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Public Safety Canada Quarterly Financial Report

For the quarter ended December 31, 2011

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1.0 Introduction

This quarterly financial 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 Accounting Standard 1.3. This quarterly financial report should be read in conjunction with the Main Estimates, Supplementary Estimates (A) and (B), Collective Agreements and Eligible Paylist Expenditures for 2010-11 as well as the Main Estimates, Supplementary Estimates (B), Collective Agreements and Eligible Paylist Expenditures for 2011-12. No Supplementary Estimates (A) were tabled for the Department in the current fiscal year. In both cases for the period ended December 31, the authorities and the planned spending were augmented by the allowed Carry-Forward. This quarterly financial report has not been subjected to an audit or review.

1.1 Authority, Mandate and Program Activities

Public Safety (PS) Canada plays a key role in discharging the Government's fundamental responsibility for the safety and security of its citizens. The *Department of Public Safety and Emergency Preparedness Act 2005* and the *Emergency Management Act 2007* set out two essential roles for the Department: (i) support the Minister's responsibility for all matters, except those assigned to another federal minister, related to public safety and emergency management, including national leadership; and (ii) coordinate the efforts of Public Safety's Portfolio agencies, as well as provide guidance on their strategic priorities.

The Department provides strategic policy advice and support to the Minister of Public Safety on a range of issues, including: national security, border strategies, countering crime and emergency

management. The Department also delivers a number of grant and contribution programs related to emergency management and countering crime.

Further information on the mandate, roles, responsibilities and programs of Public Safety Canada can be found in the 2011-12 Main Estimates and Report on Plans and Priorities at [2011-12 Part I, II and III - Main Estimates](#).

1.2 Basis of Presentation

This quarterly report has been prepared using an expenditure basis of accounting (modified-cash). 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, the 2010-11 Carry-Forward, Supplementary Estimates (B), Eligible Paylist Expenditures and some minor Collective Agreements for the 2011-2012 fiscal year. This statement is also being presented 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 moneys can be spent by the Government. Approvals are given in the form of annual limits provided 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 as presented through the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, as do the expenditures presented in this report.

1.3 Public Safety Canada Financial Structure

Public Safety Canada has a financial structure composed mainly of voted budgetary authorities that include Vote 1 - Operating Expenditures and Vote 5 - Grants and Contributions, while the statutory authorities comprise the Contributions to employee benefit plans and Minister of Public Safety - Salary and motor car allowance.

Over 60 percent of the Department's budget is devoted to delivering transfer payment programs related to emergency preparedness, and community safety. The largest programs include payments made pursuant to the Disaster Financial Assistance Arrangements (DFAA), which is quasi-statutory in nature, programming related to the implementation of the National Crime Prevention Strategy (NCPS) and the First Nations Policing Program (FNPP). In recent years, the Department has also been called upon to manage requirements under the Security Cost Framework Policy for contribution funding to reimburse provincial/territorial and municipal security partners for extraordinary justifiable and reasonable incremental policing and security-

related expenses incurred in relation to Prime Minister and Minister-led events in Canada such as G8/G20 summits.

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

The numbers presented in the report are in accordance with the Government-Wide Chart of Accounts for Canada for 2011-12 and the Treasury Board Accounting Standard (TBAS) 1.3.

2.1 Significant Changes to Authorities

Please note that for the period ending December 31, 2010, the authorities provided to the Department included the Main Estimates, Supplementary Estimates (A), the 2009-10 Carry-Forward, Supplementary Estimates (B) and some minor Collective Agreements; whereas, the 2011-12 authorities for the same period are provided strictly through the Main Estimates, the 2010-11 Carry-Forward, Supplementary Estimates (B), Eligible Paylist Expenditures and some minor Collective Agreements; no Supplementary Estimates (A) were tabled for the Department for the current fiscal year. The attached Statement of Authorities reflects a net decrease of \$261.8 million in Public Safety Canada's total authorities at December 31, 2011 compared to those of the previous year for the same period, from \$682.2 million to \$420.4 million.

This net decrease in the authorities available for use is a combination of an increase in Vote 1 - Operating Expenditures (\$6.4 million), a decrease in Vote 5 - Grants and Contributions (\$268.8 million), as well as an increase in Budgetary Statutory Authorities (\$0.6 million).

Vote 1 - Operating Expenditures

The Department's Vote 1 increased by \$6.4 million or 4.3% which is mainly due to:

- Increases to reflect new funding approvals:
 - Eligible Paylist Expenditures (\$9.1 million)
 - Implementation of Canada's Cyber Security Strategy to protect digital infrastructure (\$4.3 million)
 - Reprofiles used to offset Supplementary Estimates (\$2.1 million)
 - Concrete Actions on Missing and Murdered Aboriginal Women (\$0.3 million)
- Decreases to reflect a reduction or the end of funding (sunsetting or one-time):
 - Emergency Management Capacity within Public Safety (\$3.8 million)
 - G8/G20 Summits (\$1.1 million)
 - Short-Term Sustainability of Policing Agreements and Comprehensive Program Review of the First Nations Policing Program (\$0.6 million)
- Decreases related to the 2009 Strategic Review Savings (\$2.7 million)
- Decreases resulting from Budget 2010 Cost Containment Measures (\$0.8 million)
- Decreases to the operating budget of the Minister's Office (\$0.4 million)

The net adjustments resulted in a \$6.4 million increase of Vote 1 - Operating Expenditures' authorities in the third quarter of operation for 2011-12.

Vote 5 - Grants and Contributions (G&C)

The Department's Vote 5 decreased \$268.8M or 51.7% mainly due to:

- Increases to reflect new funding approvals or the end of a transfer with an Other Government Department (OGD):
 - Reprofiles used to offset Supplementary Estimates (\$6.2 million)
 - Termination of a transfer to Parks Canada for the building and unveiling of a memorial in Montreal dedicated to the victims of Air India Flight 182 tragedy (\$0.2 million)
- Decreases to reflect a reduction or the end of funding (sunsetting or one-time)
 - G8/G20 Summits (\$260.8 million)
 - Short-Term Sustainability of Policing Agreements and Comprehensive Program Review of the First Nations Policing Program (\$1.5 million)
 - Critical Policing Infrastructure (\$2.8 million)
- Decreases related to the 2009 Strategic Review Savings (\$10.3 million)

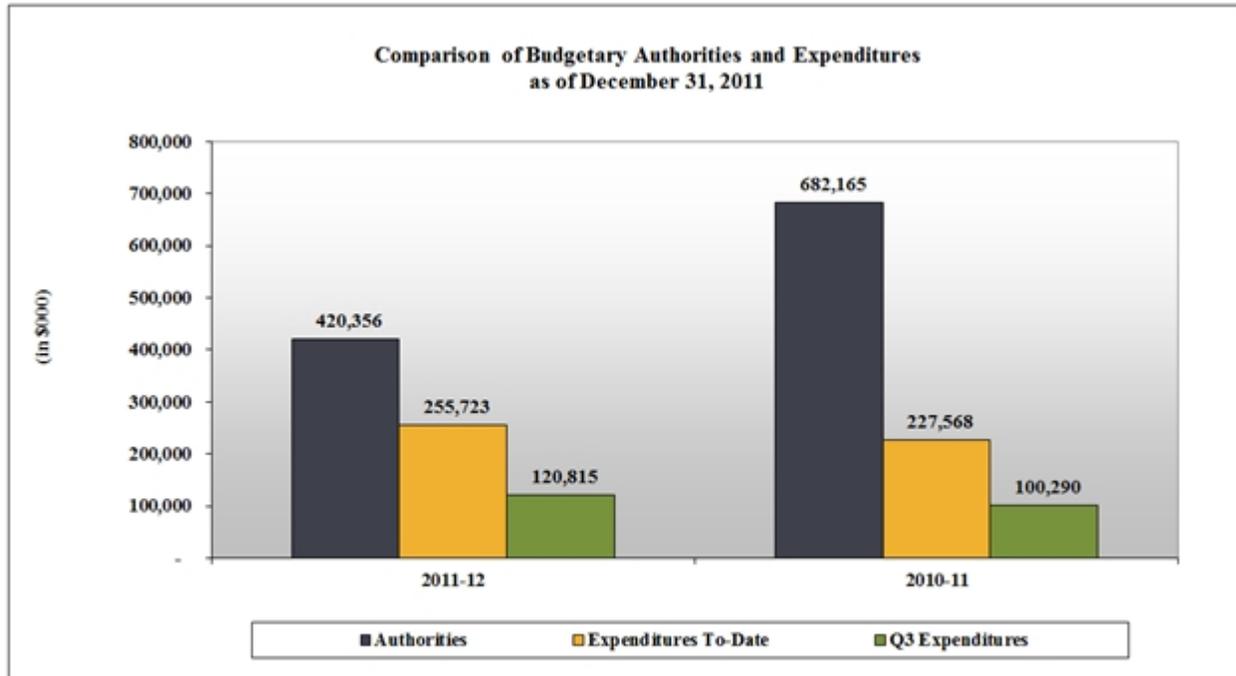
The net adjustments resulted in a \$268.8 million decrease of Vote 5 - Grants and Contributions' authorities in the third quarter of operation for 2011-12.

Budgetary Statutory Authorities

The 2011-12 statutory authorities' level in the third quarter had no appreciable change compared to 2010-11. The increase of \$0.6 million is related to the Employee Benefit Plans (EBP) costs associated with the change in the Department budgetary requirements for salary.

Budgetary Authorities and Expenditures Comparison

The following graph provides a comparison of the budgetary authorities and expenditures as of December 31, 2011 and December 31, 2010 for the Department's combined Vote 1, Vote 5 and Statutory Votes.



Note:

For the year ending March 31, 2012, Vote 1 & Statutory authorities include an amount of \$5.3M that will be transferred to Shared Services Canada with corresponding expenditures totaling \$960K as of December 31, 2011.

Image Description

Starting from the left hand side, the "first" column in the graph indicates that the Department authorities are at \$420.4 million for fiscal year 2011-12. The year-to-date expenditures of \$255.7 million reported at the end of the third quarter of the 2011-12 fiscal year are shown under the "second" column. The expenditures of \$120.8 million for the period ended December 31, 2011 (i.e. third quarter) are presented under the "third" column. The "fourth" column in the graph depicts the 2010-11 authorities which were at \$682.2 million at the end of December 2010. The 2010-11 year-to-date expenditures of \$227.6 million are shown under the "fifth" column. The PS' actual expenditures incurred in the third quarter of 2010-11 were \$100.3 million and are shown under the "sixth" column of the graph.

2.2 Explanations of Significant Variances from Previous Year Expenditures

The total year-to-date (YTD) expenditures increased by \$28.2 million or 12.4% in 2011-12, compared to 2010-11, from \$227.6 million to \$255.7 million. This increase is mostly due to higher spending in Transfer Payments, which increased by \$20.4 million or 15.8% from \$129.5 million in 2010-11 to \$149.9 million in 2011-12. For a detailed explanation of variances in expenditures in Quarters 1 and 2, please refer to the first and second quarterly reports for 2011-12. The cumulative effect of these variances, as well as the variances in the third quarter addressed below, explain the increase in YTD expenditures.

Compared to the previous year, the total expenditures in the third quarter, ending December 31, 2011, have increased by \$20.5 million, from \$100.3 million to \$120.8 million as per the Table of Departmental Budgetary Expenditures by Standard Object. This represents an increase of 20.5% against expenditures recorded for the same period in 2010-11.

For the most part, this difference is explained by increases of \$20.5 million in spending under Transfer Payments in the third quarter of 2011-12 mainly due to increases in the rate of spending under the Disaster Financial Assistance Arrangements (\$42.3 million), National Crime Prevention Strategy Program (\$3.9 million), First Nations Policing Program (\$3.8 million) and Combat Child Sexual Exploitation and Human Trafficking Program (\$0.6 million). These increases are counter balanced by decreases in the G8/G20 Summits (\$27.8 million), Critical Policing Infrastructure (\$1.4 million) and Sustaining Funding Program for National Voluntary Organizations (\$0.6 million).

Personnel expenditures have increased by \$1.7 million from \$26.5 million in the third quarter of 2010-11 to \$28.1 million as of December 31, 2011. This increase of 6.3% is a result of the significant impact of the recently negotiated collective agreements that authorised employees the option to cash out all or part of their Civilian Severance Pay and Termination benefits, and, to a lesser extent, the increase is due to augmented salary costs associated with additional personnel to support departmental programs in comparison to the third quarter of last year.

3.0 Risks and Uncertainty

The Department's mandate spans public safety and security, intelligence and national security functions, social interventions for youth-at-risk, to readiness for all manner of emergencies. The Department is called to rapidly respond to emerging threats and ensure the safety and security of Canadians. The Department's ability to deliver its programs and services is subject to several risk sources such as the rapidly changing and asymmetrical threat environment, its ability to respond to natural or man-made disasters, government priorities, and central agency's or government-wide initiatives. To deliver this mandate effectively, the collaboration of many departments and agencies, provincial and territorial governments, international partners, private sector and first responders is required. Without the collaboration of all these partners, the Department is at risk in the delivery of its mandate and objectives, making the effectiveness of these relationships crucial.

Public Safety Canada is currently facing a number of pressures against its authorities irrespective of the future savings implications likely to result from the Deficit Reduction Action Plan (DRAP) (formerly known as the Strategic and Operating Review). Budget 2010 Cost Containment Measures will require the Department to internally finance, on a permanent basis, the costs of wage increases resulting from current and future collective agreements negotiated between 2010-11 and 2012-13; whereas, the Administrative Services Review (ASR) may result in future impacts on the organization and delivery of corporate services. The implementation of these efficiency measures is likely to have an impact on the Department's workforce.

The ongoing impact of 2009 Strategic Review savings and Budget 2010 Cost Containment Measures, coupled with the new request to reallocate funds out of existing authorities to meet

emerging priorities, will likely further pressure the Department's envelope. This may limit the flexibility to reallocate funding to achieve expected results.

In recognition of this tightening fiscal environment, Public Safety Canada will continue to examine all of its departmental program spending, balancing resource allocations against identified priorities. The Department needs to continue to explore actions to mitigate and manage the impact of these efficiencies measures.

4.0 Significant changes in relation to Operations, Personnel and Programs

External Reporting

With the approval in 2010-11 of the Policy on Financial Resource Management, Information and Reporting, the resulting amendment of the Treasury Board Accounting Standard (TBAS) 1.3, the new Directive on the Management of Travel, Hospitality and Conferences and the Parliamentary Budget Officer requests, new requirements for the reporting of financial information have been placed on departments.

These policies/directives now require departments to produce auditable financial statements, comprehensive Future-Oriented Financial Statements and Quarterly Financial Reports, a comparative annual report on travel, hospitality and conferences expenditures and reports on Supplementary Estimates net adjustments delineated by Program Activity to the Parliamentary Budget Officer. These reports have resulted in more requirements being placed on existing departmental personnel to retrieve, consolidate and produce these documents.

Transformation of Pay Administration

The Consolidation of Pay Services Project was approved by Treasury Board Ministers in June 2009 as part of the Transformation of Pay Administration Initiative. The Project will consolidate pay services from participating departments and agencies (organizations) that currently use, or are planning to use, the endorsed Government of Canada Human Resources Management System (PeopleSoft). The Department's reference levels will be adjusted progressively as pay services are consolidated to Public Works and Government Services Canada (PWGSC).

The implementation strategy started in 2011-12. One of the key components of the funding strategy is that work is transferred in a gradual, measured and deliberate manner, and that the amount of funds is proportionate to the number of accounts being serviced for the Project and the ongoing operations of PWGSC's Center of Expertise (CoE). Funding will gradually be transferred through Supplementary Estimates and Annual Reference Level Update (ARLU) processes.

Shared Services Canada

On August 4, 2011, Shared Services Canada (SSC) was created by an Order-in-Council (OIC) under the *Financial Administration Act* in order to adopt an enterprise-wide approach to e-mail, network and data centre services for the Government of Canada.

SSC was established as part of the PWGSC portfolio to streamline and reduce duplication in the government's IT services. SSC will consolidate the resources and personnel currently supporting email, data centres and networks and associated internal services.

With the approval of the second Order-in-Council on November 15, 2011, some employees of Public Safety Canada were transferred to SSC. Employees whose positions are transferred have been informed of the change, and are being provided with the information required to make a smooth transition. Transferred employees will be co-located within PS and will continue to support the delivery of IT services to the department.

The Department has identified that Vote 1 and Statutory authorities totaling \$5.3M will be transferred to SSC in fiscal year 2011-12. To meet SSC's stewardship accountabilities, monthly reports are provided to SSC by the Department detailing spending and forecasted requirements against the authorities as of November 15, 2011. The amount for future years is \$8.9 million and will be addressed in the 2012-13 Annual Reference Level Updates which will be reflected in the 2012-13 Main Estimates.

The appropriations to be transferred from Public Safety to SSC pursuant to Section 31.1 of the *Financial Administration Act* will include amounts in connection with corporate, administrative and other support for e-mail, networks and data centre services corresponding to the period from November 15, 2011 to March 31, 2012. As part of the transfer process, SSC has signed a Business Continuity Framework ("the Framework") with each department, confirming that all services that were offered directly by each department will continue to be offered to SSC and at the same level. To facilitate a smooth transition, the President of SSC, via "the Framework", adopted the existing delegations in place in each of the Departments.

Regional Transformation

An objective of the regional transformation is to strengthen the overall contribution of the Department's regional offices. In keeping with the principle of enhancing collaboration within and across regions and headquarters, the Department's regional presence will fully integrate the regional offices into departmental operations, and enhance program and service delivery.

Bringing our teams together provides immediate and long term benefits for knowledge transfer, enhanced communications and learning opportunities. It will provide us with new opportunities for collaboration, integration and efficiencies. This will also help to support our new streamlined regional operations structure, decision-making and corporate service delivery, as well as maximize the use of our regional staff to support departmental priorities.

The consolidation of our regional offices across the country is moving forward. Over time, the number of regional locations will be reduced from 29 regional offices to 14. These changes are an important element in establishing our new departmental regional presence and they finalize the implementation of a component of Strategic Review.

Deficit Reduction Action Plan (DRAP)

In November 2011, Minister Toews presented the cost reduction proposals of Public Safety Canada and its portfolio agencies to the Strategic and Operating Review Committee (SORC), chaired by the President of the Treasury Board.

As Public Safety Canada's contribution to this exercise, PS was asked to examine its base budget to identify both 5% and 10% in possible savings. PS' proposals were informed by the evaluation results from the Department's previous A-Base and Strategic Reviews and crafted following a period of thorough analysis with the Executive Committee to ensure its future operations reflect its core business objectives.

Public Safety Canada came up with sound and solid proposals that represent sustainable and innovative solutions to meet today's fiscal realities.

The Department provided a supplementary submission to SORC on December 15, 2011 addressing the questions/observations raised by the committee members during the presentation of November 7, 2011. As well, the Department was requested to explore the possibility of accelerating the proposals submitted from a three-year to a two-year timeframe.

Finally, the Department's contribution toward the Deficit Reduction Action Plan will be determined and announced by the Minister of Finance during next year's federal budget - expected in February or March 2012.

Departmental Investment Plan (iPlan)

Treasury Board (TB) recently approved the Department's First Investment Plan, which was developed with a five-year outlook (covering 2011-12 to 2015-16), to be renewed every three years. It describes Public Safety Canada's approach to identifying key investments in assets, acquired services and projects. It also serves as a guidance document for the planning processes and governance, associated with identifying, prioritizing and acquiring investments and managing projects in support of departmental outcomes and program objectives. The plan is in accordance with the new Treasury Board *Policy on Investment Planning - Assets and Acquired Services* and the Treasury Board *Policy on the Management of Projects*.

Congruent with Treasury Board *Policy on the Management of Projects*, TB has assessed the Department's project management capacity as 'level 2', which is sufficient to meet the number and complexity of the projects to be undertaken.

Statement of Management Responsibility for Internal Control over Financial Reporting

The Department is required to provide its first Statement of Management Responsibility for Internal Control over Financial Reporting this fiscal year. The Department has completed its Readiness Assessment and developed a multi-year plan to achieve compliance with the TB Policy on Internal Control.

New Program

On June 23, 2011, the Prime Minister announced a \$10 million investment over five years in the Kanishka Project as a way to honour the victims of Air India Flight 182. The Kanishka Project's primary focus will be on research, but it will also support other activities necessary to build knowledge and create a vibrant network of scholars that spans disciplines and universities. The project will invest in research through mechanisms like the Kaniska Project Contribution program, for which funding of \$50K was approved in Supplementary Estimates (B).

Program Activity Architecture

A revised Program Activity Architecture (PAA) was introduced in 2011-12. The Department streamlined its PAA by regrouping the previous eight program activities into five. The revised PAA is supported by a new Performance Measurement Framework (PMF). Public Safety has implemented new measurement practices in 2011-12 to assess its performance against results. The PMF serves as a foundational piece in supporting a results-based management culture.

Key Senior Personnel

In December, the Inspector General of the Canadian Security Intelligence Service retired from the public service, an interim replacement has been assigned during the transition period.

Approval by Senior Officials:

William V. Baker, Deputy Minister
Ottawa, Ontario

Gary Robertson, Chief Financial Officer
Ottawa, Ontario

5.0 Statement of Authorities (unaudited) (In thousand of dollars)						
	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Total available	Used during	Year to date	Total available	Used during	Year to date

	for use for the year ending 31/03/2012*	the quarter ended 31/12/2011	used at quarter end 31/12/2011	for use for the year ending 31/03/2011*	the quarter ended 31/12/2010	used at quarter end 31/12/2010
Vote 1 - Operating expenditures	154,747	31,999	95,031	148,355	32,163	87,743
Vote 5 - Grants and contributions	251,244	85,218	149,918	520,028	64,682	129,490
Budgetary statutory authorities	14,365	3,598	10,774	13,782	3,445	10,335
Total Authorities	420,356	120,815	255,723	682,165	100,290	227,568

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

Notes:

For the year ending March 31, 2012, Vote 1 & Statutory authorities include an amount of \$5.3M that will be transferred to Shared Services Canada with corresponding expenditures totaling \$960K as of December 31, 2011.

Totals may not add and may not agree with details provided elsewhere due to rounding.

6.0 Departmental Budgetary Expenditures by Standard Object (unaudited) (In thousand of dollars)						
	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Planned expenditures for the year ending 31/03/2012*	Expensed during the quarter ended 31/12/2011	Year to date used at quarter end 31/12/2011	Planned expenditures for the year ending 31/03/2011*	Expensed during the quarter ended 31/12/2010	Year to date used at quarter end 31/12/2010
Expenditures:						

Personnel	103,789	28,132	86,272	96,609	26,464	76,988
Transportation and communications	11,857	1,457	3,836	11,276	1,882	4,990
Information	2,454	902	1,378	5,592	145	528
Professional and special services	33,126	3,284	9,132	33,304	5,005	10,573
Rentals	7,869	981	3,059	10,532	1,142	3,396
Repair and maintenance	1,234	421	892	1,870	344	689
Utilities, material and supplies	2,298	38	307	1,618	177	162
Acquisition of land, buildings and works	233	-	-	-	-	-
Acquisition of machinery and equipment	6,151	382	908	3,207	439	717
Transfer payments	251,244	85,218	149,918	526,248	64,683	129,490
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	100	-	21	250	9	35
Minus: Funds available				8,341		
Total budgetary expenditures	420,355	120,815	255,723	682,165	100,290	227,568

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

Notes:

For the year ending March 31, 2012, Vote 1 & Statutory authorities include an amount of \$5.3M that will be transferred to Shared Services Canada with corresponding expenditures totaling \$960K as of December 31, 2011.

Totals may not add and may not agree with details provided elsewhere due to rounding.

Date modified

2014-03-04