



ANNUAL REPORT

2010–2011



Passport Canada
Passeport Canada

Canada

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Passport Canada Annual Report 2010–2011

Message from the Chief Executive Officer

Creating a culture of innovation and intelligent risk taking is a priority for the Head of the Public Service and Clerk of the Privy Council. It is also a priority that we have embraced at Passport Canada. Over the past several years, our management team has focused on building our capacity for innovation and change. We have bolstered our ability to integrate risk management into all aspects of our corporate planning; to apply activity-based management to all aspects of our operations, and to manage our strategic investments coherently, from an agency-wide perspective. These and other management improvements mean we have the analytics and the decision frameworks we need to move forward with confidence – to make the right choices at the right time to achieve new levels of excellence in all aspects of our business.



"The Public Service must get better at dealing with complexity. This will require new approaches to creative and collaborative problem solving. It will mean working with other levels of government, the private sector, civil society and citizens themselves. All of these players are demanding a larger role in public policy and in the design and delivery of programs and services. As we move forward, we must continue to take advantage of new technologies. We have begun to adapt to and better use Web 2.0 tools. But we can do more to take full advantage of the opportunities they present for more efficient service delivery, faster knowledge and information sharing, and more effective collaboration."

Eighteenth Annual Report to the Prime Minister on the Public Service of Canada, March 31, 2011

In 2010–2011, we put in place the foundation we need for future transformation. Key among these accomplishments was making facial recognition (photo-matching) fully operational. We are the only federal government organization with this capability. It vastly improves the accuracy and speed of identity verification and our ability to detect fraud. With our new case management system, which we also implemented in 2010–2011, we have shifted from a paper-based entitlement process to one that is technology enabled. We are better equipped than ever before to strengthen the security and integrity of the passport program with sound entitlement decisions, while at the same time, improving processing efficiency and timeliness.

In terms of improving operational efficiency, we stopped accepting cash payments in favour of payment by credit or debit card, certified cheque or money order. We made this decision in the interest of fiscal responsibility, security, and greater operating efficiencies.



We learned in 2010–2011 that Canadians are remarkably supportive of our program, and of the efforts of our staff to deliver reliable, respectful and timely service. In my appearance before the Parliamentary Standing Committee on Official Languages in February, 2011, MPs took the time to tell me how impressed they are with our people and the excellent service they provide. The outstanding participation of Canadians in the first phase of our public consultations under the *User Fees Act* (UFA) showed us that Canadians care a great deal about the Canadian passport and the passport program: they want it to be world class and to meet international standards, and they are willing to work with us to make that happen.

As the Clerk has stated, finding ways to enable Canadians who depend on our programs and services to influence their design and delivery, and using technology to do that, is integral to public service renewal and meeting the future needs of Canadians. We made the decision to use the UFA consultations as an opportunity to do exactly that, and we have benefitted enormously from the thoughtful and constructive ideas Canadians shared with us online and through the roundtables we hosted.

We are already acting on some of the suggestions we received. For example, we have designed a pilot project with the Hong Kong and London missions that we will implement shortly to offer the simplified renewal application to Canadians living abroad. As we move to the next phase of our UFA consultations, we will be relying on our new presence on Facebook, Twitter and YouTube to continue to inform and engage Canadians. We will use these social media avenues to help us explain our proposed new fee structure, manage complaints and stay on top of the concerns of Canadians.

The success of the steps we took to prepare for change is due to our people. Our ePassport procurement team did outstanding work, with the benefit of best practices and lessons learned from other countries. Our regional offices continued their superb work piloting our new quality assurance program, and moving our downtown Calgary office to a new location without a hitch. Our executive cadre fully embraced our expanded talent management program with 100 percent participation in the 2010–2011 talent management questionnaire. Finally, the Economic Analysis and Performance Measurement Team in the Policy, Research and Communications Bureau earned a well deserved 2010 Government Technology Exhibition and Conference (GTEC) medal—coming in first among 39 honourees—for developing our forecast demand and delivery program. This team has saved the organization millions of dollars by enabling the timely redistribution of resources across our delivery system to maintain service levels and keep costs down.

At Passport Canada, everybody counts. Our employees—at every level and in every region—continue to demonstrate extraordinary dedication to our mission. At Passport Canada, we remain steadfast in our pursuit of service excellence for Canadians.

Christine Desloges
Chief Executive Officer
Passport Canada



Section 1: Passport Canada Overview

1.1 About Passport Canada

Mandate

Passport Canada was established in 1990 as a federal special operating agency responsible for the issuing, revoking, withholding, recovery and use of Canadian passports. The agency reports to Parliament through the Minister of Foreign Affairs and International Trade Canada (DFAIT) and derives its mandate from the *Canadian Passport Order*. The agency provides guidance to missions issuing passports abroad and supervises all matters relating to Canadian travel documents.

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.

Values

Excellence, respect and integrity.

Strategic Themes

Our strategic themes focus enterprise priorities on:

Excellence in global service delivery: ensuring that Canadians will receive reliable and consistent service anywhere.

Strengthening security: improving identity verification and entitlement capabilities to enable more secure passport documents.

Enhancing management practices: using modern management practices to anticipate and respond to future needs, including capabilities for strategic alignment, innovation and decision-making.

The Passport Canada program provides Canadians with innovative, reliable, timely, consistent, efficient and accessible passport services; an increased ability to gain entry to other countries, using authorized travel documents; a reduction in the fraudulent use of Canadian travel documents; and a decreased incidence of valid Canadian travel documents being held by ineligible parties. Canadians can access passport services through a variety of service channels. The network consists of 34 regional offices, 200 receiving agents (144 Service Canada, 56 Canada Post), Passport Canada headquarters, two passport print centres, two call centres, and mail-in services. Outside Canada, passport services are offered through 236 DFAIT points of service, including 114 full service missions abroad.



1.2 Our Service Delivery Model

Maintaining high-quality service delivery is a primary focus at Passport Canada. Our service delivery model ensures our internal administrative services, processing and entitlement verification functions, and service delivery channels work together to serve Canadians. The focus of this model is striking the best possible balance between timely service to clients, operating efficiency and security.

Our Products

Passport Canada produces eight types of travel document:

- The 24-page passport is our main product and the most frequent document issued.
- The 48-page passport is provided to business people or others who travel more frequently.
- The diplomatic passport is issued to Canadian diplomats, senior government officials, diplomatic couriers or citizens who are official delegates to international diplomatic conferences.
- The special passport is delivered to persons representing the Government, such as Members of Parliament and provincial ministers, when on other types of official business.
- The emergency travel document is issued at embassies worldwide to Canadians stranded abroad. The security enhanced, one-page document provides single-journey direct return to Canada or to the nearest mission where more comprehensive passport services can be obtained.
- The refugee travel document is issued to people whom Citizenship and Immigration Canada considers refugees under the 1951 United Nations Convention Relating to the Status of Refugees or to those who fall under the terms of the Immigration and Refugee Protection Act. These may be used for travel everywhere except in the individual's country of origin. They are valid for two years and may be extended.
- The certificate of identity is issued to permanent residents of Canada who are without nationality or who are unable to obtain travel documentation from their country of origin. The document is individually endorsed for travel to specific countries. It is valid for two years and is extendable.
- The temporary passport is available to Canadians with urgent travel needs who apply from abroad. It is valid for up to one year, depending on the applicant's travel plans, and must be exchanged for a regular passport within that time.



Figure 1: Travel Documents Issued

Recipients of the Passport Service	Potential Travel Document Issued
Adult Canadian citizens	<ul style="list-style-type: none"> • 24-page passport • 48-page passport • Emergency travel document • Temporary passport
Children—Canadian citizens (under 16 years of age)	<ul style="list-style-type: none"> • 24-page passport • 48-page passport • Emergency travel document • Temporary passport
Canadian diplomats, senior government officials, diplomatic couriers, Members of Parliament, provincial Ministers	<ul style="list-style-type: none"> • Diplomatic passport • Special passport
Refugees	<ul style="list-style-type: none"> • Refugee travel document
Permanent residents of Canada	<ul style="list-style-type: none"> • Certificate of identity

Our Clients

The agency issued more than 4.42 million passports to Canadians in 2010–2011, meeting, and in many cases, exceeding its service commitments to Canadians—99 percent of passports issued were processed on time or earlier. Over the past several years, Passport Canada’s client satisfaction has consistently ranked among the best in the world for passport programs.

Since 2007 there has been a steady increase in our client base and as of April 1, 2011, 64 percent of Canadians held a valid passport. Canadians in British Columbia (71%) and in Ontario (70%) continue to be the primary holders of passports (69%), followed closely by Canadians in Alberta and the Yukon. On a per capita basis, possession rates are lower in the Atlantic Provinces and Northwest Territories and lowest in Nunavut. Nonetheless, from 2009–2010 to 2010–2011 passport possession has increased across the country, climbing the most in New Brunswick (from just under 45% to 50%) and PEI (from 43% to 48%), followed by Newfoundland and Labrador (from nearly 35% to 39%) and Saskatchewan (from 48% to nearly 52%). In general, passport possession continues to be somewhat higher in cities than in rural areas.

Figure 2: National Passport Possession Rates

Province	FY 2009– 2010	FY 2010– 2011	Variance
	Overall Rate	Overall Rate	Overall Rate
British Columbia	66.53%	70.59%	4.06%
Ontario	66.07%	70.43%	4.36%
Alberta	62.02%	66.46%	4.44%
Yukon Territory	61.98%	65.99%	4.01%
Manitoba	53.08%	57.47%	4.39%
Quebec	52.56%	56.62%	4.06%
Saskatchewan	48.21%	52.84%	4.63%
New Brunswick	44.74%	49.83%	5.09%
Prince Edward Island	42.74%	47.59%	4.85%
Nova Scotia	43.10%	47.12%	4.02%
Northwest Territories	42.66%	43.32%	0.66%
Newfoundland and Labrador	34.83%	39.22%	4.39%
Nunavut	13.08%	15.43%	2.35%
CANADA	59.60%	64%	4.07%

Our Service Channels

To make access to passport services as convenient as possible for Canadians, Passport Canada uses multiple service delivery channels. Clients can receive services in person through a network of 34 Passport Canada regional offices. Applications are also available at all Canada Post outlets including the 56 that are receiving agents, and at 144 Service Canada receiving agent locations.

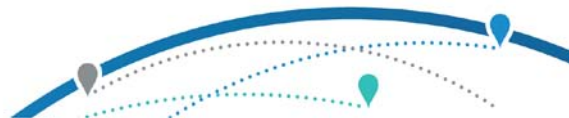
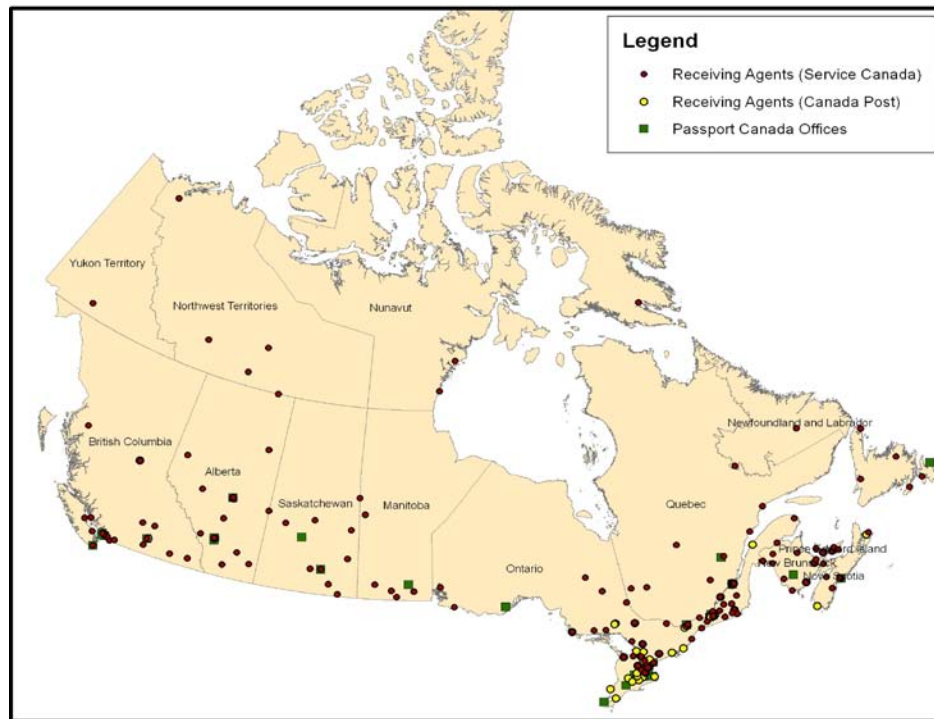


Figure 3: Passport Canada Points of Service



Today, over 95 percent of Canadians residing in Canada live within 100 km of a passport program point of service. Through the internet, our clients may access information about the program and download application forms from Passport Canada's website at www.passportcanada.gc.ca. Client enquiries can also be made through the internet or by telephone at 1-800-567-6868 and a TTY service at 1-866-255-7655. Clients can also mail in their completed application form or submit them in person at any of our regional offices, receiving agent locations, or through the applicant's Member of Parliament.

Canadians living or travelling abroad can access passport services through DFAIT consular offices, where temporary passports and emergency travel documents can be issued within very short turnaround times in case of emergency. Passport Canada also delivers passports to Canadian citizens worldwide through 236 DFAIT points of service, including 114 full-service missions.

Our Partners

To enhance the security of our processes and the travel documents we issue, and to ensure Canadians have convenient and timely access to our services, Passport Canada works with partners inside and outside government in many facets of its operations. Numerous agencies, jurisdictions, and stakeholders have a shared interest in the integrity and efficacy of the passport program. Partnerships are essential to Passport Canada operations and to our efforts to contribute to Canada's security and international reputation. In 2010–2011, a number of these partnerships made important contributions to the success of the passport program:

- provincial and territorial governments, in particular vital statistics registrars;

- law enforcement and security agencies, as well as other entities within Canada and abroad who have an interest in secure identity documents;
- Canada Post and Service Canada;
- the International Civil Aviation Organization;
- other federal departments and agencies, e.g. Canadian Border Services Agency, Citizenship and Immigration Canada, Public Safety Canada.
- other passport-issuing authorities—in particular those of Australia, New Zealand, the United Kingdom and the United States;
- Foreign Affairs and International Trade Canada; and
- G8's Roma/Lyon Group.

Our Workforce

Passport Canada is a lean organization and employed 2,884 people across Canada in 2010–2011, of whom 2,378 were indeterminate. Seventy-six percent of resources are dedicated to service delivery. Slightly more than a quarter of the workforce is non-permanent (terms, casuals, students, etc.), which enables the flexibility needed to respond to peak periods and fluctuations in demand.

Our Finances

As a special operating agency established by the federal government, Passport Canada receives no parliamentary appropriations for operating expenses. We function on a self-funding basis—our operations are supported by the fees charged for passports and other travel documents. The federal government may, on occasion, provide financial support for special projects designed to improve service or enhance the security of Canadian travel documents.

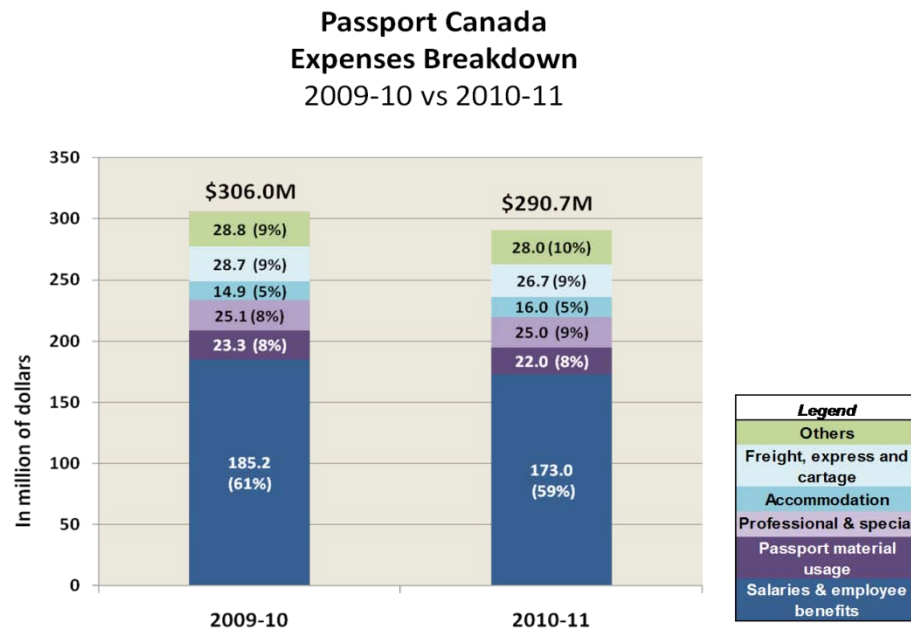
For 2010–2011, Passport Canada posted a deficit of \$21.1 million compared to a deficit of \$15.2 million in 2009–2010. The increased loss is a result of a decrease in volume by eight percent from the previous year. Total revenues in 2010–2011 were \$269.5 million compared to \$290.8 million in 2009–2010 while expenditures decreased by \$15.3 million from \$306 million in 2009–2010 to \$290.7 million in 2010–2011. Passport Canada's financial statements for 2010–2011 may be found in Annex A.

Expenditures that were directly related to passport volume, mostly passport material and freight, including a portion of operation salaries linked to volumes, accounted for most of the decrease in our expenditures over the last fiscal year. However, although we manage and plan our resources based on volumes and client service needs, there is a significant portion of our costs that are difficult to adjust rapidly when passport demand volume fluctuates. For example, costs related to ensuring a minimal number of operational employees required to deliver passports, staff for operations support and to ensure compliance to government policies and regulations, rental of buildings, security and development, and the implementation of priorities such as the ePassport and consultations in relation to the *User Fees Act*, tend to be fixed and cannot be adjusted when the volume decreases.



As illustrated in Figure 4, for the past two fiscal years salaries and wages accounted for approximately 60 percent of the agency's total expenditures. To achieve its performance objectives and maintain its high levels of service, PASSPORT CANADA depends heavily on a dedicated and well-trained workforce.

Figure 4: Passport Canada Expenses Breakdown



Unit Cost Information

As shown in Figure 5 below, the costs of production per travel document or unit in 2010–2011 were \$2.31 higher than the previous year. Since the overall productivity of the organization was stable over these two fiscal years, the higher unit cost is mainly attributable to an average 3.2 percent increase in employee salaries. As was the case in 2009–2010, the cost of production exceeded revenue, generating a loss of \$4.77 per unit.

Figure 5: Unit Revenue and Unit Cost Comparison

	2009–2010	2010–2011
Average Unit Revenue	\$60.17	\$60.85
Average Unit Cost	\$63.31	\$65.62
Unit Loss	(\$3.14)	(\$4.77)



1.3 Governance and Organizational Structures

Passport Canada's governance structure, as required and defined under the Government of Canada's Management Accountability Framework (MAF), ensures "the essential conditions—internal coherence, corporate discipline and alignment to outcomes—are in place for providing effective strategic direction, support to the Minister and Parliament, and the delivery of results."

Executive Committee: The agency is managed by a chief executive officer (CEO), reporting to the associate deputy minister of Foreign Affairs. The CEO is supported by an executive committee that sets the overall strategic direction for the agency and oversees its policies, program activities, and a strategic portfolio of major projects and investments and their related monitoring and performance. The Executive Committee is comprised of executives representing each bureau (also referred to as an office of primary interest (OPI)) responsible for delivering specific program activities.

Standing Committees: Standing committees are chaired by an executive from an OPI each of whom report to the Executive Committee. The following committees oversee domains of related program activity at the executive level:

- Budget and Resource Management Committee;
- Human Resources Committee;
- Information Management/Information Technology Committee;
- Internal Audit and Evaluation Committee;
- Policy Committee;
- Service Management and Entitlement Integrity Committee, and;
- Strategy and Portfolio Management Committee.

The organization fulfills its program activities through eight program activity areas or bureaus: Operations; Security; Legislation and International Relations; Business Information Technology; Corporate Services; Enterprise Alignment and Innovation; Human Resources; and, Policy, Research and Communications. A description of each bureau is found in Annex B.

Section 2: Performance in Brief

2.1 Our Operating Environment in 2010–2011

For the reporting year, Passport Canada established its business priorities mindful of an evolving international environment marked by increasingly sophisticated security threats from transnational criminal activity and terrorism. Due to its favourable international reputation and the ease it provides for transnational movement, a Canadian passport is appealing to terrorists and criminals. Any illicit and fraudulent use of the Canadian passport presents an immediate and tangible risk to national security and public safety, both in Canada and abroad.

In recent years, Passport Canada has made great strides in achieving levels of client satisfaction that are the envy of passport programs around the world. And, it is the only passport program that has achieved this with operating costs financed entirely from fee revenues. Better forecasting methods and daily/weekly oversight of performance metrics have helped the organization significantly improve its capacity to respond effectively to changes in passport demand.

Activity-based management practices in planning, budgeting and costing have enabled the organization to maximize the use of its resources, better understand its operating costs and assess the value of new initiatives, eliminate inefficiencies, and implement timely resource re-allocation strategies in sync with forecasted changes to demand volumes.

Maintaining this strong management performance to meet service delivery commitments day in and day out as efficiently as possible was imperative over the reporting year. Strong operational performance is integral to maintaining the confidence of Canadians in the integrity of the passport program, and thus to securing their support for the adoption of the ePassport and their willingness to accept the need for a new fee structure.

2.2 Highlights of Achievements

- Issued 4,422,206 million passports and maintained service standards at 99.47 percent.
- Completed consultations with Canadians through the *User Fees Act* process gaining valuable insight into the understanding Canadians have of the passport program.
- Continued ePassport implementation, receiving effective project approval and beginning the procurement process.
- Received the 2010 Distinction Award at the GTEC for the robustness of the forecasting model used to plan resources and expected revenues.
- Implemented a new facial recognition (FR) (photo-matching) technology. All passport applications are now being processed through the FR system strengthening the integrity of the entitlement process.
- Introduced a new case management system to enhance the ability to record, process, search, close and report security-related incidents and intelligence.



- Piloted a quality assurance program within operations achieving an 11 percent increase in quality in the application of entitlement processes and procedures in the piloted offices.

2.3 Processing Volume and Channel Utilization

As outlined in Figure 6 below, Passport Canada experienced a slight reduction—eight per cent—in passport applications received and issued in 2010–2011.

Figure 6: Applications Received and Travel Documents Issued

Year	Applications Received		Travel Documents Issued	
	Number	Change from Previous Year	Number	Change from Previous Year
2007-2008	4,667,705	n / a	4,836,784	n / a
2008-2009	4,404,007	-5.65%	4,375,278	-9.54%
2009-2010	4,855,121	10.24%	4,824,879	10.28%
2010-2011	4,472,250	-8%	4,422,206	-8%

Note: The increase in travel documents issued in 2007–2008 versus applications received is a result of increased volume in 2006–2007 which caused a delay in travel documents being issued into the following fiscal year.

Percentage of Applications by Service Channel

The percentage of applications received in 2010–2011 across the organization's service channels, as detailed in the figure 7, remained consistent with those received in 2009–2010.



Figure 7: Percentage of Applications Received Across Service Channels

Channel	Percentage of Applications Received 2009–2010	Percentage of Applications Received 2010–2011
Walk-in	72.2%	72.2%
Mail in (Canada)	10.3%	9.9%
Receiving Agent	9.4%	9.5%
Consular	3.2%	3.7%
Members of Parliament (MP)	2.8%	2.5%
Mail in (US)	1.6%	1.8%
Certificate of Identity / Official Travel	0.5%	0.4%
TOTAL	100%	100%

As shown in Figure 8, the share of total volume for “walk-in” and “mail-in” channels remained unchanged in 2010–2011 compared to the previous year ¹

Figure 8: Applications Received Walk-In vs Mail-In

	Walk-In	Mail-In*
2006-2007	79%	17%
2007-2008	79%	17%
2008-2009	73%	23%
2009-2010	72%	24%
2010- 2011	72%	24%

*This includes applications sent through mail (Canada), mail (US), receiving agents and MPs.

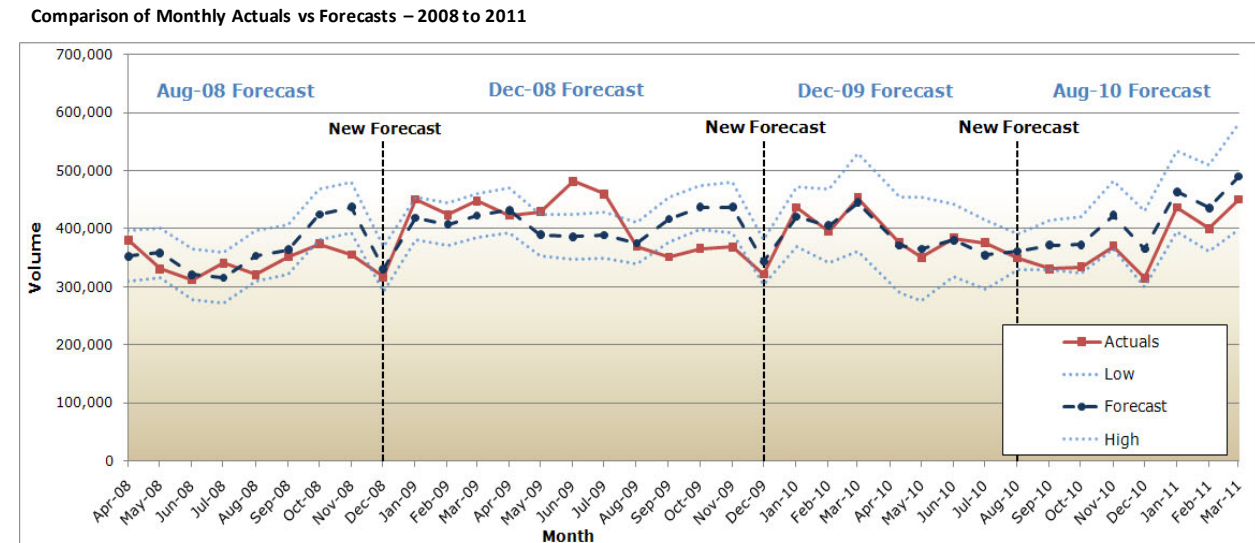
The Forecast

Passport Canada’s forecast model predicts business volume within a range of probability. The accuracy and reliability of this forecast has a major bearing on the organization’s ability to manage its resources as efficiently as possible as demand fluctuates and to maintain service levels. Figure 9 summarizes the forecast for the past three fiscal years. The upper and lower limits of the forecast appear as dotted lines. The forecast is the black line, and the actual number of applications received is the red line. For the first two quarters of 2010–2011, the forecast and actual demand tracked closely. For the latter two quarters of the

¹ Modification of the methodology: in 2009–2010, Passport Canada began redistributing workload by transferring a certain number of applications received by US mail to regional offices such as Windsor. This change was not captured in the 2009–2010 annual report. Appropriate corrections were made for the fiscal year 2009–2010 in this annual report.

reporting year, the actual number of applications received fell below forecasted volume, though it was still at or higher than the lower limit and thus within the expected range.

Figure 9: Monthly Actuals vs Forecasts



Security and Fraud Detection

In 2010–2011, our facial recognition (photo matching) system which compares the photos provided with passport applications to the photos we have on file, resulted in the recall of 49 passports and 46 referrals to Passport Canada’s identity fraud desk for further investigation. Investigations into concerns related to identity, suspected fraudulent activity or misuse of a passport resulted in 188 cases of refusal of passport services; 488 cases of revocation of passports; and 110 cases of individuals subject to periods of withheld services.

Further, the division’s collection and information sharing initiatives with partners like Correctional Services Canada resulted in 109 refusal and/or revocation outcomes in 2010–2011. The restructuring of the division into “expertise desks” in identity fraud, entitlement fraud, passport misuse and judicial restrictions also increased efficiency and enhanced the integrity of the organization’s issuance process as a whole.

Lost and Stolen Passports

As a percentage of all valid Canadian passports in circulation, the proportion reported lost or stolen has remained relatively stable from year to year at about 0.3 percent. In fiscal year 2010–2011 0.332 percent of valid Canadian passports in circulation were reported lost or stolen. Passport Canada reminds Canadians that it is each individual's responsibility to protect this document at all times.

When informed that a passport has been lost or stolen, Passport Canada immediately invalidates the passport within our system, and communicates the information to other agencies, including Citizenship and Immigration Canada, Canada Border Services Agency and the Canadian Police Information Centre.

2.4 Performance of our Service Commitment to Canadians

Our service commitment to Canadians is to process passport applications received in person at our regional offices within two weeks (10 working days), and to process applications received through our receiving agents and through the mail from within Canada or the US within four weeks (20 working days). In 2010–2011, Passport Canada continued to strengthen its delivery performance. In 2010–2011, over 99 percent of clients received their passport on time or earlier.

Call Centre Performance

In 2010–2011 we answered 988,981 calls compared to 1,083,272 calls answered in 2009–2010. Our performance target is to answer 75 percent of calls received within eight minutes. In 2010–2011 we exceeded our performance target answering 86 percent of calls (853,483) within eight minutes.

Figure 10: Call Centre Wait Time in Queue

Wait Time in Queue	Percentage (%)
Between 0-8 minutes	86
Between 8-10 minutes	6
Between 10-15 minutes	6
Over 15 minutes	2

Correspondence

The organization's service commitment is to provide responses to electronic correspondence within three days, and responses to paper-based correspondence within 25 working days. In 2010–2011, 100 percent of Infopass (online) requests and 91 percent of the responses to letters to Passport Canada were answered within our turnaround commitment.

The volume of paper correspondence received, addressed either to the Minister or to Passport Canada, increased minimally, to 202 in 2010–2011 from 200 the previous year. The matter most frequently raised concerned passport services—specifically service

locations. The volume of paper correspondence to Passport Canada increased from 501 to 708. The increase was mainly due to additional requests for information about old passports, e.g. passport number, issue date and/or expiry date, which had previously been processed through Passport Canada's ATIP office.

The Infopass online enquiry service handled 37,235 requests in 2010–2011, a decline of about 15 percent from the 43,760 enquiries received the year before. The peak periods were the winter months of January, February and March.

Access to Information and Privacy (ATIP)

Enquiries under both the *Access to Information Act* and the *Privacy Act* remained steady from the previous year. In 2010–2011, Passport Canada received 74 access to information requests, 10 informal access to information requests, and 13 access consultations (access and privacy consultations occur when Passport Canada is referred to in an ATIP request received by another department). We also received 1702 requests pursuant to paragraph 8(2)(e)[federal investigative bodies] and paragraph 8(2)(f)[provinces, foreign states and international bodies] of the *Privacy Act*. There were no complaints received during the year, and the agency did not perform any privacy impact assessments (PIA) or preliminary privacy impact assessments (PPIA).

Note that on April 1, 2011, Passport Canada obtained full access to information and privacy (ATIP) delegation from the Minister of Foreign Affairs, giving Passport Canada's ATIP office full responsibility for the administration of the *Access to Information Act* and the *Privacy Act*. This came about following a recommendation in the December, 2008 report on a privacy audit on passport operations conducted by the Privacy Commissioner of Canada. It urged that Passport Canada obtain full authority to manage ATIP matters related to the passport program.

Official Languages

We received a total of eight official language complaints in 2010–2011, four of which are still active and are with the Office of the Commissioner for Official Languages for review. This is a slight reduction to the number of complaints received in 2009–2010.

Passport Canada is committed to acting to the extent possible on the feedback received from our clients, to ensure our services are responsive to what Canadians need and expect. As such, Passport Canada decided to change the designation of our St. John's office in Newfoundland and Labrador to officially bilingual. This means that 27 of our 34 offices now offer bilingual services in an official capacity.

2.5 Employment Equity

Under the *Employment Equity Act*, federal government employers are obliged to provide equal opportunity for employment for four designated groups: women, Aboriginal peoples, persons with disabilities, and members of visible minorities.

During the reporting year, Passport Canada undertook a campaign to encourage its employees to self-identify as to whether they are members of one or more of the four designated groups. The campaign ran from July 30 to November 30, 2010. Nearly three-quarters of employees—74 percent—returned the questionnaire. As a result of the campaign

and previously completed self-identification forms, the organization now has employment equity records for 94 percent of its term and indeterminate employees, providing an accurate portrait of our workforce.

This information has enabled Passport Canada to update its data on the representativeness of our workforce. The new data showed an increase in the representation of all designated groups. As illustrated in the following table, the percentage of our employees who self-identify as members of the designated groups makes our overall workforce fully representative of the presence of these groups in the Canadian workforce population as last measured in the 2006 Census:

Figure 11: Representativeness of Passport Canada Workforce

Representativeness of Passport Canada Workforce—2010–2011 (all occupational categories)			
Designated Group	Presence in Canadian Workforce Population (2006 Census Data)	Representativeness in Passport Canada Workforce	Gap
Members of visible minorities	14.8%	18.9%	+4.1
Persons with disabilities	3.4%	5.1%	+1.7
Aboriginal peoples	2.2%	2.3%	+0.1
Women	68.5%	69.3%	+0.8

However, within our workforce, there is room for improvement. For example, in our executive group, women and members of visible minorities are somewhat under-represented, with gaps of -7.3 and -5.6 respectively. In both cases, the gaps represent a shortfall of two employees. Coupled with other data, the more accurate employment equity picture we now have will assist Passport Canada in human resources planning to close these gaps and ensure we achieve the representativeness of our workforce.

2.6 ePassport

Announced in Budget 2008, the Government committed to an electronic passport with a 10-year validity period. As announced in the Speech from the Throne on March 3, 2010: *“Our Government will take steps to safeguard Canada’s national security.*

- *It will make travel by air safer by employing the latest screening practices and detection technologies for passengers and cargo...*
- *It will introduce a new biometric passport that will significantly improve security...”*

To prepare for full implementation of the ePassport, Passport Canada launched a pilot for diplomatic and special ePassports with the first of these being issued on January 12, 2009. Now, more than 36,000 have been issued with no reported problems. The pilot has provided very useful information about the technology in the ePassport and the most economical options for offering the product to all regular passport applicants.



Facts about the ePassport

- The ePassport conforms to the security standards established by the International Civil Aviation Organization (ICAO).
- The contactless chip embedded in the document contains the same information that is currently found on the data page of the passport including the passport holder's photo but excluding the passport holder's signature.
- Adopting the ePassport will enhance the security of the Canadian passport and align it with ICAO standards.
- The document will be more difficult for criminals to forge or alter and will provide a means to improve inspection capability at borders.

Passport Canada received project approval for the national rollout of the ePassport in spring 2010. It subsequently completed and posted a procurement request for proposal strategy for the printing solution and related software, equipment and consumables. The awarding of this contract is planned for the first quarter of 2011–2012. The national rollout of the Canadian ePassport will begin in late 2012.

2.7 User Fees Act (UFA) Consultations

The organization is moving ahead with the consultation process required under the *User Fees Act* (UFA) prior to introducing a new fee structure to support the biometric ePassport with 5- and 10-year validity periods. In October 2010, Passport Canada released a detailed report on the findings from the first phase of its UFA consultations, available at <http://www.ppt.gc.ca/consultations/publications/1-2010-eng.pdf>.

Key findings from public consultations on current and new services

Higher than anticipated public participation in the online questionnaire, and productive and wide-ranging interaction with stakeholders contributed to increasing Passport Canada knowledge and understanding of consumer and industry needs, and of ways it can improve its service offerings. Key findings from the first phase of UFA consultations included:

- The ePassport, and the ten-year validity period, is strongly supported, in part because Canadians believe it's important for Canada to stay at the forefront of passport security;
- Canadians still have questions and concerns about privacy in connection with the ePassport that will need to be addressed in future communications and consultations activity;
- Canadians are satisfied with Passport Canada's service offering, but have a variety of suggestions for improvements, including greater online access, expanded criteria for guarantors abroad, and taking passport photos on-site;
- To keep the price of the ePassport as low as possible, Canadians want Passport Canada to find other sources of funding and new ways to save money; and
- Canadians living outside the country are particularly interested in the passport program and are more likely to have suggestions for service improvements.

Section 3: Priorities and Accomplishments

Passport Canada established five planning priorities for 2010–2011 to address the challenges and opportunities in its operating environment. Together, they reflect the need to deliver significant program changes, notably to implement the ePassport; to continue delivering excellent service to Canadians; and to sustain strong financial management. The five planning priorities of the organization are to:

1. Improve service to Canadians; strengthen its international platform; focus on its core business; and align with government priorities.
2. Simplify business practices and renew the business model with a view to both economy and effectiveness.
3. Continue building an engaged workforce with a supportive workplace and learning environment aimed at renewed capacity building, competency profiles and innovation.
4. Pursue consultations with Canadians in preparation for the launch of the 5- and 10-year ePassport, as part of the *User Fees Act* (UFA).
5. Plan for key project investments in support of program priorities including the ePassport, leasehold life-cycle improvements for selected offices, and life-cycle upgrades / enhancements of production IT Local Area Network (LAN) rooms.

3.1 Priority One: Continue to Improve Services to Canadians

The environment in which Passport Canada operates is constantly changing. The agency must ensure that it is constantly striving for excellence in all aspects of product and service delivery as it maintains a strong focus on its core business—the issuance of *secure* travel documents. This priority includes excellence in service delivery to Canadians and in the integrity of production processes and products, i.e. travel documents. It extends to strengthening Passport Canada's international platform and ensuring that Canada has a strong voice internationally on travel document standards and entry requirements. Finally, it encompasses the contributions Passport Canada makes to the objectives of the Government of Canada and aligning the passport program with its priorities for Canada and Canadians.

Accomplishments:

Improve services to Canadians

- Issued 4,422,206 million passports and maintained service standards at 99.47 percent.
- Achieved the 95 percent target of providing Canadians living in Canada access to a point of service within 100 km through its service delivery network of 34 regional offices and 200 receiving agent locations including 56 Canada Post outlets and 144 Service Canada Centres.
- Expanded the documentary evidence of citizenship (DEC) validation services to seven additional Service Canada receiving agent locations bringing the total to 14 Service Canada Centers that offer this higher level of service. Available at all Passport Canada



offices, the DEC validation service means that applicants do not have to surrender original copies of their proof of citizenship documents while their passport application is being processed.

- Launched a presence on Facebook, Twitter and on YouTube with a video on the advantages of having a Canadian passport. The goal is to bring social media users to the Passport Canada website where comprehensive information on our services, including up-to-date forms, useful tips and security information for travelers, are all readily available.
- Continued to respond to unexpected service issues and volume fluctuations in a timely manner throughout the reporting year with the assistance of a tactical response team. A national team, they develop contingencies, volume management strategies and trigger information to assist with the efficient management of application processing.

Strengthened international platform

- Passport Canada and Canadian priorities are valued internationally and Passport Canada plays a lead role in the development and implementation of international interoperability and security standards with respect to travel documents, biometrics, and border technology.
- Passport Canada continues to be a key player in the development of international travel document specifications and standards, and representing the interest of Canadians internationally.
- Passport Canada works closely with domestic and international security agencies to mitigate the risk of lost and stolen passports being used for criminal purposes. As soon as it is informed of a lost or stolen passport, Passport Canada invalidates the document. This makes it unusable for travel and helps protect the bearer from identity theft and the passport from being used for fraudulent purposes. Passport Canada then informs the Canadian Police Information Centre, which shares information on lost and stolen Canadian passports with INTERPOL. Passport Canada also informs Citizenship and Immigration Canada (CIC) and the Canada Border Services Agency (CBSA), which require this information for border control.

Innovation and Continuous Improvement

- Implemented a facial recognition (FR) (photo-matching) technology. All passport applications are now processed through the FR system, which is proving to be an effective tool to combat fraud and enhance data integrity.
- Introduced a new case management system (CMS) to enhance the ability to record, process, search, close and report security-related incidents and intelligence.
- Piloted a quality assurance program in nine offices and central operations with an 11 percent increase in quality in the application of entitlement processes and procedures in the piloted offices.



- Created distinct “expertise desks” in the Investigative Division, to handle specific types of fraud and expand corporate knowledge. Four dedicated expertise desks—identity fraud, entitlement fraud, passport misuse, and judicial restrictions—were created. Improved identity and entitlement fraud detection in the context of children’s passport applications that involve child custody issues.
- Piloted a “second set of eyes” procedure in the Western region for custody files, to mitigate the risk of passports being issued to children without the consent of both parents.
- Designed pilot projects in the Hong Kong and London missions for the simplified renewal application.

3.2 Priority Two: Simplify Business Practices and Renew the Business Model

As a user-fee based organization, Passport Canada must improve its passport program operations while improving service delivery to Canadians. This is critical on two fronts: first, to maintain operations as a full cost-recovery agency; and, second, as with all federal government departments and agencies, to contribute to the Government of Canada’s 2010 budget commitments concerning administrative spending restraint, and the Clerk of the Privy Council’s focus on workforce renewal and innovation to improve administrative effectiveness and efficiency. To meet future pressures associated with fluctuating demand for travel documents while maintaining service levels, the agency is simplifying business practices and renewing its business model with a view to both economy and effectiveness. This involves modernizing and improving management processes and tools, alongside rigorous analysis to support the strategic decision-making required to optimize the future direction of the business.

The agency continued to improve its management practices in 2010–2011 to support financial sustainability and cost-effective operations. Key advances included introducing a strategic portfolio practice to better manage strategic investments; clarifying financial delegation of authority to strengthen control over expenditure; implementing improved reporting to monitor hospitality, travel and conference expenses; and, continuing to expand our use of activity-based management (ABM) models.

Improved forecasting methods introduced in 2009–2010 helped the agency match its resources to fluctuating demand to maintain, and in some cases, improve service levels. Individual office forecasts reflecting regional and local events and trends, applied to the national forecast, have greatly improved forecasting accuracy.

Accomplishments:

Simplify business practices with a view to both economy and effectiveness

- Received the 2010 Distinction Award at the GTEC for the robustness of the forecasting model used to plan resources and expected revenues. The GTEC Recognition Program, the signature awards for the public sector, recognizes leadership, innovation and excellence in information management across the Government of Canada.

- Implemented and identified cost savings and efficiencies such as a reduction in travel costs by 11 percent from the previous year and the implementation of a no cash policy for fee payment which will result in enhanced security and approximately \$800,000 in savings annually.
- Initiated a proof of concept for the repatriation of entitlement decisions from missions abroad in two domestic locations: Victoria, British Columbia, and Brampton, Ontario. The results will be examined in 2011–2012 before the initiative is implemented.

Renew the business with a view to both economy and effectiveness

- Implemented activity-based management in functional areas; now over 80 percent of the agency is covered by this management tool used to facilitate strategic and management decisions, manage process costs, and facilitate the search for opportunities for improvement.
- Introduced a strategic portfolio practice to better manage and focus strategic investments and ensure their alignment with agency strategy and expected outcomes.

3.3 Priority Three: Our Workforce

Passport Canada's success is founded on the dedication and quality of its people. Maintaining excellence in service delivery while managing fluctuating demand and successfully adapting to modern management practices, new technology, and new ways of working, requires engaged employees. In turn, employees must be supported by a workplace culture and learning environment that builds workforce capacity, strengthens competencies, promotes public service values and ethics and encourages and rewards innovation.

Accomplishments:

Building an engaged workforce with a supportive workplace and learning environment aimed at renewed capacity building, competency profiles and innovation.

- Developed and implemented an HR staffing strategy and plan to align with the planning priorities of the agency and to ensure that the organization has the human resources in place to meet its key service commitments.
- Enhanced the agency's Learning Institute to better align learning, training and development with the evolving current and future needs of the agency.
- Advanced the implementation of the 2008–2011 values and ethics action plan through training and awareness initiatives across the enterprise.
- Designated co-champions to raise awareness across the agency on multi-culturalism and workforce diversity. Undertook an employment equity campaign to encourage employees to self-identify whether they are members of one or more of the four designated groups. Seventy-four percent of employees completed the questionnaire and results indicated that 18.9 percent of our employees are members of visible minority communities (according to the 2006 Census 14.8 percent of the Canadian population are members of visible minority communities).



- Designed and implemented an awareness initiative to support succession planning and executive talent management. The agency is considered an innovator and among the path leaders in this initiative. The purpose of the program is to ensure that public service executives are matched to the right job for their skills, competencies and career plans. By June, 2011, 100 percent of Passport Canada executives had completed the talent management questionnaire, up from 35 percent in 2009–2010.

Figure 12: Passport Canada Workforce Profile

Passport Canada Workforce Profile 2010–2011	
Tenure	Employee Count
Indeterminate	2,378
Term	338
Casual	67
Co-op Student	2
Federal Student Work Experience Program / Other Student	81
Secondment into Passport Canada	15
Seasonal	3
Grand Total	2,884

3.4 Priority Four: Consulting Canadians

To fulfill the commitment of the Government of Canada to make the ePassport available to all Canadians, to extend the validity period to 10 years, and continue to operate on a full cost-recovery basis, Passport Canada must have a fee increase. Under the *User Fees Act* (UFA), the agency is required to ask Canadians for their ideas on how to improve services for which it charges fees and to provide notice of changes to its fees and to provide the opportunity to provide comments about the proposed changes. To meet these requirements in time for the planned launch of the 10-year ePassport in 2012–2013, Passport Canada launched a comprehensive, multi-phase consultations exercise in April, 2010.

Performance exceeded expectations for the first phase of UFA consultations, completed in 2010–2011. A total of 7,215 people—a participation rate far higher than expected—responded to an online questionnaire posted from April 6 to May 7, 2010. The questionnaire produced invaluable information from Canadians about their knowledge of and expectations for the ePassport to assist the agency in validating design issues and product requirements, and in establishing a pricing strategy. In particular, the 10-year validity period received highly positive feedback. Canadians also provided a wide range of suggestions to improve accessibility to passport services and the security of the document that will help to inform agency plans for future product and service improvements.

Accomplishments:

Pursue consultations with Canadians in preparation for the launch of the 5- and 10-year ePassport, as part of the *User Fees Act* (UFA).



- Conducted wide-reaching consultations with Canadians through three roundtable sessions with stakeholders, the use of an online questionnaire receiving 7215 responses; and a letter campaign inviting non-government stakeholders to provide written submissions.
- Released a report on the findings from its UFA public consultations in October 2010 outlining the ideas and suggestions of members of the general public and industry stakeholders on current services and possible new services. The report is available at: <http://www.ppt.gc.ca/consultations/publications/1-2010-eng.pdf>.

3.5 Priority Five: Strategic Investments

To achieve its program outcomes and maintain excellence in service delivery and strengthen security, Passport Canada must continually invest in technology. The agency uses a portfolio investment management approach to coordinate strategic investments in modernizing its technology infrastructure and improving the efficiency of its business processes. This approach allows the organization to maximize value-for-money from its strategic investments, while effectively managing business continuity risks and minimizing disruption of day-to-day operations from technological and process changes. Over the 2010–2011 reporting year, Passport Canada focused the majority of its strategic investments in three areas: the ePassport rollout; leasehold improvements in eight regional offices; and, upgrades to information technology (IT) networks at headquarters.

Accomplishments:

Ensuring agency investments align with its strategic outlook, priorities and expected business outcomes, and project are delivered successfully.

- Continued to pilot the ePassport solution in preparation for the full implementation of the ePassport in 2012–2013 with more than 36,000 diplomatic and special ePassports having been issued thus far with no reported problems.
- Received effective project approval from Treasury Board to develop and implement the new ePassport solution being introduced in 2012–2013.
- Conducted an independent study to look at Passport Canada's approach to information technology (IT). The study made recommendations for various improvements to processes that will support a client-centric approach to IT service delivery.
- Implemented a strategic portfolio practice to support a balanced approach to the effective, efficient, and economical selection, investment and oversight of corporate projects in alignment with agency and government outcomes.
- Introduced systematic and ongoing monitoring and oversight of initiatives through various internal, interdepartmental and central agency executive-level governance processes, including: Passport Canada Executive Committee (monthly dash-boarding), Passport Canada ePassport Steering Committee, ePassport Senior Project Advisory Committee (SPAC - interdepartmental committee at the assistant deputy minister level), Senior Review Board (SRB - the corresponding interdepartmental committee at the

director general level), and Executive Project Oversight Committee (EPOC - Treasury Board Secretariat).

- Posted the request for proposal for the procurement strategy for the ePassport printing solution and related software, equipment and consumables for the national rollout of the ePassport with the contract to be awarded in the first quarter of 2011-2012.
- The agency completed the development of a facility long-term capital plan in 2010–2011. As part of the plan, a new storefront issuing office was established in downtown Calgary in July 2010; the passport office location in Surrey was relocated to open a new storefront issuing office for April 1, 2011; and a major building renovation to the Mississauga print centre was completed in November 2010.

Section 4: Positioning for the Future

Over the past several years, Passport Canada has been focused on building its planning and decision-making capacity for change. Looking ahead, our organization will be increasingly challenged to adopt new ways of doing business, strengthen security, improve service, and modernize our travel document products. As stated by the Clerk of the Privy Council in his March 2011 report to the Prime Minister, “We must continue to adapt and innovate if we are to meet the future needs of Canadians.” Passport Canada is no exception, and we must be in a position to make wise and prudent choices. In the context of an ever changing world, as a self-funded agency, we continually strive to balance costs, service and security needs.

“We have an opportunity today to reclaim the leadership role we once enjoyed in program and service delivery. By increasing standardization and the interoperability of systems, we can simplify and modernize the delivery of our programs and services. Using a whole-of-government approach, we can lower costs while improving the quality of service to Canadians. We will be able to offer them the timely, high-quality services they have come to expect in every other facet of their lives.”

Eighteenth Annual Report to the Prime Minister on the Public Service of Canada, March 31, 2011

Many capacity-building milestones were reached in the reporting year, including the introduction of a strategic portfolio practice to ensure we’re managing our strategic investments coherently from an agency-wide perspective; the integration of systematic risk management with corporate planning; a plan to transform material management to speed up procurement, and extend activity-based management beyond operations to functional areas. These measures and others are making Passport Canada a more nimble organization. Our regional offices are the backbone of our organization and are moving forward with confidence and adapting quickly to changes in our operating environment. In this way Canadians can always rely on a secure passport program. Announced in Budget 2008, the government committed to an electronic passport with a 10-year validity period. Further, as per the Speech from the Throne, March 3, 2010: “Our Government will take steps to safeguard Canada’s national security....It will introduce a new biometric passport that will significantly improve security...” In support of this commitment, the agency effectively continued to pilot the ePassport solution, with more than 36,000 diplomatic and special ePassports having been issued thus far with no reported problems. The agency received effective project approval for the national implementation of the ePassport solution. As a priority of Government, the agency is focused on the delivery of ePassports to Canadians beginning in late 2012.

Facial recognition (photo-match) is now fully operational, as is our new case management system. Both support faster, more efficient and more robust entitlement decisions. With these achievements, the agency is poised to move into a phase of intense activity focused



on implementing change while preparing to meet the service needs of Canadians and anticipated increases in demand associated with the anniversary of the Western Hemisphere Travel Initiative.

We remain committed to continually searching for ways to improve the way we do business more efficiently and effectively through the engagement of our employees, the backbone of our organization, and improving internal administrative systems and everyday business processes. Our priorities reflect the shift from capacity building to implementation. We are placing more emphasis on security, specifically bolstering the security and integrity component of service delivery. In line with the Government of Canada, we are also advancing our efforts to implement process efficiencies, including through shared services arrangements and pursuing common business solutions that leverage economies-of-scale across the whole of the federal government. Our planning priorities for the upcoming fiscal year 2011–2012 will focus the organization on:

1. **Service Delivery:** The agency will improve service to Canadians in Canada and abroad by focusing on core business, modernizing business practices, and anticipating current and future program needs with a view to both economy and effectiveness.
2. **Security and Integrity:** The agency will strengthen the security of entitlement and issuance processes through improved identity verification and entitlement capabilities.
3. **Strategic Investments:** The agency will support program priorities through the delivery of key project investments for the *User Fees Act* consultations with Canadians in advance of the introduction of the 5- and 10-year ePassport; solution design for the ePassport; facility leasehold projects; and, IT lifecycle management projects.
4. **People Management:** The agency will continue building an engaged workforce with a supportive workplace and learning environment aimed at renewed capacity building, competency profiles and innovation.
5. **Internal Services:** The agency will continue to strengthen its internal services looking for ways to refine our processes, leverage best practices and implement best of breed solutions.

Annex A: Financial Statements

PASSPORT CANADA REVOLVING FUND

Year ended March 31, 2011

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**, which comprise the statement of financial position as at March 31, 2011 and the statements of operations and changes in net assets and cash flows for the year then ended, and 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 Section 6.4 of the Treasury Board's policy on special revenue spending authorities, 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 the 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 the auditors' 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, the auditors 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.



A member firm of Ernst & Young Global Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Passport Canada Revolving Fund** as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Section 6.4 of the Treasury Board of Canada's accounting policy on special revenue spending authorities.

Basis of accounting and restriction on use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the **Passport Canada Revolving Fund** to comply with the financial reporting provisions of the Treasury Board of Canada referred to above. Our auditors' report is intended solely for the information and use of the **Passport Canada Revolving Fund** and the Treasury Board of Canada and should not be used by parties other than **Passport Canada Revolving Fund** or the Treasury Board of Canada.

Ernst & Young LLP

Ottawa, Canada,
May 26, 2011.

Chartered Accountants
Licensed Public Accountants

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.

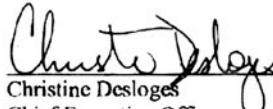
The Fund's directorate of financial services develops and disseminates financial management and accounting policies and issues specific directives which maintain standards of accounting and financial management. The Fund maintains systems of financial management and internal control which gives due consideration 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 external auditor, who audited them and has provided an independent opinion which has been appended to these financial statements.

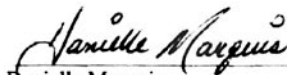
Approved by:



Carmen Dupéré
Deputy Chief Financial Officer
Corporate Services Bureau



Christine Desloges
Chief Executive Officer
Passport Canada



Danielle Marquis
Director General, Corporate Services
Corporate Services Bureau

May 26, 2011

PASSPORT CANADA REVOLVING FUND

Statement of Financial Position

As at March 31

(in thousands of dollars)

	2011	2010
Assets		
Current		
Accounts receivable		
Government of Canada	9,520	4,237
Outside parties	267	305
Prepaid expenses	381	263
Inventories	13,217	12,250
	23,385	17,055
Long-term		
Capital assets (note 3)		
At cost	182,640	174,358
Less accumulated amortization	(132,590)	(122,211)
	50,050	52,147
	73,435	69,202
Liabilities		
Current		
Accounts payable and accrued liabilities		
Government of Canada	6,162	7,709
Outside parties		
Accounts payable	11,614	12,278
Vacation pay	4,418	4,160
Contractors' holdbacks	713	500
Deferred revenue	46	66
Employee termination benefits (note 2e)	18,404	560
	41,357	25,273
Long-term		
Employee termination benefits (note 2e)	4,752	20,230
	46,109	45,503
Net Assets (note 4)	27,326	23,699
Commitments (note 5)		
	73,435	69,202

The accompanying notes are an integral part of the financial statements.

PASSPORT CANADA REVOLVING FUND

Statement of Operations and Change in Net Assets

For the year ended March 31

(in thousands of dollars)

	2011	2010
Revenues		
Fees earned	268,939	290,560
Miscellaneous revenues	602	237
	269,541	290,797
Expenses		
Salaries and employee benefits	169,859	182,464
Freight, express and cartage	26,795	28,655
Passport materials	21,992	23,314
Professional and special services	20,534	20,697
Accommodation	15,965	14,901
Amortization	10,379	10,546
Passport operations at missions abroad (note 6)	4,425	4,447
Telecommunications	3,103	3,798
Repair and maintenance	4,808	3,716
Information	2,673	3,665
Printing, stationery and supplies	4,077	3,527
Travel and removal	2,329	2,881
Provision for employee termination benefits	3,101	2,726
Rentals	434	455
Miscellaneous	166	160
Postal services and postage	46	57
	290,686	306,009
Net results	(21,145)	(15,212)
Net assets, beginning of the year (note 4)	23,699	21,825
Net financial resources used and change in the accumulated net charge against the Fund's authority during the year	24,772	7,252
Contributed capital	-	9,834
Net assets, end of the year (note 4)	27,326	23,699

The accompanying notes are an integral part of the financial statements.

PASSPORT CANADA REVOLVING FUND

Statement of Cash Flow

For the year ended March 31

(in thousands of dollars)

	2011	2010
Operating activities		
Net results	(21,145)	(15,212)
Add		
Provision for employee termination benefits	(15,478)	2,073
Amortization	10,379	10,546
	(26,244)	(2,593)
Changes in current assets and liabilities (note 7)	9,754	(1,016)
Net financial resources used by operating activities	(16,490)	(3,609)
Investing activities		
Capital assets acquired	(8,282)	(13,477)
Net financial resources used by investing activities	(8,282)	(13,477)
Financing activities		
Contributed capital (note 4)	-	9,834
Net financial resources generated by financing activities	-	9,834
Net financial resources used and change in the accumulated net charge against the Fund's authority during the year	(24,772)	(7,252)
Accumulated net charge against the Fund's authority, beginning of year	58,366	65,618
Accumulated net charge against the Fund's authority, end of year (note 4)	33,594	58,366

The accompanying notes are an integral part of the financial statements.

PASSPORT CANADA REVOLVING FUND

Notes to the Financial Statements, page 1

March 31, 2011

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, the total of which is not to exceed \$4,000,000 at any time. For the period commencing April 1, 2010 and ending March 31, 2011, the Fund received a lapsing authority from Parliament in the amount of \$85,000,000 for the purposes of the ePassport project and operations.

2. Significant accounting policies

(a) 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:

- employee's vacation pay and termination benefits liabilities are based on management's estimate of the liabilities rather than based on actuarial valuations;
- 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.

(b) 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.

Deferred revenue is recognized for those passport applications for which the passport service request fee has been collected and deposited, but the applications have not been verified for completeness, as at March 31.

PASSPORT CANADA REVOLVING FUND

Notes to the Financial Statements, page 2

March 31, 2011

2. Significant accounting policies (continued)**(c) Inventory**

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

(d) 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.

(e) Employee termination benefits

Employees of Passport Canada 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.

With respect to the Program and Administrative Services group's collective agreement signed March 1st 2011, employees, on June 22, 2011, shall be entitled to a severance payment at their discretion. Therefore the Employee termination benefits' liability for these employees, \$17,817,218, has been reclassified in the current portion of the Employee termination benefits.

PASSPORT CANADA REVOLVING FUND

Notes to the Financial Statements, page 3

March 31, 2011

2. Significant accounting policies (continued)

(f) 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*.

(g) Use of estimates

The preparation of financial statements requires management 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.

(h) 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, page 4

March 31, 2011

3. Capital assets and accumulated amortization:

(in thousands of dollars)

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	17,323	6,747	(7,183)	16,887
Leasehold Improvements	93,317	97		93,414
Furniture	84	-	-	84
EDP equipments	27,850	1,403	7,183	36,436
Vehicles	41	-	-	41
Other machines and equipments	1,866	35	-	1,901
	174,358	8,282	-	182,640

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	-	-	-	16,887
Leasehold Improvements	70,416	3,659	74,075	19,339
Furniture	80	1	81	3
EDP equipment	16,660	6,392	23,052	13,384
Vehicles	12	8	20	21
Other machines and equipment	1,166	319	1,485	416
	122,211	10,379	132,590	50,050

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

PASSPORT CANADA REVOLVING FUND

Notes to the Financial Statements, page 5

March 31, 2011

4. Net assets

(in thousands of dollars)

	2011	2010
Accumulated net charge against the Fund's authority	(33,594)	(58,366)
Accumulated surplus	(19,554)	1,591
Contributed capital	80,474	80,474
	27,326	23,699

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 upon establishment of the Fund.

Contributed capital:

In the year, there were no additional capital contribution (2010 - \$9,834) from Treasury Board to fund Passport Canada's capital projects

5. Commitments

Passport Canada rents office premises and other office equipment under long-term operating leases, which expire in 2020. Future minimum lease payments by year are approximately as follows:

(in thousands of dollars)

2012	47,783
2013	20,856
2014	14,526
2015	9,581
2016	8,317
2017 and thereafter	14,322
	115,385

PASSPORT CANADA REVOLVING FUND

Notes to the Financial Statements, page 6

March 31, 2011

6. Related party transactions

Through common ownership, Passport Canada 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, Passport Canada, 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 2011, the Fund collected and remitted to DFAIT \$86,042,905 (2010 - \$95,055,600) in consular fees.

In December of 2008, Service Canada and Passport Canada 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 Passport Canada. These fees are reported in the Professional and Special Services line item in the Statement of Operations and Change in Net Assets. In 2011, Service Canada charged Passport Canada a total of \$4,884,398 (2010 - \$5,096,500) for application processing fees.

7. Changes in current assets and liabilities

(in thousands of dollars)

	2011	2010
Assets		
Accounts receivable – Government of Canada	(5,284)	757
Accounts receivable – Outside parties	38	626
Prepaid expenses	(117)	(161)
Inventories	(967)	2,210
Accounts payable and accrued liabilities		
Government of Canada	(1,547)	(585)
Outside parties – Accounts payable	(664)	(4,313)
Outside parties – Vacation pay	258	299
Outside parties – Contractors' holdbacks	214	125
Deferred revenue	(20)	(22)
Employee termination benefits	17,843	48
	9,754	(1,016)

Annex B: Agency Bureaus

Operations

This bureau, with staff in 34 regional offices, 2 call centres, and 2 print centres, 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 and deliver passports to Canadian citizens worldwide through 236 DFAIT points of service. In addition, the bureau processes official passports as well as certificates of identity and refugee travel documents.

Security

This 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 and expert advice on complex entitlement decisions, and investigations of suspected fraudulent activity, collection and sharing of information on lost or stolen passports, and development of domestic and international intelligence networks.

Legislation and International Relations

This is a temporary bureau established to conduct the consultation process on passport services as required under the *User Fees Act*. The bureau has the leadership role in the consultation process to develop and propose a new fee structure for the passport program. It also plays a strategic role on the international front, conducting research on relevant international best practices, and engages with stakeholders such as ICAO.

Business Information Technology

This bureau delivers enterprise architecture and 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

This 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.

Enterprise Alignment and Innovation

This 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, oversees corporate reporting obligations, and associated strategic management practices.

Human Resources

This 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 central role of this bureau 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.