



Quarterly Financial Report for the Quarter ended September 30, 2012



Parole Board of Canada

Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board Accounting Standard 1.3. This quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates. It has not been subject to an external audit or review.

Authority and Objectives

The Parole Board of Canada (PBC or the Board) is an independent administrative tribunal responsible for making decisions about the timing and conditions of release of offenders to the community on various forms of conditional release. The Board also makes record suspension decisions and recommendations for the exercise of clemency through the *Royal Prerogative of Mercy (RPM)*.

Legislation governing the Board includes the *Corrections and Conditional Release Act (CCRA)*, the *Criminal Records Act (CRA)*, and the *Criminal Code*. The *CCRA* empowers the Board to make conditional release decisions for federal offenders and offenders in provinces and territories without their own parole boards. Provincial Boards currently exist in Quebec and Ontario. The *CRA* entitles the Board to order, deny and revoke record suspensions for convictions under federal acts or regulations. The Governor General or the Governor in Council approves the use of the *RPM* for those convicted of a federal offence, in all jurisdictions, based on investigations by the Board and recommendations from the Minister of Public Safety.

The Board has one strategic outcome: Conditional release and record suspension decisions and decision processes that safeguard Canadian communities. This strategic outcome is the cornerstone of the Board's public accountability and reporting of results.

Further details on the Board's authority, mandate and program activities may be found in the PBC's Report on Plans and Priorities.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2012-2013 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of 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.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result the measures announced in the Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-2013, frozen allotments will be established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In future years, the changes to departmental authorities will be implemented through the Annual Reference Level Update, as approved by Treasury Board, and reflected in the subsequent Main Estimates tabled in Parliament.

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

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Significant Changes to Authorities

As at September 30, 2012, total authorities available for the year have increased by \$1.9M compared to the same quarter of the previous year, from \$51.7M to \$53.6M. The major changes are as follows:

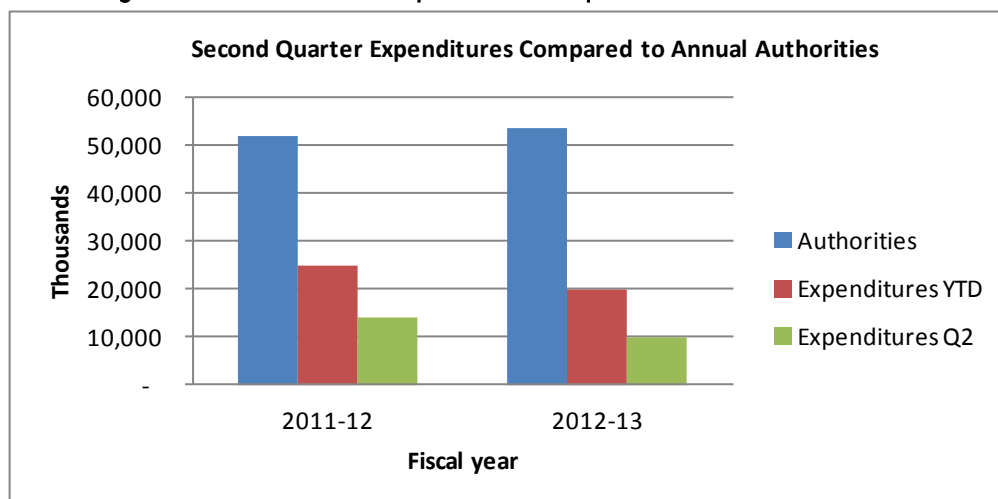
Quarter 1:

- An increase of \$1.6M due to net results of reprofiling funds between various fiscal years for the Board's Medium to Long Term Accommodation Plan for Program Delivery;
- An increase of \$0.4M related to the Renewal of the federal Victims Strategy Initiative;
- An increase of \$0.3M which is the fourth of six annual increases related to the Government's *Truth in Sentencing Act*;
- On February 23rd 2012 the user fee for record suspension (formerly pardon) applications increased from \$150 to \$631. The authority to re-spend revenue increased by \$3.2M from \$2.4M to \$5.6M accordingly.

Quarter 2:

- An increase of \$0.1M compared to 2011-12 related to the annual amount of operating budget carry-forward from the previous fiscal year the department receives.
- A decrease of \$0.1M related to the permanent transfer to Public Works and Government Services Canada for funding to consolidate all federal government pay administration services into one centre of expertise in Miramichi, New Brunswick.
- A decrease of \$0.4M compared to same quarter in 2011-12 related to the reimbursement by Treasury Board Secretariat of certain pay benefits such as severance pay, parental benefits and vacation credits payable upon termination of employment with the public service.

Figure 1 – Second Quarter Expenditures Compared to Annual Authorities



Significant Changes to Gross Budgetary Expenditures

The year-to-date (YTD) gross spending, excluding revenue, decreased by \$2.1M or 8% in 2012-13, compared with 2011-12. As a percentage of planned expenditures, YTD gross spending in 2012-13 is 40% in 2012-13, compared to 48% in 2011-12. Expenditures, excluding revenue, in the second quarter of 2012-13 are \$2.3M lower than the same quarter of the previous year. This is a decrease of 16%.

The following points explain significant variances between the two years, focusing on occurrences in the second quarter:

- Personnel expenditures decreased by \$2.2M or 17% in the second quarter of 2012-13. This is due to significant payments for severance pay and termination benefits following revisions to certain collective agreements that occurred in 2011-12 but not in 2012-13. (Elimination of severance pay was approved by Treasury Board and bargaining units in recent collective agreements representing over 95,000 members of the core public administration. Members were entitled to choose either immediate payment of accumulated severance pay or to defer the payments until termination of employment.)
- Transportation and Communications expenditures decreased by \$0.1M or 14% compared with the second quarter last year, due to the implementation of Budget 2012 measures. Further information on this is included below.

Significant Changes to Revenues Collected

The Board collects a fee for processing record suspension applications. Effective February 23, 2012, the fee increased from \$150 to \$631, resulting in the need to increase the authority to re-spend revenue by \$3.2M from \$2.4M to \$5.6M. The increased fee and changes to the legislation resulted in a decrease in the number of applications accepted in the first quarter of 2012-13. However, since then, the volumes have stabilized and in fact increased slightly compared to the same quarter in 2011-12: 3,621 in 2012-13 compared to 3,393, a 228 or 7% increase from the second quarter of 2011-12. The revenue collected in the second quarter increased considerably, from \$0.5M in 2011-12 to \$2.3M in 2012-13, a \$1.8M or 349% increase. For the year to date, revenue is 242% higher in 2012-13.

Risks and Uncertainties

The PBC receives all of its funding through annual Parliamentary authorities. As a result, its operations are impacted by any changes in funding approved through Parliament. The Board collects user fees for processing record suspension applications, and has the authority to spend revenues received during the year on activities related to processing applications for record suspensions. Lower than expected volumes from forecasts will have an impact on the Board's net financial situation.

As a small agency, the Board faces challenges in recruiting and retaining staff. Small agencies offer fewer opportunities for advancement, which leads some applicants to choose to work elsewhere, while current employees are often forced to leave to obtain promotional opportunities. As well, the Board faces the same demographic crunch as the rest of government, with retirement of personnel affecting operations. As a lean organization with few managers, it is challenging to manage on-going responsibilities while running staffing actions. Over the next few months/years, the Board is expecting to see increased activity as a result of recently-approved as well as potential legislative changes. While the increase in workload will be most obvious in the number of conditional release reviews conducted, the entire organization will be impacted. This could exacerbate the recruiting and retention difficulties should employees seek opportunities outside the Board.

Significant Changes in Relation to Operations, Personnel and Programs

On February 23, 2012, the user fee for a record suspension increased from \$150 to \$631. This change is having a major impact on the PBC's revenue.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

In the first year of implementation, the Board will achieve savings of \$1.6M. Savings will increase to \$2.7M in 2013-14 and will result in ongoing saving of \$4.8M by 2014-15. The PBC has fully achieved its target for 2012-13. The most notable impact of the measures taken has been the reduction in travel expenditures from \$741K in the second quarter last year to \$639K this year, a decrease of roughly 14%. While the overall number of reviews has increased, travel reductions have been achieved due to telework by Board members and increased use of video-conferencing in hearings. The number of hearings held by video conference increased by more than 500% over the second quarter last year.

For the next two fiscal years, all initiatives are on track for completion within identified timeframes. There are no financial risks or uncertainties related to these activities.

Approval by Senior Officials

Approved by,

Harvey Cenaiko
Chairperson

Cathy Gaudet, CA
Chief Financial Officer

Statement of Authorities (unaudited)

| (In thousands of dollars) | Fiscal year 2012-13 | | | Fiscal year 2011-12 | | |
|---|---|--|----------------------------------|---|--|----------------------------------|
| | Total available for uses for the year ending March 31, 2013 | Used during the quarter ended September 30, 2012 | Year to date used at quarter-end | Total available for uses for the year ending March 31, 2012 | Used during the quarter ended September 30, 2011 | Year to date used at quarter-end |
| Vote 35 – Program expenditures | 53,252 | 10,714 | 20,694 | 48,084 | 13,022 | 22,755 |
| Less revenues netted against expenditures | 5,645 | 2,284 | 3,709 | 2,436 | 509 | 1,084 |
| Budgetary statutory authorities - EBP | 5,938 | 1,485 | 2,959 | 6,015 | 1,504 | 3,008 |
| Total authorities | 53,545 | 9,915 | 19,944 | 51,663 | 14,017 | 24,679 |

Departmental Budgetary Expenditures by Standard Object (unaudited)

| (In thousands of dollars) | Fiscal year 2012-13 | | | Fiscal year 2011-12 | | |
|---|---|--|----------------------------------|---|--|----------------------------------|
| | Planned expenditures for the year ending March 31, 2013 | Expended during the quarter ended September 30, 2012 | Year to date used at quarter-end | Planned expenditures for the year ending March 31, 2012 | Expended during the quarter ended September 30, 2011 | Year to date used at quarter-end |
| Expenditures | | | | | | |
| Personnel | 45,364 | 10,794 | 21,442 | 42,582 | 13,012 | 23,166 |
| Transportation and communications | 4,477 | 639 | 1,062 | 4,557 | 741 | 1,339 |
| Information | 153 | 12 | 13 | 145 | 6 | 30 |
| Professional and special services | 4,121 | 581 | 875 | 3,893 | 572 | 948 |
| Rentals | 324 | 58 | 87 | 250 | 45 | 74 |
| Repair and maintenance | 2,052 | 6 | 12 | 1,729 | 10 | 13 |
| Utilities, materials and supplies | 595 | 37 | 64 | 375 | 69 | 98 |
| Acquisition of machinery and equipment | 2,072 | 72 | 94 | 564 | 71 | 92 |
| Other subsidies and payments | 32 | 0 | 4 | 4 | 0 | 3 |
| Total gross budgetary expenditures | 59,190 | 12,199 | 23,653 | 54,099 | 14,526 | 25,763 |
| Total revenues netted against expenditures | 5,645 | 2,284 | 3,709 | 2,436 | 509 | 1,084 |
| Total net budgetary expenditures | 53,545 | 9,915 | 19,944 | 51,663 | 14,017 | 24,679 |