditures for the third quarter of 2017-18 have decreased by \$2.2M when compared to 2016-17. This 5.1% decrease is mainly due to the (\$0.7M) in Other subsidies and Payments, (\$0.5M) in Professional and Special Services, an increase of \$1.9M in revenues netted against expenditures offset by an increase of \$0.9M in Personnel. The (\$0.7M) decrease in Other Subsidies and Payments is primarily as a result of improvement in coding precision and timing differences for recoverables of salary advances due to Phoenix issues. The (\$0.5M) fall in Professional and Special services is mainly due the Capital Experience Program which incurred less expenses than in the same quarter of 2016-17 as activities for Canada's 150th anniversary of Confederation started January 1st 2017. The rise in Personnel costs of \$0.9M is explained by the disbursements of retroactive salary payments as well as the overall

Canadian Heritage

Quarterly Financial Report for the Quarter Ended December 31, 2017

increase in regular salary costs for indeterminate, term, casual and student employees, following the ratification and signing of collective agreements. Lastly, the \$1.9M increase in revenues netted against expenditures is in part due to the increase in volume but also to earlier processing of Film & Video Production credits, the increase in Canada 150th activities as well as the timing of funds received for the provision of internal support services compared to 2016-17.

As noted in the table below, PCH has spent 15.3% (\$229M) of its authorities in the third quarter of 2017-18, which is significantly lower than last year's 25.2% (\$353M) for the same period of 2016-17 mostly as a result of the above mentioned Transfer payments' disbursement schedules. The increase in the year to date spending of 11.9% (\$102M) from \$854M to \$956M is mostly attributable to the increase in spending for Canada 150th anniversary from Confederation events as well as for the social infrastructure projects under the Canada Cultural Spaces Fund and the disbursements of retroactive salary payments and overall increase in regular salary costs following the ratification and signing of collective agreements.



Quarterly Financial Report for the Quarter Ended December 31, 2017

Text version of the above image:

| Expenditures Compared to Annual Authorities (in millions of dollars) | | |
|---|----------------|----------------|
| | 2017-18 | 2016-17 |
| Total available for use | 1,499 (100%) | 1,404 (100%) |
| Used during the quarter | 229 (15.3%) | 353 (25.2%) |
| Year-to-date used | 956 (63.8%) | 854 (60.8%) |

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.

The Government of Canada has implemented a new pay system as part of the pay transformation initiative. Since its implementation, Phoenix has experienced issues—under and over payments to employees—which Public Services and Procurement Canada (PSPC) is working hard to resolve. In order to mitigate against this impact, PCH has issued emergency salary advances to affected employees. PCH has also put controls in place to monitor this risk and will monitor the situation closely in consultation with PSPC and Treasury Board Secretariat.

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 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 second quarter of 2017-18, changes to the Canadian Heritage senior management personnel were implemented. Andrew Campbell will, for the time being, replace Marie-Geneviève Mounier as Assistant Deputy Minister for Sport, Major Events and Commemorations as she is to become the new Associate Secretary, to Her Excellency the Right Honourable Julie Payette, the Governor General of Canada, effective February 14, 2018. The Honourable Kristy Duncan became the Minister of Sport and Persons with Disabilities on January 25, 2018 in addition to being Minister of Science.

Canadian Heritage

Quarterly Financial Report for the Quarter Ended December 31, 2017

5. Approval by Senior Officials

Approved by:

Graham Flack, Deputy Minister

Andrew Francis, Chief Financial Officer

Gatineau, Canada
Date: February 23, 2018

Gatineau, Canada
Date: February 22, 2018

Canadian Heritage

Quarterly Financial Report for the Quarter Ended December 31, 2017

Statement of Authorities (unaudited)

Fiscal year 2017-18 and 2016-17 (in thousands of dollars)

| | Total available for use for the year ending March 31, 2018 * | Used during the quarter ended December 31, 2017 | Year to date used at quarter-end 2017-18 | Total available for use for the year ending March 31, 2017 * | Used during the quarter ended December 31, 2016 | Year to date used at quarter-end 2016-17 |
|---|--|---|--|--|---|--|
| Vote 1 - Operating expenditures | 230,818 | 42,121 | 149,830 | 195,618 | 44,369 | 127,648 |
| Vote 5 - Grants and contributions | 1,241,713 | 180,177 | 786,803 | 1,182,053 | 301,812 | 707,053 |
| Statutory - Contributions to employee benefit plans | 23,901 | 5,929 | 17,787 | 23,741 | 5,874 | 17,623 |
| Statutory - Minister of Canadian Heritage - Salary and motor car allowance | 84 | 21 | 63 | 84 | 21 | 56 |
| Statutory - Minister of State (Minister of Sport and Persons with Disabilities) - Motor car allowance | 2 | 0 | 2 | 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 | 357 | 1,073 | 1,196 | 376 | 1,073 |
| Statutory - Payments under the <i>Lieutenant Governors Superannuation Act</i> (R.S.C., 1985, c. L-8) | 637 | 432 | 432 | 637 | 463 | 463 |
| Statutory - Supplementary Retirement Benefits - Former Lieutenant-Governors | 182 | 80 | 80 | 182 | 93 | 93 |
| Spending of Crown Asset Proceeds | 37 | 0 | 0 | 40 | 0 | 0 |
| Total Budgetary authorities | 1,498,570 | 229,117 | 956,070 | 1,403,555 | 353,008 | 854,009 |
| Total authorities | 1,498,570 | 229,117 | 956,070 | 1,403,555 | 353,008 | 854,009 |

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

Canadian Heritage

Quarterly Financial Report for the Quarter Ended December 31, 2017

Departmental budgetary expenditures by Standard Object (unaudited)

Fiscal year 2017-18 and 2016-17 (in thousands of dollars)

| | Total available for use for the year ending March 31, 2018 * | Used during the quarter ended December 31, 2017 | Year to date used at quarter-end 2017-18 | Total available for use for the year ending March 31, 2017 * | Used during the quarter ended December 31, 2016 | Year to date used at quarter-end 2016-17 |
|--|--|---|--|--|---|--|
| Expenditures | | | | | | |
| Personnel | 187,432 | 41,413 | 138,382 | 171,150 | 40,529 | 123,850 |
| Transportation and communications | 8,425 | 1,029 | 3,396 | 5,461 | 988 | 2,364 |
| Information | 10,309 | 1,851 | 5,887 | 4,250 | 1,576 | 2,649 |
| Professional and special services | 40,410 | 4,904 | 16,733 | 34,667 | 5,428 | 13,126 |
| Rentals | 6,980 | 729 | 3,490 | 5,790 | 591 | 2,480 |
| Repair and maintenance | 2,220 | 175 | 723 | 1,332 | 372 | 727 |
| Utilities, materials and supplies | 5,304 | 647 | 2,521 | 5,041 | 582 | 1,693 |
| Acquisition of machinery and equipment | 4,859 | 309 | 934 | 2,425 | 513 | 694 |
| Transfer payments | 1,242,531 | 180,689 | 787,316 | 1,182,873 | 302,368 | 707,610 |
| Other subsidies and payments | 2,707 | 99 | 2,601 | 2,119 | 873 | 2,180 |
| Total gross budgetary expenditures | 1,511,177 | 231,845 | 961,983 | 1,415,108 | 353,820 | 857,373 |
| Less Revenues netted against expenditures: | | | | | | |
| Revenue credited to the Vote | -12,607 | -2,728 | -5,913 | -11,553 | -812 | -3,364 |
| Total Revenues netted against expenditures: | -12,607 | -2,728 | -5,913 | -11,553 | -812 | -3,364 |
| Total net budgetary expenditures | 1,498,570 | 229,117 | 956,070 | 1,403,555 | 353,008 | 854,009 |

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