

Canada Border Services Agency

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Canada Border Services Agency Quarterly Financial Report For the quarter ended December 31, 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, Supplementary Estimates B, 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 2015-16 and 2016-17 Main Estimates and Supplementary Estimates. 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 spendable authority, some of the Agency's programs are partially funded through User Fees (e.g. Nexus).

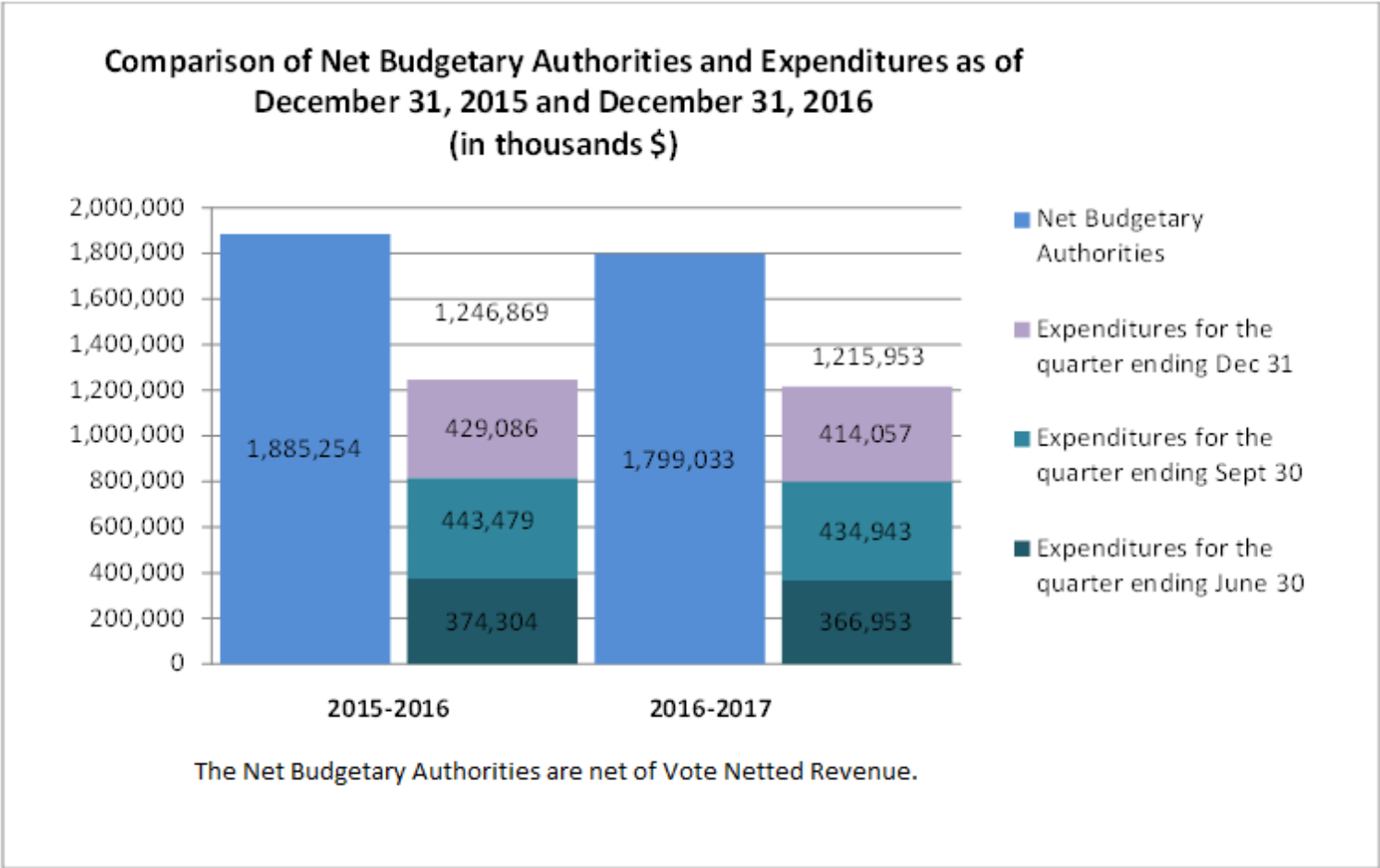
The CBSA operates on the basis of a two-year appropriation, whereby any unused spending authority at

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 December 31, 2016.

Graph 1: Comparison of Net Budgetary Authorities and Expenditures as of December 31, 2015 and December 31, 2016 (in thousands \$)



2.1 Significant Changes to Authorities

For the period ending December 31, 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, Supplementary Estimates B, Treasury Board Vote 30 for Paylist Requirements and any unused spending authorities carried forward from the previous fiscal year.

The Statement of Authorities ([Table 1](#)) presents a net decrease of \$86.3 million or 4.6% in the Agency's total authorities of \$1,799.0 million at December 31, 2016 compared to \$1,885.3 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 \$61.9 million, a decrease in Vote 5 – Capital of \$27.5 million and an increase in Budgetary Statutory Authorities of \$3.1 million, as detailed below:

Vote 1 – Operating

The Agency's Vote 1 Operating decreased by \$61.9 million or 4.2%, which is mainly attributed to the net effect of the following significant items:

Increases totaling \$19.3 million are mainly attributed to:

- Increases totaling \$15.8 million as described in the [*CBSA Quarterly Financial Report for the quarter ended June 30, 2016*](#); and
- \$3.5 million increase is described in the [*CBSA Supplementary Estimates \(B\) for 2016-17*](#).

Decreases totaling \$81.2 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*](#);
- Decreases totaling \$9.0 million as described in the [*CBSA Quarterly Financial Report for the quarter ended September 30, 2016*](#); and
- The Agency received \$5.9 million less for the quarter ending December 31, 2016 than the quarter ending December 31, 2015 for Treasury Board Vote 30 for Paylist Requirements.

Vote 5 - Capital

The Agency's Vote 5 Capital decreased by \$27.5 million or 12.3%, which is mainly attributed to the net effect of the following significant items:

Increases totaling \$51.4 million are mainly attributed to:

- Increases totaling \$32.0 million as described in the [*CBSA Quarterly Financial Report for the quarter ended June 30, 2016*](#); and
- \$19.3 million increase is described in the [*CBSA Supplementary Estimates \(B\) for 2016-17*](#).

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
- Decreases totaling \$1.8 million as described in the [*CBSA Quarterly Financial Report for the quarter ended September 30, 2016*](#).

Budgetary Statutory Authorities

The Agency's Statutory Authority related to the employee benefit plan increased by \$3.1 million, or 1.7% 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 December 31, 2016 were \$414.1 million, as compared to \$429.1 million for the quarter ending December 31, 2015. The Agency's year-to-date expenditures total \$1,216.0 million as compared to \$1,246.9 million at the same time last year. The decrease of \$30.9 million or 2.5% in expenditures is mostly due to the following items:

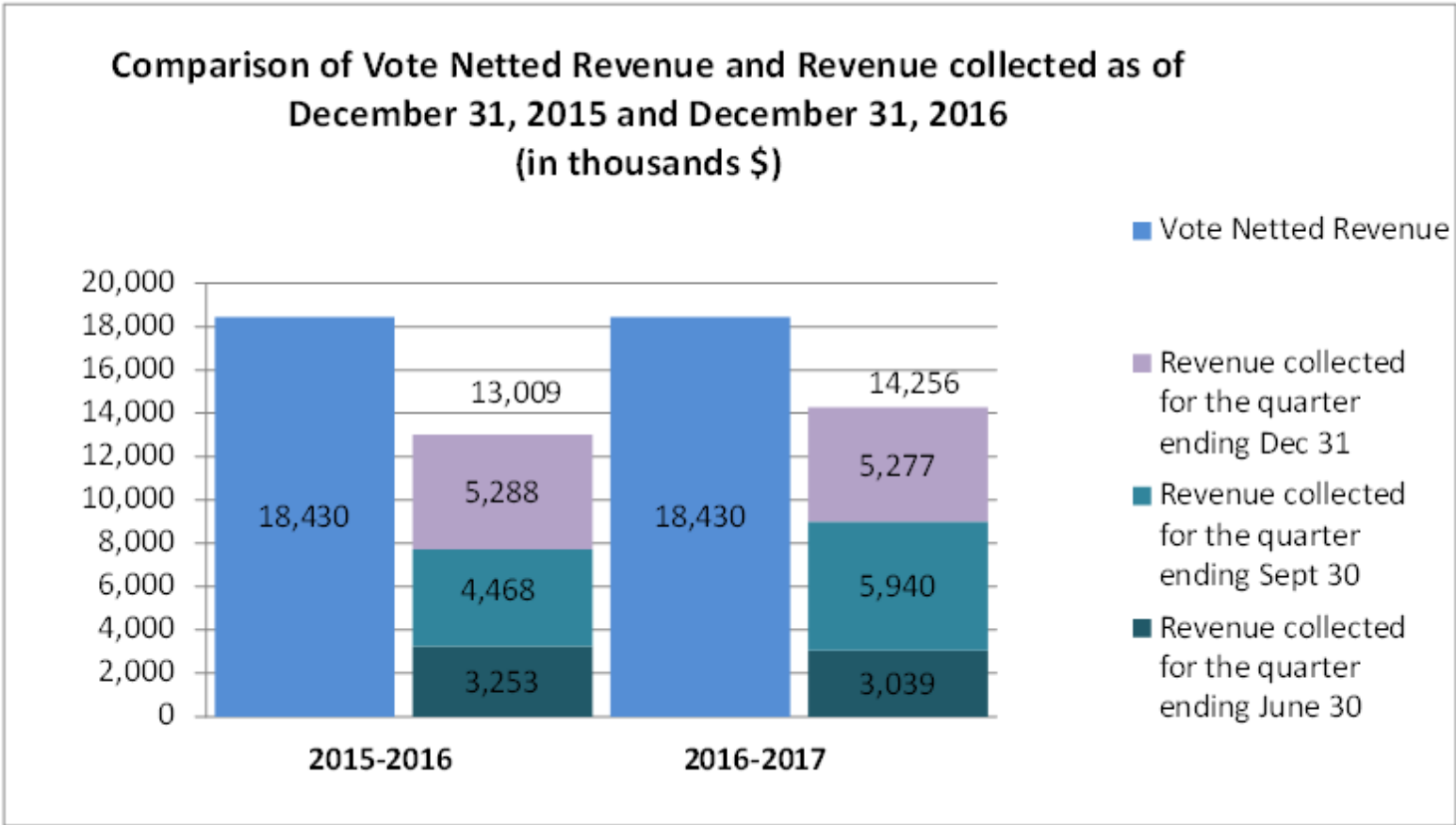
- Increase of \$11.4 million or 1.1% in Vote 1 Operating Expenditures year-to-date used at quarter end (\$1,023.8 million versus \$1,012.4 million same time last year). The bulk of the difference in spending is attributed to increase in professional and legal services for the fiscal year 2016-2017.
- Decrease of \$44.3 million or 45.7% in Vote 5 Capital Expenditures year-to-date used at quarter end (\$52.7 million versus \$97.0 million same time last year). The reduction in spending for the quarter ending December 31, 2016 is mainly associated to the completion in 2015-16 of Capital projects such as Aldergrove and Phase 2 of the CBSA Assessment and Revenue Management (CARM).
- Increase of \$2.0 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 \$13.9 million year-to-date in personnel expenditures due to reduction in payroll expenditures, overtime and the reduction of salary spending related to Capital projects.
- A net decrease of \$16.5 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 respending authority. The year-to-date revenue from the sales of services has increased by \$1.3 million or 9.6% 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 December 31, 2015 and December 31, 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:

Budget 2016 announced annual reductions of \$221.0 million in professional services, travel and government advertising, starting in 2016-17 for all government. The CBSA's portion of the reduction totals \$3.7 million in 2016-17 and \$3.9 million in 2017-18 and future years.

Furthermore, collective bargaining negotiations between the Government of Canada and bargaining agents are currently underway. The outcome of these negotiations will have an impact on all departments including the CBSA. 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).

Lastly, the CBSA operates in a rapidly changing border environment with increasingly complex security and

immigration demands, changing traveler volumes, higher infrastructure costs and rising trade volumes, all of which contributed to a strain on the Agency's finances. In 2016-17, the Agency took a number of measures to ensure it remained within its delegated appropriations: including implementing a senior executive staffing committee to oversee all staffing transactions, delaying discretionary spending on asset replacements and centralizing contracting of common assets, goods and services. Despite these actions; with the possibility of collective bargaining settlements, the Agency sought interim funding to manage its in-year operating vote pressures. From now until the end of the fiscal year, the department will continue to review spending with priorities and adjust where necessary. For the upcoming year, the Agency will continue to reevaluate its current resource base as part of its strategic exercise "CBSA Renewal" that will fully align its operations to the priorities of the Government and Canadians; and, ensure the sustainability of those operations for years to come.

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 changes in senior level personnel, most notably the appointment of a new President, John Ossowski, replacing Linda Lizotte-MacPherson who retired from the public service. Also, Tina Namiesniowski was appointed to the Executive Vice-President position, replacing Nada Semaan who was appointed Associate Deputy Minister of Agriculture and Agri-Food Canada.

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:

John Ossowski
President
Ottawa, Canada
Date: February 27, 2017

Christine Walker
Chief Financial Officer
Ottawa, Canada
Date: February 23, 2017

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 December 31, 2016	Year-to-date used at quarter end
Vote 1 - Operating Expenditures	1,417,575	342,263	1,023,819
Vote 5 - Capital Expenditures	195,726	25,522	52,683
Statutory Authority - Contributions to employee benefit plans	185,732	46,178	138,534
Statutory Authority - Refunds of amounts credited to revenues in	0	0	15

previous years			
Statutory Authority - Spending of proceeds from the disposal of surplus Crown assets	0	94	902
Total budgetary authorities	1,799,033	414,057	1,215,953
Non-budgetary authorities	0	0	0
Total authorities	1,799,033	414,057	1,215,953

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.

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 December 31, 2015	Year-to-date used at quarter end
Vote 1 - Operating Expenditures	1,479,455	332,476	1,012,421
Vote 5 - Capital Expenditures	223,191	50,785	97,003
Statutory Authority - Contributions to employee benefit plans	182,608	45,652	136,956
Statutory Authority - Refunds of amounts credited to revenues in previous years	0	0	8
Statutory Authority - Spending of proceeds from the disposal of surplus Crown assets	0	173	481
Total budgetary authorities	1,885,254	429,086	1,246,869
Non-budgetary authorities	0	0	0
Total authorities	1,885,254	429,086	1,246,869

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 December 31, 2016	Year-to-date used at quarter end
Expenditures			
Personnel	1,275,537	323,665	975,236
Transportation and communications	49,477	8,678	25,101
Information	2,406	76	372
Professional and special services	237,158	66,109	178,508
Rentals	9,431	1,489	3,882
Repair and maintenance	25,251	3,693	11,742
Utilities, materials and supplies	17,535	2,337	6,856
Acquisition of land, buildings and works	97,312	7,161	11,399
Acquisition of machinery and equipment	80,300	4,878	13,111
Transfer payments	0	0	0
Other subsidies and	23,056	1,248	3,987

payments			
Total gross budgetary expenditures	1,817,463	419,334	1,230,194
Less revenues netted against expenditures			
Sales of Services	18,430	5,277	14,256
Other Revenue	0	0	-15
Total revenues netted against expenditures	18,430	5,277	14,241
Total net budgetary expenditures	1,799,033	414,057	1,215,953

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.

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 December 31, 2015	Year-to-date used at quarter end
Expenditures			
Personnel	1,287,510	330,230	989,159
Transportation and communications	61,514	10,528	27,714
Information	1,846	141	412
Professional and special services	278,074	63,448	173,706

Rentals	11,356	1,509	4,157
Repair and maintenance	25,741	3,818	10,360
Utilities, materials and supplies	21,722	2,992	8,244
Acquisition of land, buildings and works	123,333	10,993	22,398
Acquisition of machinery and equipment	80,432	9,181	18,624
Transfer payments	0	0	0
Other subsidies and payments	12,156	1,534	5,096
Total gross budgetary expenditures	1,903,684	434,374	1,259,870
Less revenues netted against expenditures			
Sales of Services	18,430	5,288	13,009
Other Revenue	0	0	-8
Total revenues netted against expenditures	18,430	5,288	13,001
Total net budgetary expenditures	1,885,254	429,086	1,246,869

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: 2017-02-28