

This document may not be fully accessible. For an accessible version, please visit

[http://www.passportcanada.gc.ca/publications/ar\\_12.aspx?lang=eng](http://www.passportcanada.gc.ca/publications/ar_12.aspx?lang=eng)



# ANNUAL REPORT

## 2012–2013



Passport Canada  
Passeport Canada

Canada



## Table of Contents

Preface	3
Passport Canada	4
Message from the Chief Executive Officer	4
1 Passport Canada Overview	6
1.1 About Passport Canada	6
1.2 Agency Strategic Outcome and Key Program Activities	7
1.3 Organizational and Governance Structure	8
1.4 Passport Canada Products	10
1.5 Service Delivery Model	12
2 Passport Program Performance 2012-2013	13
2.1 Performance on Service Commitments to Canadians	13
2.2 Progress Against Organizational Priorities	14
2.3 Progress on Corporate Initiatives	15
2.4 Resource Management Performance	17
3 Passport Canada Accomplishments by Program Activity Area	20
3.1 Passport Services	20
3.2 Passport Program Integrity	22
3.3 Internal Services	24
4 Positioning for the Future	26
4.1 Challenges and Opportunities Ahead	26
4.2 Going Forward	27
Annex A: Agency Bureaus	28
Annex B: Financial Statements	30



Figure 1: Passport Canada Executive Governance .....	9
Figure 2: Canadian Passport Possession Rate .....	11
Figure 3: Passport Possession Rate by Province/Territory .....	11
Figure 4: Percentage of Applications Received by Channel in 2012-2013 .....	13
Figure 5: Passport Canada Forecasted vs. Actual Demand for Fiscal Year 2012-2013 .....	17
Figure 6: Distribution of Passport Canada Expenses 2012-2013 Versus 2011-2012 .....	19

## Preface

On May 8, 2013, the Government of Canada announced that “Effective July 2, primary responsibility for Passport Canada will move from the Department of Foreign Affairs and International Trade to Citizenship and Immigration Canada (CIC). This sensible move is in line with the duties CIC already performs, such as determining Canadian citizenship.

“Canadians will not experience an interruption of services. They will be able to continue accessing passport services through all of the same service locations currently available in Canada through the existing network of 144 Service Canada Centres, 56 Canada Post intake locations, and 34 passport offices across the country. Service Canada will assume responsibility for passport operations, and, over time, services will expand to more Service Canada Centres and Canadians will ultimately even be able to apply for a passport online.

“‘The government is committed to making passport services more convenient and accessible for Canadians,’ said Minister Kenney. ‘As Citizenship and Immigration Canada is already responsible for determining Canadian citizenship, integrating the passport program into the department makes good sense.’

“‘Through Service Canada, we offer single-window access to a wide range of Government of Canada programs and services for citizens,’ said Minister Finley. ‘Leveraging Service Canada’s resources and service delivery network across the country will make passport services more accessible and convenient.’

“Passport Canada's IT system is nearing the end of its lifespan and significant investment will be required to bring it up to date whereas CIC's current operating IT system has the capacity and security features for a move to online applications, and also offers Canadian taxpayers a sensible, cost-effective alternative.”

This marks a turning point in how the passport program is managed by the Government of Canada. The Passport Canada Annual Report 2012-2013 is being published in a context of transition and reflects on the Agency’s accomplishments during the reporting period.



# Passport Canada

## Annual Report 2012–2013

---

### Message from the Chief Executive Officer

I am pleased to present Passport Canada's Annual Report 2012-2013, which highlights the accomplishments the Agency has achieved over this past year in passport program delivery and service excellence for Canadians. In 2012-2013, the Agency continued to innovate and make continuous improvements across the entire passport program delivery infrastructure, bolster the integrity and security of Canada's passport, and consistently exceed service commitments to Canadians. Despite a 6.25 percent increase in application volumes in 2012-2013, 99 percent of completed applications were processed on-time and, in most cases, earlier.



In addition to maintaining operations and excellent client service, the Agency also made significant progress on two corporate initiatives, the introduction of a new fee-for-service structure and the rollout of the new ePassport. These initiatives will increase security, provide greater protection against tampering, and reduce the risk of fraud, all while providing greater convenience and savings to passport holders.

Our recent consultations under the *User Fees Act* took a bold and innovative approach to citizen engagement. We successfully obtained parliamentary approval for a fee increase and, by any measure, this was a major achievement. Our openness to hear from Canadians and businesses about passport services, and how we could improve the program, made all the difference. Canadians provided their support because Passport Canada took the time to listen to them and to report back. We conscientiously absorbed what Canadians had to say as we finalized the design of our new fee structure and planned our service improvements. I am proud to say that Passport Canada's *User Fees Act* (UFA) Process team has been nominated for a Public Service Award of Excellence in the category of Excellence in Citizen-Focused Service Delivery for this work.

The imminent introduction of the new ePassport also demonstrates the same spirit of openness and commitment to service. All levels of the organization pulled together and worked hard to ensure a smooth transition to the next generation of Canadian travel documents. The rollout of the new passport, with its new design and electronic chip, will significantly enhance the security features included in the passport, and conform to the recommended international standards and practices established by the International Civil Aviation Organization (ICAO). On July 1, 2013, the ePassport will be available to all Canadians, and Passport Canada will introduce the new fee structure that enables us to offer passports with a 5-year or a 10-year validity period.



Passport Canada has developed a culture that puts the interests of the program as a whole first. In every region and office, at every level, and in every area of our operations, there is remarkable dedication to professionalism, integrity and service. I invite you to read all about this year's accomplishments in the following pages.

Christine Desloges  
Chief Executive Officer  
Passport Canada





# 1 Passport Canada Overview

## 1.1 About Passport Canada

Passport Canada was established in 1990 as a special operating agency (SOA) of the Department of Foreign Affairs and International Trade (DFAIT). Reporting to Parliament through the Minister of Foreign Affairs, the passport program's main business is issuing secure travel documents to Canadians, thereby facilitating their travel, and contributing to international and domestic security.

### 1.1.1 Mandate

The Agency's mandate is set out in the *Canadian Passport Order* (<http://laws.justice.gc.ca/PDF/SI-81-86.pdf>) and can be summarized as being responsible for issuing, refusing, revoking, withholding, recovering and overseeing the use of Canadian passports.

Passport Canada is guided by its mission, vision and core values:

**Mission:** To issue secure Canadian travel documents through authentication of identity and entitlement, facilitating travel, and contributing to international and domestic security.

**Vision:** To achieve global service, global security and global standards in providing state-of-the-art identity authentication and travel documents for the benefit of Canadians.

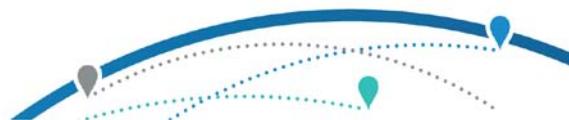
**Core Values:** In carrying out its mandate, mission and vision, Passport Canada operates according to the core values of excellence, respect and integrity which apply to all aspects of its operations.

### 1.1.2 Funding Model

Passport Canada receives no funding through parliamentary appropriations for its operating expenses. The operations of the passport program are financed entirely from the fees charged for passports and other travel documents. This means the program must generate sufficient revenues, over time, to meet expenditures. The Passport Canada Revolving Fund supports the management and delivery of the passport program. Moneys in this fund are the sum total of the revenues generated from the fees charged for travel documents issued by Passport Canada. Thus, the organization must deliver the passport program on a full cost-recovery basis.

A revolving fund is a non-lapsing statutory authorization to spend money for specific purposes, up to a limit called a "drawdown authority." Any revenues received for the specified purposes of the fund may be offset against expenditures related to these purposes. It functions much like a bank account with a line of credit or overdraft limit set at the level of the drawdown authority.

Unique administrative and reporting requirements apply to revolving funds, pursuant to the Treasury Board *Policy on Special Revenue Spending Authorities* (<http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=12248>). Financial statements must be prepared annually for the fund, in accordance with



Treasury Board Secretariat accounting policies based on generally accepted accounting principles. These financial statements must be audited. Revolving funds must also provide forecasts of expected drawdowns under the established authority and are expected to operate within that forecast, unless otherwise authorized by Treasury Board.

## 1.2 Agency Strategic Outcome and Key Program Activities

The following integrative, outcome-based planning framework, organized around program activity areas, guided priority setting and decision making across all aspects of the passport program's business over the past fiscal year.

<b>Strategic Outcome</b> <i>Canadians receive innovative, reliable, efficient, accessible and secure passport services.</i>	
<b>Program Activity Area 1: Passport Services</b>	
<b>Key Contributions to Strategic Outcome</b>	<ul style="list-style-type: none"> <li>Delivering consistent, quality service to Canadians</li> <li>Ensuring that Canadian travel documents are secure and internationally recognized</li> </ul>
<b>Key Activities</b>	<ul style="list-style-type: none"> <li>Issue travel documents within prescribed service standards.</li> <li>Strengthen national workload management through the use of electronic tools and reporting mechanisms.</li> <li>Fully deploy streamlined renewal for Canadians applying at Government of Canada offices abroad.</li> <li>Implement and deliver the 10-year ePassport.</li> </ul>
<b>Program Activity Area 2: Passport Program Integrity</b>	
<b>Key Contributions to Strategic Outcome</b>	<ul style="list-style-type: none"> <li>Enhancing identity verification and entitlement capabilities</li> <li>Aligning with international travel document security standards</li> </ul>
<b>Key Activities</b>	<ul style="list-style-type: none"> <li>Enhance identity verification and entitlement through policies, procedures and tools.</li> <li>Review process and workflow of the Data Integrity and Passport Protection sections to ensure continued alignment with the security mandate.</li> <li>Implement an action plan of activities to increase awareness of integrity across the organization.</li> </ul>
<b>Program Activity Area 3: Internal Services</b>	
<b>Key Contributions to Strategic Outcome</b>	<ul style="list-style-type: none"> <li>Using modern management practices to anticipate and respond to future business needs</li> <li>Identifying opportunities for efficiency improvements and cost savings</li> </ul>
<b>Key Activities</b>	<ul style="list-style-type: none"> <li>Finalize the fee structure to support the 10-year ePassport and new service offerings.</li> <li>Proceed with shared solutions with Shared Services Canada (i.e., the consolidation and standardization of email and data centres across the Government of Canada).</li> <li>Commence program redesign and modernization initiatives.</li> <li>Enhance integrated program forecasting, activity-based management (ABM) and human resources systems.</li> <li>Design and manage a human resources change management program.</li> </ul>



## 1.3 Organizational and Governance Structure

### 1.3.1 Passport Canada Bureaus

Passport Canada fulfilled its mandate over the reporting period, operating with seven bureaus, each having distinct responsibilities for key aspects of the Agency's mandate or for internal enabling functions. Through Passport Canada's planning process and under the direction of its Chief Executive Officer (CEO), each bureau was accountable for specific program activities, service outputs and achievement of outcomes, and for leading associated strategic investments and/or strategic project initiatives. In each of the areas of passport services, passport program integrity and internal services, program activities were delivered and administered through the following bureaus:

- Operations Bureau
- Security Bureau
- Business Information Technology Bureau
- Corporate Services Bureau
- Human Resources (HR) Bureau
- Policy, Research and Communications Bureau
- Enterprise Alignment and Innovation Bureau

For more information on the responsibilities of these bureaus, please refer to Annex A: Agency Bureaus.

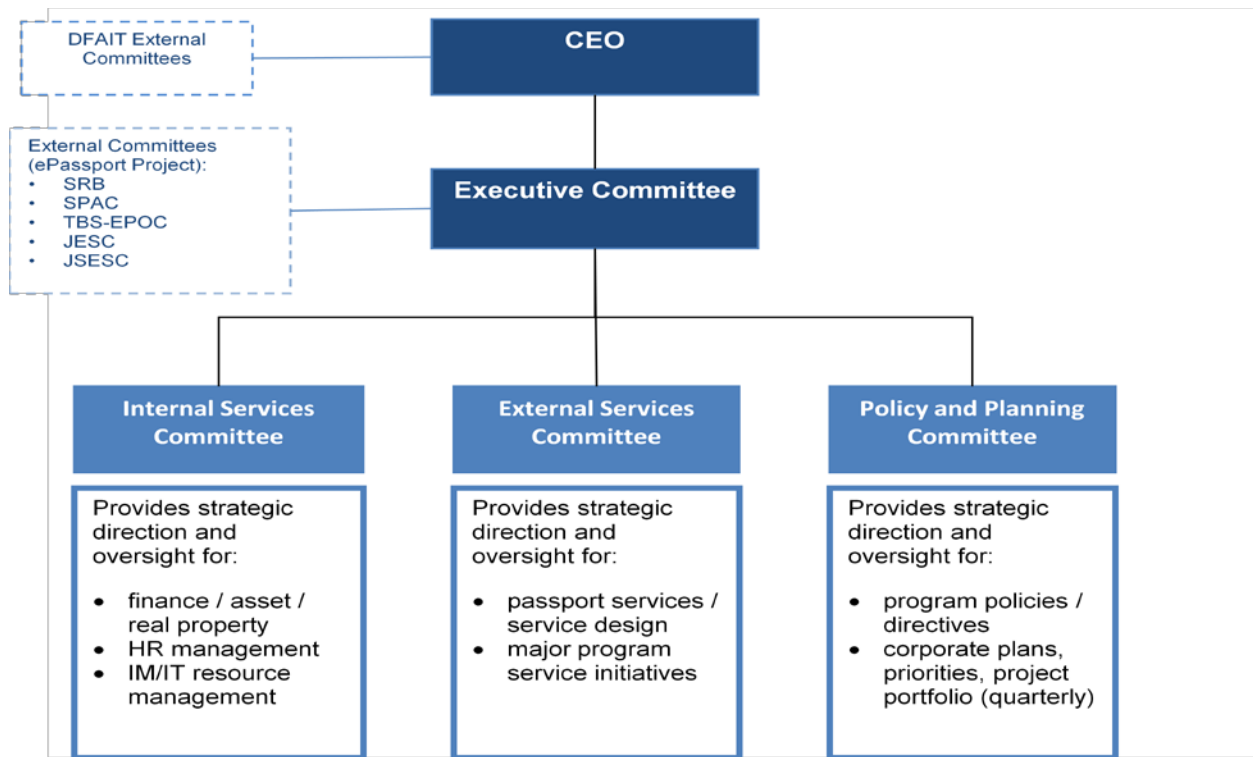
### 1.3.2 Passport Canada Executive Governance

Passport Canada's executive governance structure supported an integrated corporate approach to decision making, enabling effective allocation of resources to priorities, alignment of activities to outcomes and management of accountabilities. The Executive Committee, the main governance body, played a key role, ensuring internal coherence, corporate discipline and alignment to outcomes. It provided strategic direction; support for the Minister of Foreign Affairs, Parliament and Government of Canada priorities; and oversight for the delivery of the passport program's results. As illustrated in Figure 1, the Executive Committee was supported by three standing committees: Internal Services Committee, External Services Committee, and Policy and Planning Committee.

The Agency also benefited from the support of external committees that were created to provide oversight of the ePassport project. The Senior Review Board (SRB) and Senior Project Advisory Committee (SPAC) are interdepartmental committees that provide advice, feedback, support and recommendations to Passport Canada with a view to accelerating decision making and contributing to problem resolution.

The Joint Executive Steering Committee (JESC) and Joint Senior Executive Steering Committee (JSESC) are joint Passport Canada and Canadian Bank Note (CBN) Company committees, whose role is to provide project oversight and guidance to the integration of the ePassport solution provided by CBN into the Passport Canada business infrastructure.

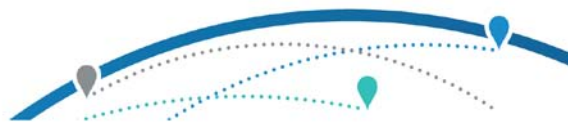
Figure 1: Passport Canada Executive Governance



## 1.4 Passport Canada Products

The passport is one of the most visible services of the Government of Canada and an important symbol to Canadians. Eight types of secure travel documents are currently issued through Canada's passport program, as identified below:

Product	Description
<b>24-page passport</b>	Represents about 98 percent of all the travel documents issued on an annual basis
<b>48-page blue passport</b>	This bigger passport is issued to travelers who wish to have more visa pages than what is provided by the regular passport. However, due to its limited popularity (about 1 percent of applicants acquire this passport) and in a cost-saving perspective, the organization announced in the fall 2011, in the context of the <i>User Fees Act</i> (UFA) consultations, that it would stop offering this product. The 48-page passport was discontinued on May 27, 2013, as the organization is transitioning to the ePassport technology.
<b>Official passports (special and diplomatic)</b>	Under the provisions of the <i>Diplomatic and Special Passport Order</i> , Passport Canada issues special and diplomatic passports to Canadians who travel for official or diplomatic purposes. Diplomatic and special passports have been issued as ePassports since 2009. To date, Passport Canada has issued more than 50,000 electronic special/diplomatic passports.
<b>Emergency travel document</b>	This one-page travel document is issued to Canadians outside of Canada for a single-journey direct return to Canada, or to the nearest Government of Canada office where more comprehensive passport services can be obtained. As this travel document is printed outside of Canada, it will not contain an electronic chip.
<b>Temporary passport</b>	This 8-page white-cover passport, valid for up to one year, is issued to Canadians outside of Canada who need to be issued a passport (either for residency requirements or for urgent travel) while their application for a regular passport is being processed. This service was created when the printing of passports was repatriated to Canada. As this travel document is printed outside of Canada, it will not contain an electronic chip.
<b>Refugee travel document</b>	This document is issued in accordance with the <i>United Nations Convention Relating to the Status of Refugees</i> , to persons in Canada with protected person status, including Convention refugees and persons in need of protection.
<b>Certificate of identity</b>	This document is issued to permanent residents of Canada who are not yet Canadian citizens, who are stateless or who are unable to obtain a national passport for a valid reason.

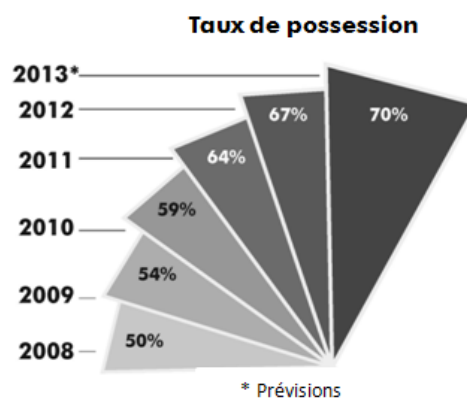


### 1.4.1 Canadian Passport Possession Rate

The percentage of Canadians who hold a valid Canadian passport continues to climb, driven by high and growing levels of outbound travel by Canadians. In 2011, over 30 million Canadian outbound trips were made, particularly to the United States (US). Canadians made a record 1.9 million overnight trips to the US in June 2012, as new rules to increase duty-free exemptions for cross-border shopping came into effect.

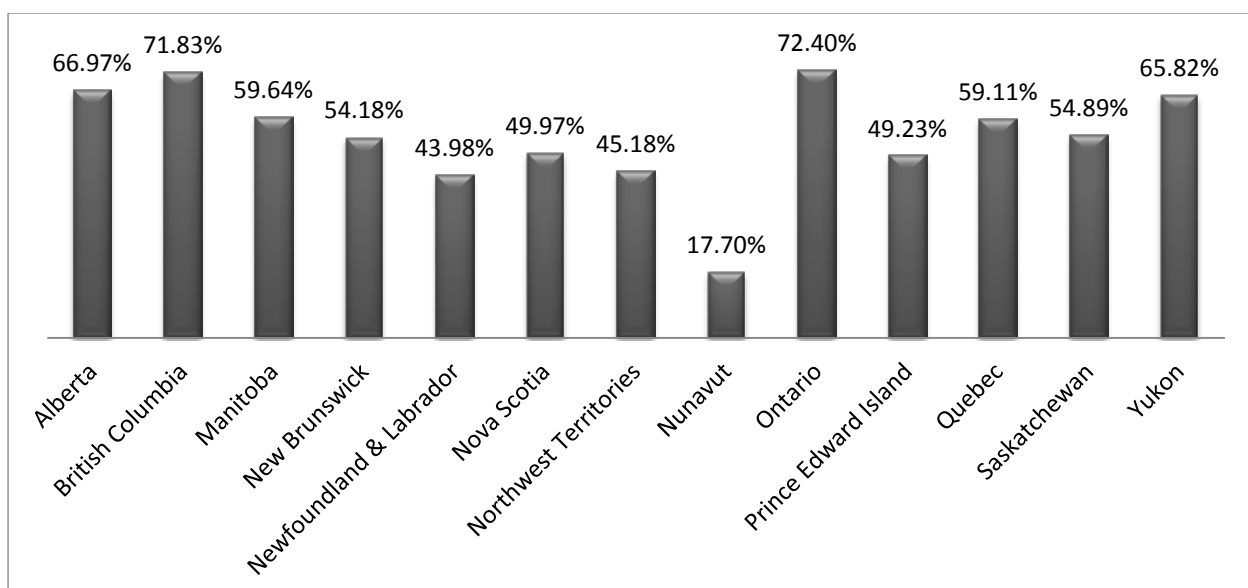
As illustrated in Figure 2, since 2008, the passport possession rate has increased by 20 percent and is forecasted to reach 70 percent in 2013, which would bring the total number of valid passports in circulation to 23 million.

Figure 2: Canadian Passport Possession Rate



As illustrated in Figure 3, Ontario, British Columbia, Alberta and the Yukon represent the highest passport possession rate.

Figure 3: Passport Possession Rate by Province/Territory



## 1.5 Service Delivery Model

Passport Canada's service delivery model ensured that its internal administrative services, processing and entitlement verification functions and service channels worked together to serve Canadians. Clients continue to have a range of options for submitting their applications, which include:

- mailing completed applications to Passport Canada;
- submitting applications in person at Passport Canada's 34 offices or at 200 receiving agent locations (56 Canada Post outlets and 144 Service Canada locations) and, in some cases,
- submitting applications via their Member of Parliament (MP).

Through Passport Canada's service delivery network (including two print centres, two call centres and national headquarters), Canadians are able to access passport services via in-person, mail and telephone channels.

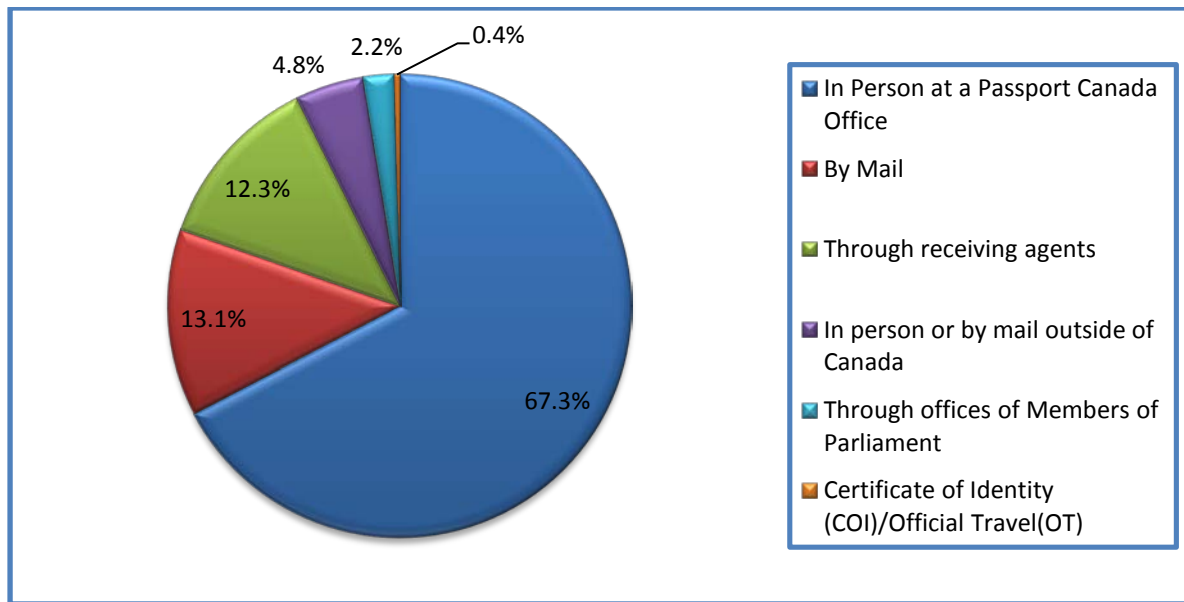
### 1.5.1 Service Channel Utilization

Passport Canada accepts passport applications from Canadians in person at Passport Canada offices, through receiving agents (Service Canada and Canada Post), by mail, through their MP and through a vast network of Government of Canada offices abroad. Canadians continue to exhibit a preference for in-person service. As shown in Figure 4, in 2012-2013, 67.3 percent of clients chose to submit their application in person at a Passport Canada office.

Over the past five years, Passport Canada has seen a steady decrease in clients submitting applications at regional offices. In fiscal year 2005-2006, 83 percent of all applications received by the organization were through a regional office (compared to 67.3 percent in 2012-2013). This change can be attributed to the increasing number of receiving agents (RAs) added in the past years and the convenience of having RA offices much closer to clients than Passport Canada's regional offices. Rather than travelling a possible greater distance to a passport office, Canadians are more willing to submit their applications at the nearest Service Canada site. The percentage of applications received through RA offices increased from 4 percent in 2007 to 12.3 percent in 2012-2013.

Applicants have also shown a greater interest in submitting their applications by mail. Since the introduction of the simplified renewal process in 2007, Canadians are feeling more confident in sending their requests by mail. This is likely because, in the simplified renewal process, no official documents (such as documentary evidence of citizenship and personal identification) are required to be submitted (and therefore not potentially lost in the mail).

Figure 4: Percentage of Applications Received by Channel in 2012-2013



## 2 Passport Program Performance 2012-2013

Passport Canada issued over 5.1 million travel documents in 2012-2013. This represents an increase of 6.25 percent over the previous fiscal year. January 2013 was the busiest month in Passport Canada's history, reaching 540 000 applications received. Of all passports issued over the year, 56 percent were issued using the simplified renewal process, 23 percent more than when the process was introduced in 2007.

### 2.1 Performance on Service Commitments to Canadians

#### 2.1.1 Service Delivery to Canadians

By implementing effective workload management, simplified renewals and other processing improvements, Passport Canada maintained its strong service delivery performance in 2012-2013. The Agency exceeded its service standards again this year, despite the 6.25 percent increase in volumes, with 99 percent of clients receiving their passport on time or earlier.

#### ***Passport Canada's Service Commitments to Canadians***

- To process applications submitted in person at Passport Canada offices within 10 business days
- To process applications received via a receiving agent (Service Canada or Canada Post), or in the mail from Canada or the US, within 20 business days



### 2.1.2 Service Access for Canadians

Over the reporting year, a Passport Canada point of service was less than 100 km away for 95 percent of Canadians residing in Canada. For Canadians living or travelling abroad, passport services are available through a vast network of Government of Canada offices abroad.

### 2.1.3 Service Satisfaction for Canadians

Despite the fact that passport fees have not increased for a decade, Passport Canada has consistently achieved superior levels of client satisfaction. Passport Canada's 2008 client satisfaction survey showed that 96 percent of clients were satisfied with the service they received overall. The large number of positive comments received during Passport Canada's 2010 public consultations corroborates this high level of client satisfaction.

To keep improving service to Canadians, Passport Canada introduced a Complaints Coordination Centre in November 2012 that enables applicants to provide feedback and suggest solutions, or file a complaint concerning its procedures, the fees it charges, the behavior of its employees or officers, or the quality of its service.

## 2.2 Progress Against Organizational Priorities

Passport Canada established four organizational priorities for fiscal year 2012-2013. The following table presents the main highlights of the progress that the Agency achieved during the fiscal year to ensure the advancement of these priorities.

Organizational Priority	Highlights of Progress Achieved in 2012-2013
1. Improve service to Canadians in Canada and abroad, and strengthen the security of entitlement and issuance processes, with a view to efficiency and effectiveness.	<ul style="list-style-type: none"><li>• Strengthened national workload management by implementing measures across the Agency's service network to maximize resource utilization and improve resource availability for peak passport demand periods.</li><li>• Enhanced identity verification and entitlement through new and enhanced policies and procedures, as well as the implementation of electronic tools.</li><li>• Finalized the fee structure to support the 10-year ePassport and new service offerings.</li></ul>
2. Introduce the new 10-year ePassport in 2013 to enhance the security of the Canadian travel document.	<ul style="list-style-type: none"><li>• Commenced roll-out of the ePassport national solution, with the first ePassport being issued on February 4, 2013. The national implementation of the ePassport solution will be completed by June 30, 2013.</li></ul>

Organizational Priority	Highlights of Progress Achieved in 2012-2013
3. Contribute to Government of Canada priorities for administrative services review, program modernization and whole-of-government solutions, while addressing risks and ensuring sustainable operations.	<ul style="list-style-type: none"> <li>Implemented shared solutions with Shared Services Canada (consolidation of IT support and data centre services).</li> <li>Commenced passport program redesign and modernization initiatives planning activities, including the development of a modernization roadmap for the Agency.</li> </ul>
4. Continue to improve planning, alignment of resources to priorities, and organization-wide financial and human resources management and systems.	<ul style="list-style-type: none"> <li>Enhanced integrated program forecasting, activity-based management (ABM) and human resources systems.</li> </ul>

## 2.3 Progress on Corporate Initiatives

### 2.3.1 Passport Canada's User Fees Act Process

Passport Canada embarked on the *User Fees Act* (UFA) process in the spring of 2010 with the launch of its public consultations on its service offerings. Passport Canada conducted extensive consultations on the services for which it charges fees. Overall, these consultations revealed strong support for the introduction of the ePassport with a 10-year validity option, with great importance assigned to the need to follow international practices and general satisfaction with Passport Canada's service offering. The input from the consultative efforts helped to design the updated service offering and fee structure.

The organization then proceeded with the publication of its fee-for-service proposal in the fall of 2011, which provided Canadians with an opportunity to provide their input on the proposal. While there was a relatively high number of visits to Passport Canada's consultations webpage during the input submission period, with over 7400 visitors, the Agency received written input from only 56 Canadians. Some of this input was positive; the majority of complaints received focused on fees. All complaints were resolved, and no requests were received for independent advisory panel review. Based on the input received, no modifications were made to Passport Canada's fee-for-service proposal.

The Minister of Foreign Affairs tabled Passport Canada's fee-for-service proposal in both Houses of Parliament on March 29, 2012, allowing parliamentarians an opportunity to provide input on the proposal. The proposal was reviewed by the House of Commons Standing Committee on Foreign Affairs and International Development, and the Senate Standing Committee on Foreign Affairs and International Trade. The House of Commons Committee did not submit a report and is therefore deemed to have endorsed the proposal. The Senate Committee voted to recommend endorsement of the fee-for-service proposal to the Senate. The recommendation was approved by the Senate on May 17, 2012.

Having met all the requirements set out by the *User Fees Act*, Passport Canada proceeded to incorporate its new fee structure into its regulations. The resulting *Passport and Other Travel Document Services Fees Regulations* were approved by the Governor General in Council on November 29, 2012, and published in the *Canada Gazette*, Part 2, on December 19, 2012, along with the accompanying Regulatory Impact Analysis Statement.

Portions of the new regulations became effective upon their registration, to enable the organization to collect a fee for the 36-page passport during the national deployment of the ePassport. The new fee structure will come into force on July 1, 2013, when the deployment is complete and Canadians can apply for an ePassport valid for 10 years. (Exceptionally, four administrative fees will come into force on March 31, 2014.)

In accordance with the UFA, Passport Canada has established service standards in relation to the services for which it collects fees. The Agency will be accountable to Parliament for its service standards and performance by reporting on these processing times on an annual basis through the Departmental Performance Report. If Passport Canada misses its stated service standards by more than 10 percent, the Agency will be required to reduce its fees by a percentage equivalent to the unachieved performance, up to a maximum of 50 percent.

### 2.3.2 ePassport

Passport Canada achieved significant milestones in 2012-2013 in order to launch the 10-year ePassport on July 1, 2013. Sound governance and oversight throughout the year ensured that the project was well rated during the independent review completed prior to the launch of the ePassport. In fact, the project received the green light on all components assessed in that pre-deployment review.

All activities were successfully completed in relation to the supply chain for the new technology and the design of the new booklet. The design of the new booklet was unveiled during a ministerial event on October 26, 2012. In anticipation of the deployment, specimens of the new booklets were shared with the Canada Border Services Agency (CBSA), foreign embassies in Canada and security community stakeholders.

As a participant organization in the International Civil Aviation Organization (ICAO) public key infrastructure, Passport Canada delivered its country signing certificate authority (CSCA) key, link certificate and document signing certificates to the ICAO and uploaded them to the Public Key Directory (PKD). This technology serves to confirm the authenticity and integrity of the ePassport when the chip is read at border crossings.

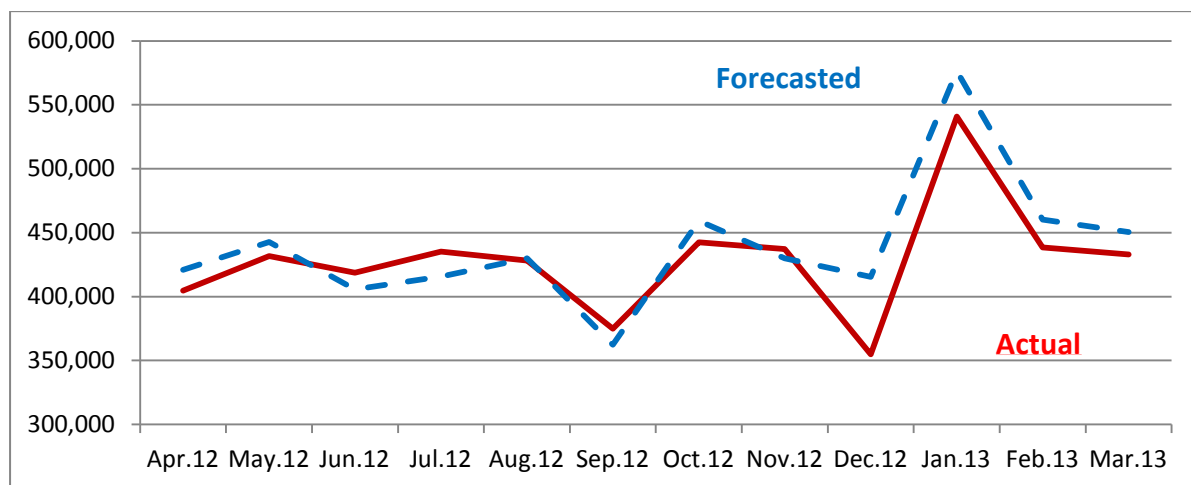
Passport Canada launched the gradual deployment of the ePassport solution across its regional offices in Canada on February 4, 2013. As the inventory of new booklets built up, Passport Canada deployed the printing technology across its network, ensuring that, as of July 1, 2013, every Canadian will be issued an electronic passport upon submitting a passport application. As of March 31, 2013, 14,857 electronic travel documents had been issued.

## 2.4 Resource Management Performance

### 2.4.1 Forecasting Demand for Services

Passport Canada's forecasting model continued to play a key role in helping the Agency to manage its resources efficiently to maintain service levels as the demand by Canadians for passport services fluctuated over the reporting period. The model predicts business volume within a range of probability. As set out in Figure 5, the blue dotted line portrays the forecast, and the red line, the actual number of applications received. Forecasted demand was within 5 percent of the actual demand every month over the reporting year with the exception of December, when the forecast was 17 percent higher than actual demand, and January, when it was 7 percent higher.

Figure 5: Passport Canada Forecasted vs. Actual Demand for Fiscal Year 2012-2013



### 2.4.2 Passport Canada Expenditures

Passport Canada finances its operations entirely from the fees charged for passports and other travel documents. This makes the organization self-funding, which means that sufficient revenues must be generated, over time, to meet expenditures. Although there is no annual parliamentary appropriation for its operating expenses, the federal government may, on occasion, provide one-time financial support for special projects designed to improve service or enhance the security of Canadian travel documents.

In 2012-2013, Passport Canada's operating deficit was significantly lower – by 42 percent – than the previous fiscal year. The organization incurred an operating deficit of \$8.7 million in 2012-2013, \$6.2 million less than the operating deficit of \$14.9 million recorded in fiscal year 2011-2012. This lower deficit is mainly attributable to an increase in revenues and expenditure management controls. In fiscal year 2012-2013, Passport Canada's actual revenues were \$312.4 million compared to \$293.6 in 2011-2012, which represents an increase of \$18.8 million. This is a result of an increase of 6.25 percent in demand for passports in 2012 compared to the previous year. This increase may be partly explained by the wave of renewals following the implementation of the Western Hemisphere Travel Initiative in 2006-2007.

Passport Canada's operating expenditures were at \$321.1 million, an increase of 4 percent compared to the previous year. This is primarily a result of increases related to volumes and regular salary adjustments. Passport Canada completely depleted its previously accumulated surplus in order to absorb this operational deficit and accessed its drawdown authority, to sustain operations and finance investments required to deploy the ePassport.

Passport Canada's structural deficit is mainly attributable to a fee structure that was last amended in 2001. Despite the continuing increases in passport demand, which have helped to slow down any financial deterioration, Passport Canada must still meet the requirements and constraints of a federal agency. Given that the organization is financed entirely from user fees, and considering that these fees have not been amended since 2001, it is logical that fees have not kept up with the various increases associated with program delivery; increases in salaries; security requirements; the deployment of the ePassport; and the implementation of other policies and initiatives mandated by the Government of Canada. The introduction of a new fee structure on July 1, 2013, coinciding with the implementation of the 10-year ePassport, will result in positive changes to Passport Canada's financial position.

Passport Canada's financial statements for 2012-2013 may be found in Annex B: Financial Statements. The statements have been audited by an external firm to confirm that they fairly present the position of the revolving fund. For the third consecutive year, the auditors have issued no observations resulting from their audit.

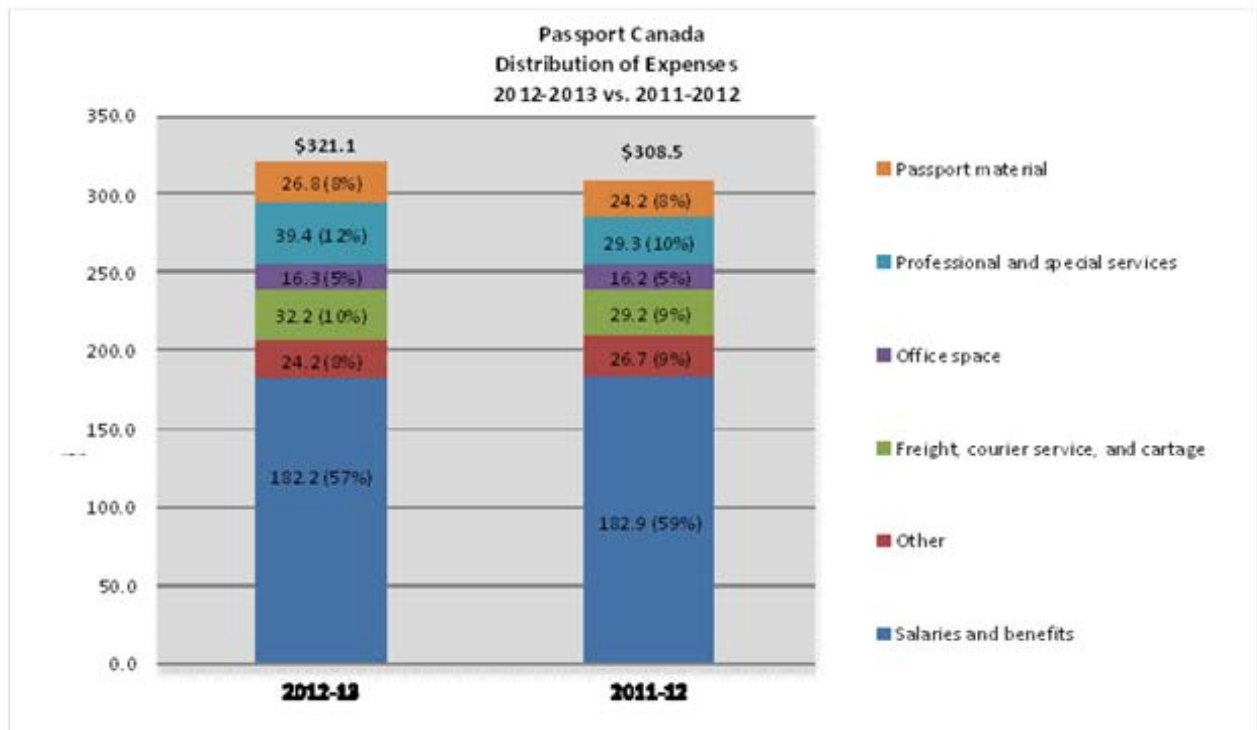
### 2.4.3 Passport Canada Expenses

Passport Canada plans and manages resources based on volumes and client service needs and requirements specific to a federal agency. Despite the fact that a large portion of the Agency's resources are related to demand volumes, it is difficult rapidly to adjust available resources to passport volume fluctuation. For example, fixed costs cannot be rapidly adjusted when business volume decreases, such as the staff complement to maintain sufficient operational capacity to deliver passports and to ensure compliance with government policies and regulations; rental of buildings; and maintenance of the processes and technology needed to conduct operations and to meet security standards. Moreover, initiatives to maintain the organization's operations result in certain investment costs that continue to be financed with fees that have not been amended since 2001.

Despite these constraints, Passport Canada has implemented tools and processes to provide effective support for sound financial management. For example, activity-based management enables the Agency to determine resource level requirements to provide services to applicants, and accurately to determine the cost of its products and services. As such, this methodology allows for better tracking of costs and identification of means to manage them.

Figure 6 shows the major expenditure categories over the past two fiscal years. Year after year, the largest budget item, salaries and wages, represents about 57 percent to 59 percent of the organization's total operating costs. The rise in proportion of professional services is due to professional fees charged by Shared Services Canada (SSC), as services in 2012-2013 were provided for the full fiscal year, in comparison with four months of services provided in 2011-2012.

Figure 6: Distribution of Passport Canada Expenses 2012-2013 Versus 2011-2012



### 3 Passport Canada Accomplishments by Program Activity Area

Over the reporting period, program activities and organizational priorities were managed at the Executive Committee level to strike the best possible balance among timely service to clients, operating efficiency and security. The following outlines the Agency's main accomplishments over the reporting year.

#### 3.1 Passport Services

Passport Canada continued to exceed its service commitment to process 90 percent of applications received on time in 2012-2013, processing 99 percent of completed applications received on time and, in most cases, earlier. At the same time, a number of improvements were made to enhance and simplify the application process, improving the service experience and strengthening safeguards for tens of thousands of Canadians. Key accomplishments include the following:

- **Continued to improve services to Canadians living abroad by expanding the simplified renewal process to include all eligible Canadians applying abroad.** As it does to their eligible counterparts applying in Canada, the simplified renewal process offers Canadian citizens overseas a shorter, simpler application form and eliminates the need for proof of citizenship, a guarantor and additional supporting identification.
- **Simplified the application process for officials who must hold two types of passports** (i.e., the regular passport for personal travel, and either a diplomatic or special passport for use when travelling on official business). The new process allows the issuance of two passports, based on a single application form, as well as the use of the simplified renewal process.
- **Simplified the application process for passport applications for children under age 16 by standardizing the proof-of-parentage requirement.** Effective October 1, 2012, a child's passport application must include one proof-of-parentage document demonstrating the child-parent relationship.
- **Enhanced the Agency's Complaint Management Program by establishing a Complaints Coordination Centre.** The Complaint Management Program enables applicants to provide feedback and offer possible solutions to complaints, or to file a complaint with Passport Canada concerning its procedures, the fees charged, the behavior of employees or officers, or the quality of service. Introduced in November 2012, the Complaints Coordination Centre replaced the Ombudsman's Office. It introduced a two-level approach to enable complainants to re-submit their complaint if not satisfied with the proposed resolution. The centre also disseminates client feedback across the organization, ensuring that lessons learned are used to improve service to Canadians. Client suggestions have already resulted in improvements to the Agency's website and call centre.
- **Maintained robust control over the quality of entitlement decision making by completing the implementation of a national Quality Assurance Program.** In December 2012, after three years of





careful planning, the piloting of specific components and staged expansion, Passport Canada completed the implementation of a national Quality Assurance Program. The program allows for the assessment of program performance and identification of mitigation strategies. The program provides a concrete measure of the quality of the examination and entitlement functions across the Agency, maintaining the vigilance of staff involved in entitlement decisions and promoting continuous improvement. The Program involves conducting regular, independent reviews of sample files to provide a collective view of performance in entitlement decision making:

- to confirm that key entitlement decisions are being made correctly;
- to ensure consistency between training and practice;
- to identify risk areas which may require enhancements to training or other work tools.

- **Overhauled the Passport Canada website to make it user-friendly.** Up to date with the Government of Canada's latest design guidelines and accessibility standards, the new site offers visitors improved functionality and easier pathways to get to the information they need quickly. The site is designed to be client-centric and intuitive. All key information on Canadian passports, applications and renewals is accessible from drop-down menus in the menu bar, and all material is fully bilingual.
- **Completed the implementation of LEAN methodology,** which commenced in 2011-2012 at the Agency's two print centres. LEAN methodology focuses on re-engineering business processes to eliminate inefficiencies and remove waste, in order to improve quality and to reduce production times and costs, and will result in savings for the Agency.
- **Printed, in both official languages, all observations appearing in Canadian travel documents.** These observations are inserted into the passport to add information, specify limitations and/or alert authorities to particular facts relevant to the conditions of issuance or the use of the passport in certain circumstances. The observations are meant to convey pertinent information about the bearer to the travel authority examining the document, such as the bearer's full name, the full name of the place of birth, geographic restrictions, etc. In the past, when Canadians travelled with passports containing these observations printed in only one language, they encountered problems at international borders when border officials did not understand or misunderstood their meaning.
- **Leveraged social media.** Passport Canada was one of the first Government of Canada organizations to embrace social media, specifically Facebook, Twitter and YouTube. The Agency has successfully used social media to engage Canadians in both official languages and to explain how the passport program works, what the fees pay for, and what security advantages the ePassport offers. Over the reporting period, individual views of our online videos increased from 75 to over 600 per day. The Agency is particularly proud of the acknowledgement received most recently from the Standing Senate Committee on Official Languages, for its commitment to respecting both official languages in its use of all forms of social media. Below are links to Passport Canada's social media tools:
  - [www.facebook.com/passportcan](http://www.facebook.com/passportcan)
  - [www.twitter.com/passportcan](http://www.twitter.com/passportcan)
  - <http://www.youtube.com/passportcan>





## 3.2 Passport Program Integrity

Maintaining the security and integrity of Canada's passport program is essential to ensure that Canadians have internationally trusted travel documents that enable them to gain visa-free entry to other countries. Canada's passport program is a critical element of our country's security infrastructure, and preventing the fraudulent use of Canada's travel documents has been and always will be a mission-critical function for the passport program. Authentication of identity, determination of entitlement, security policies and procedures, passport security features, biometrics, and security checks and investigations are all integral to maintaining and strengthening passport program integrity in the face of evolving and increasingly sophisticated security threats. Key accomplishments in 2012-2013 include the following:

- **Enhanced the security of the ePassport with the development of a new passport design.** After over a year of concerted effort, the artistic design of the ePassport booklet was finally unveiled during a ministerial event on October 26, 2012. The colourful new booklet contains 36 pages and 16 new image sets, showcasing Canada's history and natural beauty. The images chosen will give Canadians the opportunity to learn more about their country and to promote Canada's identity around the world. These images are just one of many new features that make this passport more secure than ever before. In fact, the images contain security features invisible to the human eye. These features can be used by border officials at checkpoints to verify the passport's authenticity. These features will also help to prevent counterfeiting of the travel document. Although the interior has been revised from start to finish, the booklet cover will remain virtually unchanged. The only differences will be the addition of an international ePassport symbol and the inclusion of an electronic chip in the back cover of the booklet. In anticipation of the ePassport's deployment, specimens of the new booklets were shared with the Canada Border Services Agency (CBSA), foreign embassies in Canada and security community stakeholders.
- **Streamlined and strengthened security processes.** Over the reporting year, the Agency streamlined its administrative decision-making process relating to passport refusals and revocations, facilitating more timely decisions. The Agency undertook an alerts process review, which resulted in the elimination of non-value-added activities, placing greater focus on higher value security verifications. Finally, the Agency implemented technological and procedural changes which increase detection prior to issuing a travel document.
- **Strengthened security awareness.** The Agency launched a security awareness action plan in 2012-2013, which included the delivery of security awareness workshops to employees of all issuing authorities across Canada. The Security Bureau's Intelligence Division also delivered, to the same audience, a series of interactive workshops called "Flag It!" The workshops encourage front-line employees to make full use of their training, tools and instincts to identify high-risk or suspicious files and patterns that need to be referred to the Security Bureau. The Passport Program Integrity Initiative was also launched, both domestically and abroad, as part of the action plan to strengthen security awareness. This initiative takes the form of a series of online training modules focusing on risk-based best practices in identity and entitlement authentication and fraud detection. The

Agency's Children's Task Force also developed awareness tools on child abduction, including a publication for officers to use when speaking with parents concerned about child abduction, and a standardized form to enable fast and simple addition of a child's name to Passport Canada's "System Lookout" (a tool that alerts passport officers as to whether further action is required when processing an application).

- **Ensured alignment with the new Standard on Identity and Credential Assurance.** This new Treasury Board of Canada standard took effect February 1, 2013, to support the consistent and collaborative management of identity risk within the Government of Canada, and with other jurisdictions and industry sectors. The standard requires that identity and credential risk be assessed, required assurance levels be determined, controls be selected for achieving these assurance levels and that minimum requirements associated with assurance levels be met. Following the implementation of the Standard, Passport Canada conducted an assurance level assessment of its programs to identify the risks associated with its products and, with the results, is currently identifying any gaps in its identity authentication processes and selecting the appropriate controls for achieving assurance level requirements.
- **Strengthened capacity for fraud detection.** Passport Canada piloted introduction tools and process improvements to reduce guarantor and parental forgeries, resulting in a 50 percent reduction in forgery attempts and a significant decrease in client/staff confrontations. Over the reporting period, Passport Canada continued to realize the benefits of facial recognition in detecting identity fraud. In 2012, 37 percent of identity fraud cases were detected using this technology. Of all identity fraud cases that were detected, one third involved the use of counterfeit identification documents. Passport Canada also continued to realize the benefits of the electronic validation of citizenship certificates with Citizenship and Immigration Canada (implemented in February 2012) to reduce "breeder document" fraud. Breeder documents are forms of identification, such as birth certificates and citizenship certificates, that can be used as a basis for fraudulently obtaining other identification documents, such as passports.
- **Improved capacity to identify program risks in relation to passport fraud and misuse.** Passport Canada commenced implementation of passport program security assessments for missions abroad. The assessments utilize existing data, intelligence information and local knowledge to analyze fraud drivers, identify specific threats and recommend mitigation strategies. Additionally, a pilot was launched in the Asia-Pacific region, establishing a dedicated resource abroad that will engage in initiatives to support program integrity, including risk assessment activities, initiatives that strengthen coordination between Passport Canada and the consular/passport sections of Canadian missions, and liaison activities with domestic and international partners.
- **Contributed internationally to traveler security and passport program integrity.** In October 2012, on behalf of the Five Nations Passport Group (an international forum of passport issuing authorities in Australia, New Zealand, the United Kingdom, the US and Canada), Passport Canada put forward a proposal to add a standard to ICAO's Annex 9 – Facilitation to strengthen the travel document



issuance process. In recent years, due to increased physical security of travel documents, fraud has been shifting to the issuance process. In order to provide additional security and enhance the integrity of travel documents, States need to focus on securing the issuance process including, most importantly, ensuring the identity of the person to whom the travel document is being issued. Furthermore, if efforts are made to enhance the security of the issuance of travel documents, this will contribute to enhanced national and international security. ICAO's Facilitation Panel, a panel of facilitation experts from ICAO contracting states, supported the standard. This is only the first step in a lengthy process – involving all ICAO contracting states – to adopt the standard. Should the standard be adopted, it will come into effect in April 2014. Annex 9 is one of 19 Annexes to the Convention on International Civil Aviation, containing standards with which states are required to comply and recommending practices with which states are encouraged to comply.

### 3.3 Internal Services

Internal services play a vital role in enabling the passport program to manage its resources to optimize efficient and effective day-to-day operations. At the same time, internal services ensure that the program stays abreast of changes in the operating environment by undertaking the planning, analysis, stakeholder outreach and modernization initiatives required to achieve service and security objectives over the longer term. Over the reporting period, Passport Canada enhanced the following areas:

- **Improved workforce engagement by enhancing the Agency's HR framework.** This past year, tools were developed to improve HR management, such as the establishment of a contract for an Informal Conflict Management System, and the launch of a Passport Canada Code of Conduct. In the 2012 Public Service Commission (PSC) staffing audit, the Agency was recognized as being "markedly better than the average of the other departments and agencies audited over the past two years." Local initiatives were also supported and promoted, with the introduction of employee working groups, following the recommendations of a recent Public Service Employee Survey.
- **Strengthened corporate administrative functions.** Passport Canada continued activities to further enhance the use of the ABM model, increasing the spectrum and use of this analytical tool in the Agency, as well as the accuracy of the costing and resource allocation methodology. The Agency also established new methodologies and reports on material management and access to information and privacy; advanced plans to mature information management practices in the organization; and improved inventory valuation methods. These improvements, among others, will improve finance service in the Agency and increase the spectrum of analytical follow-up tools and techniques, as well as reporting systems.
- **Introduced new performance measures in its agreements with Service Canada and Canada Post Corporation.** Passport Canada and Service Canada have collaborated since 2004 to provide Canadians with receiving agent services; the offering has grown to 144 Service Canada locations nationally. The partners have updated their joint quality management framework in order to further improve service to Canadians and generate efficiencies in passport processing. The new agreement also outlines costs, service standards and growth potential. Passport Canada works with Canada Post

to ensure the secure delivery of travel documents to Canadians. Agreements renewed this past year have introduced strict performance expectations for on-time delivery, as well as a renewed communications approach to coordinating the early identification and resolution of mail issues.

- **Advanced in simplifying passport application forms.** The Agency initiated implementation of a forms management program to simplify and reduce the number of forms we use and to make them more user-friendly.
- **Enhanced the management and oversight of corporate project initiatives.** Over the reporting year, the Agency enhanced its corporate portfolio management processes, ensuring an effective and comprehensive approach to managing investments and corporate projects in the organization.
- **Enhanced data management and quality.** A data quality management initiative was launched to improve on the quality and reliability of our data. This entailed the creation of a working group that established consistent data management practices and promoted data governance within the Agency, as well as the cleansing of some 53 million records in the summer of 2012. Enhanced data quality will strengthen demand forecast and performance reporting.
- **Enhanced internal communications through the use of technology.** Passport Canada was a pioneer in the design and partnership agreement for videoconferencing, as the first Government of Canada organization integrating interdepartmental videoconferencing with Shared Services Canada bridging service. This technology has already resulted in savings for the Agency by lowering the travel costs for meetings, staffing processes and grievance hearings.
- **Strengthened the use of official languages.** The Agency created an official languages (OL) network to promote OL across the agency and implemented an Official Languages Responsibility Framework. The Government of Canada's Commissioner of Official Languages has noted that Passport Canada goes beyond its obligations for official languages.
- **Streamlined information technology infrastructure services.** Passport Canada is collaborating with Shared Services Canada to achieve more efficient use of technology that will increase productivity across Government of Canada departments, will help to build a more modern public service, and represents better value for money and a more reliable information technology infrastructure to support modern government operations.
- **Enhanced information technology capacity.** Passport Canada's technical infrastructure was updated with a Regional Access Centre Evergreening (RACE) project, to be in a position to meet current and future operational needs. Passport Canada also established a formal incident escalation model for its interaction with Government of Canada partners (Shared Services Canada, Citizenship and Immigration Canada, Royal Canadian Mounted Police, etc.) and its external vendors to meet its service level targets specified in agreements.

## 4 Positioning for the Future

### 4.1 Challenges and Opportunities Ahead

Looking ahead, Passport Canada must embrace new innovative ways of delivering core program services, modernizing back-office functions, taking advantage of new technologies, working collaboratively with partners, and engaging stakeholders and employees.

Modernization of the passport program is a priority for the Agency. Modernization is essential to ensure that we have the necessary capacity to embrace new ways of delivering our strategic direction, expected outcomes and delivery of services, in line with the Government of Canada's priorities.

Passport Canada's new fee structure will help to ensure that the organization has the means to update and modernize the way it does business, continue to improve upon the security of the passport itself, sustain operations and maintain a high level of client service. Passport Canada's modernization initiatives will target areas and activities that will improve the Agency's agility and ability to manage and operate within its new 10-year business cycle; respond to the changing service expectations of Canadians (for example, "end-to-end" online passport services); and explore ways to optimize service delivery and share infrastructure through government partnership opportunities.

Effective July 2, 2013, Citizenship and Immigration Canada will become responsible for the passport program and will work with Service Canada to modernize how passports are delivered to Canadians. This marks a turning point in how the passport program is managed in the Government of Canada. Given CIC's responsibility for determining citizenship, and Service Canada's mandate and network of offices across Canada, this is a change that makes good sense. It will allow the Government to improve service to Canadians over time, and to be more efficient and cost-effective in the delivery of the passport program. Another important reason for the change is that Passport Canada's IT system is nearing the end of its lifespan, and a significant investment will be required to bring it up to date. CIC's Global Case Management System was identified by an independent consultant as a logical replacement for Passport Canada's system. As we move forward, we are committed to continuing the high-quality service that Canadians receive and ensuring the integrity of the passport program.

#### **Key elements of a 21<sup>st</sup>-century public service organization:**

*"A clear mission and longer-term goals; faster decision making and quicker 'reaction time'; close linkages to partners inside and outside government; modern technology to enable efficient operations; an intelligent and respectful approach to people management that is sustained by investments in employees and communicates clear expectations of performance"*

(Prime Minister's Advisory Committee – 2012)

## 4.2 Going Forward

Moving forward, we look ahead to providing a world-class passport program and making passport services more accessible and convenient. Canada's passport program has the following priorities for the upcoming fiscal year 2013-2014:

- Improve passport service to Canadians, and enhance the security and financial sustainability of the passport program, by implementing Passport Canada's new 10-year ePassport and its associated new fee-for-service changes.
- Strengthen the integrity of the passport entitlement and issuance processes by implementing new and/or modified security policies, practices and procedures.
- Modernize the passport program by planning and implementing new innovative passport service solutions, in alignment with Government of Canada priorities and international standards.



## Annex A: Agency Bureaus

### Operations

With staff at 34 regional offices, 2 call centres, and 2 print centres, the Operations Bureau is responsible for service delivery and the passport issuance process, including application acceptance, entitlement determination, quality control, printing and passport delivery. Passport Canada print centres also print passports and deliver them to Canadian citizens worldwide through a vast network of DFAIT points of service abroad. In addition, the Bureau processes official passports, as well as certificates of identity and refugee travel documents.

### Security

The Security Bureau ensures the integrity of Canadian travel documents and the related entitlement and issuance processes. This is achieved through the provision of strategic guidance on entitlement and issuance policies, expert advice on complex entitlement decisions, investigations of suspected fraudulent activity, collection and sharing of information on lost or stolen passports, and development of domestic and international intelligence networks.

### Business Information Technology

The Business Information Technology Bureau delivers enterprise architecture and information technology (IT) security programs, provides efficient and client-focused software engineering services, and manages the IT infrastructure to ensure high availability and system effectiveness in support of the Agency's strategic and operational goals.

### Corporate Services

The Corporate Services Bureau provides a network of corporate and support services for the Canadian passport program. It oversees compliance with legislative and central agency requirements pertaining to finance and administration, supports the Agency's business planning process and information management, ensures the security of assets and people, and manages a network of facilities across the country.

### Human Resources

The Human Resources Bureau has Agency-wide responsibilities, including staffing, classification, talent management, compensation and benefits administration, operational training design and delivery, and learning and development services. The Bureau also manages labour relations, human resource policy and planning, official languages and employment equity, health and safety, employee assistance, awards and recognition, and values and ethics.

## Policy, Research and Communications

The Policy, Research and Communications Bureau's central role is entitlement and strategic policy development. The Bureau also develops the volume forecasting model and prepares, reviews and updates the Agency's forecasts. Other areas of activity include operations performance reporting, analytics, corporate communications, ministerial and corporate correspondence, and liaison with the Agency's counterparts or stakeholders.

## Enterprise Alignment and Innovation

The Enterprise Alignment and Innovation Bureau acts as an office of strategy management. In support of the CEO and the Executive Committee, it leads and facilitates the establishment of the Agency's strategic direction, determines the portfolio of corporate initiatives, develops the corporate risk profile and program performance framework, and oversees corporate reporting obligations and associated strategic management practices.



**Annex B - Financial Statements**

## PASSPORT CANADA REVOLVING FUND

### STATEMENT OF MANAGEMENT RESPONSIBILITY

We have prepared the accompanying financial statements of the Passport Canada Revolving Fund as required by and in accordance with the policy of the Treasury Board on revolving funds and the reporting requirements and standards of the Receiver General for Canada. These financial statements were prepared by the management of the Fund in accordance with the significant accounting policies set out in Note 2 of the statements on a basis consistent with that of the preceding year.

Responsibility for the integrity and objectivity of these financial statements rests with the management of the Fund. The information included in these financial statements is based on management's best estimates and judgement with due consideration given to materiality. To fulfil its accounting and reporting responsibilities, the Fund maintains a set of accounts which provides a centralized record of the Fund's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Department of Foreign Affairs and International Trade's *Departmental Performance Report* is consistent with these financial statements.

The Fund's directorate of financial operations develops and disseminates financial management and accounting policies and issues specific directives which maintain standards of accounting and financial management. The Fund maintains systems of financial management and internal control which gives due consideration to costs, benefits and risks. The systems are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded to maintain accountability of Government funds and safeguard the assets under the Fund's administration. The Fund also seeks to assure the objectivity and integrity of data in its financial statements by the careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that its regulations, policies, standards and managerial authorities are understood throughout the organization.

Management has presented the financial statements to the independent auditors, who have audited them and has provided an independent opinion which has been appended to these financial statements.

Approved by:

  
Michel Brunette  
Deputy Chief Financial Officer  
Passport Canada

13/05/24  
Date

  
Christine Desloges  
Chief Executive Officer  
Passport Canada

13/05/24  
Date

  
Danielle Marquis  
Director General  
Corporate Services & Human Resources  
Passport Canada

13/05/24  
Date



**PASSPORT CANADA REVOLVING FUND**

STATEMENT OF AUTHORITY (USED) PROVIDED  
(UNAUDITED) FOR THE YEAR ENDED AS AT MARCH 31  
(in thousands of dollars)

	2013		2012	
	Estimates	Actual	Estimates	Actual
Net results	(61,268)	(8,687)	(34,481)	(14,885)
Add: items not requiring use of funds	9,504	9,779	9,829	14,510
Operating source of funds	(51,764)	1,092	(24,652)	(375)
Less: items requiring use of funds				
Net capital acquisitions	15,890	14,334	20,772	7,713
Net other assets and liabilities	—	9,898	—	11,441
Authority provided (used)	(67,654)	(23,140)	(45,424)	(19,529)



**PASSPORT CANADA REVOLVING FUND**

**RECONCILIATION OF UNUSED AUTHORITY  
(UNAUDITED) AS AT MARCH 31  
(in thousands of dollars)**

	2013	2012
Debit balance in the accumulated net charge Against the Fund's authority	(4,646)	(16,533)
Add: PAYE charges against the appropriation after March 31	30,815	17,236
Less: Amounts credited to the appropriation after March 31	8,602	6,284
Less: Other items	2,044	2,035
Net authority used (provided), end of year	15,523	(7,616)
Authority Limit	131,204	131,204
Unused authority carried forward	115,681	138,820

Financial Statements

**Passport Canada Revolving Fund**

March 31, 2013



KPMG LLP  
Chartered Accountants  
Suite 2000  
160 Elgin Street  
Ottawa, ON K2P 2P8  
Canada

Telephone (613) 212-KPMG (5764)  
Fax (613) 212-2896  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## INDEPENDENT AUDITORS' REPORT

To the Assistant Deputy Minister and Chief Financial Officer, Department of Foreign Affairs and International Trade

We have audited the accompanying financial statements of Passport Canada Revolving Fund (the "Fund") which comprise the statement of financial position as at March 31, 2013, the statements of operations and changes in net assets and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting requirements of Section 4 of the Treasury Board of Canada's Policy on Special Revenue Spending Authorities and the *Revolving Funds Act*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

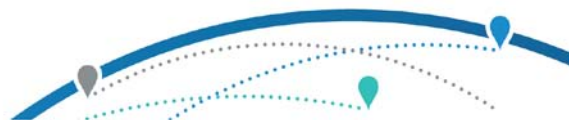
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2013, and the results of its operations and the changes in its deficit and cash flows for the year then ended in accordance with the reporting requirements of Section 4 of the Treasury Board of Canada's Policy on Special Revenue Spending Authorities and the *Revolving Funds Act*.





***Basis of Accounting and Restriction on Use***

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describe the basis of accounting. The financial statements are prepared solely for the information and use of the management of the Revolving Fund, Assistant Deputy Minister and Chief Financial Officer, Department of Foreign Affairs and International Trade and the Treasury Board of Canada Secretariat for reporting on the use of the Fund authority. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

***Other***

The financial statements of Passport Canada as of March 31, 2012 and for the year then ended were audited by other auditors who expressed on those statements an unmodified opinion dated May 25, 2012.

*KPMG LLP*

Chartered Accountants, Licensed Public Accountants

May 23, 2013  
Ottawa, Canada

Passport Canada Revolving Fund

STATEMENT OF FINANCIAL POSITION

As at March 31  
[in thousands of dollars]

	2013 \$	2012 \$
<b>ASSETS</b>		
<b>Current</b>		
Accounts receivable		
Government of Canada	8,340	5,936
Outside parties	293	380
Prepaid expenses	945	525
Inventories	16,962	8,390
	<u>26,540</u>	<u>15,231</u>
<b>Long-term</b>		
Capital assets [note 3]		
At cost	197,802	183,797
Less accumulated amortization	(149,708)	(138,129)
	<u>48,094</u>	<u>45,668</u>
	<u>74,634</u>	<u>60,899</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities		
Government of Canada	13,045	3,673
Outside parties		
Accounts payable	16,416	12,985
Vacation pay	4,691	4,505
Contractors' holdbacks	1,354	577
Employee termination benefits	2,661	2,997
	<u>38,167</u>	<u>24,737</u>
<b>Long-term</b>		
Employee termination benefits	4,205	7,080
	<u>42,372</u>	<u>31,817</u>
<b>Net Assets [note 4]</b>	<u>32,262</u>	<u>29,082</u>
	<u>74,634</u>	<u>60,899</u>

Contractual Obligations [note 5]

See accompanying notes





**Passport Canada Revolving Fund**

**STATEMENT OF OPERATIONS AND  
CHANGE IN NET ASSETS**

As at March 31  
[in thousands of dollars]

	2013 \$	2012 \$
<b>Revenues</b>		
Fees earned	312,006	293,307
Miscellaneous revenues	391	334
	<u>312,397</u>	<u>293,641</u>
<b>Expenses</b>		
Salaries and employee benefits	183,646	178,317
Freight, express and cartage	32,160	29,142
Passport materials	26,758	24,160
Professional and special services [note 6]	35,040	25,012
Accommodation	16,339	16,173
Amortization	11,579	11,376
Passport operations at missions abroad [note 6]	4,327	4,334
Telecommunications	26	1,550
Repair and maintenance	4,897	4,817
Information	2,975	4,028
Printing, stationery and supplies	2,168	2,744
Utility	59	7
Travel and removal	1,565	1,648
Provision for employee termination benefits	(1,406)	4,617
Rentals	428	449
Miscellaneous	128	104
Postal services and postage	66	47
	<u>320,755</u>	<u>308,526</u>
<b>Net results before disposal of capital assets</b>	<u>(8,358)</u>	<u>(14,885)</u>
Loss on disposal of assets	329	—
<b>Net Results</b>	<u>(8,687)</u>	<u>(14,885)</u>
<b>Net assets, beginning of the year [note 4]</b>	<u>29,082</u>	<u>27,326</u>
Net financial resources used and change in the accumulated net charge against the Fund's authority during the year	11,887	17,061
Transfer to other government departments [note 4]	(20)	(420)
<b>Net assets, end of the year [note 4]</b>	<u>32,262</u>	<u>29,082</u>

See accompanying notes

Passport Canada Revolving Fund

STATEMENT OF CASH FLOWS

As at March 31  
[in thousands of dollars]

	2013 \$	2012 \$
<b>OPERATING ACTIVITIES</b>		
Net results	(8,687)	(14,885)
Add		
Provision for employee termination benefits	(2,875)	2,328
Amortization	11,579	11,376
Loss on disposal of capital assets	329	—
	346	(1,181)
Changes in current assets and liabilities <i>[note 7]</i>	2,121	(8,466)
<b>Net financial resources provided (used) by operating activities</b>	<b>2,467</b>	<b>(9,647)</b>
<b>INVESTING ACTIVITIES</b>		
Capital assets acquired	(14,334)	(7,713)
<b>Net financial resources provided (used) by investing activities</b>	<b>(14,334)</b>	<b>(7,713)</b>
<b>FINANCING ACTIVITIES</b>		
Transfer to other government departments <i>[note 4]</i>	(20)	299
<b>Net financial resources provided (used) by financing activities</b>	<b>(20)</b>	<b>299</b>
Net financial resources used and change in the accumulated net charge against the Fund's authority during the year	(11,887)	(17,061)
Accumulated net charge against the Fund's authority, beginning of year	16,533	33,594
<b>Accumulated net charge against the Fund's authority,     end of year <i>[note 4]</i></b>	<b>4,646</b>	<b>16,533</b>

See accompanying notes



## Passport Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013  
[Tabular figures in thousands of dollars]

#### 1. AUTHORITY AND PURPOSE

The Passport Canada Revolving Fund [the "Fund"] was established in 1969 to provide for the issue of appropriate travel documents to Canadian citizens and to certain permanent residents of Canada who are unable to obtain valid passports from their country of origin. The Revolving Funds Act authorized the operation of the Fund.

The Fund has a continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for working capital, capital acquisitions and temporary financing of accumulated operating deficits.

Commencing April 1, 2011, the Fund's non-lapsing authority increased from \$4,000,000 to \$131,204,000 for the purposes of the ePassport project and operations.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### Basis of accounting

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the requirements of Section 4 of the Treasury Board of Canada *Policy on Special Revenue Spending Authorities* and the reporting requirements for revolving funds prescribed by the Receiver General for Canada. The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles because:

- revenues from passport service request fees are recognized upon receipt of payment and verification of an application for completeness as stated in the Regulations prescribing fees for passport services; and,
- funding for capital assets received from Treasury Board is recorded as contributed capital and not as a reduction of the cost of capital assets.

##### Revenue recognition

Revenues from passport fees are recognized upon request for a passport service, which is upon receipt of payment and verification of the passport application for completeness.

## Passport Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

[Tabular figures in thousands of dollars]

#### 2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

##### Inventory

Inventories of materials and supplies are carried at the lower of cost using the average cost and the net realizable value.

##### Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives, as follows:

Category	Estimated useful life
Capital Projects	Once in service
Leasehold Improvements	Lease term
Furniture	10 years
Vehicles	5 years
Electronic data processing [EDP] equipment	3 – 5 years
Other machines and equipment	5 years

The capital projects category includes assets under construction which are not yet amortized. Leasehold improvements are amortized on a straight-line basis on the lesser of the remaining term of the lease or estimated useful life of the improvement.

##### Employee termination benefits

Employees of the Fund are entitled to specified termination benefits, calculated based on salary levels in effect at the time of termination as provided for under collective agreements and conditions of employment. The cost of these benefits is recorded in the accounts as the benefits accrue to the employees. The obligation relating to the benefits earned by employees is calculated using information derived from results of the actuarially determined liability for employee's termination benefits for the government as a whole and is provided by Treasury Board of Canada.

## Passport Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

[Tabular figures in thousands of dollars]

#### 2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

##### Pension plan

Employees of the Fund are covered by the Public Service Retirement Pension Plan [the "Plan"] administered by the Government of Canada. Under present legislation, contributions made by the Fund to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Fund and are charged to operations on a current basis. The Fund is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for the indexation of payments under the *Supplementary Retirement Benefits Act*.

##### Use of estimates

The preparation of financial statements requires management and the Treasury Board Secretariat to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of estimates relate to employee termination benefits and to accrued liabilities. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

##### Financial instruments

The Fund's financial instruments consist of accounts receivable, accounts payable, accrued liabilities and employee termination benefits. The carrying values of these financial instruments approximate their fair value because of their short terms to maturity. Unless otherwise noted, it is management's opinion that the Fund is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Passport Canada Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013  
[Tabular figures in thousands of dollars]

3. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

Capital Assets	Balance, beginning of the year \$	Acquisitions \$	Disposals, transfers and adjustments \$	Balance end of the year \$
Technology Enhancement Plan				
Project	33,877	—	—	33,877
Capital projects	13,129	11,875	(6,797)	18,207
Leasehold Improvements	100,368	641	6,404	107,413
Furniture	84	21	—	105
EDP equipments	34,422	1,623	—	36,045
Vehicles	41	—	—	41
Other machines and equipments	1,876	174	64	2,114
	183,797	14,334	(329)	197,802

Accumulated Amortization	Balance, beginning of the year \$	Amortization \$	Balance end of the year \$	Net book value \$
Technology Enhancement Plan				
Project	33,877	—	33,877	—
Capital projects	—	—	—	18,207
Leasehold Improvements	75,986	5,805	81,791	25,622
Furniture	82	1	83	22
EDP equipment	26,395	5,699	32,094	3,951
Vehicles	28	9	37	4
Other machines and equipment	1,761	65	1,826	288
	138,129	11,579	149,708	48,094

The capital projects category includes assets under construction which are not yet amortized.

## Passport Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

[Tabular figures in thousands of dollars]

#### 4. NET ASSETS

	2013	2012
	\$	\$
Accumulated net charge against the Fund's authority	(4,646)	(16,533)
Accumulated surplus	(43,566)	(34,859)
Contributed capital	80,474	80,474
	<u>32,262</u>	<u>29,082</u>

##### Accumulated net charge against the Fund's authority:

Accumulated net charge against the Fund's authority is the cash position of the Fund, held by the Government on the Fund's behalf.

##### Accumulated surplus:

The accumulated surplus is an accumulation of each year's surpluses including the absorption of the opening net assets of \$746,000 upon establishment of the Fund and adjustments to the Fund net financial position of \$419,771 in 2012 and \$19,936 in 2013 as a result of the Fund transferring its information technologies services to Shared Services Canada, on November 15, 2011.

##### Contributed capital:

In the year, there were no additional capital contributions from Treasury Board to finance the Fund's capital projects.

#### 5. CONTRACTUAL OBLIGATIONS

The Fund rents office premises and other office equipment under long-term operating leases, which expire through 2020. Because of the nature of its activities, Passport Canada is also engaged in contractual obligations for the purchase of goods and other services. Expected future minimum payments are approximately as follows:

	\$
2014	62,493
2015	46,709
2016	42,937
2017	6,962
2018	3,801
2019 and thereafter	<u>2,451</u>
	<u>165,353</u>

## Passport Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

[Tabular figures in thousands of dollars]

#### 6. RELATED PARTY TRANSACTIONS

Through common ownership, The Fund is related to all Government of Canada created departments, agencies and Crown corporations. Payments for passport operations at missions abroad, accommodation and legal services are made to related parties in the normal course of business. All related party transactions are accounted for at the exchange amount, which represents the consideration agreed to by both parties.

As part of its operations, the Fund, which is an agency of the Department of Foreign Affairs and International Trade [DFAIT], collects Consular fees on behalf of DFAIT Consular Affairs Division. These fees are not recorded as revenues in the Statement of Operations and Change in Net Assets. In 2013, the Fund collected and remitted to DFAIT \$101,680,188 [2012 – \$94,552,570] in consular fees.

In December of 2008, Service Canada and the Fund signed a memorandum of understanding governing the cost of processing passport applications. Effective for all applications processed by Service Canada from June 2008 onwards, a fee of \$12.39 per application will be charged to the Fund. These fees are reported in the Professional and Special Services line item in the Statement of Operations and Change in Net Assets. In 2013, Service Canada charged the Fund a total of \$7,644,989 [2012 – \$5,999,071] for application processing fees.

Effective November 15, 2011, the Fund transferred its information technologies services to Shared Services Canada [SSC]. The cost of these services provided by SSC is reported in the Professional and Special Services line item in the Statement of Operations and Change in Net Asset. In 2013, SSC charged the Fund a total of \$11,423,170 [2012 – \$3,867,149] for Information technologies services.



## Passport Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

[Tabular figures in thousands of dollars]

#### 7. CHANGES IN CURRENT ASSETS AND LIABILITIES

	2013 \$	2012 \$
<b>Assets</b>		
Accounts receivable – Government of Canada	(2,404)	3,584
Accounts receivable – Outside parties	87	(113)
Prepaid expenses	(420)	(144)
Inventories	(8,572)	4,827
<b>Accounts payable and accrued liabilities</b>		
Government of Canada	9,372	(2,489)
Outside parties – Accounts payable	3,431	1,371
Outside parties – Vacation pay	186	87
Outside parties – Contractors' holdbacks	777	(136)
Deferred revenue	—	(46)
Employee termination benefits	(336)	(15,407)
	<u>2,121</u>	<u>(8,466)</u>

#### 8. SUBSEQUENT EVENT

On May 8, 2013, the Government of Canada announced that effective July 2, 2013 the accountability for the passport program and the Fund shift from the Department of Foreign Affairs and International Trade [DFAIT] to Citizenship and Immigration Canada [CIC]. Through Service Canada, Human Resources and Skills Development Canada [HRSDC] will provide service delivery on behalf of CIC. An estimate of the financial effect of this transfer on the Fund cannot be made.

#### 9. COMPARATIVE FIGURES

Certain amounts for the 2012 fiscal year have been reclassified to make them comparative with the current year.