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Public Safety Canada Quarterly Financial Report For the quarter ended June 30, 2015

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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*](#), 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), as well as *Canada's Economic Action Plan 2013 (Budget 2013)* and *Canada's Economic Action Plan 2014 (Budget 2014)* and *Canada's Economic Action Plan 2015 (Budget 2015)*.

This quarterly financial report has not been subject to an external audit or review. However, it has been reviewed by the Departmental Audit Committee prior to approval by senior officials.

1.1 Authority, Mandate and Program

Public Safety 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 three fundamental roles for the Department: (i) support the Minister's responsibility for all matters related to public safety and emergency management, except those assigned to another federal minister, (ii) exercise national leadership for national security and emergency preparedness; and (iii) coordinate the efforts of Public Safety 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 and Emergency Preparedness 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, national security, and community safety.

Further information on the mandate, roles, responsibilities and program of Public Safety can be found in the 2015-16 [Report on Plans and Priorities](#) and the 2015-16 [Main Estimates](#).

1.2 Basis of Presentation

This quarterly report has been prepared using an expenditure basis of accounting. The accompanying [Statement of Authorities](#) includes the Department's spending authorities granted by Parliament, or received from Treasury Board Central Votes, and those used by the Department consistent with the Main Estimates and the Supplementary Estimates (A) for the 2015-16 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet the information needs concerning the use of spending authorities.

The authority of Parliament is required before funds 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.

As part of the departmental performance reporting process, Public Safety prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis, as do the expenditures presented in this report.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year.

1.3 Public Safety Canada Financial Structure

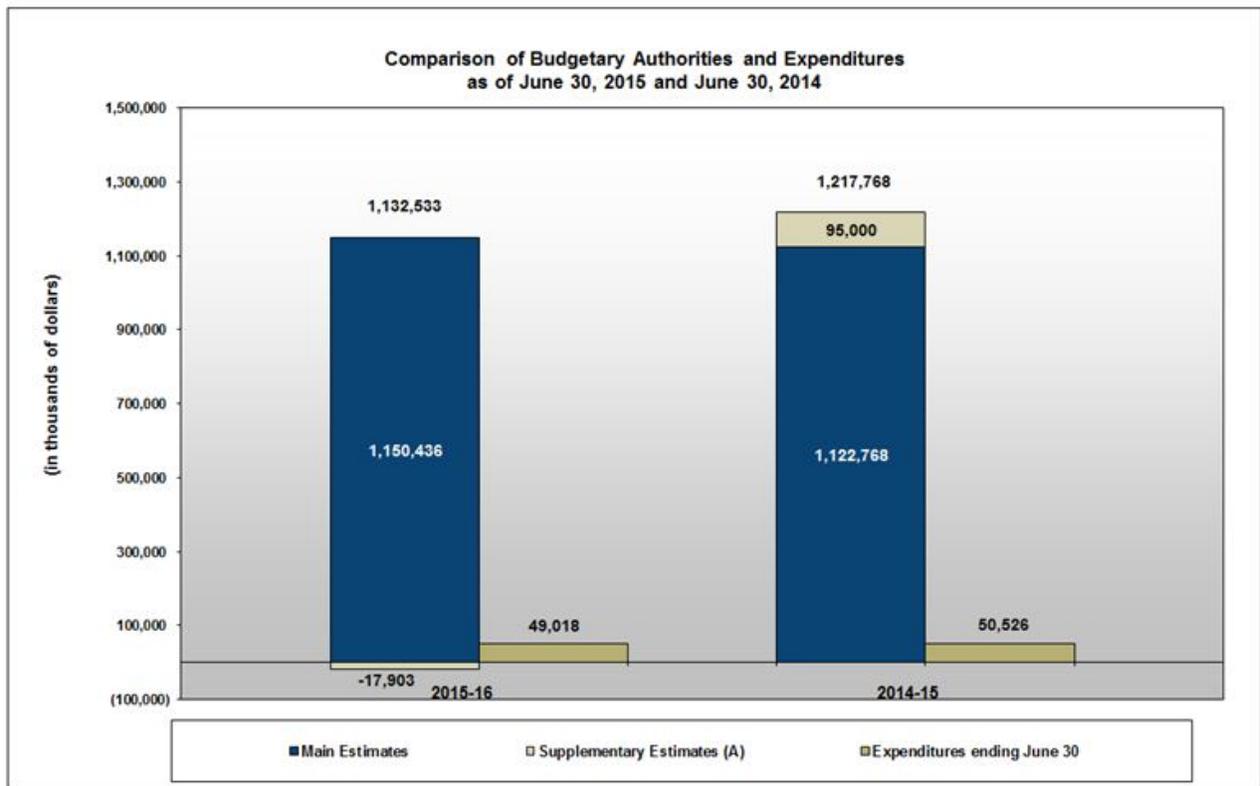
Public Safety has a financial structure composed mainly of voted budgetary authorities that include Vote 1 - Operating Expenditures, Vote Netted Revenues and Vote 5 - Grants and Contributions. The Department's statutory authorities consist of Contributions to Employee Benefit Plans (EBP) and Minister of Public Safety and Emergency Preparedness - Salary and motor car allowance.

About 88.3 percent of the Department's budget is devoted to delivering transfer payment programs related to emergency management, national security and community safety. The largest programs include payments made pursuant to the Disaster Financial Assistance Arrangements (DFAA), the First Nations Policing Program (FNPP), the National Crime Prevention Strategy (NCPS) as well as the National Disaster Mitigation Program (NDMP).

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 2015-16 and Treasury Board Accounting Standard 1.3.

The following graph provides a comparison of the net budgetary authorities and expenditures as of June 30, 2015 and June 30, 2014 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 \$ 1,132.5 million for fiscal year 2015-16. The expenditures of \$49.0 million reported at the end of the first quarter of the 2015-16 fiscal year are shown under the “second” column. The third column in the graph depicts the 2014-15 authorities which were at \$1,217.8 million at the end of June 2014. The 2014-15 expenditures at the end of the first quarter of \$50.5 million are shown under the “fourth” column.

2.1 Significant Changes to Authorities

For the period ending June 30, 2015, the authorities provided to the Department included the Main Estimates and Supplementary Estimates (A). The 2014-15 authorities for the same period included the same types of authorities. The [Statement of Authorities](#) presents a net decrease of

\$85.2 million or 7.0 percent in Public Safety's total authorities as at June 30, 2015 compared to those of the previous year for the same period (from \$1,217.8 million to \$1,132.5 million).

This change in authorities is comprised of an increase in Vote 1 - Operating Expenditures (\$2.5 million), a decrease in Vote 5 - Grants and Contributions (\$88.2 million) and an increase in Budgetary Statutory Authorities (\$0.4 million). Please note that a difference of \$0.1 million (\$85.3 million versus \$85.2 million) is due to rounding.

Vote 1 - Operating Expenditures

The Department's Vote 1 increased by \$2.5 million or 2.2 percent, mainly due to:

- **An increase of \$3.5 million** for funding the National Disaster Mitigation Program announced in Budget 2014;
- **An increase of \$0.3 million** to address family violence and violent crimes against Aboriginal women and girls;
- **An increase of \$0.3 million** for funding the Kanishka Project Research Initiative, which supports research on pressing questions for Canada on terrorism and counter-terrorism;
- **A decrease of \$0.6 million** previously required to fund the *Division 9 - Immigration & Refugee Protection Act*;
- **A decrease of \$0.5 million** in support of the Government of Canada's provision of federal services to the Toronto 2015 Pan American and Parapan American Games;
- **A decrease of \$0.4 million** for the Beyond the Border initiatives; and
- **A decrease of \$0.1 million** for a transfer to Canada's School of Public Service to support their new funding model.

Vote 5 - Grants and Contributions (G&C)

The Department's Vote 5 decreased by \$88.2 million or 8.1 percent, mainly due to:

- **A decrease of \$95.0 million** as a result of time-limited program (sunset program) in support of Financial Assistance to the province of Quebec for Lac-Mégantic;
- **A decrease of \$50.8 million** as a result of time-limited program (sunset program) of support to Provinces and territories for the 2011 Flood Mitigation Investment;
- **A decrease of \$41.5 million** for a transfer to Royal Canadian Mounted Police (RCMP) for the First Nations Community Policing Service;
- **An increase of \$86.4 million** to supplement Public Safety's existing reference levels for the Disaster Financial Assistance Arrangements (DFAA) contribution program for non-discretionary requirements to address existing and future obligations under the DFAA;
- **An increase of \$11.2 million** for the National Disaster Mitigation Program announced in Budget 2014; and
- **An increase of \$1.1 million** to supplement the First Nations Policing Program, the majority of which is to maintain funding for policing agreements with First Nation and Inuit communities.

Budgetary Statutory Authorities

The increase of \$0.4 million or 3.0 percent in 2015-16 is in most part related to the EBP costs associated with the change in the Department budgetary requirements for salary and EBP rate.

2.2 Explanation of Significant Variances from Previous Year Expenditures

Compared to the previous year, the total expenditures in the first quarter, ending June 30, 2015, have decreased by \$1.5 million, from \$50.5 million to \$49.0 million as per the table of [Departmental Budgetary Expenditures by Standard Object](#). This represents a decrease of 3.0 percent against expenditures recorded for the same period in 2014-15.

This overall decrease in spending is a combination of a decrease in Vote 1 - Operating Expenditures of \$4.7 million (from \$27.4 million to \$22.7 million), an increase in Vote 5 - Grants and Contributions of \$3.1 million (from \$19.5 million to \$22.6 million), as well as a minor increase in Budgetary Statutory Authorities.

The increased total expenditures in Vote 5 is mostly due to higher spending in transfer payments in the first quarter of 2015-16 of \$9.1 million for payments made under the First Nation Policing Program. This increase is partially offset by lower expenditures in the first quarter of 2015-16 of \$2.4 million for payments made under the National Crime Prevention Strategy and \$3.5 million under the Disaster Financial Assistance Arrangements program.

Personnel expenditures, which include expenditures related to EBP and the Minister's salary and motor car allowance, have decreased by \$1.5 million, compared to those of the previous year for the same period (from \$26.3 million to \$24.8 million). The decrease is mainly attributed to a decrease in expenditures incurred for salary and wages in the first quarter of 2015-16. These include a decrease of \$1.2 million for regular salaries of employees, a decrease of \$0.4 million for eligible payroll expenditures such as severance pay and a small increase of \$0.1 for holiday pay in lieu of leave.

Other operating expenditures have decreased by \$3.2 million, compared to those of the previous year for the same period (from \$5.9 million to \$2.7 million). The decrease is for the most part due to a one-time transition payment that occurred in 2014-15 related to salary payment in arrears by the Government of Canada.

Lastly, revenues netted against expenditures collected for interdepartmental provision of internal support services decreased by \$0.1 million or 11.9 percent in the first quarter of 2015-16 compared to the same period of 2014-15 (from \$1.2 million to \$1.1 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. It's ability to deliver its programs and services is subject to several risk sources, such as, the rapidly changing asymmetrical 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, 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.

Fiscal Restraint

Public Safety continues to face pressures that have been previously identified. Collectively these pressures have reduced the Department's funding base and its flexibility to reallocate funding to achieve expected results.

In recognition of this current fiscal environment, Public Safety examined all of its departmental program spending, balancing resource allocations against identified priorities and shifting from lower to higher priorities. The Department continues to explore actions to mitigate and manage the impact of the changing fiscal environment on the organization. As such, the Department announced in December 2013 a realignment of departmental functions. (Of note, details on the realignment of departmental functions are found in the [Significant Changes in Relation to Operations](#) section.)

2013 Operating Budget Freeze

In keeping with the Government's commitment to implement measures to return to balanced budgets in 2015, *Economic Action Plan 2014 (Budget 2014)* announced a number of whole-of-government initiatives to control the size and cost of government operations.

The November 2013 Update of Economic and Fiscal Projections reintroduced a freeze on departmental operating budgets. This freeze applies for two fiscal years 2014-15 and 2015-16. The operating budget freeze was expected to generate government-wide savings of roughly \$550 million in 2014-15 and \$1.1 billion in 2015-16, by introducing a number of whole-of-government initiatives to contain costs and increase efficiencies.

Compensation Adjustment

These savings will be mainly managed by requiring organizations to absorb the ongoing impact of wage and salary increases that take effect during the freeze period.

2014-15 marked the beginning of a new round of collective bargaining between the Government of Canada and federal public service bargaining agents. The Government continues to work with these bargaining agents to renew all 27 of its collective agreements.

As the outcome of these negotiations is unsure, Public Safety's share of the impact has been estimated at \$1.6 million.

To mitigate this risk, the Department was able to create a Frozen Allotment of \$934K from its 2014-15 surpluses for the 2014-15 incremental compensation adjustment amounts. This surplus will be used to fund partially the 2015-16 costs of collective agreement renewals.

4.0 Significant Changes in Relation to Operations, Programs and Personnel

4.1 Significant Changes in Relation to Operations

There have been no significant changes in relation to changes to operations in the first quarter of 2015-16 and no announcement was made which may affect the remainder of the current fiscal year.

Departmental Realignment

As of June 30, 2015, the majority of executive placements related to the realignment have been carried out.

Implementation of the non-executive realignment was well underway. End-state organizational structures for non-executive realignment were finalized and shared with employees in March 2015. A financial review of each of the branches was conducted to ensure appropriate alignment of resources. As of June 30, 2015, significant progress was made to find placements/solutions for employees occupying positions impacted by the departmental realignment of functions; 56% of impacted employees had been matched or placed indeterminately in an end state position, or had found employment elsewhere. This is well ahead of schedule. Through branch management committees, the Resource Management Committee (RMC) and the departmental Realignment Committee, regular discussions, options and strategies are reviewed to continue placing the remainder of the impacted employees.

While reviewing the structure, the department was able to reallocate existing resources to create additional junior level positions. As of June 30, 2015, 35% of new or vacant end-state positions had been matched with existing employees or staffed. This clearly illustrates the need to recruit new employees within PS, over and above the placement of impacted employees. The Department is running multiple collective staffing processes for various groups and levels to fill those gaps.

The RMC continued to act as a forum for departmental consultation and deliberation on the realignment in order to coordinate approaches across the department, engage with employees and share successful practices. Unions are at the table to discuss concerns raised by their members. The RMC meetings, along with the regular Labour Management Consultation Committee (LMCC) meetings, ensure ongoing communication with the unions, thus enabling the department to understand and address issues and concerns as they arise.

4.2 Significant Changes in Relation to Programs

Disaster Financial Assistance Arrangements

The Disaster Financial Assistance Arrangements (DFAA) contribution program was established in 1970 to provide a consistent and equitable mechanism for federal sharing of provincial and

territorial costs for natural disaster response and recovery where such costs would place an undue burden on a provincial or territorial economy.

There are currently 68 natural disasters for which Orders-in-Council (OiCs) have been approved, authorizing the provision of federal financial assistance under DFAA, and for which final payments have not yet been made. Taking into account all the expected DFAA final payments, the total estimated outstanding federal liability at the end of the first quarter is \$1.8 billion, the majority of which is expected to be paid out over the next five years.

The five most significant events represent 74 percent of Public Safety's current liabilities under the DFAA. They are the Alberta 2013 June Flood estimated at \$838 million, the Saskatchewan 2014 June Rainstorm at \$60 million, the Saskatchewan 2011 Spring Flood at \$145 million, the Manitoba 2011 Spring Flood at \$174 million and the Ontario 2013 December Ice Storm at \$120 million.

4.3 Significant Changes in Relation to Personnel

On July 6, 2015, Mr. John Ossowski, Associate Deputy Minister of Public Safety was appointed Deputy Commissioner of Revenue.

Effective the same day, Ms. Gina Wilson was appointed Associate Deputy Minister of Public Safety in replacement of Mr. Ossowski.

5.0 Approval by Senior Officials

Approved by:

Original signed by

François Guimont, Deputy Minister
Public Safety Canada
Ottawa (Canada)
August 12, 2015

Original signed by

Mark Perlman, CMA, Chief Financial Officer and Assistant Deputy Minister of the Corporate
Management Branch
Public Safety Canada
Ottawa (Canada)
August 12, 2015

6.0 Statement of Authorities (unaudited)

Fiscal year 2015-2016 (in dollars)			
	Total available for use for the year ending March 31, 2016*	Used during the quarter ended June 30, 2015	Year to date used at quarter-end
Vote 1 - Net Operating Expenditures	117,700,712	22,714,093	22,714,093
Vote 5 - Grants and Contributions	999,798,024	22,610,683	22,610,683
Employee Benefit Plans (EBP)	14,952,248	3,672,330	3,672,330
Minister's Salary and Motor Car Allowance	82,100	20,525	20,525
TOTAL AUTHORITIES	1,132,533,084	49,017,631	49,017,631

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

Fiscal year 2014-2015 (in dollars)			
	Total available for use for the year ending March 31, 2015*	Used during the quarter ended June 30, 2014	Year to date used at quarter-end
Vote 1 - Net Operating expenditures	115,159,335	27,412,564	27,412,564
Vote 5 - Grants and contributions	1,088,008,766	19,463,411	19,463,411
Employee Benefit Plans (EBP)	14,519,955	3,629,989	3,629,989
Minister's Salary and Motor Car Allowance	80,300	20,075	20,075
TOTAL AUTHORITIES	1,217,768,356	50,526,039	50,526,039

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

7.0 Departmental budgetary expenditures by Standard Object (unaudited)

Fiscal year 2015-2016 (in dollars)			
	Planned expenditures for the year ending March 31, 2016*	Expended during the quarter ended June 30, 2015	Year to date used at quarter-end
Expenditures:			
Personnel	103,785,416	24,806,460	24,806,460
Transportation and communications	2,694,845	538,866	538,866
Information	4,890,153	158,566	158,566
Professional and special services	15,803,334	1,536,252	1,536,252
Rentals	2,326,294	62,456	62,456
Repair and maintenance	1,123,585	32,360	32,360
Utilities, material and supplies	934,443	53,600	53,600
Acquisition of land, buildings and works	1,298,639	-	-
Acquisition of machinery and equipment	2,508,469	237,645	237,645
Transfer payments	999,798,024	22,610,683	22,610,683
Public debt charges	-	-	-
Other subsidies and payments	69,882	46,148	46,148
Total gross budgetary expenditures	1,135,233,084	50,083,036	50,083,036
Less Revenues netted against expenditures: Interdepartmental Provision of Internal Support Services	2,700,000	1,065,405	1,065,405
Total net budgetary expenditures	1,132,533,084	49,017,631	49,017,631

* Includes only planned expenditures against authorities available for use and granted by Parliament at quarter end.

Fiscal year 2014-2015 (in dollars)			
	Planned expenditures for the year ending March 31, 2015*	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end
Expenditures:			
Personnel	102,599,984	26,350,932	26,350,932
Transportation and communications	3,429,217	235,873	235,873
Information	1,720,609	253,387	253,387
Professional and special services	14,133,387	1,525,312	1,525,312
Rentals	3,402,642	334,410	334,410
Repair and maintenance	866,442	45,480	45,480
Utilities, material and supplies	532,405	69,030	69,030
Acquisition of land, buildings and works	2,186,119	-	-
Acquisition of machinery and equipment	3,546,620	220,777	220,777
Transfer payments	1,088,008,766	19,463,411	19,463,411
Public debt charges	-	-	-
Other subsidies and payments	42,165	3,236,735	3,236,735
Total gross budgetary expenditures	1,220,468,356	51,735,347	51,735,347
Less Revenues netted against expenditures: Interdepartmental Provision of Internal Support Services	2,700,000	1,209,308	1,209,308
Total net budgetary expenditures	1,217,768,356	50,526,039	50,526,039

** Includes only planned expenditures against authorities available for use and granted by Parliament at quarter end.*

Date modified
2015-08-28