



Canadian
Heritage

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Canadian Heritage's Quarterly Financial Report

For the quarter ended September 30, 2017



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1. Introduction

This second 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 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 second 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 second 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 2017-18 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.

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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 2017-18 authorities available for use at the end of the second quarter have increased by approximately \$64.7 million when compared to the same quarter of 2016-17. More specifically, the total available for use increased by \$36.1 million in Vote 5 - Grants and Contributions and \$28.6 million in Vote 1 - Operating expenditures.

The overall increase of \$64.7 million is mainly due to new funding that was secured last year for initiatives and sought in 2016-17 Supplementary Estimates (B) and (C). These items are now reflected in PCH's 2017-18 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;
- \$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.

Further, \$6.9 million was also sought in 2017-18 Supplementary Estimates (A) to support the Young Canada Works Program. Its funding was secured later last year. Lastly, the Operating Budget Carry Forward increased by \$4.7 million compared to last fiscal year.

These increases are partially offset by a temporary decrease of \$5.0 million for time-limited funding that sunsetted at the end of 2016-17 for the Aboriginal Languages Initiative program which supported Indigenous community efforts across Canada to preserve, revitalize and promote their Indigenous languages. Funding to significantly enhance the Aboriginal Languages Initiative has since been renewed in Budget 2017

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and will be sought later in the fiscal year through supplementary estimates process.

The following table provides details on the changes in authorities observed from 2016-17 to 2017-18 at the end of the second 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
Increase in Operating Budget Carry forward	4.7	0.0	0.0	4.7
Funding to support the Court Challenges Program	0.5	1.9	0.0	2.4
Other Adjustments	0.1	1.0	(1.1)	0.0
Budget 2016 reductions in Professional Services, Advertising and Travel	(0.9)	0.0	0.0	(0.9)
Transitional adjustment for the Aboriginal Languages Initiative	0.0	(5.0)	0.0	(5.0)
Grand Total	28.6	36.1	0.0	64.7

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2.2 Departmental Budgetary Expenditures by Standard Object

Total expenditures for the second quarter of 2017-18 have increased by \$222.8M (121%) compared to the same quarter of 2016-17.

The Vote 5 – Grants and Contributions expenditures for the second quarter of 2017-18 increased by \$203.8M, from \$135.8M to \$339.6M. This 150% increase is mainly due to the following increases:

- \$102.5M – Canada Media Fund: the increase is 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.
- \$66.3M – Canada Periodical Fund: the expenditure relating to this fund is higher than that experienced in the second quarter of 2016-17. The 2016-17 second quarter expenditure was unusually low because in that year the payment had been made in the first quarter, rather than in the second quarter. In most recent years this expenditure has occurred in the second quarter
- \$17.0M – 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;
- \$10.5M – Canada Celebration & Commemoration Program: the increase is triggered by Canada's 150th anniversary of Confederation;
- \$4.6M – Museums Assistance Program: the increase is due to the expending of funds received earlier in the year for the Youth Canada Works Program; and
- \$3.8M – Aboriginal Peoples' Program: the spending increase is related to the new funding expected to be received to support Aboriginal Languages Initiative.

The Vote 1 – Operating expenditures for the second quarter of 2017-18 have increased by \$18.9M when compared to 2016-17. This 44% increase is mainly due to the \$12.2M increase in Personnel, \$2.8M in Professional and Special Services, \$2.6M in Information, \$0.7M in Rentals, \$0.6M in Transportation and Communication and offset by an increase of \$1.0M in re-spendable revenue. The rise in Personnel costs is explained by the disbursements of retroactive salary payments as well as overall increase in regular salary costs for indeterminate, term, casual and student employees, following the ratification and signing of collective agreements. The \$2.8M rise in Professional and Special services is mainly due to the Capital Experience Program involvement in Canada's 150th anniversary of Confederation which incurred more expenses than in the same quarter of 2016-17 such as for Canada Day celebrations on Parliament Hill. Further, this increase is also a result of Information Technology Consultants hired to assist in the implementation of the Grants and Contributions Modernization Project. The \$2.6M increase in Information is due solely to the Advertising Services used by the Capital Experience and Celebration & Commemoration programs as part of Canada's

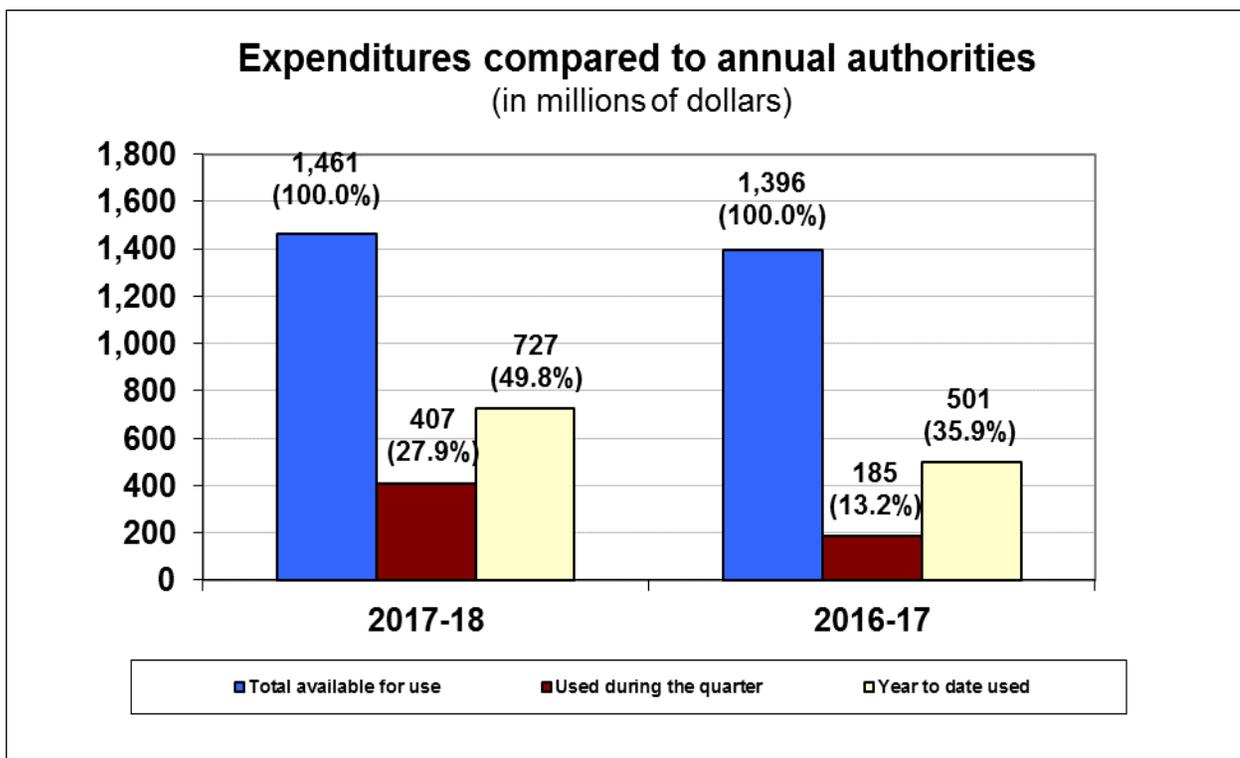
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150th anniversary initiative. Similarly, the \$0.7M in Rentals was triggered by the Capital Experience program's use of rental Communications Networking and other Equipment for activities related to Canada's 150th anniversary of Confederation such as Canada Day. Further, most of the \$0.6M increase in Transportation and Communication came from the rise in travel required for the Games of the Francophonie. Lastly, the \$1.0M increase in re-spendable revenue is in part due to the increased volume in Canada 150th activities as well as the timing of funds received for the provision of internal support services compared to 2016-17.

Statutory Expenditures are at a similar level to those observed in 2016-17.

As noted in the table below, PCH has spent 27.9% (\$407M) of its authorities in the second quarter of 2017-18, which is significantly higher than last year's 13.2% (\$185M) for the same period of 2016-17, but is more in line with PCH's regular second quarter spending habits exhibited in previous fiscal years, namely 28.7% (\$362M) in 2015-16 and 29.8% (\$417M) 2014-15.



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Expenditures Compared to Annual Authorities (in millions of dollars)		
	2017-18	2016-17
Total available for use	1,461 (100.0%)	1,396 (100.0%)
Used during the quarter	407 (27.9%)	185 (13.2%)

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Year-to-date used	727 (49.8%)	501 (35.9%)
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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 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 Public Services and Procurement Canada (PSPC) and Treasury Board Secretariat (TBS).

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 first quarter of 2017-18, changes to the Canadian Heritage senior management personnel were implemented. On August 28 2017, the Honourable Kent Hehr, former Minister of Veterans Affairs, has been appointed Minister of Sport and Persons with Disabilities, replacing the Honourable Carla Qualtrough. Further, on October 30th Mr. Jean-Stéphen Piché commenced his function as Senior Assistant Deputy Minister of Cultural Affairs

5. Approval by Senior Officials

Approved by:

Graham Flack, Deputy Minister

Andrew Francis, Chief Financial Officer

Gatineau, Canada
Date: November 27, 2017

Gatineau, Canada
Date: November 23, 2017

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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, 18 *	Used during the quarter ended September 30, 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 September 30, 2016	Year to date used at quarter-end 2016-17
Vote 1 - Operating expenditures	218,360	61,553	107,709	189,865	42,646	83,341
Vote 5 - Grants and contributions	1,216,635	339,641	606,627	1,180,501	135,808	405,242
Statutory - Contributions to employee benefit plans	23,757	5,929	11,858	23,717	5,874	11,748
Statutory - Minister of Canadian Heritage - Salary and motor car allowance	84	22	43	84	28	35
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	357	716	1,196	349	697
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	37	0	0	23	0	0
Total Budgetary authorities	1,460,890	407,502	726,953	1,396,209	184,705	501,063
Total authorities	1,460,890	407,502	726,953	1,396,209	184,705	501,063

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

	Total available for use for the year ending March 31, 18*	Used during the quarter ended September 30, 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 September 30, 2016	Year to date used at quarter-end 2016-17
Expenditures						
Personnel	183,561	54,097	96,969	166,571	41,935	83,321
Transportation and communications	6,739	1,539	2,366	5,347	905	1,376
Information	5,721	3,263	4,037	4,135	696	1,073
Professional and special services	38,622	6,595	11,829	34,025	3,834	7,699
Rentals	7,233	1,885	2,761	5,656	1,149	1,889
Repair and maintenance	2,271	384	548	1,299	130	355
Utilities, materials and supplies	5,423	880	1,875	4,956	833	1,111
Acquisition of machinery and equipment	3,766	454	625	2,380	128	181
Transfer payments	1,217,454	339,642	606,626	1,181,321	135,808	405,242
Other subsidies and payments	2,707	1,181	2,502	2,072	703	1,368
Total gross budgetary expenditures	1,473,497	409,920	730,138	1,407,762	186,121	503,615
Less Revenues netted against expenditures:						
Revenue credited to the Vote	-12,607	-2,418	-3,185	-11,553	-1,416	-2,552
Total Revenues netted against expenditures:	-12,607	-2,418	-3,185	-11,553	-1,416	-2,552
Total net budgetary expenditures	1,460,890	407,502	726,953	1,396,209	184,705	501,063

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