



Public Services and  
Procurement Canada

Services publics et  
Approvisionnement Canada

Canada



Serving  
GOVERNMENT,  
serving  
CANADIANS.

# Quarterly Financial Report

For the quarter ended September 30, 2019

2019-2020



## 1. Introduction

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This Quarterly Financial Report (QFR) should be read in conjunction with the [Main Estimates](#). It has been prepared by management as required under section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Directive on Accounting Standards, GC 4400 Departmental Quarterly Financial Report. It has not been subject to an external audit or review.

### 1.1 Raison d'être

Public Works and Government Services Canada (PWGSC) was established effective June 20, 1996, under the *Department of Public Works and Government Services Act*. As of November 4, 2015, PWGSC started operating as Public Services and Procurement Canada (PSPC). PSPC plays an important role in the daily operations of the Government of Canada. It supports federal departments and agencies in the achievement of their mandated objectives as their central purchasing agent, real property manager, linguistic authority, treasurer, accountant, pay and pension administrator, and common service provider. The Department's vision is to excel in government operations, and its strategic outcome and mission are to deliver high-quality, central programs and services that ensure sound stewardship on behalf of Canadians and meet the program needs of federal institutions.

A summary description of the Department's core responsibilities can be found in Part II of the [Main Estimates](#).

### 1.2 Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting and a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities. The accompanying [Statement of Authorities](#) includes the Department's spending authorities granted by Parliament, and those used by the Department are consistent with the Main Estimates for the current 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.

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.

### 1.3 Public Services and Procurement Canada's financial structure

PSPC provides services to many government departments, agencies and Crown corporations through a variety of funding mechanisms. This includes budgetary authorities that are comprised of voted and statutory authorities, as well as non-budgetary authorities. The voted budgetary authorities include operating expenditures, vote-netted revenues and capital expenditures, while the statutory authorities are mainly

composed of revolving funds, employee benefit plans and payments in lieu of taxes (PILT). The non-budgetary authorities consist primarily of the Seized Property Working Capital Account (see description below).

PSPC's complex financial structure may result in significant fluctuations in authorities on a quarterly basis, which are due to timing differences that are resolved by year-end. These are summarized as follows:

- For the most part, PSPC delivers its services on a cost-recovery basis, generating revenues via revolving-fund ("the Funds") organizations and programs within the operating vote. These organizations and programs are mainly designed to provide services to other government organizations, and are expected to recover the cost of their operations through revenues. However, the costs incurred by the Funds are usually disbursed prior to invoicing the client, which generally occurs upon completion of a project or after services are rendered, and thus revenues may be collected in a subsequent quarter.
- PSPC manages a variety of real property projects that progress through phases from planning to funding and from procurement to construction. Historical trends have shown that expenditures against these projects are not incurred evenly throughout the year; thus, quarter-to-quarter fluctuations are normal. Such projects include the Alaska Highway in British Columbia and Yukon, and the rehabilitation of the Parliamentary Precinct in Ottawa.
- PILT issued by PSPC are funded through a statutory vote and paid on behalf of other participating federal departments. Payments are subsequently recovered from the participating departments and are recorded as statutory grants in the Public Accounts of Canada. Timing fluctuations can occur between the payments and the recoveries.
- PSPC also manages seized property for the Government of Canada pursuant to the *Seized Property Management Act*. The financial management of this activity is undertaken through the non-budgetary Seized Property Working Capital Account. Charged to this account are expenditures and advances made to maintain and manage any seized or restrained property. PSPC recovers its costs from this account once the property owner loses the right to the property and it is disposed of.

## 2. Highlights of fiscal quarter and fiscal year-to-date results

### 2.1 Significant changes to authorities

When compared to the same quarter of the previous year, year-to-date **PSPC's authorities available for use increased by \$435.7 million** (\$3,475.4 million in Q2 of the fiscal year ending March 31, 2019; \$3,911.1 million in Q2 of the fiscal year ending March 31, 2020) as reflected in [Table 1 - Statement of Authorities \(unaudited\)](#). Major reasons for the increase are outlined below:

**Year-over-year variances in authorities available for use**  
(in millions of dollars)

Project	Operating	Capital	Budgetary Statutory Authorities	Total Variances
Phoenix pay system	252.4	(16.8)	46.2	281.8
Predictable Capital Funding	31.2	238.9	2.7	272.8
Price and Volume Protection	63.2	-	-	63.2
Long Term Vision and Plan	(17.1)	60.6	-	43.5
E-Procurement Solution	21.1	-	0.2	21.3
Revolving Funds	-	-	8.6	8.6
Engineering Assets	(2.4)	(77.9)	-	(80.3)
Carry Forward	(7.9)	(67.0)	-	(74.9)
Carling Campus	(0.6)	(45.5)	-	(46.1)
Real Property Program Integrity	-	(33.3)	-	(33.3)
Federal Infrastructure	(2.3)	(26.3)	-	(28.6)
Vote Transfer	21.2	(21.2)	-	-
Other	0.3	2.7	4.7	7.7
<b>Cumulative Variance in Authorities Available for Use</b>	<b>359.1</b>	<b>14.2</b>	<b>62.4</b>	<b>435.7</b>

Groupings can change between quarters due to materiality of initiatives.

Amounts may not balance with other public documents due to rounding.

The **net increase of \$435.7 million** from the second quarter of the fiscal year ending March 31, 2019 can be explained by:

**Phoenix Pay System – increase of \$281.8 million**

As announced in Budget 2019, this funding ensures that adequate resources are dedicated to address pay issues and system support. This increase is due to funding received earlier in this fiscal year when compared to the previous year.

**Predictable Capital Funding – increase of \$272.8 million**

As announced in Budget 2019, this funding will allow PSPC to establish a long-term predicated capital funding strategy to manage its portfolio of assets.

**Price & Volume Protection – increase of \$63.2 million**

This funding increase for accommodation costs protects Public Services and Procurement Canada for inflation (price) and any variations in space requirements for public servants (volumes).

**Long Term Vision and Plan (LTVP) – increase of \$43.5 million**

This funding increase is to continue the implementation of the Parliamentary Precinct Rehabilitation. Major projects such as the Centre Block, the East Block and the Visitor Welcome Centre (Phase II) are preserving and restoring Canada's built-heritage for future generations of Canadians and maintaining the symbolic primacy of Parliament Hill and its surroundings.

**E-Procurement Solution – increase of \$21.3 million**

This funding increase is to continue with the implementation of the E-Procurement Solution (EPS) as announced in Budget 2018 for a simpler and a better procurement.

**Revolving Funds – increase of \$8.6 million**

The variance is mainly due to investments in the modernization of service delivery tools and the workplace renewal initiative within the Real Property Services Revolving Fund.

**Engineering Assets – decrease of \$80.3 million**

Consists of the sunset of Budget 2016 capital funding received to address program integrity funding pressures faced by the Real Property Program for its portfolio of 17 public infrastructures across Canada.

**Carry Forward of unused funds from previous fiscal year – decrease of \$74.9 million**

Treasury Board Secretariat allows departments to transfer a portion of unused funds from one fiscal year to the following year. A carry forward of \$70.4 million was received in the second quarter of this fiscal year. During the same quarter last year, PSPC received \$145.3 million in carry forward.

**Carling Campus – decrease of \$46.1 million**

The sunset of Budget 2010 funding for the design and construction of necessary base building upgrades, special purpose space, information technology (IT), and security for the Carling Campus Project.

**Federal Infrastructure: Program Integrity – decrease of \$33.3 million**

The sunset of Budget 2016 capital funding received for the recapitalization and rehabilitation of federal buildings in order to provide a safe, healthy, and secure workplace.

**Federal Infrastructure: Accelerated Infrastructure Program – decrease of \$28.6 million**

The sunset of Budget 2016 funding received to ensure that Canadians continue to benefit from modern, efficient and sustainable infrastructure.

**Vote Transfer – net variance of \$0 million**

PSPC has transferred funding between its capital and operating votes for activities that cannot be capitalized such as swing space and minor accommodation adjustments under the Refit/Fit-up project.

**Other – increase of \$7.7 million**

The net increase of \$7.7 million is the result of funding variances in miscellaneous projects and activities such as Real Property initiatives.

## **2.2 Significant changes to year-to-date net expenditures**

As presented in [Table 2 - Departmental budgetary expenditures by standard object \(unaudited\)](#), **year-to-date total net budgetary expenditures have decreased by \$159.5 million** when compared with the same quarter of the previous year (\$1,862.0 million in the current fiscal year compared with \$2,021.5 million in the previous fiscal year).

Overall, total spending at the end of the second quarter represents 48% of annual planned expenditures for this current fiscal year, compared with 58% for the second quarter of the previous year.

**Year-over-year variances in net budgetary expenditures (presented by standard object)**  
**(in millions of dollars)**

Standard Object	September 30, 2019 Year to date used at quarter end	September 30, 2018 Year to date used at quarter end	Year-over-year variance
Personnel	735.5	662.0	73.5
Professional and special services	642.0	703.1	(61.1)
Rentals	564.7	557.7	7.0
Repair and maintenance	473.3	468.7	4.6
Acquisition of land, buildings and works	223.5	189.5	34.0
Transfer payments	111.9	94.9	17.0
Other subsidies and payments	205.2	215.6	(10.4)
Other expenditures	212.5	217.0	(4.5)
Revenues netted against expenditures	(1,306.6)	(1,087.0)	(219.6)
<b>Total net budgetary expenditures</b>	<b>1,862.0</b>	<b>2,021.5</b>	<b>(159.5)</b>

Amounts may not balance with other public documents due to rounding.

The year-over-year **net decrease of \$159.5 million** is mainly attributable to:

**Personnel – increase of \$73.5 million**

- The increase is mainly due to the hiring of additional resources to support pay operations and to stabilize the pay system.
- The increase is also due to an increase in Translation Bureau workforce to improve quality control and meet translation and interpretation demand.

**Professional and special services – decrease of \$61.1 million**

- The decrease is mainly due to decreased professional, architectural, engineering and consulting services resulting from the completion of major phases of the Parliamentary Precinct project such as the West Block and the Senate of Canada Building, as per the project plans.
- The decrease is partially offset by an increase in expenditures due to substantial work undertaken in 2019-2020 for projects in Pacific region and for other government departments as well as the Centre Block project that is beginning its construction phase.

**Rentals – increase of \$7.0 million**

- The increase is primarily due to year-over-year timing difference between when the billing is issued and when the revenue is recovered from clients.
- The increase is partially offset by a reduction of rental fees attributable to previous year costs being higher for the G7 Summit and the non-renewal of certain capital lease contracts at the end of the term.

**Repair and maintenance – increase of \$4.6 million**

- The increase is mainly due to major work undertaken at the Esquimalt Graving Dock and at federal properties in the National Capital area and Quebec region.

**Acquisition of land, buildings and works – increase of \$34.0 million**

- The increase is mainly due to increased activities in the delivery phase of various projects in the National Capital, Toronto and Montréal areas such as Place du Portage III, Arthur Meighen Building and Place d'Youville.

**Transfer payments – increase of \$17.0 million**

- The variance is mainly due to the result of a timing difference between when a PILT payment is issued and when the cost is recovered from other government departments.

**Other subsidies and payments – decrease of \$10.4 million**

- The decrease is mainly due to the timing difference in the receiving and payment of invoices.

**Other expenditures – decrease of \$4.5 million**

- The decrease is mainly due to timing difference between when costs are incurred and when recovered from clients.

**Revenues netted against expenditures – increase of \$219.6 million**

- The increase is primarily due to timing differences for revenues collected and costs disbursed for services provided to other government departments primarily for real property and facilities services and management.

### 3. Risks and uncertainties

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PSPC integrates risk management principles into business planning, decision-making and organizational processes to minimize negative impacts and maximize opportunities across our diverse range of services and operations. Risk management at PSPC is carried out in accordance with TBS's Framework for the Management of Risk, the Management Accountability Framework, and PSPC's Policy on Integrated Risk Management.

The following key risks were identified as having a potential financial impact on PSPC's operations:

- **PSPC's dependency on clients' expenditures:** More than half of PSPC's financial and human resources are tied directly to cost-recovered services and activities. In a context of reduced expenditures on the part of client departments and agencies, there is a risk that PSPC could face unpredictable and reduced business volumes and associated reduced resources. In response to this risk, PSPC continually adjusts to fluctuations in operational demands while maintaining the quality of its services. This includes sustaining rigorous management of revenues, expenditures, forecasting and commitment monitoring, and working closely with other departments through the client service network to identify changing requirements and their impacts on the Department.
- **PSPC's ability to undertake and deliver complex, transformational and interdepartmental major projects and procurements:** There are inherent risks in PSPC undertaking and delivering complex, transformational and interdepartmental major projects and procurements on time, within the approved budget and according to scope, which could ultimately have an impact on the Department's service strategy. In order to address these

risks, PSPC has implemented disciplined investment and project management processes; established service agreements and service standards with clear identification of responsibilities; ensured sound contract management; engaged early with client departments and other stakeholders; and developed the departmental Integrated Investment Plan (IIP).

- PSPC's potential fraud risk exposure: PSPC has undertaken a three phase departmental fraud risk assessment, in addition to the fraud risk responses already in place, such as the Integrity Regime and Fairness Monitoring on procurement contracts. Phase one assessed PSPC's contracting activities and phase two assessed PSPC's Real Property activities. Results of the assessments will continue to be taken into consideration in the development of Departmental documents including the Departmental Risk Profile. Phase three will assess remaining key areas of fraud risk during 2020.
- As reported in previous quarters, the Department implemented a new pay system as part of the Pay Transformation Initiative. The implementation was a major undertaking that experienced challenges. In collaboration with other departments, central agencies and union partners, the Department will continue to address the recommendations related to Phoenix from the 2017 Fall Report and 2018 Spring Report delivered by the Auditor General of Canada to the Parliament of Canada.

## 4. Significant changes to operations, personnel and programs

There were no significant changes to operations, personnel and programs during the second quarter ended September 30, 2019.

Approved by:

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Bill Matthews  
Deputy Minister  
Public Services and Procurement Canada

Gatineau, Canada  
November 29, 2019

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Marty Muldoon, CPA, CMA, MBA  
Chief Financial Officer  
Public Services and Procurement Canada

Gatineau, Canada  
November 29, 2019



**Table 1 - STATEMENT OF AUTHORITIES (unaudited)**

	Fiscal year ending March 31, 2020			Fiscal year ending March 31, 2019		
	Total available for use for the year ending March 31, 2020 1) 2)	Used during the quarter ended September 30, 2019	Year to date used at quarter end	Total available for use for the year ending March 31, 2019 1) 2)	Used during the quarter ended September 30, 2018	Year to date used at quarter end
<i>(In thousands of dollars)</i>						
<b>Vote 1</b>						
Gross operating expenditures	3,660,229	960,818	1,755,812	3,223,466	933,079	1,685,692
Vote-netted revenues	(1,226,007)	(299,774)	(550,430)	(1,148,387)	(316,387)	(455,348)
<b>Net operating expenditures</b>	<b>2,434,222</b>	<b>661,044</b>	<b>1,205,382</b>	<b>2,075,079</b>	<b>616,692</b>	<b>1,230,344</b>
<b>Vote 5 - Capital expenditures</b>	<b>1,297,562</b>	<b>242,099</b>	<b>400,585</b>	<b>1,283,380</b>	<b>328,701</b>	<b>534,107</b>
<b>Revolving fund authorities</b>						
<b>Real Property Services Revolving Fund</b>						
Gross expenditures	1,991,322	414,597	724,643	1,857,643	329,620	635,838
Revenues	(1,980,108)	(470,688)	(637,933)	(1,853,943)	(379,732)	(523,820)
<b>Net expenditures</b>	<b>11,214</b>	<b>(56,091)</b>	<b>86,710</b>	<b>3,700</b>	<b>(50,112)</b>	<b>112,018</b>
<b>Translation Bureau Revolving Fund</b>						
Gross expenditures	174,058	42,357	76,001	164,741	33,599	62,259
Revenues	(165,908)	(35,380)	(66,636)	(157,433)	(35,916)	(66,675)
<b>Net expenditures</b>	<b>8,150</b>	<b>6,977</b>	<b>9,365</b>	<b>7,308</b>	<b>(2,317)</b>	<b>(4,416)</b>
<b>Optional Services Revolving Fund</b>						
Gross expenditures	176,708	29,919	45,411	180,056	31,328	43,906
Revenues	(176,500)	(30,557)	(51,600)	(180,056)	(24,751)	(41,138)
<b>Net expenditures</b>	<b>208</b>	<b>(638)</b>	<b>(6,189)</b>	<b>-</b>	<b>6,577</b>	<b>2,768</b>
<b>Total of all revolving funds</b>						
Gross expenditures	2,342,088	486,873	846,055	2,202,440	394,547	742,003
Revenues	(2,322,516)	(536,625)	(756,169)	(2,191,432)	(440,399)	(631,633)
<b>Total revolving fund net expenditures</b>	<b>19,572</b>	<b>(49,752)</b>	<b>89,886</b>	<b>11,008</b>	<b>(45,852)</b>	<b>110,370</b>

**Table 1 – STATEMENT OF AUTHORITIES - CONTINUED (unaudited)**

<b>Other budgetary statutory authorities</b>						
Contributions to employee benefit plans	159,222	27,121	54,241	105,586	25,893	51,785
Minister of PSP salary and motor car allowance	88	22	44	86	21	43
Refunds of amounts credited to revenues in previous years	-	-	-	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	410	-	-	287	-	-
Collection agency fees	-	-	-	-	-	-
Payment in lieu of taxes to municipalities and other taxing authorities <sup>2)</sup>	-	(250,877)	111,883	-	(232,747)	94,891
<b>Total other budgetary statutory authorities</b>	<b>159,720</b>	<b>(223,734)</b>	<b>166,168</b>	<b>105,959</b>	<b>(206,833)</b>	<b>146,719</b>
<b>Total budgetary authorities</b>	<b>3,911,076</b>	<b>629,657</b>	<b>1,862,021</b>	<b>3,475,426</b>	<b>692,708</b>	<b>2,021,540</b>
<b>Non-budgetary authority</b>						
Seized Property Working Capital Account	-	-	-	-	-	-
<b>Total authorities</b>	<b>3,911,076</b>	<b>629,657</b>	<b>1,862,021</b>	<b>3,475,426</b>	<b>692,708</b>	<b>2,021,540</b>

**Net increase of \$435.7 million**

Notes:

1) Includes only Authorities available for use and approved by Parliament at quarter-end. Amounts may not balance with other public documents due to rounding.

2) Consistent with the presentation in the Main Estimates, "Total available for use for the year", for both fiscal year ending March 31, 2020 and year ended March 31, 2019, under "Payment in lieu of taxes" (PILT), is presented net of planned PILT made to municipalities and the equivalent planned recoveries from other government departments. A description of PILT is provided in Section 1.3 of this report.

**Table 2 – DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)**

	Fiscal year ending March 31, 2020			Fiscal year ending March 31, 2019		
	Planned expenditures for the year ending March 31, 2020 1) 2)	Expended during the quarter ended September 30, 2019	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2019 1) 2)	Expended during the quarter ended September 30, 2018	Year to date used at quarter end
<i>(In thousands of dollars)</i>						
<b>Expenditures</b>						
Personnel	1,511,678	374,347	735,498	1,195,761	338,346	662,010
Transportation and communications	81,045	17,194	32,430	73,272	18,235	32,743
Information	22,561	4,234	6,502	21,568	4,613	6,456
Professional and special services	2,015,547	409,912	641,969	1,943,473	444,366	703,078
Rentals	1,196,093	209,895	564,725	1,278,411	189,818	557,744
Repair and maintenance	1,187,912	281,743	473,323	1,084,040	286,306	468,676
Utilities, materials and supplies	263,326	46,557	72,991	108,903	46,067	70,001
Acquisition of land, buildings and works	463,379	156,091	223,532	390,474	131,255	189,565
Acquisition of machinery and equipment	127,540	22,323	39,431	108,652	25,651	42,242
Transfer payments <sup>2)</sup>	-	(250,877)	111,883	-	(232,747)	94,891
Public Debt charges	123,452	30,326	61,189	128,574	32,515	65,561
Other subsidies and payments	467,065	164,311	205,147	482,117	165,069	215,554
<b>Total gross budgetary expenditures</b>	<b>7,459,598</b>	<b>1,466,056</b>	<b>3,168,620</b>	<b>6,815,245</b>	<b>1,449,494</b>	<b>3,108,521</b>
<b>Less revenues netted against expenditures</b>						
Revolving funds revenues	(2,322,515)	(536,625)	(756,169)	(2,191,432)	(440,399)	(631,633)
Vote-netted revenues	(1,226,007)	(299,774)	(550,430)	(1,148,387)	(316,387)	(455,348)
<b>Total revenues netted against expenditures</b>	<b>(3,548,522)</b>	<b>(836,399)</b>	<b>(1,306,599)</b>	<b>(3,339,819)</b>	<b>(756,786)</b>	<b>(1,086,981)</b>
<b>Total net budgetary expenditures</b>	<b>3,911,076</b>	<b>629,657</b>	<b>1,862,021</b>	<b>3,475,426</b>	<b>692,708</b>	<b>2,021,540</b>

**Net decrease of \$159.5**

Notes:

1) Includes only Authorities available for use and approved by Parliament at quarter-end. Amounts may not balance with other public documents due to rounding.

2) Consistent with the presentation in the Main Estimates, "Planned expenditures for the year" for both fiscal year ending March 31, 2020 and year ended March 31, 2019, under "Transfer payments", are presented net of planned Payments in lieu of taxes (PILT) made to municipalities and the equivalent planned recoveries from other government departments. A description of PILT is provided in Section 1.3 of this report.