

Canada Border Services Agency

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Canada Border Services Agency Financial Statements For the Year Ended March 31, 2017

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Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2017, and all information contained in these statements rests with the management of the Canada Border Services Agency (CBSA). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the CBSA's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the CBSA's Departmental Performance Report, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the Financial Administration Act and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the CBSA and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2017 was completed in accordance with the Treasury Board Policy on Internal Control and the results and action plans are summarized in the annex.

The effectiveness and adequacy of the CBSA's system of internal controls is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of CBSA's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the President of the CBSA.

The financial statements of the CBSA have not been audited.

John Ossowski, President

Ottawa, Canada

August 24, 2017

Christine Walker, Chief Financial Officer

Ottawa, Canada

August 24, 2017

**Statement of Operations and Departmental Net Financial Position (Unaudited)
For the Year Ended March 31**

(in thousands of dollars)		
Liabilities	2017	2016
Accounts payable and accrued liabilities (note 4)	134,140	167,205
Vacation pay and compensatory leave	60,820	60,246
Deposit accounts (note 6)	29,057	27,996
Environmental liabilities (note 5)	1,166	1,184
Provision for claims and litigation (note 12)	2,165	665
Employee future benefits (note 7)	58,423	78,478
Total liabilities	285,771	335,774

Financial assets	2017	2016
Due from Consolidated Revenue Fund	106,558	153,197
Accounts receivable and advances (note 8)	31,419	15,964
Total gross financial assets	137,977	169,161

Financial assets held on behalf of Government	2017	2016
Accounts receivable and advances (note 8)	(3,818)	(2,004)
Total financial assets held on behalf of Government	(3,818)	(2,004)

	2017	2016
Total net financial assets	134,159	167,157

	2017	2016
Departmental net debt	151,612	168,617

Non-financial assets	2017	2016
Inventory (note 9)	0	3,703
Tangible capital assets (note 10)	954,820	951,078
Total non-financial assets	954,820	954,781

	2017	2016
Departmental net financial position	803,208	786,164

□ Contractual obligations (note 11)
Contingent liabilities (note 12)
The accompanying notes form an integral part of these financial statements.

John Ossowski, President
Ottawa, Canada
August 24, 2017

Christine Walker, Chief Financial Officer
Ottawa, Canada
August 24, 2017

Statement of Operations and Departmental Net Financial Position (Unaudited)
For the Year Ended March 31

(in thousands of dollars)			
Liabilities	2017 Planned Results	2017	2016
Admissibility Determination	950,759	879,544	954,965
Internal Services	338,075	422,513	405,807
Risk Assessment	171,474	190,352	177,644
Immigration Enforcement	135,750	170,599	173,788
Revenue and Trade Management	97,089	116,496	91,719
Secure and Trusted Partnerships	44,312	43,695	43,866
Criminal Investigations	35,188	35,455	34,357
Recourse	12,119	11,044	12,134
Total expenses	1,784,766	1,869,698	1,894,280

Revenues	2017 Planned Results	2017	2016
Sales of goods and services	19,664	22,768	21,672
Miscellaneous Revenues	2,550	1,815	1,532
Revenues earned on behalf of Government	(3,784)	(3,455)	(3,336)
Total revenues	18,430	21,128	19,868
	2017 Planned Results	2017	2016
Net cost of operations before government funding and transfers	1,766,336	1,848,570	1,874,412

Government funding and transfers	2017 Planned Results	2017	2016
Net cash provided by Government		1,737,863	1,794,392
Services provided without charge by other government departments (note 13)		174,408	177,174
Change in due from Consolidated Revenue Fund		(46,639)	(3,933)
Transfer of the transition payments for implementing salary payment in arrears		(18)	(347)
	2017 Planned Results	2017	2016
Net cost of operations after government funding and transfers		(17,044)	(92,874)
Departmental net financial position - Beginning of year		786,164	693,290
Departmental net financial position - End of year		803,208	786,164

□ Segmented information (note 14)
The accompanying notes form an integral part of these financial statements.

Statement of Change in Departmental Net Debt
For the Year Ended March 31

(in thousands of dollars)		
	2017	2016
Net cost of operations after government funding and transfers	(17,044)	(92,874)
Changes due to tangible capital assets	2017	2016
Acquisition of tangible capital assets	109,080	165,960
Amortization of tangible capital assets	(80,468)	(76,748)
Proceeds from disposal of tangible capital assets	(990)	(501)
Net loss on disposal of tangible capital assets	(23,976)	(1,155)
Adjustments to tangible capital assets	96	177
Total change due to tangible capital assets	3,742	87,733
	2017	2016
Change due to inventories	(3,703)	(6,084)
Net decrease in departmental net debt	(17,005)	(11,225)
Departmental net debt - Beginning of year	168,617	179,842
Departmental net debt - End of year	151,612	168,617

□ The accompanying notes form an integral part of these financial statements.

Canada Border Services Agency (Agency Activities)

Statement of Financial Position (Unaudited)

For the Year Ended March 31

(in thousands of dollars)		
Operating activities	2017	2016
Net cost of operations before government funding and transfers	1,848,570	1,874,412
Non-cash items:	2017	2016
Services provided without charge by other government departments (note 13)	(174,408)	(177,174)
Amortization of tangible capital assets	(80,468)	(76,748)
Net loss on disposal of tangible capital assets	(23,976)	(1,155)
Adjustments to tangible capital assets	96	177
Transition payments for implementing salary payments in arrears	18	347
Variations in Statement of Financial Position	2017	2016
(Decrease) increase in accounts receivable and advances	13,641	(2,425)
(Decrease) in inventory	(3,703)	(6,084)
Decrease in liabilities	50,003	17,583
Cash used in operating activities	1,629,773	1,628,933
Capital investing activities	2017	2016
Acquisition of tangible capital assets	109,080	165,960
Proceeds from disposal of tangible capital assets	(990)	(501)
Cash used in capital investing activities	108,090	165,459
	2017	2016
Net cash provided by Government of Canada	1,737,863	1,794,392

□ The accompanying notes form an integral part of these financial statements.

Canada Border Services Agency (Agency Activities)

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

1. Authority and objectives

The Canada Border Services Agency (CBSA) provides integrated border services that support national security priorities and facilitate the free flow of people and goods. The Canada Border Services Agency Act received royal assent on November 3, 2005. The CBSA is a departmental corporation named in Schedule II of the Financial Administration Act and reports to Parliament through the Minister of Public Safety. The CBSA is funded through authorities from the Government of Canada.

The CBSA is responsible for the administration and enforcement of the following acts or portions of these acts: the Customs Act, the Customs

Tariff, the Excise Act, the Excise Tax Act, the Citizenship Act, the Immigration and Refugee Protection Act, as well as other acts on behalf of other federal departments and provinces.

For financial reporting purposes, the activities of the CBSA have been divided into two sets of financial statements: Agency Activities and Administered Activities. The Agency Activities financial statements include those operational revenues and expenses which are managed by the CBSA and utilized in operating the organization. The Administered Activities financial statements report on tax and non-tax revenues, assets and liabilities administered on behalf of the federal, provincial and territorial governments. One reason for the distinction between Agency Activities and Administered Activities is to facilitate the assessment of the administrative efficiency of the CBSA in achieving its mandate.

In delivering efficient and effective border management that contributes to the security and prosperity of Canada, the CBSA operates under the following program activities:

- (a) **Admissibility Determination** – Through this program, the CBSA develops, maintains and administers the policies, regulations, procedures and partnerships that enable border services officers to intercept people and goods that are inadmissible to Canada and to process legitimate people and goods seeking entry into Canada within established service standards. In addition, the Agency develops, maintains and administers the policies, regulations, procedures and partnerships to control the export of goods from Canada.
- (b) **Risk Assessment** – This program "pushes the border out" by seeking to identify high risk people, goods and conveyances as early as possible in the travel and trade continuum to prevent inadmissible people and goods from entering Canada.
- (c) **Immigration Enforcement** – This program determines whether foreign nationals and permanent residents who are or may be inadmissible to Canada are identified and investigated, detained, monitored and/or removed from Canada.
- (d) **Revenue and Trade Management** – This program administers international and regional trade agreements and domestic legislation and regulations governing trade in commercial goods. The program ensures that appropriate trade data is collected and that the duties and taxes owed to the Government of Canada are remitted in accordance with Canadian trade laws and import requirements.
- (e) **Secure and Trusted Partnerships** – Through this program, the CBSA works closely with clients, other government departments and international border management partners to enhance trade chain and traveler security while providing pre-approved, low-risk travelers and traders with streamlined and efficient border processes.
- (f) **Criminal Investigations** – Under this program, the CBSA protects the integrity of border-related legislation and contributes to public safety and Canada's economic security by investigating and pursuing the prosecution of travelers, importers, exporters and/or other persons who commit criminal offences in contravention of Canada's border-related legislation.
- (g) **Recourse** – This program provides the business community and individuals with an accessible mechanism to seek an impartial review of service-related complaints, program decisions and enforcement actions taken by the CBSA. This program ensures that their decisions are fair, transparent and accurately reflect the Agency's policies and the Acts administered by the CBSA.
- (h) **Internal Services** – This program is a group of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are Management and Oversight Services, Communications Services, Legal Services, Human Resources Management Services, Financial Management Services, Information Management Services, Information Technology Services, Real Property Services, Material Services, Acquisition Services, and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

2. Summary of significant accounting policies

These financial statements have been prepared using Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

- a) **Parliamentary authorities** - The CBSA is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the CBSA do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting.

The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2016-2017 Report on Plans and

Priorities. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2016-2017 Report on Plans and Priorities.

b) **Net cash provided by Government** - The CBSA operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the CBSA is deposited to the CRF, and all cash disbursements made by the CBSA are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

c) **Amounts due from or to the CRF** - The amounts are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the CBSA is entitled to draw from the CRF without further authorities to discharge its liabilities.

d) **Revenues** - Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.

Miscellaneous revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place. Revenues that are non-respendable are not available to discharge the CBSA's liabilities.

While the President of the CBSA is expected to maintain accounting control, the president has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues.

e) **Expenses** - Expenses are recorded on an accrual basis:

Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.

Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their estimated cost.

f) Employee future benefits

Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government of Canada. The CBSA's contributions to the Plan are charged to expenses in the year incurred and represent the total CBSA obligation to the Plan. The CBSA's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

g) **Accounts receivable and advances** - Accounts receivable and advances are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for accounts receivable and advances where recovery is considered uncertain based on the specific identification and aging of receivables.

h) **Contingent liabilities** - Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

i) **Environmental liabilities** - Environmental liabilities consist of estimated costs related to the remediation of contaminated sites.

Contaminated Sites:

A liability for remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the CBSA is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the CBSA's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination.

The recorded environmental liabilities are adjusted each year, as required, for inflation, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of the CBSA's responsibility is not determinable, a contingent liability is disclosed in the notes to the financial statements. If measurement uncertainty exists, it is also disclosed in the notes to the financial statements.

j) **Tangible capital assets** - All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded

at their acquisition cost. The CBSA does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization period
Buildings	30 years
Works and infrastructure	40 years
Machinery and equipment	10 years
Informatics hardware	5 years
Informatics software - Purchased software	3 years
Informatics software - In-house developed software	7 years
Vehicles - Motor vehicles	5 years
Vehicles - Ships and boats	10 years
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement
Assets under construction	Once in service, in accordance with asset type

k) Measurement uncertainty - The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, environmental liabilities, the liability for employee future benefits, the allowance for doubtful accounts and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Authorities

The CBSA receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the CBSA has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year authorities used

(in thousands of dollars)		
	2017	2016
Net cost of operations before government funding and transfers	1,848,570	1,874,412
Adjustments for items affecting net cost of operations but not affecting authorities:	2017	2016
Services provided without charge by other government departments	(174,408)	(177,174)
Amortization of tangible capital assets	(80,468)	(76,748)
Refund and adjustments to prior years' expenditures	3,339	5,272
Net loss on disposal of tangible capital assets	(23,976)	(1,155)

Decrease in employee future benefits	20,055	4,416
(Increase) decrease in vacation pay and compensatory leave	(574)	6,385
Decrease in environmental liabilities	18	1,296
(Increase) decrease in claims and litigation	(1,500)	150
(Increase) in accrued liabilities not charged to authorities	(499)	(1,921)
(Increase) in bad debt expense	(406)	(682)
Other	4,395	2,320
Total items affecting net cost of operations but not affecting authorities	(254,024)	(237,841)
Adjustments for items not affecting net cost of operations but affecting authorities:	2017	2016
Acquisition of tangible capital assets	109,080	165,960
Proceeds from disposal of tangible capital assets	(990)	(501)
(Decrease) in inventory	(3,703)	(6,084)
Transition payments for implementing salary payments in arrears	18	347
Total items not affecting net cost of operations but affecting authorities	104,405	159,722
	2017	2016
Current year authorities used	1,698,951	1,796,293

(b) Authorities provided and used

(in thousands of dollars)		
Authorities provided:	2017	2016
Vote 1 – Operating expenditures	1,559,660	1,512,906
Vote 5 – Capital expenditures	194,757	251,431
Statutory amounts	172,582	187,465

Less:	2017	2016
Authorities available for future years	(209,487)	(65,136)
Lapsed: Operating	(15,826)	(23,837)
Lapsed: Capital	(2,735)	(66,536)
	2017	2016
Current year authorities used	1,698,951	1,796,293

4. Accounts Payable and Accrued Liabilities

The following table presents details of the CBSA's accounts payable and accrued liabilities :

Accounts Payable and Accrued Liabilities

(in thousands of dollars)		
	2017	2016
Accounts payable - Other government departments and agencies	16,929	23,192
Accounts payable - External parties	31,211	46,617
Total accounts payable	48,140	69,809
Accrued liabilities	86,000	97,396
Total accounts payable and accrued liabilities	134,140	167,205

5. Environmental Liabilities

Remediation of contaminated sites

The Government has developed a "Federal Approach to Contaminated Sites", which incorporates a risk-based approach to the management of contaminated sites. Under this approach the Government has inventoried the contaminated sites on federal lands that have been identified, allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aids in the identification of the high risk sites in order to allocate limited resources to those sites which pose the highest risk to the environment and human health.

The CBSA has identified a total of 5 sites (5 sites in 2015-2016) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the CBSA has assessed 3 sites (3 sites in 2015-2016) where action is possible and for which a liability of \$1,166,000 (\$1,184,000 in 2015-2016) has been recorded. This liability estimate has been determined after the sites are assessed and is based on environmental experts reviewing the results of site assessments, and proposing possible remediation solutions.

This represents management's best estimate of the costs required to remediate the sites to the current minimum standard for its use prior to contamination, based on information available at the financial statement date.

Of the remaining 2 sites (2 sites in 2015-2016), no liability for remediation has been recognized. Some of these sites are at various stages of testing and evaluation and if remediation is required, liabilities will be reported as soon as a reasonable estimate can be determined. For other sites, the CBSA does not expect to give up any future economic benefits (there is likely no significant environmental impact or human health threats). These sites will be re-examined and a liability for remediation will be recognized if future economic benefits will be given up.

The following table presents the total estimated amounts of these liabilities by nature and source as at March 31, 2017, and March 31, 2016:

Nature and Source	Number of Sites 2017	Estimated Liability 2017 ⁽²⁾	Number of Sites 2016	Estimated Liability 2016 ⁽²⁾
Fuel Related Practices ⁽¹⁾	3	1,166,000	3	1,184,000
Totals	3	1,166,000	3	1,184,000

1. Contamination primarily associated with fuel storage and handling, e.g., accidental spills related to fuel storage tanks or former fuel handling practices, e.g. petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX.

2. It was determined that the effects of discounting these liabilities for each fiscal year is immaterial for the CBSA. Therefore, a present value technique has not been used to calculate the discounted value of each site.

6. Deposit Accounts

The Immigration guarantee fund serves to record amounts collected and held, pending final disposition either by refund to the original depositor or forfeiture to the Crown, pursuant to the provisions of the Immigration and Refugee Protection Act. The General security deposits account serves to record general security deposits from transportation companies in accordance with the provisions of the Immigration and Refugee Protection Act. The following table presents details on the deposit accounts:

Deposit Accounts

(in thousands of dollars)					
	Opening Balance	Deposits	Refunds	Forfeitures	Closing Balance

Immigration guarantee fund	21,377	6,109	(4,658)	(790)	22,038
General security deposits	6,619	400	-	-	7,019
Total deposit accounts	27,996	6,509	(4,658)	(790)	29,057

7. Employee Future Benefits

(a) Pension benefits

The CBSA's employees participate in the public service pension plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and the CBSA contribute to the cost of the Plan. Due to the amendment of the Public Service Superannuation Act following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups - Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2016-2017 expense amounts to \$119,519,000 (\$128,762,000 in 2015-2016). For Group 1 members, the expense represents approximately 1.12 times (1.25 times in 2015-2016) the employee contributions and, for Group 2 members, approximately 1.08 times (1.24 times in 2015-2016) the employee contributions.

The CBSA's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Financial Statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits

Severance benefits provided to the CBSA's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2017, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in obligations during the year were as follows:

Severance benefits

(in thousands of dollars)		
	2017	2016
Accrued benefit obligation, beginning of year	78,478	82,894
Expense for the year	(14,924)	4,193
Benefits paid during the year	(5,131)	(8,609)
Accrued benefit obligation, end of year	58,423	78,478

8. Accounts Receivable and Advances

The following table presents details of the accounts receivable and advances:

Accounts Receivable and Advances

(in thousands of dollars)		
	2017	2016

Receivables - Other government departments and agencies	26,198	12,716
Receivables - External parties	3,857	3,910
Employee advances and other receivables	4,257	2,027
	34,312	18,653

	2017	2016
Allowance for doubtful accounts on external receivables	(2,893)	(2,689)
Gross accounts receivable	31,419	15,964
Accounts receivable held on behalf of Government	(3,818)	(2,004)
Net accounts receivable	27,601	13,960

9. Inventory

The following table presents details of the inventory, measured at cost using the weighted average cost method.

Inventory

(in thousands of dollars)		
	2017	2016
Uniforms	-	3,703
Total	-	3,703

10. Tangible Capital Assets

The following table presents details of the tangible capital assets:

Cost

(in thousands of dollars)					
Capital asset class	Opening balance	Acquisitions	Adjustments (1)	Disposals and write-offs	Closing balance
Land	4,649	-	-	44	4,605
Buildings	441,541	39	338	4,413	437,505
Leasehold improvements	31,660	-	3,172		34,832
Works and infrastructure	5,150	911	653	-	6,714
Machinery and equipment	112,422	8,909	724	10,070	111,985
Informatics hardware	52,057	3,654	692	1,088	55,315
Informatics software - in-house developed	459,226	-	31,689	-	490,915

Informatics software - purchased	5,697	-	114	-	5,811
Motor vehicles	31,805	465		2,243	30,027
Ships and boats	747		203	68	882
Assets under construction	372,445	95,102	(37,375)	20,889	409,283
Total	1,517,399	109,080	210	38,815	1,587,874

Accumulated amortization

(in thousands of dollars)					
Capital asset class	Opening balance	Amortization	Adjustments (1)	Disposals and write-offs	Closing balance
Land	-	-	-	-	-
Buildings	152,227	13,631	31	898	164,991
Leasehold improvements	28,891	2,421	-	-	31,312
Works and infrastructure	2,180	484	-	-	2,664
Machinery and equipment	59,913	9,161	(33)	9,574	59,467
Informatics hardware	42,689	3,634	2	1,088	45,237
Informatics software - in-house developed	251,120	47,432	-	-	298,552
Informatics software - purchased	5,160	515	114	-	5,789
Motor vehicles	23,529	3,137	-	2,223	24,443
Ships and boats	612	53	-	66	599
Assets under construction	-	-	-	-	-
Total	566,321	80,468	114	13,849	633,054

Net book value

(in thousands of dollars)		
Capital asset class	2017	2016
Land	4,605	4,649
Buildings	272,514	289,314
Leasehold improvements	3,520	2,769
Works and infrastructure	4,050	2,970
Machinery and equipment	52,518	52,509
Informatics hardware	10,078	9,368
Informatics software - in-house developed	192,363	208,106

Informatics software - purchased	22	537
Motor vehicles	5,584	8,276
Ships and boats	283	135
Assets under construction	409,283	372,445
Total	954,820	951,078

(1) Adjustments include assets under construction of \$37,375,000 that were transferred to the other categories upon completion of the assets.

11. Contractual Obligations

The nature of the CBSA's activities can result in some large multi-year contracts and obligations whereby the CBSA will be obligated to make future payments in order to carry out its programs or when services and goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

Purchase contracts

(in thousands of dollars)					
2018	2019	2020	2021	2022 and there-after	Total
99,996	14,225	1,487	638	302	116,648

12. Contingent Liabilities

Contingent liabilities arise in the normal course of operations, and their ultimate disposition is unknown.

Claims and litigation

Forty-five (45) (45 in 2015-2016) general litigation claims have been made against the CBSA in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable.

The CBSA has recorded an allowance of \$2,165,000 (\$665,000 in 2015-2016) for claims and litigation where it is likely that there will be future payment and a reasonable estimate of the loss can be made. Claims and litigation for which the outcome is not determinable and a reasonable estimate can be made by management amount to \$10,215,000 (\$880,000 in 2015-2016).

13. Related Party Transactions

The CBSA is related as a result of common ownership to all Government departments, agencies and Crown corporations of Canada. The CBSA enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, the CBSA received common services which were obtained without charge from other Government departments as disclosed below:

(a) Common services provided without charge by other government departments

During the year, the CBSA received services without charge from certain common service organizations, related to accommodation, legal services, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services without charge have been recorded in the CBSA's Statement of Operations and Departmental Net Financial Position as follows:

Common services provided without charge by other government departments

(in thousands of dollars)		
	2017	2016
Employer's contribution to the health and dental insurance plans	102,804	99,639
Accommodation	62,847	67,892

Legal services	8,461	9,330
Workers' compensation coverage	296	313
Total	174,408	177,174

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as payroll and cheque issuance services provided by Public Works and Government Services Canada, audit services provided by the Office of the Auditor General, and telecommunication and network services provided by Shared Services Canada are not included as an expense in the CBSA's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with related parties

Other transactions with related parties

(in thousands of dollars)		
	2017	2016
Expenses - other government departments and agencies	333,634	366,253
Revenues - other government departments and agencies	772	624

Expenses and revenues disclosed in (b) exclude common services provided without charge which are already disclosed in (a).

14. Segmented Information

Presentation by segment is based on the CBSA's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2.

The major categories of revenue are described below:

Immigration and Refugee Protection Regulations administration fees

The administration fee amounts are set out in section 280 of the Immigration and Refugee Protection Regulations. Transporters are required to pay administration fees to partially defray the cost of processing certain categories of inadmissible foreign nationals conveyed to Canada. The fees apply when a transporter carries a foreign national.

Inspection fees for food, plant and animal products

Inspection fees for food, plant and animal products are set out in the Canadian Food Inspection Agency (CFIA) Fees Notice pursuant to section 24 of the Canadian Food Inspection Agency Act. The fees are for passenger and initial import inspection services performed at airports and other Canadian border points of entry into Canada.

NEXUS fees for pre-approved and frequent travellers

NEXUS fees are for processing applications related to a joint initiative between the CBSA and the United States Customs and Border Protection that simplifies border crossings for its members and enhances border security. Authority to collect these fees is pursuant to section 24(1) of the Presentation of Persons (2003) Regulations. The NEXUS fees are a non-refundable processing and application fee for becoming a member of this program.

Free and Secure Trade (FAST) fees for pre-approved and frequent importers

FAST fees are for processing applications related to a joint initiative between the CBSA and United States Customs and Border Protection that enhances border and trade chain security while making cross-border commercial shipments simpler and subject to fewer delays. Authority to collect these fees is pursuant to section 24(1) of the Presentation of Persons (2003) Regulations.

Detector dog training services

The CBSA offers detector dog services to other enforcement agencies and jurisdictions within Canada and abroad, such as police forces in municipal, provincial and federal correctional authorities and foreign countries.

The following table presents the expenses incurred and the revenues generated for the main programs, by major object of expense and by major type of revenues.

Segmented Information

Operating Expenses

(in thousands of dollars)								
	Admissibility Determination	Internal Services	Risk Assessment	Immigration Enforcement	Revenue and Trade Management	Secure and Trusted Partnership	Criminal Investigations	Recourse
Salaries and employee future benefits	745,784	220,572	132,082	102,592	73,488	39,900	31,709	10,349
Professional and special services	41,538	100,423	42,964	46,239	7,697	1,274	738	158
Amortization of tangible capital assets	7,441	60,067	144	3,692	9,002	34	88	-
Rental of buildings and machinery	36,935	14,173	6,188	5,001	3,460	1,870	1,501	482
Transportation and telecommunication	18,206	4,595	2,525	9,207	595	271	399	31
Other	4,571	7,492	17	2,391	20,838	13	17	-
Repairs and maintenance	14,691	5,752	2,726	268	556	40	119	1
Machinery and equipment	3,690	7,986	3,423	344	386	(24)	477	1
Utilities, materials and supplies	7,250	2,211	480	905	309	125	360	21
Provision for contingent liabilities	-	1,482	-	-	-	-	-	-
Bad debts	14	7	-	36	181	168	-	1
Court awards and other settlements	79	86	5	19	46	-	59	4
Refunds and adjustments to prior years' expenditures	(655)	(2,333)	(202)	(95)	(62)	24	(12)	(4)
Total operating	879,544	422,513	190,352	170,599	116,496	43,695	35,455	11,044

expenses								
Revenues								
	Admissibility Determination	Internal Services	Risk Assessment	Immigration Enforcement	Revenue and Trade Management	Secure and Trusted Partnership	Criminal Investigations	Recourse
Sales of goods and services	627	5	1	1,007	10,973	10,154	-	1
Miscellaneous Revenues	205	389	12	1,153		-	22	34
Revenues earned on behalf of Government	(117)	(55)	(2)	(304)	(1,542)	(1,427)	(3)	(5)
Total revenues	715	339	11	1,856	9,431	8,727	19	30
	Admissibility Determination	Internal Services	Risk Assessment	Immigration Enforcement	Revenue and Trade Management	Secure and Trusted Partnership	Criminal Investigations	Recourse
Net cost from operations before government funding and transfers	878,829	422,174	190,341	168,743	107,065	34,968	35,436	11,014

Segmented Information - 2016-2017 Comparison

Operating Expenses

(in thousands of dollars)		
	2017 Total	2016 Total
Salaries and employee future benefits	1,356,476	1,403,596
Professional and special services	241,031	224,943
Amortization of tangible capital assets	80,468	76,748
Rental of buildings and machinery	69,610	75,366
Transportation and telecommunication	35,829	43,233
Other	35,339	15,339
Repairs and maintenance	24,153	19,538
Machinery and equipment	16,283	28,322
Utilities, materials and supplies	11,661	12,895
Provision for contingent liabilities	1,482	(1,446)

Bad debts	407	682
Court awards and other settlements	298	336
Refunds and adjustments to prior years' expenditures	(3,339)	(5,272)
Total operating expenses	1,869,698	1,894,280
Revenues		
	2017 Total	2016 Total
Sales of goods and services	22,768	21,672
Miscellaneous Revenues	1,815	1,532
Revenues earned on behalf of Government	(3,455)	(3,336)
Total revenues	21,128	19,868
	2017 Total	2016 Total
Net cost from operations before government funding and transfers	1,848,570	1,874,412

15. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

Financial Statements - Administered Activities

Statement of Administered Assets and Liabilities (Unaudited)
For The Year Ended March 31

(in thousands of dollars)		
Administered assets	2017	2016
Cash on hand	449,333	2,312,492
Accounts receivable - other government departments and agencies	50	6,623
Accounts receivable - external parties (note 3)	2,935,179	881,625
Total	3,384,562	3,200,740
Administered liabilities	2017	2016
Accounts payable - other government departments and agencies	246,238	228,762
Accounts payable - provinces (note 4)	11,615	10,807
Accounts payable - external parties	386	284
Deposit accounts (note 5)	9,825	12,757
Sub-total	268,064	252,610
Net amount due to the Consolidated Revenue Fund of the Government of Canada (note 6)	3,116,498	2,948,130

Total	3,384,562	3,200,740
<div><div></div><div>Contingent liabilities (note 7)</div><div>The accompanying notes form an integral part of these financial statements.</div></div>		

John Ossowski, President
Ottawa, Canada
August 24, 2017

Christine Walker, Chief Financial Officer
Ottawa, Canada
August 24, 2017

Statement of Administered Revenues (Unaudited)
For the Year Ended March 31

(in thousands of dollars)		
Administered revenues - tax revenues	2017	2016
Excise taxes (note 8)	23,900,136	23,796,760
Customs import duties	5,477,359	5,371,603
Excise duties	1,432,743	1,417,998
	30,810,238	30,586,361
Administered revenues - non-tax revenues	2017	2016
Interest, penalties and fines	29,976	19,514
Sale of goods and services	835	707
Other	111	293
	30,922	20,514
Administered revenues	2017	2016
Total administered revenues	30,841,160	30,606,875
Bad debt expense	73,493	(415)
Net administered revenues	30,767,667	30,607,290

The accompanying notes form an integral part of these financial statements.

Statement of Administered Cash Flows (Unaudited)
For the Year Ended March 31

(in thousands of dollars)		
	2017	2016

Net administered revenues	30,767,667	30,607,290
Variations in administered assets and liabilities:	2017	2016
(Increase) decrease in cash on hand	1,863,159	(146,703)
(Increase) decrease in accounts receivable - other government departments and agencies	6,573	(3,394)
(Increase) decrease in accounts receivable - external parties	(2,053,554)	172,385
Increase (decrease) in accounts payable - other government departments and agencies	17,476	11,928
Increase (decrease) in accounts payable - provinces	808	(149)
Increase (decrease) in accounts payable - external parties	102	(1,680)
Increase (decrease) in deposit accounts	(2,932)	2,138
Net cash deposited in the Consolidated Revenue Fund of the Government of Canada	30,599,299	30,641,815
Consisting of:	2017	2016
Deposits to the Consolidated Revenue Fund	31,174,896	31,221,775
Payments and refunds from the Consolidated Revenue Fund	(575,597)	(579,960)
Net cash deposited in the Consolidated Revenue Fund of the Government of Canada	30,599,299	30,641,815

☐ The accompanying notes form an integral part of these financial statements.

Canada Border Services Agency (Administered Activities) Notes to the Financial Statements (Unaudited) For the Year Ended March 31

1. Authority and objectives

The Canada Border Services Agency (CBSA) provides integrated border services that support national security priorities and facilitate the free flow of people and goods, including food, plants, animals and related products across the border. The Canada Border Services Agency Act received royal assent on November 3, 2005. The Agency is a departmental corporation named in Schedule II of the Financial Administration Act and reports to Parliament through the Minister of Public Safety. The Agency is funded through authorities from the Government of Canada.

The Agency is responsible for the administration and enforcement of the following acts or portions of these acts: the Customs Act, the Customs Tariff, the Excise Act, the Excise Tax Act, the Citizenship Act, the Immigration and Refugee Protection Act, as well as other acts on behalf of other federal departments and provinces.

The Agency Administered Activities financial statements report on assets, liabilities, tax and non-tax revenues administered on behalf of the federal, provincial and territorial governments.

2. Summary of Significant Accounting Policies

The purpose of these Agency Administered Activities financial statements is to present information about revenues, expense, assets and liabilities that the Agency administers on behalf of the federal, provincial and territorial governments. The Agency reports in accordance with accounting principles that are consistent with those applied in the preparation of the financial statements of the Government of Canada.

A summary of significant accounting policies are as follows:

(a) Cash on hand

Cash on hand includes amounts received in Agency offices or by Agency agents as at March 31 but not yet deposited to the credit of the

Consolidated Revenue Fund (CRF) of the Government of Canada.

(b) Accounts receivable

Accounts receivable represent taxes and duties and other revenues not yet collected. All receivables are stated at amounts ultimately expected to be realized. A provision is made for doubtful accounts where recovery is considered uncertain.

(c) Accounts payable – provinces

Accounts payable – provinces represents amounts in accordance with memorandums of understanding (MOUs) between the provinces and the Agency, whereby provincial sales, alcohol and tobacco taxes are collected and remitted to the provinces.

(d) Accounts payable – external parties

Accounts payable – external parties represent refunds, and related interest, to importers resulting from reassessments completed after March 31 for excise taxes, custom import duties and excise duties related to current or prior year imports.

(e) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(f) Tax revenues

The determination of the Agency's tax revenues is based on the taxes and duties assessed that relate to goods authorized by the Agency to enter into Canada during the fiscal year that ends March 31; therefore, domestic taxes are not reflected in these statements. These revenues are recognized at the time the goods are released.

- Excise taxes: Consists of the goods and services tax (GST) and the harmonized sales tax (HST) assessed on imports, net of the GST remission order to the Canada Revenue Agency (CRA) and the provincial portion of the HST. The input tax credits accorded for GST and HST paid on importations are not reflected in these statements as the CRA is responsible for their administration. Excise taxes are also assessed on gasoline and other imports.
- Customs import duties: Consists of import duties assessed on imports. They are reported net of refunds, rebates and drawbacks.
- Excise duties: Consists of tobacco, beer and liquor duties assessed on imports. They are reported net of refunds, rebates and drawbacks.

The Canadian customs and tax systems are predicated on self-assessment where importers are expected to understand the laws and comply with them. This has an impact on the completeness of duty and tax revenues when importers fail to comply with laws. The Agency has implemented systems and controls in order to detect and correct situations where importers are not complying with the various acts it administers. These systems and controls include performing audits of importer records where determined necessary by the Agency. Such procedures cannot be expected to identify all undeclared or incorrectly declared importations or other cases of non-compliance; in those cases, the Agency does not estimate the amount of duties and taxes. However, such amounts are included in revenues when identified during reassessment.

(g) Non-tax revenues

Non-tax revenues consists of items such as fees, penalties, interest and fines and are recognized in the period in which the underlying transaction or event occurred that gave rise to the non-tax revenue.

(h) Allowance for doubtful accounts

The allowance for doubtful accounts reflects management's best estimate of the collectability of accounts receivable, including the related interest and penalties. The allowance for doubtful accounts is composed of two parts, each of which is reviewed on an annual basis. A portion of the allowance is based on the collectability status of the accounts and the other portion is based on accounts under appeal.

(i) Tax remission order

The tax remission order provides for a remission of the GST and HST paid or payable by departments of the federal government on their taxable purchases of goods and services. The remission does not affect the net GST and HST ultimately retained by the government.

(j) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expense reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant item where estimates are used is for establishing the allowance for doubtful accounts. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Accounts Receivable – External Parties

Accounts receivable – external parties represent the GST and HST, custom import duties, excise duties, penalties and interest due to the Receiver General for Canada as a result of importations into Canada.

The following table presents details of accounts receivable – external parties:

Accounts receivable – external parties

(in thousands of dollars)		
	2017	2016
Accounts receivable - external parties	3,123,439	1,447,663
Allowance for doubtful accounts	(188,260)	(566,038)
Accounts receivable - external parties	2,935,179	881,625

4. Accounts Payable - Provinces

The following table presents details of provincial sales, alcohol and tobacco taxes collected and remitted to the provinces:

Accounts Payable - Provinces

(in thousands of dollars)		
	2017	2016
Opening balance	10,807	10,956
Receipts from importers	76,530	72,915
Refunds to importers	(501)	(421)
Payments to provinces	(75,221)	(72,643)
Closing balance	11,615	10,807

5. Deposit Accounts

The deposit accounts were established to record cash and securities received to guarantee payment of excise taxes and customs duties on imported goods pursuant to the Excise Tax Act and the Customs Act.

The following table presents details on the deposit accounts:

Deposit Accounts

(in thousands of dollars)		
	2017	2016
Opening balance	12,757	10,619
Receipts	1,405	4,744

Payments	(4,337)	(2,606)
Closing balance	9,825	12,757

6. Net amount due to the Consolidated Revenue Fund of the Government of Canada

The net amount due to the CRF of the Government of Canada is the difference between administered assets held and collectible and administered liabilities payable by the Agency out of the CRF.

The change in the net amount due to the CRF during the fiscal year is presented in the table below:

Net amount due to the Consolidated Revenue Fund of the Government of Canada

(in thousands of dollars)		
	2017	2016
Opening balance	2,948,130	2,982,655
Net administered revenues	30,767,667	30,607,290
Net cash deposited in the Consolidated Revenue Fund	(30,599,299)	(30,641,815)
Closing balance	3,116,498	2,948,130

7. Contingent Liabilities

Claims have been made against the Agency in the normal course of operations. These claims represent appeals for previously assessed GST and HST, customs duties and excise duties. While the total amount claimed in these actions amount to approximately \$34 million as at March 31, 2017 (\$51 million as at March 31, 2016), their outcomes are not determinable and as a result no liability has been recorded in the financial statements (nil as at March 31, 2016).

8. Excise Taxes

The following table presents details of the excise tax revenues:

Excise Taxes

(in thousands of dollars)		
	2017	2016
GST and HST	24,024,708	23,917,015
Tax remission order	(30,204)	(40,965)
Transfer of HST to Provinces	(205,248)	(176,277)
Other excise taxes	110,880	96,987
Excise taxes	23,900,136	23,796,760

9. Related Party Transactions

The Agency is related, as a result of common ownership, to all Federal Government departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business and on normal trade terms. The Agency has an agreement with the CRA related to the provision of collection services under Part V.I of the Customs Act for which the CRA is funded through appropriations from the Government of Canada.

10. Comparative Information

Comparative figures have been reclassified to conform to the current year's presentation.

Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting Fiscal Year 2016-2017

1. Introduction

This document provides summary information on the measures taken by the Canada Border Services Agency (CBSA) to maintain an effective system of internal control over financial reporting (ICFR) including information on internal control management and assessment results and related action plans.

Detailed information on the CBSA's authority, mandate, and program activities can be found in Departmental Performance Report and Report on Plans and Priorities.

2. Departmental system of internal control over financial reporting

2.1 Internal Control Management

The CBSA has a well-established governance and accountability structure to support its assessment efforts and the oversight of its system of internal control. The Agency's internal control management framework, approved by the President and the Comptrollership Branch Management Committee, is in place and includes:

- Organizational accountability structures as they relate to internal control management to support sound financial management including roles and responsibilities for senior managers in their areas of responsibility for control management;
- Values and ethics;
- On-going communication and training on statutory requirements, policies, and procedures for sound financial management and control; and
- Monitoring and annual risk-based updates of internal controls over financial reporting;
- Periodic reporting to senior management, at least semi-annually, on internal controls management, including the provision of assessment results and action plan to the President and the Agency's senior management and, when necessary or as applicable, the Departmental Audit Committee (DAC).

The Departmental Audit Committee provides advice to the President of the CBSA on the adequacy and functioning of the Agency's risk management, internal control and governance frameworks and processes.

2.2 Service Arrangements relevant to financial statements

The CBSA relies on other organizations for the processing of certain transactions that are recorded in its financial statements as follows:

Common Arrangements:

- Public Works and Government Services Canada (PWGSC) centrally administers the payments of salaries and the procurement of goods and services, as per the Department's Delegation of Authority and provides accommodation services;
- Treasury Board Secretariat provides CBSA with information used to calculate various accruals and allowances, such as the accrued severance liability;
- The Department of Justice provides legal services to CBSA; and
- Shared Services Canada (SSC) provides to CBSA information technology (IT) infrastructure services and related IT general controls (ITGCs) in the areas of email, data centre and network services. Specific Arrangements:
- Pursuant to ongoing arrangements, the Canada Revenue Agency (CRA) provides information technology services, including associated internal controls ongoing effectiveness testing for ITGCs and the related remediation on behalf of CBSA. CRA also provides account receivable collection services for customs duties, taxes, fees, penalties, and other amounts owing under the Customs Act, Customs Tariff, Excise Tax Act, Excise Act 2001, and related regulations.

3. CBSA assessment results during fiscal year 2016-2017

The key findings and significant adjustments required from the current year's assessment activities are summarized below.

New or significantly amended key controls

In the current year, there were no significantly amended key controls in existing processes which required a reassessment.

Ongoing monitoring program

As part of its rotational ongoing monitoring plan, the Agency completed its reassessment of the financial controls within the business processes of the payables at year-end, acquisition cards, hospitality, travel and interdepartmental settlements. For the most part, the key controls that were tested performed as intended, with remediation required as follows:

- Control issues were found:
 - Payable at Year End area related to effective Sec. 32 and Sec. 34 certification, the provision of supporting documentation and payables assessment to ensure compliance with the applicable policies. Remediation undertakings have been implemented as part of the 2016-17 year-end activities.
 - Acquisition Cards area related to insufficient provision of supporting documentation by the CBSA managers in order to effectively demonstrate the FAA section 32 (commitment Control Authority). Remediation activities have been initiated and ongoing monitoring of acquisition cards will be maintained as part of CBSA continuous account verification quality assurance strategy.

Information technology general controls (ITGCs)

Services provided by CRA and SSC related to CBSA common arrangement include internal controls testing for those information technology general controls (ITGCs). As a result of the ongoing review performed of IT General (key) Controls that relate to the system operations, security, implementation and maintenance, no significant design control effectiveness deficiencies have been identified.

4. Agency action plan

4.1 Progress during fiscal year 2016-2017

The CBSA continued to conduct its ongoing monitoring according to the previous fiscal year's rotational plan as shown in the following table.

Previous year's rotational ongoing monitoring plan for current year	Status
Delegation of Financial Signing Authorities, Travel, Hospitality, Interdepartmental Settlements	Development and updating of the financial internal control framework completed as planned; no remedial actions required.
Entity Level Control	Entity Level Controls testing was deferred to accommodate for the alignment efforts with the 2013 COSO Internal Control Framework.
Trade program management of the adjustment for Commercial refund, Budgeting allocation and forecasting, Account Receivable Ledger, Capital assets and Compensation	The internal control update and testing frameworks of those CBSA financial related business activities were deferred in order to allow a reasonable period of stabilization pertaining to new implemented system applications.

In 2016-17, the CBSA conducted the following work in addition to the progress made in ongoing monitoring:

The internal control Financial Statements and Month-year end frameworks were updated, no remedial actions required.

4.2 Action plan for the next fiscal year and subsequent years

The CBSA's rotational ongoing monitoring plan over the next three years, based on an annual validation of the high-risk processes and control and related adjustments to the ongoing monitoring plan as required, is shown in the following table.

Rotational On-going Monitoring Plan for Internal Control over Financial Reporting			
Key control areas	Operating Effectiveness Testing Rotation		
	Fiscal Year 2017-2018	Fiscal Year 2018-2019	Fiscal Year 2019-2020

Entity level controls	<input type="checkbox"/>		
Information Technology General Controls (ITGCs)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Revenue Adjustments (Commercial Refund)			
Procurement, Payable and Payments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Relocation	<input type="checkbox"/>		
Revenues and Account Receivable Ledger (ARL) for excise tax, custom imports duties and excise duties		<input type="checkbox"/>	<input type="checkbox"/>
Casual Refund Program			
Capital Assets			<input type="checkbox"/>
Compensation		<input type="checkbox"/>	
Financial Statement, Public Accounts and Financial Close and Reporting processes			
Liabilities (PAYE)			
Budgeting and Forecasting		<input type="checkbox"/>	
Non Tax Revenues and Account Receivable Ledger (ARL) for spendable and non-spendable			
Memorandum to Cabinet (MC) and Treasury Board (TB) Submissions			<input type="checkbox"/>
Future-Oriented Statement of Operations, Quarterly Financial Report			
Section 6 of the Customs Act			

In addition to the ongoing monitoring rotational plan, CBSA plans to conduct the following deferred assessment work and remediation to be completed in the 2017-18 fiscal year.

- As identified by TBS in the 2016-17 MAF report, additional work is required to improve CBSA's budgetary control to support resource allocation decisions. In response, the Agency will revise the budget allocation and forecasting control framework, identify key controls and perform a diligent walk through to ensure effective application.
- Continue the collaboration with the Trade Program management of the Revenue Adjustment for Commercial Refund to address internal control gaps of revenue adjustment processes and development of an Internal Control financial framework.
- In collaboration with the process owner, ensure that the reported gaps related to the nine (9) CBSA Account Receivable ledger financial control frameworks are addressed and therefore proceed with the validation of the key controls existence.
- Update the Capital assets, Public Account and Compensation financial control frameworks in order to reflect the revamped processes and related IT new systems functionalities.

Finally, as part of its ongoing risk based account verification activities, the CBSA is proceeding with key control testing of the following key processes: Interdepartmental Settlements, Acquisition Cards, and Hospitality/Events /Travel. All high risk transactions are subject to a full review before they are processed, whereas sampling plan and methodology is used to extract and review samples of medium and low risk transactions. Any significant deficiencies observed are reported on a continuing basis to the CBSA senior management and the CFO, and are taken into consideration in the annual assessment of the effectiveness of the CBSA system of internal control.

Date modified: 2017-11-21