

Western Economic Diversification Canada's Quarterly Financial Report for the quarter ended June 30, 2020

Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Programs

Introduction

This quarterly financial report should be read in conjunction with the [Main Estimates](#) and [Supplementary Estimates \(A\)](#). It has been prepared by management as required by section 65.1 of the [Financial Administration Act](#) (FAA) and in the form and manner prescribed by the Treasury Board. This quarterly report has not been subject to an external audit or review.

Authority, Mandate and Program Activities

Western Economic Diversification Canada (WD) is mandated to “promote the development and diversification of the economy of Western Canada and to advance the interests of the West in national economic policy, program and project development and implementation.”

The [Departmental Plan](#) and Main Estimates provide further information on WD's authority, mandate and program activities.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the department's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates (A) for the 2020-2021 fiscal year. This quarterly report has been prepared 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 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.

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.

Financial Structure

WD manages its expenditures under two votes:

- Vote 1 – Net operating expenditures include salary, and other operating costs (e.g., transportation and communications; professional and special services).
- Vote 5 – Grants and contributions include all transfer payments.

Budgetary statutory authorities represent payments made under legislation approved by Parliament, and include:

- Authorization received from the Minister of Health and Minister of Finance to issue transfer payments pursuant to the *Public Health Events of National Concern Payments Act*.
- Government of Canada's share of employee benefit plans and other minor items.

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

The following section highlights significant changes to fiscal quarter results as of June 30, 2020.

Statement of Authorities: Vote 1 – Net Operating Expenditures

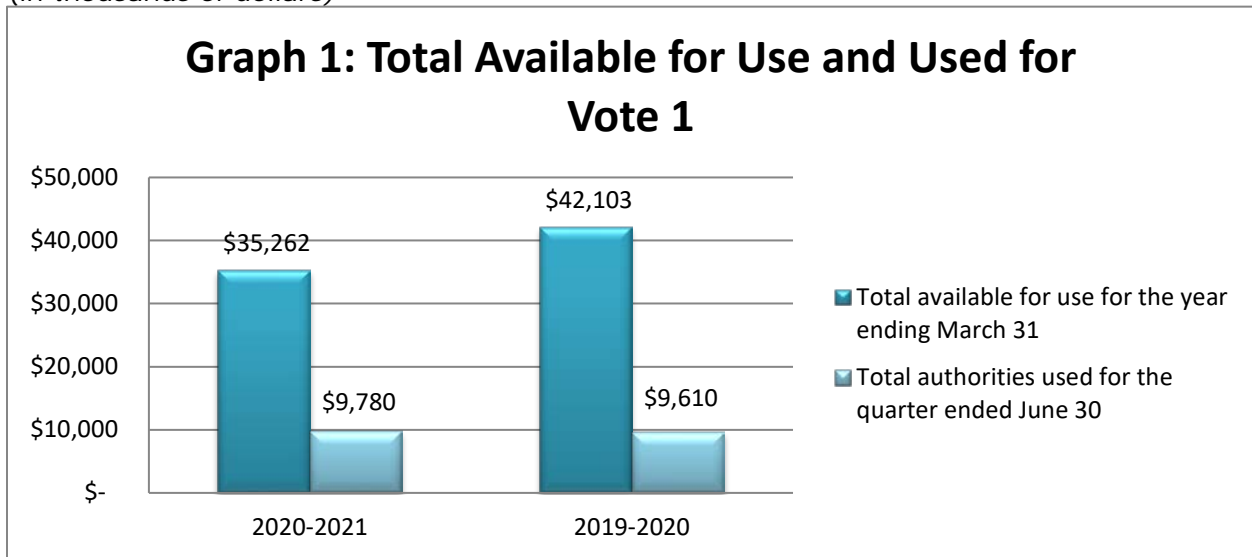
Total authorities available for use for fiscal year 2020-2021 are \$35.3 million, a net decrease of \$6.8 million, or -16%, compared to the \$42.1 million for 2019-2020. The net decrease is explained by:

- \$3.6 million increase in funding for the Regional Relief and Recovery Fund;
- \$1.0 million increase for the salary allocation of the new collective bargaining agreements;
- \$0.2 million net increase from other minor adjustments;
- \$10.6 million decrease from 3/12th of main estimate supply not yet received; and
- \$1.0 million decrease from completing the development of a water and soil protection strategy in the prairies.

Total authorities used has increased to \$9.8 million for the quarter ended June 30, 2020, compared to \$9.6 million June 30, 2019. The increase of \$0.2 million or 2% is explained by salaries increases in 2020 to deliver WD's transfer payment programs including the Regional Relief and Recovery Fund. This is offset by reductions in other operating costs such as travel, professional services and timing differences in ongoing expense accounts.

Graph 1 illustrates total authorities available for use for the fiscal year, and authorities used at quarter-end.

(in thousands of dollars)



Statement of Authorities: Vote 5 – Grants and Contributions

Total authorities available for use for fiscal year 2020-2021 are \$192.7 million, a net decrease of \$65.4 million, or -25%, compared to the \$258.1 million for 2019-2020. The net decrease is explained by:

- \$26.0 million increase for LNG Haisla Bridge;
- \$12.0 million increase to fund research and innovation in response to COVID-19;
- \$8.0 million increase to fund national medical science, research and development;
- \$5.5 million increase for launching federal strategy on Jobs and Tourism;
- \$3.3 million increase to fund the Canada Coal Transition Initiative;
- \$1.5 million increase to fund inter-city bus service in Western Canada;
- \$1.1 million net increase from other minor adjustments.
- \$57.0 million decrease from 3/12th of main estimates supply not yet received
- \$25.0 million decrease in funding to support small and medium-sized enterprise users of steel and aluminum;
- \$20.0 million decrease for completing the project restoring rail service to Churchill, Manitoba;
- \$15.8 million decrease from Budget 2019 reinvestment of receipts from repayable contributions; and
- \$5.0 million decrease for concluding the initiative supporting Manitoba’s aerospace sector.

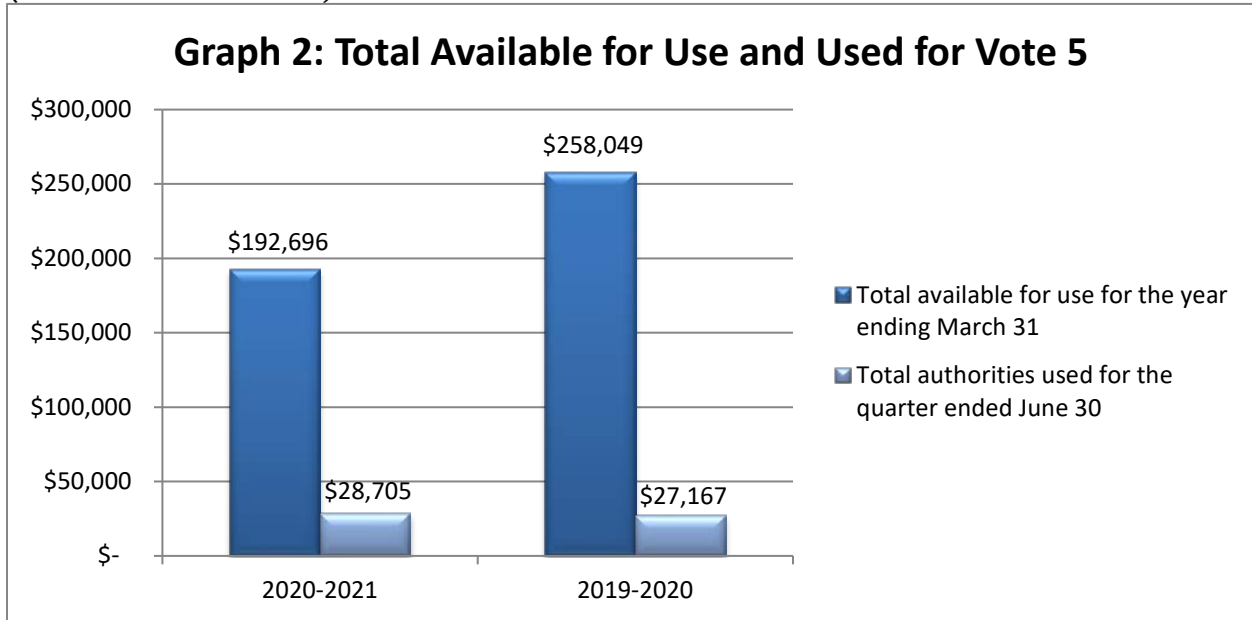
Total authorities used for the quarter-ended June 30, 2020 increased to \$28.7 million, compared to \$27.2 million at June 30, 2019. The \$1.5 million increase, or 6%, is explained by:

- \$2.9 million increase in Regional Economic Growth through Innovation payments to deliver the Innovation and Skills Plan;

- \$1.2 million increase in payments to deliver a federal strategy on jobs and tourism; and
- \$2.6 million decrease in payments made under the Western Diversification Program and other various WD programs due to timing differences.

Graph 2 illustrates total authorities available for use for the fiscal year, and authorities used at quarter-end.

(in thousands of dollars)



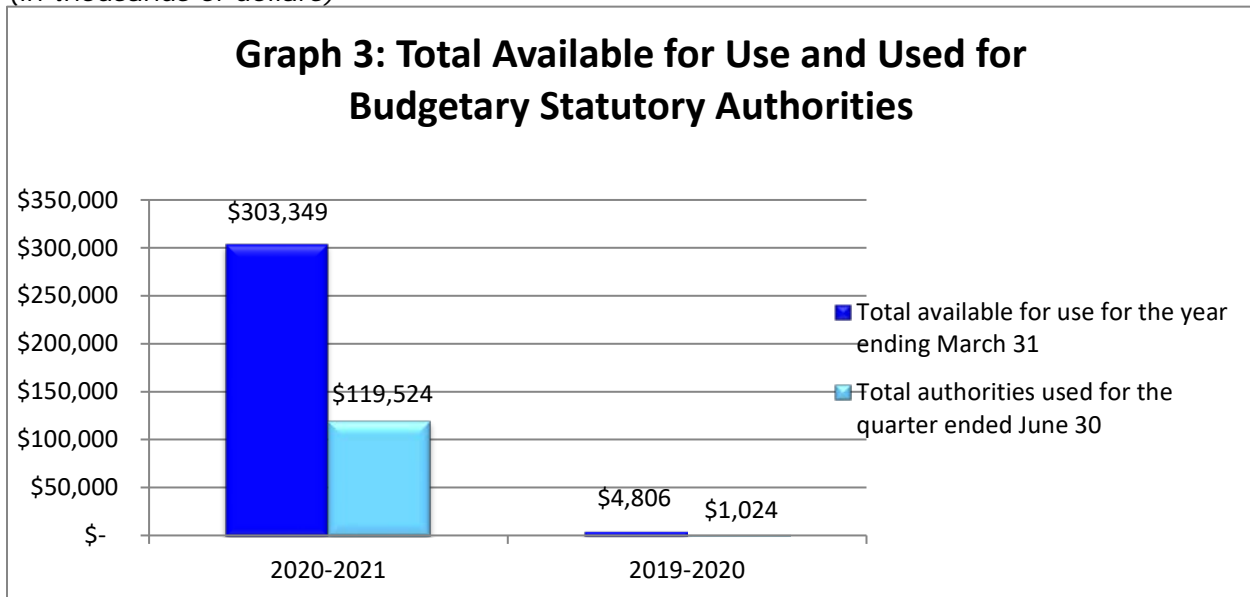
Statement of Authorities: Budgetary Statutory Authorities

Budgetary statutory authorities available for use for fiscal year 2020-2021 changed to \$303.3 million, an increase of \$298.5 million when compared to the \$4.8 million in 2019-2020. The increase is a result of additional transfer payments to deliver the Regional Relief and Recovery Fund to support businesses and network partners through the COVID-19 pandemic pursuant to the *Public Health Events of National Concern Payments Act*.

Total authorities used for the quarter-ended June 30, 2020 increased to \$119.5 million, compared to 1.0 million at June 30, 2019. The \$118.5 million increase is explained by payments to deliver the Regional Relief and Recovery Fund to support business and network partners through the COVID-19 pandemic.

Graph 3 illustrates total authorities available for use for the fiscal year, and authorities used at quarter-end.

(in thousands of dollars)



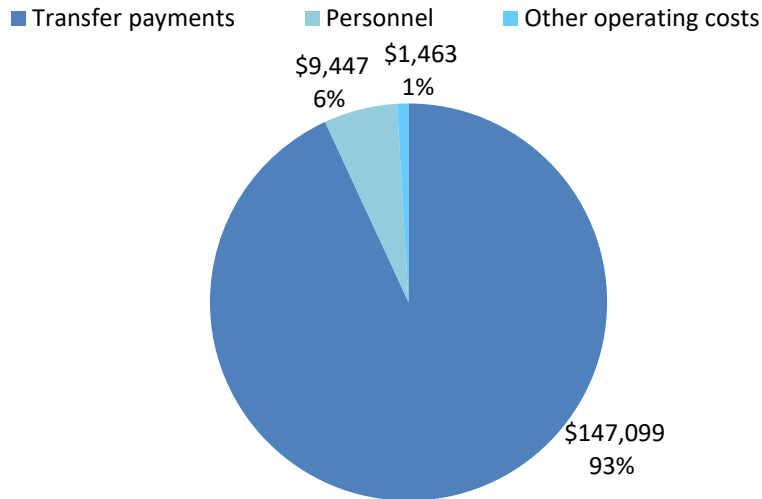
Statement of the Departmental Budgetary Expenditures by Standard Object

Expenditures by standard object for the quarter ended June 30, 2020, were \$158.0 million, which reflects an increase of \$120.2 million, or 318%, from the \$37.8 million at June 30, 2019. The variance is largely due to Regional Relief and Recovery Fund transfer payments, aiming to help western Canadian businesses cope with the financial hardship resulting from COVID-19. Additional information can be found in the Statement of Authorities, Vote 1 and Vote 5 sections above.

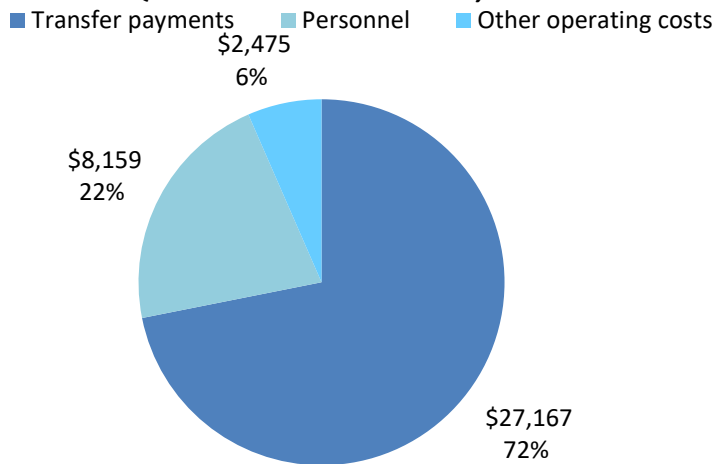
Graphs 4 and 5 illustrate actual expenditures for the quarter-end.

(in thousands of dollars)

Graph 4: Actual Expenditures
Quarter Ended June 30, 2020



Graph 5: Actual Expenditures
Quarter Ended June 30, 2019



Risks and Uncertainties

The department is managing the allocation of resources within a well-defined framework of accountabilities, policies and procedures including a system of budgets, reporting and other internal controls to manage within available resources and Parliamentary authorities.

WD conducts an annual risk assessment exercise as part of its overall risk management approach. Prior to the COVID 19 pandemic, WD did not identify any significant financial risks from their annual risk assessment.

In response to the COVID-19 pandemic, WD has identified increased enterprise-wide risks including risks to employee physical and mental health, cyber risk, and risks due to the speed of program delivery to get funding to Canadians economically affected by COVID-19 in a timely manner. WD employs risk-based mitigation to reduce risks such as business continuity planning, occupational health and safety planning and people management strategies; a robust system of network systems including encrypted signature, electronic security protocols and mobile equipment to employ remote connectivity; and risk assessments, governance processes, process mapping and segregation of duties when implementing programs.

Significant Changes in Relation to Operations, Personnel and Programs

The COVID-19 pandemic has had significant impacts on businesses, workers and communities across the country and therefore, the Government of Canada created the Regional Relief and Recovery Fund (RRRF) pursuant to the *Public Health Events of National Concern Payments Act*.

The Fund will help to:

- mitigate the financial pressure experienced by businesses and organizations to allow them to continue their operations, including paying their employees;
- support projects by businesses, organizations and communities to prepare now for a successful recovery.

This initiative is implemented by the six Regional Development Agencies, which are familiar with their regions' economic realities and are often the first point of contact for people at the local level.

The COVID-19 pandemic has required the department to utilize system capabilities allowing WD's workforce to resume operations remotely and establish on-going communication protocols using tools such as Microsoft Teams.

Approval by Senior Officials

Approved by:

Original signed by:

Dylan Jones
Deputy Minister
Edmonton, Canada
Date: August 14, 2020

Original signed by:

Cathy McLean
Chief Financial Officer

Statement of Authorities (unaudited)

Fiscal year 2020-2021 (in thousands of dollars)

Authorities	Total available for use for the year ending March 31, 2021*	Used during the quarter ended June 30, 2020	Year-to-date used at quarter-end
Vote 1 - Net operating expenditures	35,262	9,780	9,780
Vote 5 - Grants and contributions	192,696	28,705	28,705
Budgetary statutory authorities			
Employee Benefit Plans	4,894	1,129	1,129
Transfer Payments	298,455	118,395	118,395
Total authorities	531,307	158,009	158,009

Fiscal year 2019-2020 (in thousands of dollars)

Authorities	Total available for use for the year ending March 31, 2020*	Used during the quarter ended June 30, 2019	Year-to-date used at quarter-end
Vote 1 - Net operating expenditures	\$42,103	\$9,610	\$9,610
Vote 5 - Grants and contributions	258,049	27,167	27,167
Budgetary statutory authorities			
Employee Benefit Plans	4,806	1,024	1,024
Total authorities	304,958	37,801	37,801

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

Departmental budgetary expenditures by Standard Object (unaudited)

Fiscal year 2020-2021 (in thousands of dollars)

Expenditures	Planned expenditures for the year ending March 31, 2021*	Expended during the quarter ended June 30, 2020	Year-to-date used at quarter-end
Personnel	29,233	9,447	9,447
Transportation and communications	2,483	14	14
Information	455	25	25
Professional and special services	5,338	1,216	1,216
Rentals	779	92	92
Repair and maintenance	810	0	0
Utilities, materials and supplies	242	4	4
Acquisition of machinery and equipment	816	2	2
Transfer payments	491,151	147,099	147,099
Other subsidies and payments	0	110	110
Total net budgetary expenditures	531,307	158,009	158,009

Fiscal Year 2019-2020 (in thousands of dollars)

Expenditures	Planned expenditures for the year ending March 31, 2020*	Expended during the quarter ended June 30, 2019	Year-to-date used at quarter-end
Personnel	34,207	8,159	8,159
Transportation and communications	2,630	276	276
Information	351	48	48
Professional and special services	6,761	1,884	1,884
Rentals	1,010	185	185
Repair and maintenance	822	0	0
Utilities, materials and supplies	160	23	23
Acquisition of machinery and equipment	968	12	12
Transfer payments	258,049	27,167	27,167
Other subsidies and payments	0	47	47
Total net budgetary expenditures	304,958	37,801	37,801

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