

# Departmental Quarterly Financial Report

## October - December 2017

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#### **I. Statement outlining results, risks and significant changes in operations, personnel and program for the quarter ended December 31, 2017**

##### **1. Introduction**

This quarterly 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. This quarterly report should be read in conjunction with the [Main and Supplementary Estimates](#) as well as *Economic Action Plan 2016 and 2017 (Budget 2016 and Budget 2017)*.

A summary description of Veterans Affairs Canada's (VAC) program activities can be found in [Part II of the Main Estimates](#).

##### **Basis of Presentation**

This quarterly report has been prepared using an expenditure basis of accounting. The accompanying Statement of Authorities includes VAC's spending authorities granted by Parliament and those used by the Department, consistent with the [Main and Supplementary Estimates](#) for the 2017-18 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 monies 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.

The quarterly report has not been subject to an external audit but has been reviewed by the Departmental Audit Committee.

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

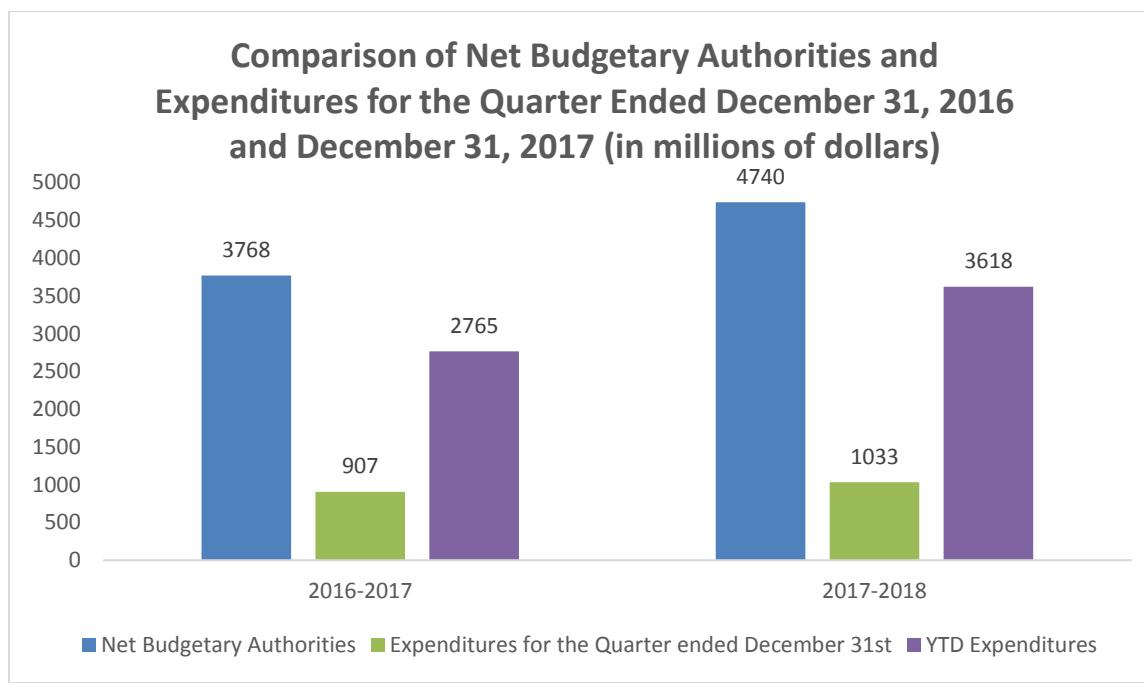
### Statement of Authorities

Overall, VAC's authorities reflect the changing demographic profile and changing needs of the men, women, and families the Department serves. This is evidenced by an increase in the number of modern-day Veterans and survivors (forecast to increase from 103,376 as of June 30, 2017, to 108,100 as of March 31, 2018) and a decrease in the number of War Service Veterans and survivors (forecast to decrease from 74,291 as of June 30, 2017, to 67,600 as of March 31, 2018). Despite the slight decrease in overall Veterans and recipients of VAC benefits, recent program enhancements have increased the demand on New Veterans Charter programs and benefits.

As at December 31, 2017, total authorities available (i.e. budget) for the year have increased by \$972M (25.8%) compared to the same quarter of the previous year, from \$3,768M to \$4,740M. This increase is the result of a \$944M increase in Vote 5, Grants and Contributions, a \$30M increase in Vote 1, Operating Expenditures, and a \$2M decrease in statutory authorities related to employee benefit costs. Over eighty percent of the departmental budget increase relates to the Budget 2016 commitment to restore critical access to services for Veterans, as well as to ensure the long-term financial security of disabled Veterans. These authorities also reflect an annual adjustment based on updated client participation and program expenditures.

Total authorities used (i.e. expenditures) during the second quarter of 2017-18 are \$126M (13.9%) more when compared to the same three-month period of 2016-17, from \$907M to \$1,033M. A break-down in the spending for the second quarter of 2017-18 indicates that Grant and Contribution spending increased by \$133M, primarily due to the Budget 2016 commitment to increase the Disability Award (maximum increased to \$360,000 in 2017), as well as making a top-up payment to all Veterans who received a Disability Award since April 1, 2006, and an overall increase in demand for the Disability Award program. Another contributing factor is the Budget 2016 commitment to increase the Earnings Loss Benefit to replace 90% of an eligible Veteran's pre-release military salary. Spending on Operating expenditures decreased slightly by \$6M, and spending on statutory authorities remained relatively stable with a small decrease of approximately \$242K.

Figure 1 – 3<sup>rd</sup> Quarter and Year-to-date Expenditures Compared to Budget



As a result of the Government's expenditure management cycle, there are often fluctuations by quarter and between fiscal years when comparing budgets and expenditures. This is primarily a result of the quasi-statutory nature of the Department's programs, which are demand-driven and based on need and entitlement. In other words, Veterans who meet the eligibility criteria for VAC's programs are paid as they apply for benefits.

### Statement of Departmental Budgetary Expenditures by Standard Object

When analyzed by Standard Object, expenditures in the third quarter are generally consistent in comparison with prior-year spending. The largest variances include:

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- An increase of \$133M in Transfer Payments which, as noted above, relates primarily to the Budget 2016 commitment to increase the Disability Award (maximum increased to \$360,000 in 2017) as well as making a top-up payment to all Veterans who received a Disability Award since April 1, 2006, and an overall increase in demand for the Disability Award program. Also, the department continues to see increased requirements for the Earnings Loss and Supplementary Retirement Benefit and a decrease in requirements for Disability Pensions due to a decrease in the number of War Service Veterans and Survivors.
- A decrease of \$11M in Utilities, Materials and Supplies which relates primarily to a decrease in demand for certain types of treatment benefits for Veterans.

Planned expenditures and expenditures-to-date in the Personnel standard object are higher in 2016-17 than 2017-18. This is the result of the transfer of Ste. Anne's Hospital to the Province of Quebec on April 1, 2016, and the accompanying payments that were made during the first quarter of 2016-17. This decrease is partially offset by increased staffing for case management and the disability benefit program to support recent program enhancements and demand.

### **3. Risks and Uncertainties**

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VAC is dedicated to enhancing the health and well-being of Veterans and their families and recognizes that its success in fulfilling this mandate is directly related to the effective management of risk. Sound risk management equips the Department to respond proactively to change and uncertainty by using risk-based information to support effective decision-making, resource allocation, and, ultimately, better results for Canadians. Additionally, it can lead to effective service delivery, better project management, and an increase in value for money.

VAC operates in a dynamic and complex environment characterized by internal and external drivers of change. The Department employs integrated risk management tools to proactively and systematically recognize, understand, accommodate and capitalize on new challenges and opportunities, with a focus on results. In addition, the Department has effective internal control systems in place, proportionate to the risks being managed.

VAC continues to manage through effective engagement across the Department. As such, the Department's executive-level committee (Senior Management Committee) recommends overall direction for financial management and control, and the Corporate Management Committee ensures alignment of investments with departmental strategies and other initiatives. Each branch is required to have an Integrated Business Plan that has been approved by the Senior Management Committee to confirm that it has a plan in place to address the financial requirements of the branch. The Department captures program and corporate level risk in the Integrated Business Plans, including several key risks: delays in achieving the required staffing levels may delay implementation of some Departmental commitments; despite the broad range of Veterans' programs and services available, some CAF members may not transition successfully from military to civilian life; and the department may have difficulty addressing the volume of commitments made to Veterans in a timely manner. Risk response strategies are established to lessen any impact should such risks occur.

Additionally, the Deputy Minister's Advisory Committee (DMAC) provides an advisory function for senior departmental officials as well as performing an important oversight role in ensuring that Budget 2015 and Budget 2016 commitments are met. DMAC was established, in the context of Budget 2015 decisions to improve service delivery, to support VAC and the Department of National Defence (DND) in advancing a "Veteran-centric" approach to the protection and care of Veterans.

This integrated risk management process ultimately supports the Department in meeting its financial objectives. Further information on risks facing the Department and the steps taken to mitigate them can be found in the 2017-18 Departmental Plan.

### **4. Significant Changes in Relation to Operations, Personnel and Programs**

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Effective December 29, 2017, Karen Ellis, the Associate Deputy Minister of VAC, retired from the Public Service. She will be replaced by Lisa Campbell, who most recently served as Assistant Deputy Minister, Defence and Marine Procurement, Public Services and Procurement Canada.

Mandate Commitments:

On December 20, 2017, the Honourable Seamus O'Regan, Minister of Veterans Affairs and Associate Minister of National Defence unveiled the Government's Pension for Life Plan. This monthly payment for life will reduce the complexity of support programs available to Veterans and their families. It will provide holistic benefits, including financial stability for Canada's Veterans, with a particular focus on those most disabled.

The Pension for Life plan has three key pillars:

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- monthly, tax-free financial compensation, with the choice of monthly payments for life, to recognize pain and suffering caused by a service-related disability with a maximum monthly amount of \$2,650 for those most severely disabled with barriers to re-establishment;
- income replacement for Veterans who are experiencing barriers returning to work after military service at 90% of their pre-release salary. In some circumstances Veterans may be eligible for an additional 1% career progression factor each year; and,
- services and benefits to help Veterans in a wide-range of areas, including education, employment and physical and mental health.

These new elements represent an additional investment of close to \$3.6 billion to support Canada's Veterans. When combined with well-being programs already announced in previous budgets, the Government of Canada's investments since 2016 add up to nearly \$10 billion. These investments will help Veterans and their families as they transition to civilian life.

Program Changes:

In October 2017, Sherry Romanado, Parliamentary Secretary to the Minister of Veterans Affairs and Associate Minister of National Defence, announced a new partnership agreement with Maison Paul Triquet and the CIUSSS de la Capitale-Nationale. The new arrangement improves and expands Veteran access to long term care at Maison Paul Triquet.

Veterans—who are eligible for departmental support in a community bed—now have access and preferred admission to 15 beds at the long term care facility. To date, the new agreement has helped eleven Veterans access a long term care bed at Maison Paul Triquet. The 15 beds were, prior to the new agreement, only available to Second World War and Korean War Veterans.

Veterans Affairs Canada values its relationship with Maison Paul Triquet and is pleased to further develop their partnership. The new partnership agreement supports the Government of Canada's commitment to improve service delivery to Veterans.

Also in October 2017, The Honourable Seamus O'Regan announced that Veterans Affairs Canada (VAC) has opened an additional service location in Saguenay, Quebec, to better serve Veterans and their families.

The new service location will provide increased support to Veterans and their families in the Saguenay area. Up to ten staff will serve approximately 1465 Veterans and their families from the new location. Employees at the new location will answer questions about VAC services and benefits; arrange pension medical examinations; and assist Veterans in completing and submitting applications and receipts. Case-managed Veterans will also be able to meet with their case manager.

## 5. Approvals by Senior Officials

Original signed by:

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W.J. Natynczyk  
General (Retired)  
Deputy Minister  
Ottawa, ON  
February 28, 2018

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Elizabeth M. Stuart  
Rear-Admiral (Retired)  
Chief Financial Officer  
Charlottetown, PE  
February 28, 2018

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## II. Financial Statements

### Veterans Affairs Canada

#### Quarterly Financial Report for the Quarter Ended December 31, 2016

#### STATEMENT OF AUTHORITIES (*unaudited*)

Fiscal Year 2016-17

(in thousands of dollars)	Total available for use for the year ended March 31, 2017*	Used during the quarter ended December 31, 2016	Year-to-date used at quarter-end
<b>Vote 1 - Net Operating expenditures</b>	<b>942,010</b>	<b>236,745</b>	<b>676,000</b>
<b>Vote 5 - Grants and Contributions</b>	<b>2,792,062</b>	<b>662,197</b>	<b>2,064,606</b>
Statutory Authority - Minister's Salary and Motor Car Allowance	84	21	63
Statutory Authority - Court Award - <i>Crown Liability and Proceeding Act</i>	0	4	7
Statutory Authority - Refunds of Previous Years Revenue	0	0	32
Statutory Authority – Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	0	0	6
Statutory Authority - Contributions to Employee Benefit Plans - Program	33,371	7,973	23,918
Statutory Authority - Veterans Insurance Actuarial Liability Adjustment	175	0	0
Statutory Authority - Returned Soldiers Insurance Actuarial Liability Adjustment	10	0	0
Statutory Authority - Re- establishment credits under Section 8 of the <i>War Services Grants Act</i>	2	0	0
Statutory Authority - Repayments under Section 15 of the <i>War Services Grants Act</i>	10	0	0
<b>Total Statutory</b>	<b>33,652</b>	<b>7,998</b>	<b>24,026</b>
<b>Total Budgetary authorities</b>	<b>3,767,724</b>	<b>906,940</b>	<b>2,764,632</b>
<b>Non-budgetary authorities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Authorities</b>	<b>3,767,724</b>	<b>906,940</b>	<b>2,764,632</b>

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**STATEMENT OF AUTHORITIES (*unaudited*)**

**Fiscal Year 2017-18**

<i>(in thousands of dollars)</i>	Total available for use for the year ending March 31, 2018*	Used during the quarter ended December 31, 2017	Year to date used at quarter-end
<b>Vote 1 - Net Operating expenditures</b>	<b>972,437</b>	<b>230,784</b>	<b>653,258</b>
<b>Vote 5 - Grants and Contributions</b>	<b>3,735,639</b>	<b>794,698</b>	<b>2,941,181</b>
Statutory Authority - Minister's Salary and Motor Car Allowance	84	21	64
Statutory Authority - Court Award - <i>Crown Liability and Proceeding Act</i>	0	2	7
Statutory Authority - Refunds of Previous Years Revenue	0	1	5
Statutory Authority – Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	0	8	8
Statutory Authority - Contributions to Employee Benefit Plans - Program	31,174	7,730	23,190
Statutory Authority - Veterans Insurance Actuarial Liability Adjustment	175	0	0
Statutory Authority - Returned Soldiers Insurance Actuarial Liability Adjustment	10	0	0
Statutory Authority - Re- establishment credits under Section 8 of the <i>War Services Grants Act</i>	2	0	0
Statutory Authority - Repayments under Section 15 of the <i>War Services Grants Act</i>	10	0	0
<b>Total Statutory</b>	<b>31,455</b>	<b>7,762</b>	<b>23,274</b>
<b>Total Budgetary authorities</b>	<b>4,739,531</b>	<b>1,033,244</b>	<b>3,617,713</b>
<b>Non-budgetary authorities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Authorities</b>	<b>4,739,531</b>	<b>1,033,244</b>	<b>3,617,713</b>

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

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**Departmental budgetary expenditures by Standard Object (unaudited)**

**Fiscal year 2016-17**

	Expenditures (in thousands of dollars)	Planned expenditures for the year ended March 31, 2017	Expended during the quarter ended December 31, 2016	Year-to-date used at quarter-end
01 Personnel	250,701	60,209	210,236	
02 Transportation and communications	30,726	7,779	20,592	
03 Information	5,687	1,044	1,245	
04 Professional and special services	440,732	108,132	290,394	
05 Rentals	11,228	1,483	3,632	
06 Repair and maintenance	6,758	2,950	7,058	
07 Utilities, materials and supplies	196,063	59,705	155,637	
08 Acquisition of land, buildings and works	1,652	3	1,050	
09 Acquisition of machinery and equipment	2,980	515	1,164	
10 Transfer payments	2,792,259	662,197	2,064,606	
11 Public debt charges	0	0	0	
12 Other subsidies and payments	28,938	2,923	9,018	
<b>Total gross budgetary expenditures</b>	<b>3,767,724</b>	<b>906,940</b>	<b>2,764,632</b>	
<b>Less Revenues netted against expenditures</b>				
<b>Total Revenues netted against expenditures:</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total net budgetary expenditures</b>	<b>3,637,676</b>	<b>906,940</b>	<b>2,764,632</b>	

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**Departmental budgetary expenditures by Standard Object (unaudited)**

**Fiscal year 2017-18**

	Expenditures (in thousands of dollars)	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended December 31, 2017	Year-to-date used at quarter-end
01 Personnel	239,364	65,340	197,428	
02 Transportation and communications	30,935	7,193	21,062	
03 Information	12,139	465	917	
04 Professional and special services	473,162	111,844	300,926	
05 Rentals	8,085	857	3,254	
06 Repair and maintenance	11,025	673	2,274	
07 Utilities, materials and supplies	218,787	49,054	140,814	
08 Acquisition of land, buildings and works	735	0	0	
09 Acquisition of machinery and equipment	3,583	-15	535	
10 Transfer payments	3,735,836	794,698	2,941,181	
11 Public debt charges	0	0	0	
12 Other subsidies and payments	5,880	3,135	9,322	
<b>Total gross budgetary expenditures</b>	<b>4,739,531</b>	<b>1,033,244</b>	<b>3,617,713</b>	
<b>Less Revenues netted against expenditures</b>				
<b>Total Revenues netted against expenditures:</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total net budgetary expenditures</b>	<b>4,739,531</b>	<b>1,033,244</b>	<b>3,617,713</b>	

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