

Transportation Safety Board
of Canada



Bureau de la sécurité des transports
du Canada

Transportation Safety Board of Canada

2014-15

**Quarterly Financial Report for the
Quarter Ended December 31, 2014**

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 Estimates as well as *Canada's Economic Action Plan 2012 (Budget 2012)*.

The Transportation Safety Board's (TSB) sole objective is to advance transportation safety. This mandate is fulfilled by conducting independent investigations into selected transportation occurrences. The purpose of these investigations is to identify the causes and contributing factors and the safety deficiencies evidenced by an occurrence. The TSB then reports publicly and makes recommendations to improve safety and reduce or eliminate risks to people, property and the environment.

The quarterly report has not been subject to an external audit or review.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Transportation Safety Board's spending authorities granted by Parliament and those used by the department. Authorities include amounts granted through the Main Estimates for the 2014-15 fiscal year and any spendable revenue earned and available for use to quarter end. 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 moneys 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.

As part of the departmental performance reporting process, the TSB 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.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Statement of Authorities

From fiscal year 2013-14 to 2014-15, the TSB's Vote 1 program expenditures authorities decreased by \$580K or 2%. The change is mainly due to the net effect of the factors below:

- funding approved in 2013-14 through Supplementary Estimates B of \$887K for the investigation of the rail accident in Lac-Mégantic, Quebec;
- a reduction in operating budget carry forward funding between years of \$147K (\$657k in 2014-15 compared to \$804k in 2013-14);
- a reduction of \$372K for savings measures announced in Budget 2012 (a reduction of \$1,118K implemented for fiscal year 2014-15 compared to a reduction of \$746K implemented for fiscal year 2013-14);
- the above decreases are offset by incremental funding received in the 3rd quarter of 2014-15 for compensation adjustments of \$784K.

An amount of \$21k of TSB's funding has been established as a frozen allotment by Treasury Board Secretariat for the web renewal initiative and for the Canada School of Public Service (CSPS) new direction. This frozen allotment reduces the department's authorities available for use.

From fiscal year 2013-14 to 2014-15, the TSB's statutory authorities for employee benefit plans decreased by \$146K or 4%, mainly due to the change in rate set by Treasury Board Secretariat for Employee Benefit Plans (16.5% of salaries in 2014-15 compared to 17.4% in 2013-14).

The TSB has additional statutory authorities totaling \$38K at the end of the third quarter generated by proceeds from the disposal of surplus Crown assets and its authority to respend revenues as a departmental corporation.

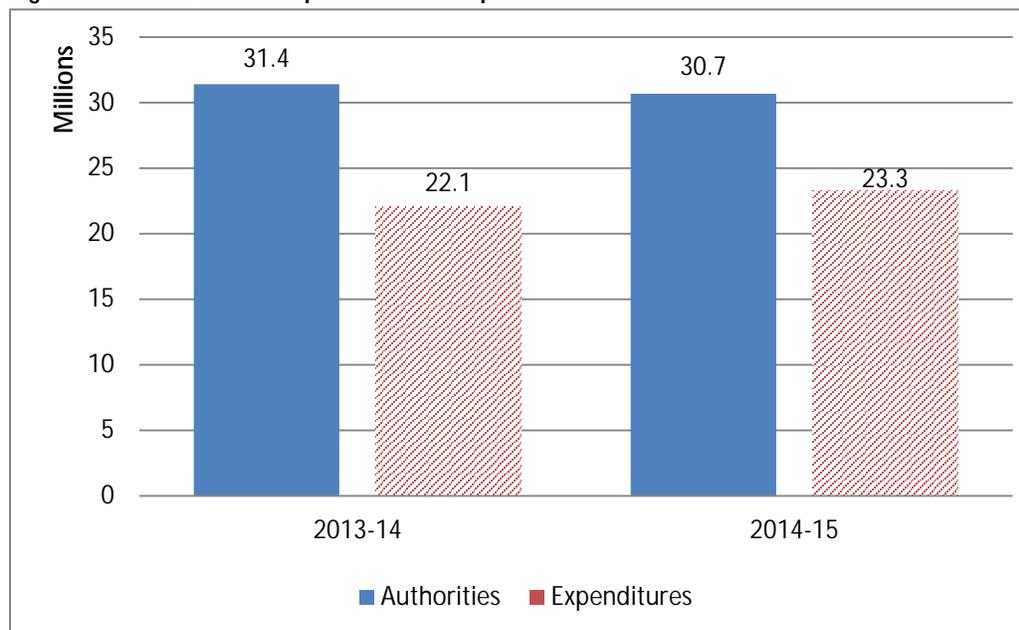
Statement of Departmental Budgetary Expenditures

The TSB's third quarter expenditures in 2013-14 are higher than in 2014-15 by \$848k, and can be mainly explained by costs incurred for the Lac-Mégantic investigation in 2013-14. The department's year-to-date spending is higher by \$1,200K or 5% in the current year compared to 2013-14. The increase in expenditures can be attributed to the following significant transactions:

- a transition charge of \$723K to implement the payment of salaries in arrears by the Government of Canada, without impacting employees on salary at the date of implementation; and
- the expenditure of \$622K for the receipt and installation of an X-Ray Computed Tomography System, which had been planned for the last quarter of 2013-14 but delivery was delayed by the supplier to the first quarter of 2014-15.

As illustrated in Figure 1, the TSB has spent approximately 76% of its authorities at the end of the third quarter. This is approximately 6% greater than the previous year which can be mainly explained by the significant transactions which increased the year-to-date expenditures as described above.

Figure 1 – Third Quarter Expenditures Compared to Annual Authorities



Risks and Uncertainties

The TSB is funded through annual appropriations. As a result, its operations are impacted by any changes in funding approved through Parliament. As a departmental corporation, it has authority to spend revenues received during the year although such revenues are minimal; on average less than 1% of the department's funding requirements.

A continuous risk to TSB's financial situation is that expenditures are greatly influenced by the number and complexity of transportation occurrences. A significant transportation accident or a flurry of smaller size occurrences could significantly increase expenditures and result in resource pressures that could require the department to seek additional funding from Parliament.

Furthermore, as announced in Budget 2014, departmental operating budgets are frozen for 2014-15 and 2015-16. This presents a risk to the TSB since it will not be allocated any funding for wage and salary increases that take effect during that period, or for the ongoing impact of those adjustments. As a result, the department will need to cover these amounts within its existing appropriations. The TSB is implementing additional spending restraints to ensure this risk is mitigated.

Significant Changes in Relation to Operations, Personnel and Programs

During 2013-14, the TSB initiated a major occurrence investigation following the July 6, 2013 derailment of a train carrying petroleum crude oil in the center of the town of Lac-Mégantic, Quebec. In 2013-14, the TSB received additional funding in Supplementary Estimates B to cover incremental investigation costs for the field phase and the analysis phase of up to \$965K for this significant investigation. The Lac-Mégantic investigation continued to represent significant workload for the TSB in 2014-15, most significantly in the areas of overtime, short-term staff, contractors and travel. The release of the final Lac-Mégantic investigation report took place in August 2014 and the estimated 2014-15 incremental costs to close out the investigation are \$340K.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

Budget 2012 called upon the TSB to reduce its expenditures by \$1,283K by 2014-15, a net reduction of approximately 4.3% of its 2012-13 budget. For fiscal year 2014-15, the reduction of \$1,283K consists of a reduction in the TSB's operating vote of \$1,118K and a reduction in the statutory authorities for employee benefit plans of \$165K. The TSB has eliminated positions and reduced discretionary spending in order to achieve the reductions in funding.

During 2014-15, the TSB is continuing to review its operations to identify efficiencies to ensure that it meets the 2014-15 funding reductions and maintains the reduced budget levels for future fiscal years. To date, the TSB has implemented the funding reductions without impacting the number or quality of investigations or the timeliness of its safety communications.

Approval by Senior Officials

Approved by,

Kathleen Fox
Chair

Date
Gatineau, Canada

Chantal Lemyre, CPA, CGA
Chief Financial Officer

Date
Gatineau, Canada

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Statement of Authorities (unaudited)

Fiscal year 2014-15 (in thousands of dollars)¹

	Total available for use for the year ending March 31, 2015	Expended during the quarter ended December 31, 2014	Year to date used at quarter-end
Vote 1 – Program expenditures	27,198	6,341	20,818
Statutory authorities - Employee Benefit Plans	3,442	821	2,464
Statutory authorities - Spending of proceeds from the disposal of surplus Crown assets	16	-	1
Statutory authorities - Expenditures Re: Paragraph 29.1(1) of the <i>Financial Administration Act</i>	22	-	-
Total authorities	30,678	7,162	23,283
Frozen allotments – Web renewal and CSPA	-21	-	-
Total authorities available for use	30,657	7,162	23,283

Fiscal year 2013-14 (in thousands of dollars)¹

	Total available for use for the year ending March 31, 2014	Expended during the quarter ended December 31, 2013	Year to date used at quarter-end
Vote 10 – Program expenditures	27,778	7,100	19,378
Statutory authorities - Employee Benefit Plans	3,588	860	2,652
Statutory authorities - Spending of proceeds from the disposal of surplus Crown assets	45	42	45
Statutory authorities - Expenditures Re: Paragraph 29.1(1) of the <i>Financial Administration Act</i>	18	8	8
Total authorities	31,429	8,010	22,083
Budget 2013 – Frozen travel funding	-24	-	-
Total authorities available for use	31,405	8,010	22,083

¹ Includes only authorities granted by Parliament at quarter end.

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Statement of Expenditures by Standard Object (unaudited)

Fiscal year 2014-15 (in thousands of dollars) ¹

	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended December 31, 2014	Year to date used at quarter end
Expenditures			
Personnel	24,135	6,108	18,837
Transportation and communications	1,699	355	913
Information	150	26	72
Professional and special services	2,219	447	1,393
Rentals	360	61	294
Repair and maintenance	445	91	223
Utilities, materials and supplies	250	37	140
Acquisition of land, building and works	0	0	0
Acquisition of machinery and equipment	690	37	687
Other subsidies and payments	730	0	724
Sub-total net budgetary expenditures	30,678	7,162	23,283
Frozen allotment – reduction applied to <i>Professional and special services</i>	-21	-	-
Total net budgetary expenditures	30,657	7,162	23,283

Fiscal year 2013-14 (in thousands of dollars) ¹

	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended December 31, 2013	Year to date used at quarter end
Expenditures			
Personnel	24,141	6,427	18,456
Transportation and communications	2,104	496	1,182
Information	167	20	65
Professional and special services	2,909	790	1,605
Rentals	341	70	290
Repair and maintenance	357	83	202
Utilities, materials and supplies	340	40	151
Acquisition of land, building and works	223	17	20
Acquisition of machinery and equipment	847	67	112
Sub-total net budgetary expenditures	31,429	8,010	22,083
Budget 2013 - Frozen travel funding <i>Reduction applied to Transportation and communications</i>	-24	-	-
Total net budgetary expenditures	31,405	8,010	22,083

¹Includes only authorities granted by Parliament at quarter end.