

Canada Border Services Agency

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Canada Border Services Agency Quarterly Financial Report For the quarter ended June 30, 2016

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1. Introduction

This Quarterly Financial Report (QFR) has been prepared as required by section 65.1 of the [Financial Administration Act](#) and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates, Supplementary Estimates A, Canada's Economic Action Plan 2015 (Budget 2015) and Canada's Economic Action Plan 2016 (Budget 2016).

A summary description of the Canada Border Services Agency (CBSA) program activities can be found in [Part II of the Main Estimates](#), and a detailed description in [Part III – Report on Plans and Priorities](#).

The QFR has not been subjected to an external audit or review.

1.1 Basis of Presentation

This QFR has been prepared using an expenditure basis of accounting. The accompanying Statement of Authorities ([Table 1](#)) includes the CBSA's spending authorities granted by Parliament and those used by the Agency, consistent with the 2015-2016 and 2016-2017 Main Estimates and Supplementary Estimates A. This quarterly report has been prepared using a special purpose financing reporting framework designed to meet financial information needs with respect to the use of spending authorities.

Parliamentary spending authority is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through other legislation providing statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the [Financial Administration Act](#) authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The CBSA uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

1.2 Financial Structure

The CBSA has a financial structure composed of voted budgetary authorities that include Vote 1 Operating Expenditures and Vote 5 Capital Expenditures, and statutory authorities that consist mainly of contributions to the employee benefit plans.

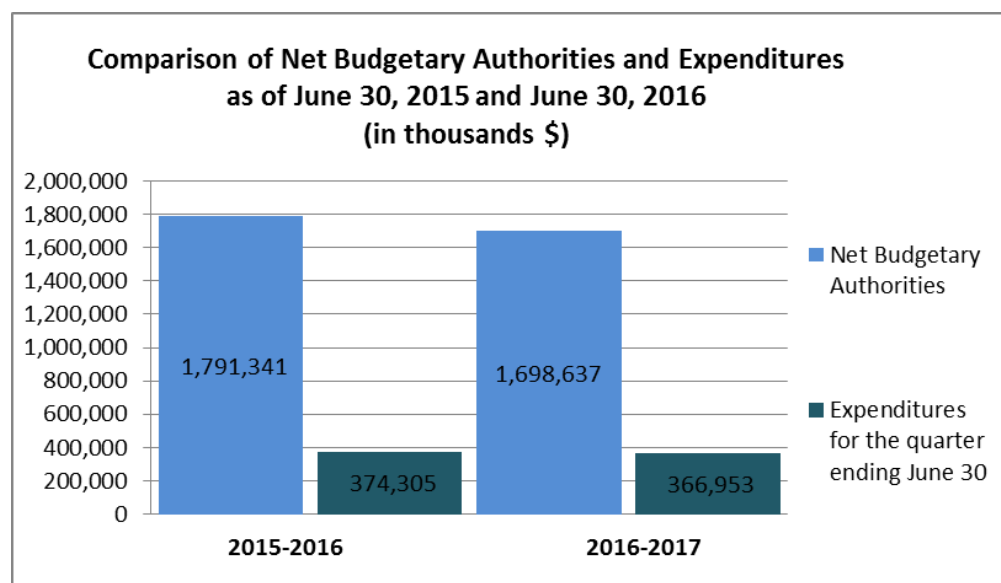
In addition, the Agency has the authority from Parliament to expend certain revenues that it receives in a fiscal year through the conduct of its operations to offset expenditures that it incurs in that fiscal year. As a result of this respendable authority, some of the Agency's programs are partially funded through User Fees (e.g., Nexus).

The CBSA operates on the basis of a two-year appropriation, whereby any unused spending authority at the end of a fiscal year is available to be used the following year. Any portion of the spending authority not

used at the end of the second year is lapsed.

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

This section highlights the significant items that contributed to the net increase or decrease in resources available for the year and actual expenditures as of the quarter ended June 30, 2016.



2.1 Significant Changes to Authorities

For the period ending June 30, 2016, as well as the same period ending last fiscal year, the authorities provided to the CBSA are comprised of the Main Estimates and Supplementary Estimates A.

The Statement of Authorities ([Table 1](#)) presents a net decrease of (\$92.7 million) or (5.2%) in the Agency's total authorities of \$1,698.6 million at June 30, 2016 compared to \$1,791.3 million total authorities at the same quarter last year.

This net decrease in the authorities available for use is the result of a decrease in Vote 1 – Operating Expenditures of (\$50.5 million), a decrease in Vote 5 – Capital of (\$45.0 million) and an increase in Budgetary Statutory Authorities of \$2.8 million, as detailed below:

Vote 1 – Operating

The Agency's Vote 1 Operating decreased by (\$50.5 million) or (3.6%), which is mainly attributed to the net effect of the following significant items:

Increases totaling \$15.8 million are mainly attributed to:

- \$6.5 million to continue to implement and administer reforms of the Temporary Foreign Worker Program (TFWP) and the International Mobility Program;
- \$5.4 million increase is described in the [CBSA Supplementary Estimates \(A\) for 2016-17](#); and

- \$3.9 million to expand biometric screening in Canada's Immigration proceedings.

Decreases totaling \$66.3 million are mainly attributed to:

- \$49.8 million due to the completion of Arming of the CBSA officers at the border;
- \$14.8 million planned reduction of funding for various projects including major initiatives under the Beyond the Border Action plan; and
- \$1.7 million transfer from the Royal Canadian Mounted Police (RCMP) as described in the [CBSA Supplementary Estimates \(A\) for 2015-16](#).

Vote 5 - Capital

The Agency's Vote 5 Capital decreased by (\$45.0 million) or (23.0%), which is mainly attributed to the net effect of the following significant items:

Increases totaling \$32.0 million mainly due to:

- \$12.4 million for the expansion of Biometric screening in Canada's immigration system; and
- \$19.6 million to maintain and upgrade federal infrastructure assets as described in the [CBSA Supplementary Estimates \(A\) for 2016-17](#).

Decreases totaling \$77.0 million mainly due to:

- \$24.9 million planned reduction of funding for major initiatives included in the Beyond the Border Action Plan;
- \$18.6 million planned reduction of funding received to complete the phase 2 of the CBSA Assessment and Revenue Management project (CARM) and the Accounts Receivable Ledger (ARL) project;
- \$18.1 million decrease of funding for various other projects; and
- \$15.4 million transfer from Transport as described in the [CBSA Supplementary Estimates \(A\) for 2015-16](#).

Budgetary Statutory Authorities

The Agency's Statutory Authority related to the employee benefit plan increased by \$2.8 million, or 1.5% from the previous year. The increase is mainly due to the annual adjustment in the employee benefit plan rate set by Treasury Board Secretariat.

2.2 Explanations of Significant Variances in Expenditures from Previous Year

As indicated in the Statement of Authorities ([Table 1](#)), the Agency's expenditures for the quarter ending June 30, 2016 were \$367.0 million, as compared to \$374.3 million for the quarter ending June 30, 2015. The net decrease of (\$7.3 million) or (2.0%) in expenditures is mainly due to the following items:

- Decrease of (\$3.9 million) or (1.2%) in Vote 1 Operating Expenditures year-to-date used at quarter end (\$312.3 million versus \$316.2 million same time last year). The bulk of the reduction in spending

is attributable to \$4.0 million decrease in overtime expenditures year-to-date used at quarter end.

- Decrease of (\$4.6 million) or (36.8%) in Vote 5 Capital Expenditures year-to-date used at quarter end (\$7.8 million versus \$12.4 million same time last year). This decrease is primarily due to delay in payments relating to infrastructure projects.
- The decreases are offset by an increase of \$1.1 million in statutory spending.

As indicated in the Departmental Budgetary Expenditures by Standard Object ([Table 2](#)), the decreases by standard object are mainly attributed to:

- A decrease of (\$4.0 million) year-to-date in personnel expenditures mainly due to reduction in overtime expenditures at quarter end;
- A net decrease of (\$3.0 million) due to timing differences in the payments of contracts under professional and special services.

The year-to-date revenue from the sales of services is down by \$0.2 million or (6.5%) due to the timing in the collection of payments.

3. Risks and Uncertainties

The complexity of the operating environment of the CBSA can be seen in the broad scope of external drivers. Developments in geopolitical relations, in the global economy, in environmental matters, and in human and animal health cascade down into Canada's trade, immigration, tourism and refugee patterns, affecting volumes and introducing security and facilitation challenges. Continued growth in both global trade and the virtual economy has benefitted legitimate business and criminal enterprises alike, and presents more complexity in managing Canada's supply chain and physical borders.

The CBSA is funded through annual appropriations. As a result, its operations can be impacted by any changes approved by Parliament. There will continue to be ongoing pressure on the CBSA's appropriations as the Government of Canada reviews spending and resource allocations, including the most recent examples:

The recent Budget 2016 announced annual reductions of \$221.0 million in professional services, travel and government advertising, starting in 2016-17 for all government. In a continuing effort to reduce administrative cost, the Agency is required to generate operational efficiencies and to realign the allocated budgets to meet the expectations of the government.

Furthermore, in 2014-15 a new round of collective bargaining between the Government and federal public service bargaining agents began. As a result of the 2013 Operating Budget Freeze, the Treasury Board will not allocate funding for wage and salary increases that take effect during the freeze period (in 2014–15 and 2015–16), or for the ongoing impact of those adjustments.

In considering these factors, the CBSA has embarked on various initiatives that will allow the organization to be even more efficient and effective in the way it does business through increased efforts to address threats early and facilitate trade and travel. To improve its ability to successfully deliver on its initiatives, the Agency regularly examines its enterprise risk landscape, updates its Enterprise Risk Profile and takes

appropriate action to mitigate its top risks and the associated financial impacts. The Agency's top risks and associated responses are communicated in its [Report on Plans and Priorities](#).

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

4.1 Key Senior Personnel

As of June 6, 2016, Jean-Stéphen Piché, Vice-President of the Human Resources Branch will oversee the operations of Corporate Affairs in addition to his current duties on an interim basis. The former Vice-President of Corporate Affairs, Caroline Weber, has undertaken a special project to assist in developing and driving the CBSA's top strategic initiatives.

4.2 Operations

The Agency continues to pursue its Border Modernization agenda, including the expansion of its trusted traveller programs and the modernization of cross-border trade systems and processes.

In addition to these, the Agency will continue to play a key role in welcoming Syrian Refugees to Canada and will continue to revitalize infrastructure at ports of entry across the country.

4.3 New Programs

There have been no new programs introduced in the past fiscal quarter.

5. Approval by Senior Officials

Approved by:

Linda Lizotte-MacPherson
President
Ottawa, Canada
Date: August 26, 2016

Christine Walker,
Chief Financial Officer
Ottawa, Canada
Date: August 24, 2016

6. Table 1: Statement of Authorities (Unaudited)

Fiscal year 2016-2017 (in thousands of dollars)			
	Total available for use for the year ending March 31, 2017*	Used during the quarter ended June 30, 2016	Year-to-date used at quarter end
Vote 1 - Operating Expenditures	1,362,641	312,266	312,266
Vote 5 - Capital Expenditures	150,614	7,842	7,842
Statutory Authority - Contributions to employee benefit plans	185,382	46,178	46,178
Statutory Authority - Refunds of amounts credited to revenues in previous years	0	15	15
Statutory Authority - Spending of proceeds from the disposal of surplus Crown assets	0	652	652
Total budgetary authorities	1,698,637	366,953	366,953
Non-budgetary authorities	0	0	0
Total authorities	1,698,637	366,953	366,953

Note: Numbers may not add and may not agree with details provided elsewhere due to rounding.

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

6. Table 1: Statement of Authorities (Unaudited)

Fiscal year 2015-2016 (in thousands of dollars)			
	Total available for use	Used during the	Year-to-date

	for the year ending March 31, 2016*	quarter ended June 30, 2015	used at quarter end
Vote 1 - Operating Expenditures	1,413,103	316,152	316,152
Vote 5 - Capital Expenditures	195,629	12,401	12,401
Statutory Authority - Contributions to employee benefit plans	182,609	45,652	45,652
Statutory Authority - Refunds of amounts credited to revenues in previous years	0	5	5
Statutory Authority - Spending of proceeds from the disposal of surplus Crown assets	0	95	95
Total budgetary authorities	1,791,341	374,305	374,305
Non-budgetary authorities	0	0	0
Total authorities	1,791,341	374,305	374,305

Note: Numbers may not add and may not agree with details provided elsewhere due to rounding.

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

7. Table 2: Departmental Budgetary Expenditures by Standard Object (Unaudited)

Fiscal year 2016-2017 (in thousands of dollars)			
	Planned expenditures for the year ending March 31, 2017*	Expended during the quarter ended June 30, 2016	Year-to-date used at quarter end
Expenditures			
Personnel	1,262,636	314,978	314,978
Transportation and communications	43,159	7,039	7,039

Information	2,009	199	199
Professional and special services	206,126	37,423	37,423
Rentals	8,263	949	949
Repair and maintenance	23,186	3,004	3,004
Utilities, materials and supplies	15,458	1,955	1,955
Acquisition of land, buildings and works	70,276	273	273
Acquisition of machinery and equipment	65,470	3,773	3,773
Transfer payments	0	0	0
Other subsidies and payments	20,484	384	384
Total gross budgetary expenditures	1,717,067	369,977	369,977
Less revenues netted against expenditures			
Sales of Services	18,430	3,039	3,039
Other Revenue	0	-15	-15
Total revenues netted against expenditures	18,430	3,024	3,024
Total net budgetary expenditures	1,698,637	366,953	366,953

Note: Numbers may not add and may not agree with details provided elsewhere due to rounding.

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

7. Table 2: Departmental Budgetary Expenditures by Standard Object (Unaudited)

Fiscal year 2015-2016 (in thousands of dollars)			
	Planned expenditures for the year ending March 31, 2016 *	Expended during the quarter ended June 30, 2015	Year-to-date used at quarter end
Expenditures			
Personnel	1,269,562	319,014	319,014
Transportation and communications	54,294	6,991	6,991
Information	1,630	107	107
Professional and special services	245,437	40,423	40,423
Rentals	10,023	610	610
Repair and maintenance	22,719	1,927	1,927
Utilities, materials and supplies	19,172	2,551	2,551
Acquisition of land, buildings and works	106,651	2,906	2,906
Acquisition of machinery and equipment	69,553	1,734	1,734
Transfer payments	0	0	0
Other subsidies and payments	10,730	1,289	1,289
Total gross budgetary	1,809,771	377,552	377,552

expenditures			
Less revenues netted against expenditures			
Sales of Services	18,430	3,252	3,252
Other Revenue	0	-5	-5
Total revenues netted against expenditures	18,430	3,247	3,247
Total net budgetary expenditures	1,791,341	374,305	374,305

Note: Numbers may not add and may not agree with details provided elsewhere due to rounding.

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

Date modified: 2016-08-30