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Public Safety Canada Quarterly Financial Report

For the quarter ended September 30, 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 and Supplementary Estimates (A) of 2010-11 and the Main Estimates for 2011-12. No Supplementary Estimates (A) were tabled for the Department in the current fiscal year. In both cases for the period ended September 30, 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 community safety.

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 by management 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 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 in 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 grant and contribution 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 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 of 2011-12 and the Treasury Board Accounting Standard (TBAS) 1.3.

2.1 Significant Changes to Authorities

Please note that for the period ending September 30, 2010, the authorities provided to the Department include the Main Estimates, Supplementary Estimates (A) and 2009-10 Carry Forward; whereas, the 2011-12 authorities for the same period are provided strictly through the Main Estimates and 2010-11 Carry forward as no Supplementary Estimates (A) were tabled for the Department for the current fiscal year. The attached Statement of Authorities reflects a net decrease of \$258.1 million in Public Safety Canada's total authorities at September 30, 2011 compared to those of the previous year for the same period, from \$679.6 million to \$421.5 million.

This net decrease is a combination of decreases in Vote 1 - Operating Expenditures (\$2.9 million) and Vote 5 - Grants and Contributions (\$255.8 million), and an offset increase in Budgetary Statutory Authorities (\$0.6 million).

Vote 1 - Operating Expenditures

The Department's Vote 1 net decrease of \$2.9 million or 2.0% is explained as follows:

- Increases to reflect new funding approvals:
 - Implementation of Canada's Cyber Security Strategy to protect digital infrastructure (\$7.2 million)
 - Management of Immigration Cases involving classified information under Division 9 of the *Immigration and Refugee Protection Act* (\$0.5 million)
 - Concrete Actions on Missing and Murdered Aboriginal Women (\$0.4 million)
- Adjustment to reflect the transfer of funding to other government departments factored in the authorities of 2010-11 that have not taken place in 2011-12 (\$0.4 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 (\$1.8 million)
 - Youth Gang Prevention Fund (\$1.2 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 (\$2.8 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 combined adjustments result in a net \$2.9 million decrease of Vote 1 - Operating Expenditures' authorities in the second quarter of operation for 2011-12.

Vote 5 - Grants and Contributions (G&C)

The Department's Vote 5 net decrease of \$255.8M or 49.2% is mainly explained as follows:

- Increases to reflect new funding approvals:
 - Contribution agreements with the provinces of Ontario and Quebec to support the Biology Casework Analysis (\$6.9 million)
 - Aboriginal Community Safety Development Contribution Program (\$0.5 million)
- Increases to adjust the transfer of funding to the RCMP of \$35.0 million for the cost of First Nations Policing reflected in the 2010-11 Supplementary Estimates and not yet adjusted in the 2011-12 authorities
- 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 (\$16.5 million)
 - Youth Gang Prevention Fund (\$6.1 million)
 - Critical Policing Infrastructure (\$2.8 million)
 - Haïti Repatriation of Canadians following the January 2010 earthquake (\$1.5 million)
 - Research Fellowships Program in Honour of Stuart Nesbitt White (\$0.2 million)
- Decreases related to the 2009 Strategic Review Savings (\$10.3 million)

The combined adjustments result in a net \$255.8 million decrease of Vote 5 - Grants and Contributions' authorities in the second quarter of operation for 2011-12.

Budgetary Statutory Authorities

The 2011-12 statutory authorities' level in the second quarter reports 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

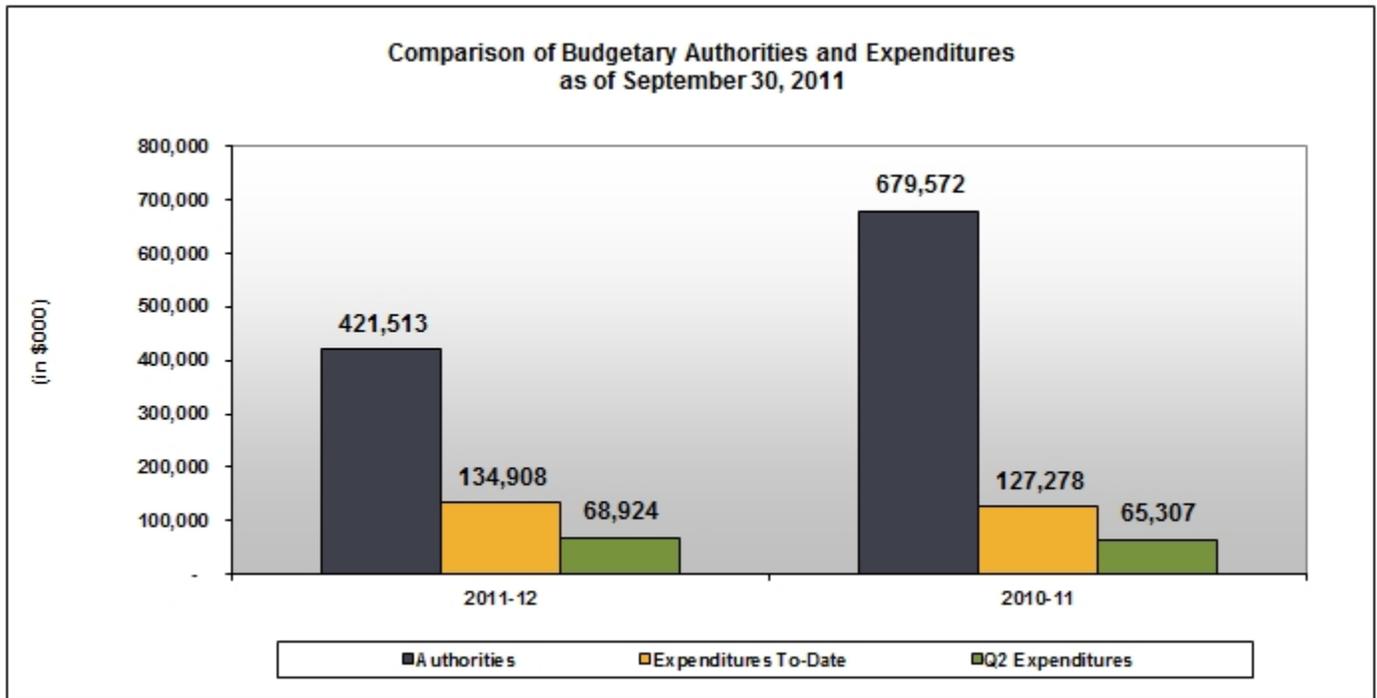


Image Description

This graph provides a comparison of the budgetary authorities and expenditures as of September 30, 2011 and September 30, 2010 for the Department's combined Vote 1, Vote 5 and Statutory Votes. Starting from the left hand side, the "first" column in the graph indicates that the Department authorities are at \$421,513 million for fiscal year 2011-12. The year-to-date expenditures of \$134,908 million reported at the end of the second quarter of the 2011-12 fiscal year are shown under the "second" column. The expenditures of \$68,924 for the period ended September 30, 2011 (i.e. second quarter) are presented under the "third" column. The "fourth" column in the graph depicts the 2010-11 authorities which were at \$679,572 million at the end of September 2010. The 2010-11 year-to-date expenditures of \$127,278 million are shown under the "fifth" column. The PS' actual expenditures incurred in the second quarter of 2010-11 were \$65,307 million and are shown under the "sixth" column of the graph.

2.2 Explanations of Significant Variances from Previous Year Expenditures

Compared to the previous year, the total gross expenditures in the second quarter, ending September 30, 2011, have increased by \$3.6 million, from \$65,307 million to \$68,924 million as per the Table of Departmental Budgetary Expenditures by Standard Object. This represents an increase of 5.5% against expenditures recorded for the same period in 2010-11. This difference is for the most part explained by increases in Personnel expenditures of \$4.9 million and Operating

expenditures of \$0.8 million, and an offset reduction of \$2.1 million in spending under the Transfer Payments.

Personnel expenditures have increased by \$4.9 million from \$26.7 million in the second quarter of 2010-11 to \$31.6 million as of September 30, 2011. This increase of 18.4% is a result of the significant impact of the recently negotiated collective agreements that authorised employees the option to cash out all or in part 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 second quarter of last year.

The increase of \$0.8 million in the rate of spending noted under the other operating costs are mainly in Professional and Special Services (\$0.8 million), Utilities, Material and Supplies (\$0.3 million) and a number of other budgetary expenditures (\$0.2 million) in support of internal services and law enforcement and policing activities. These increases are counter balanced by a reduction in Transportation and Communications (\$0.5 million) mostly attributable to a reduction of the level of activity for initiatives in support of internal services, emergency management and community safety and partnership.

The \$2.1 million decrease in Transfer Payment expenditures in the second quarter of 2011-12 is mainly due to decreases in the rate of spending under the Disaster Financial Assistance Arrangements (\$4.0 million), First Nations Policing Program (\$3.1 million) and Combat Child Sexual Exploitation and Human Trafficking Program (\$0.4 million). These decreases are counter balanced by additional contributions made under the Biology Casework Analysis Program (\$3.1 million), National Crime Prevention Strategy Program (\$1.6 million) and Sustaining Funding Program for National Voluntary Organizations (\$0.7 million).

3.0 Risks and Uncertainty

The Department's mandate spans from 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 threat environment, its ability to respond to natural or man-made disasters, government priorities, and central agencies or government-wide initiatives. To deliver this mandate effectively, the collaboration of many departments and agencies, provincial and territorial governments, international partners, the 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). The Budget 2010 Cost Containment Measures will require the Department to 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 bear 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 the 2009 Strategic Review savings and the Budget 2010 Cost Containment Measures coupled with the new request to reallocate funds out of its existing authorities to meet emerging priorities will likely further pressure the Department's envelope. This may limit the flexibility to reallocate funding to achieve the expected results.

In recognition of this tightening fiscal environment, Public Safety Canada will continue to examine all of its departmental program spending, making reallocations against identified priorities. The Department needs to continue to explore actions to mitigate and manage the impact of these efficiencies measures in order to achieve best results for Canadians.

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 have resulted on more requirements being placed on existing departmental personnel to retrieve, consolidate and produce these reports.

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 is expected to take effect starting 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 Center of Expertise (CoE).

Funding will gradually be transferred through Supplementary Estimates and/or the Annual Reference Level Update (ARLU) process.

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 Public Works and Government Services Canada portfolio to streamline and reduce duplication in the government's IT services. Shared Services Canada will consolidate the resources and personnel currently supporting email, data centres and networks and associated internal services.

The Department, once the next series of OICs are approved, will be required to identify the amounts, by vote, of authorities related to functions transferred to Shared Services Canada. Amounts for future years will be addressed in the 2012-13 Annual Reference Level Updates and subsequent Supplementary 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. To facilitate a smooth transition, a delegation of authorities instrument related to Shared Services Canada has been put in place.

Over the near term, employees who support the delivery of e-mail, data centre and network services will continue to carry out their current responsibilities, and be physically located at their current location. Much like legal services, the employees of SSC supporting the delivery of these IT services will be embedded within departments and agencies.

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 longer term benefits for knowledge transfer, greater exchange of information 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.

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

The Department has significant changes in key senior personnel to report on:

- A new Assistant Deputy Minister, Emergency Management and Regional Operations was appointed in August, 2011.
- A new Assistant Deputy Minister of Corporate Management Branch was appointed in September, 2011. This new ADM also serves as the Chief Financial Officer (CFO) for Public Safety Canada.

Approval by Senior Officials:

William V. Baker, Deputy Minister
Ottawa, Ontario

Gary Robertson, Chief Financial Officer
Ottawa, Ontario

Date Signed: November 23, 2011

5.0 Statement of Authorities (unaudited) (In thousand of dollars)						
	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Total available for use for the year ending	Used during the quarter ended	Year to date used at quarter end	Total available for use for the year ending	Used during the quarter ended	Year to date used at quarter end
	31/03/2012*	September 30, 2011	September 30, 2011	31/03/2011*	September 30, 2010	September 30, 2010
Vote 1 - Operating	143,586	35,346	63,032	146,472	29,722	55,580

expenditures						
Vote 5 - Grants and contributions	263,562	29,993	64,700	519,318	32,140	64,808
Budgetary statutory authorities	14,365	3,585	7,176	13,782	3,445	6,890
Total Authorities	421,513	68,924	134,908	679,572	65,307	127,278

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

Note: 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	Expensed during the quarter ended	Year to date used at quarter end	Planned expenditures for the year ending	Expensed during the quarter ended	Year to date used at quarter end
	31/03/2012*	September 30, 2011	September 30, 2011	31/03/2011*	September 30, 2010	September 30, 2010
Expenditures:						
Personnel	93,742	31,645	58,143	94,608	26,719	50,524
Transportation and communications	11,855	1,267	2,379	11,152	1,777	3,108

Information	2,413	359	476	4,974	195	382
Professional and special services	32,111	3,962	5,848	32,643	3,195	5,567
Rentals	7,867	935	2,077	10,511	1,001	2,254
Repair and maintenance	1,182	327	471	1,569	231	345
Utilities, material and supplies	2,299	169	269	1,508	- 147	- 15
Acquisition of land, buildings and works	233	-	-	-	-	-
Acquisition of machinery and equipment	6,151	259	525	3,207	180	180
Transfer payments	263,562	29,993	64,700	519,318	32,140	64,808
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	100	7	20	83	16	125
Total budgetary expenditures	421,513	68,924	134,908	679,572	65,307	127,278

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

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

Date modified

2014-03-04