

Canada Border Services Agency

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Canada Border Services Agency Quarterly Financial Report

For the quarter ended September 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 responsible authority, some of the Agency's programs are partially funded through User Fees (e.g. Nexus).

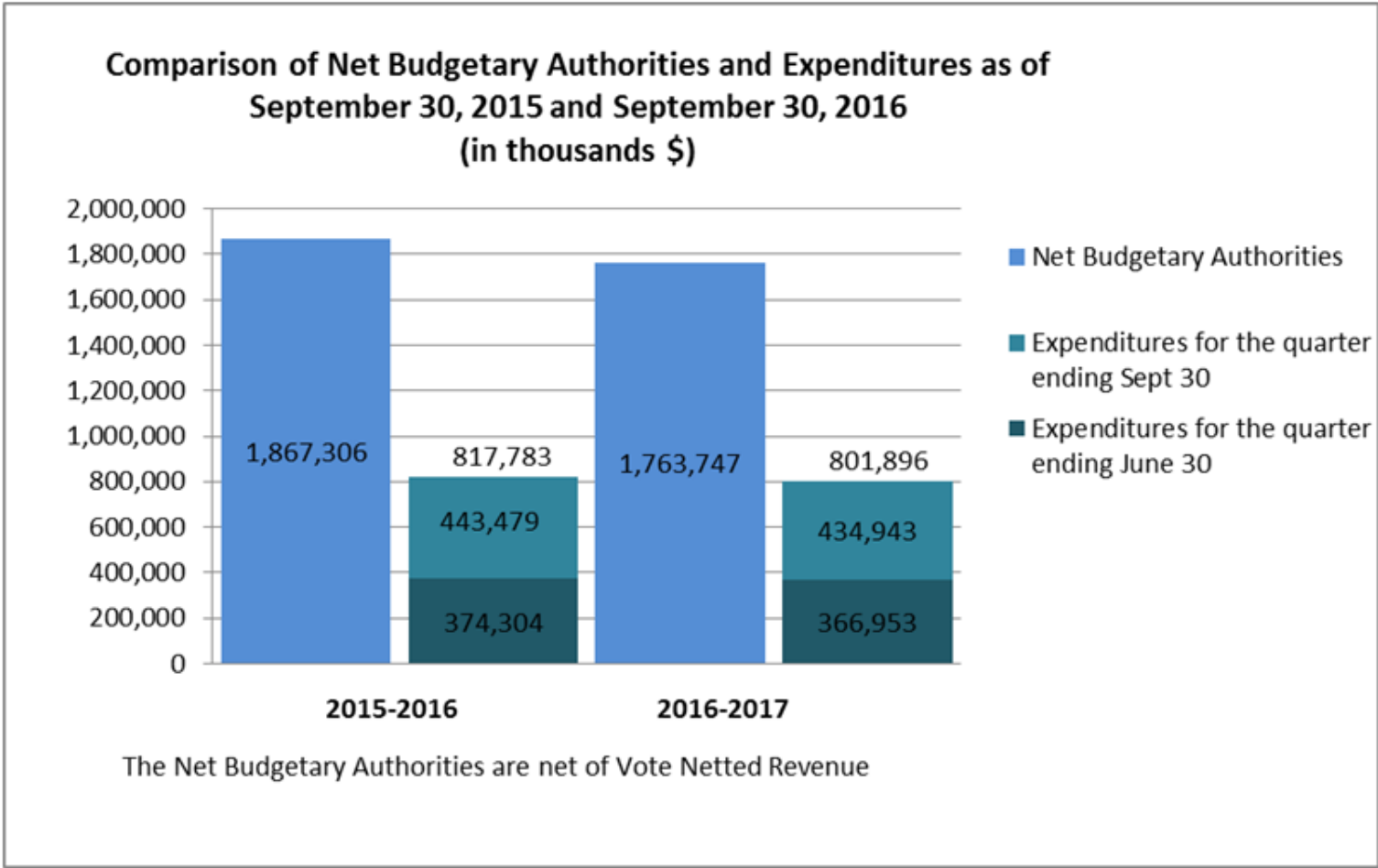
The CBSA operates on the basis of a two-year appropriation, whereby any unused spending authority at the end of a fiscal year is available to be used the following year. Any portion of the spending authority not used at the end of the second year is lapsed.

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 September 30, 2016.

Graph 1: Comparison of Net Budgetary Authorities and Expenditures as of September 30, 2015 and September 30, 2016 (in thousands \$)



2.1 Significant Changes to Authorities

For the period ending September 30, 2016, as well as the same period ending last fiscal year, the authorities provided to the CBSA are comprised of the Main Estimates, Supplementary Estimates A and any unused spending authorities carried forward from the previous fiscal year.

The Statement of Authorities ([Table 1](#)) presents a net decrease of \$103.6 million or 5.5% in the Agency's total authorities of \$1,763.7 million at September 30, 2016 compared to \$1,867.3 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 \$59.5 million, a decrease in Vote 5 – Capital of \$46.8 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 \$59.5 million or 4.1%, which is mainly attributed to the net effect of the following significant items:

Increases totaling \$15.8 million as described in the [*CBSA Quarterly Financial Report for the quarter ended June 30, 2016*](#):

Decreases totaling \$75.3 million are mainly attributed to:

- Decreases totaling \$66.3 million as described in the [*CBSA Quarterly Financial Report for the quarter ended June 30, 2016*](#); and
- Decrease of \$9.0 million due to a smaller carry forward of unused spending authorities. \$39.4 million of unused spending authorities at the end of 2015-2016 were carried into 2016-2017 as compared to \$48.4 million of unused spending authorities from 2014-2015 carried forward into 2015-2016.

Vote 5 - Capital

The Agency's Vote 5 Capital decreased by \$46.8 million or 21.0%, which is mainly attributed to the net effect of the following significant items:

Increases totaling \$32.0 million as described in the [*CBSA Quarterly Financial Report for the quarter ended June 30, 2016*](#):

Decreases totaling \$78.8 million are mainly attributed to:

- Decreases totaling \$77.0 million as described in the [*CBSA Quarterly Financial Report for the quarter ended June 30, 2016*](#); and
- Decrease of \$1.8 million due to a smaller carry forward of unused spending authorities. \$25.8 million of unused spending authorities at the end of 2015-2016 were carried into 2016-2017 as compared to \$27.6 million of unused spending authorities from 2014-2015 carried forward into 2015-2016.

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 the 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 September 30, 2016 were \$434.9 million, as compared to \$443.5 million for the quarter ending September 30, 2015. The Agency's year-to-date expenditures total \$801.9 million as compared to \$817.8 million at the same time last year. The decrease of \$15.9 million or 1.9% in expenditures is mostly due to the following items.

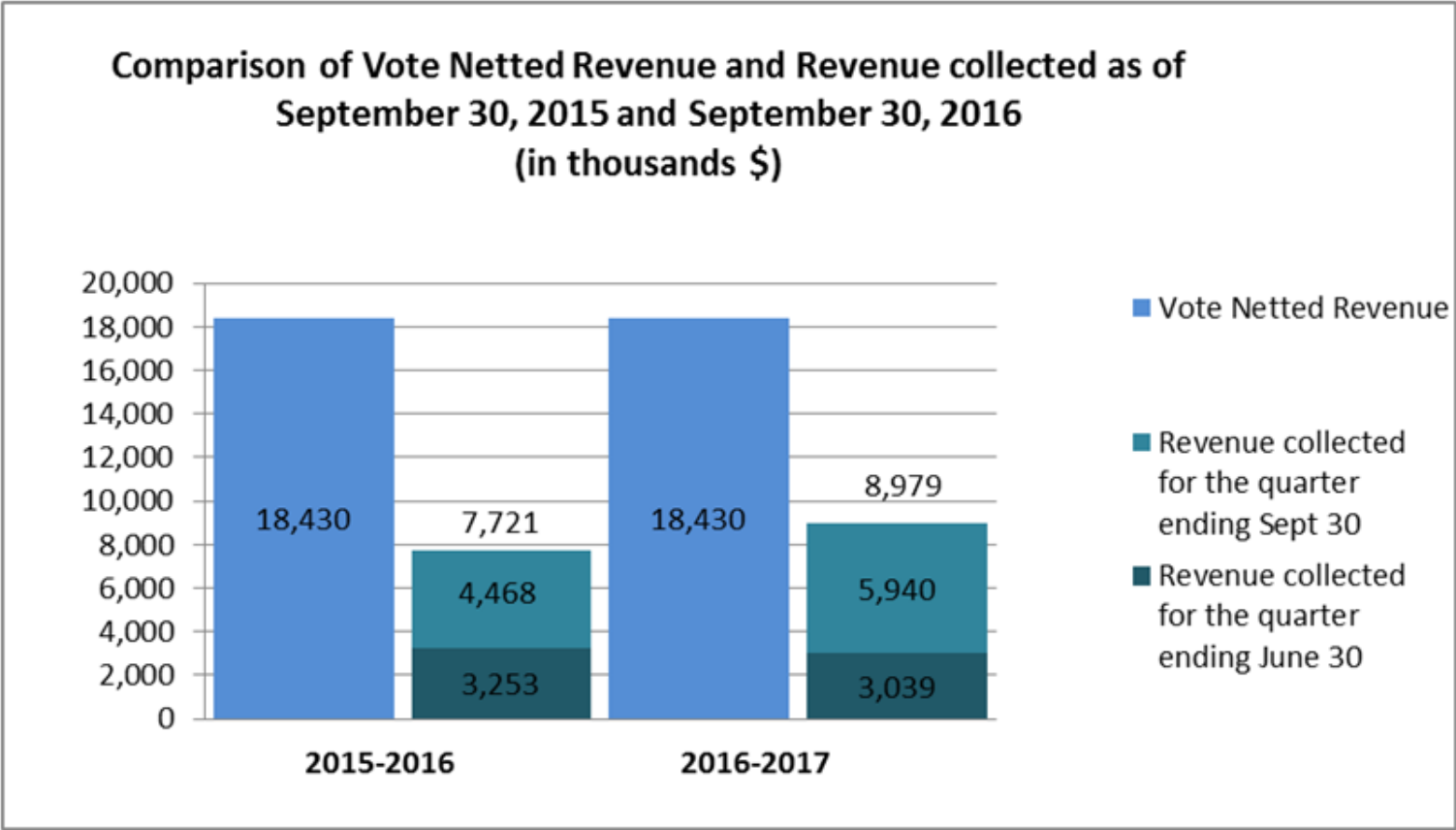
- Increase of \$1.6 million or 0.2% in Vote 1 Operating Expenditures year-to-date used at quarter end (\$681.5 million versus \$679.9 million same time last year). The bulk of the difference in spending is attributed to the introduction of prepaid legal expenses in the fiscal year 2016-2017.
- Decrease of \$19.1 million or 41.2% in Vote 5 Capital Expenditures year-to-date used at quarter end (\$27.1 million versus \$46.2 million same time last year). This decrease is primarily due to delays in payment related to infrastructure projects.
- Increase of \$1.6 million in statutory and other 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 \$7.4 million year-to-date in personnel expenditures due to reduction in overtime and payroll expenditures.
- A net decrease of \$8.4 million due to reduction in project spending under acquisition of land, buildings and work; and acquisition of machinery and equipment.

The planned revenue from the sales of services reflects the Agency's revenue responding authority. The year-to-date revenue from the sales of services has increased by \$1.3 million or 16.3% due to the timing in the collection of payments and volume increases in the Nexus program.

Graph 2: Comparison of Vote Netted Revenue and Revenue collected as of September 30, 2015 and September 30, 2016 (in thousands \$)



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 departments. 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, 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, which will have a significant financial impact on the CBSA.

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

There have been no changes to key senior personnel in the second quarter of 2016-2017.

4.2 Operations

The Agency continues to pursue its Border Modernization agenda, including advancing its Trusted Traveler Programs; Strengthening the National Immigration Detentions Framework; and the modernization of cross-border trade systems and processes.

The Agency is also preparing to manage the impact of the Mexican Visa Lift, as announced by the Prime Minister on June 28, 2016. 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

The CBSA will embark on the design and construction of two new Immigration Holding Centres (in Laval, QC and Surrey, BC); deliver a national compliance (voice) reporting capability; and increase access to on-site medical and mental health services to detainees within Immigration Holding Centres (IHC).

5. Approval by Senior Officials

Approved by:

Linda Lizotte-MacPherson
President
Ottawa, Canada
Date: November 28, 2016

Christine Walker
Chief Financial Officer
Ottawa, Canada
Date: November 25, 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 September 30, 2016	Year-to-date used at quarter end
Vote 1 - Operating Expenditures	1,401,992	369,290	681,556
Vote 5 - Capital Expenditures	176,373	19,319	27,161
Statutory Authority - Contributions to employee benefit plans	185,382	46,178	92,356
Statutory Authority - Refunds of amounts credited to revenues in previous years	0	0	15
Statutory Authority - Spending of proceeds from the disposal of surplus Crown assets	0	156	808
Total budgetary authorities	1,763,747	434,943	801,896
Non-budgetary authorities	0	0	0
Total authorities	1,763,747	434,943	801,896

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.

Table 1: Statement of Authorities (Unaudited)

Fiscal year 2015-2016 (in thousands of dollars)			
	Total available for use for the year ending March 31, 2016*	Used during the quarter ended September 30, 2015	Year-to-date used at quarter end
Vote 1 - Operating Expenditures	1,461,506	363,793	679,945
Vote 5 - Capital Expenditures	223,192	33,817	46,218
Statutory Authority - Contributions to employee benefit plans	182,608	45,652	91,304
Statutory Authority - Refunds of amounts credited to revenues in previous years	0	3	8
Statutory Authority - Spending of proceeds from the disposal of surplus Crown assets	0	214	308
Total budgetary authorities	1,867,306	443,479	817,783
Non-budgetary authorities	0	0	0
Total authorities	1,867,306	443,479	817,783

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 September 30, 2016	Year-to-date used at quarter

			end
Expenditures			
Personnel	1,262,636	336,593	651,571
Transportation and communications	47,964	9,384	16,423
Information	2,237	97	296
Professional and special services	233,294	74,976	112,399
Rentals	9,169	1,444	2,393
Repair and maintenance	25,251	5,045	8,049
Utilities, materials and supplies	17,066	2,564	4,519
Acquisition of land, buildings and works	81,448	3,965	4,238
Acquisition of machinery and equipment	80,056	4,460	8,233
Transfer payments	0	0	0
Other subsidies and payments	23,056	2,355	2,739
Total gross budgetary expenditures	1,782,177	440,883	810,860
Less revenues netted against expenditures			
Sales of Services	18,430	5,940	8,979
Other Revenue	0	0	-15
Total revenues netted against expenditures	18,430	5,940	8,964
Total net budgetary expenditures	1,763,747	434,943	801,896

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.

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 September 30, 2015	Year-to-date used at quarter end
Expenditures			
Personnel	1,269,562	339,915	658,929
Transportation and communications	61,514	10,195	17,186
Information	1,846	164	271
Professional and special services	278,074	69,835	110,258
Rentals	11,356	2,038	2,648
Repair and maintenance	25,741	4,615	6,542
Utilities, materials and supplies	21,722	2,701	5,252
Acquisition of land, buildings and works	123,333	8,499	11,405
Acquisition of machinery and equipment	80,432	7,709	9,443
Transfer payments	0	0	0
Other subsidies and payments	12,156	2,273	3,562
Total gross budgetary expenditures	1,885,736	447,944	825,496

Less revenues netted against expenditures			
Sales of Services	18,430	4,468	7,721
Other Revenue	0	-3	-8
Total revenues netted against expenditures	18,430	4,465	7,713
Total net budgetary expenditures	1,867,306	443,479	817,783

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: 2016-11-28