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Passport Program Annual Report for 2014–2015 (April 1, 2014 to March 31, 2015)



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Passport Program

Annual Report for 2014-2015

Message from the Deputy Minister

I am pleased to present this year's annual report, which highlights the tremendous work undertaken to deliver Canada's Passport Program during the 2014–2015 fiscal year.

The Passport Program operates on a cost-recovery basis through a revolving fund and finances its operation entirely through fees charged for passport and other travel document services. This annual report allows the Passport Program to answer directly to passport holders and Canadians on its performance and how the revenues collected through fees are being spent. It elaborates on the Program information set out in the 2014–2015 Departmental Performance Report for Immigration, Refugees and Citizenship Canada (IRCC).

Since the change in 2013 that saw the primary responsibility of the Passport Program move from Foreign Affairs to the Department of Immigration, Refugees and Citizenship Canada, the Program's focus has been on modernization. This focus is in direct response to our commitment to Canadians to modernize the way we do business, following our public consultations in 2013.

Work is now underway to modernize services in two particular areas. First, IRCC is customizing the Global Case Management System (GCMS) to give the Passport Program a modern issuance platform to replace the processing system currently in use. This is a major enhancement, as GCMS will also facilitate direct ties with relevant information from IRCC's Citizenship program which will improve the passport application process for Canadians. Second, GCMS will be the basis for significant improvements to e-services for Canadians. GCMS will give IRCC a more centralized and virtual business model by providing access to more complete applicant information, improved file tracking, better reporting and fraud detection - all in one place.

In terms of this year's operations, the Passport Program issued 5.1 million passports; a 4.1 percent increase over the previous year. I am pleased to report that the Program continues to offer excellent client service, as despite the increase, 99 percent of the passports issued were delivered on time or earlier.

As the Program looks ahead over the coming years, we will continue to look at different means to strengthen security and integrity, improve accessibility, and increase efficiency, while continuing to maintain the high level of client service that Canadians have grown accustomed to.

I invite you to read all about this year's accomplishments in the following pages.

Anita Biguzs
Deputy Minister



Section 1 – About the Passport Program

1.1 The Program

As mandated by the *Canadian Passport Order*, the Passport Program is responsible for issuing, cancelling, refusing to issue, revoking, withholding and recovering Canadian passports. Since July 2, 2013, the *Canadian Passport Order* has given the Minister of IRCC authority over the Passport Program mandate and the power to authorize the Minister of Employment and Social Development Canada (ESDC) and the Minister of Foreign Affairs (now Global Affairs Canada) to exercise specified administrative powers. ESDC, through Service Canada, is responsible for the bulk of passport service delivery in Canada and Foreign Affairs is responsible for passport services abroad.¹

Through the Passport Program, IRCC facilitates travel for Canadians and contributes to a safe and secure travel regime by issuing Canadian travel documents that are internationally recognized and respected. The Passport Program ensures that legitimate travellers are in possession of Canadian travel documents, that potential applicants are informed of and understand their responsibilities in terms of applying for and possessing Canadian travel documents, and that the needs of Canadian travel document holders are met.

1.2 Our Services and Products

The Passport Program issued 5.1 million travel documents in 2014–2015, 99% of which were regular passports.

The passport fee for adults in Canada is \$120 for a five-year passport and \$160 for a ten-year passport.²

The Passport Program offers expedited services to clients. For an additional fee, clients in Canada who submit their application at a regional passport office can receive urgent one-day service, express service (2-9 days), same day/out of regular hours of service, and they can also choose to pick up their passport at that local office rather than having it mailed. Clients outside Canada may also be issued an emergency travel document that is valid for one trip, or a temporary passport, which is linked to a regular passport application. Several administrative services are also offered, such as the addition of a special stamp in a travel document, certified true copies, the replacement of a lost or stolen travel document, a file transfer, or the retention of a valid travel document.

The Passport Program issued 5.1 million travel documents this year; a 4.1 percent increase from the previous year.

¹ Prior to July 2013, the Passport Program was a special operating agency of Foreign Affairs, Trade and Development Canada.

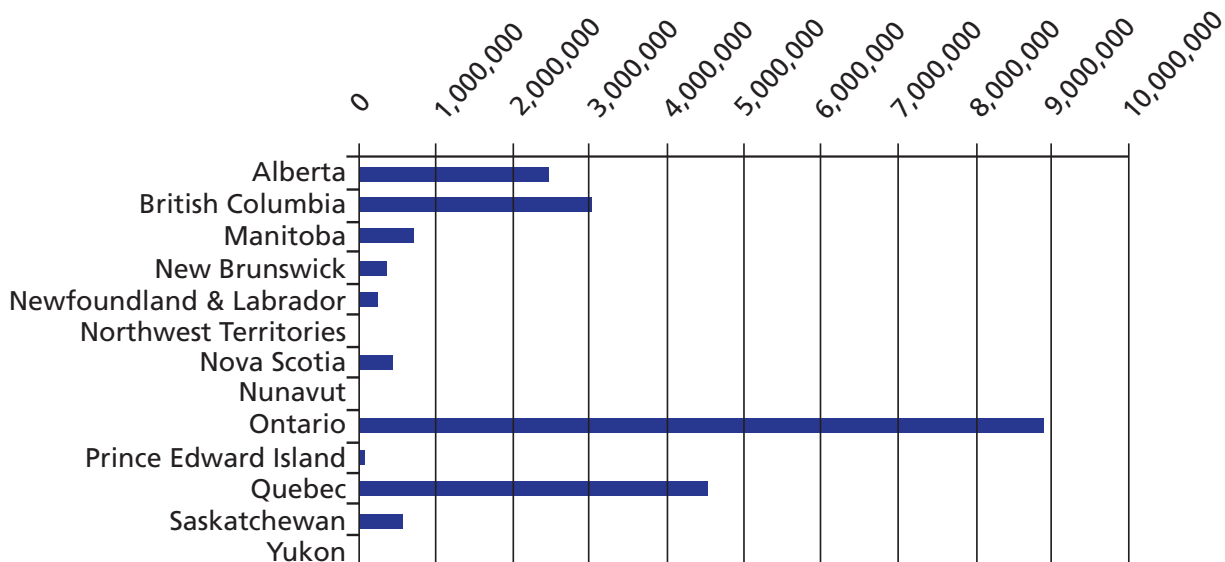
² The fees charged to clients (\$120 and \$160) include consular fees.



The Passport Program's clientele is the travelling public. Sixty-seven percent of Canadian citizens hold a valid passport and 22.88 million Canadian travel documents were in circulation as of March 31, 2015.

Figure 1 below illustrates that Ontario, Quebec and British Columbia were the provinces with the highest number of travel documents in circulation per province in 2014-2015.

Figure 1: Travel Documents in Circulation per Province



The Passport Program currently issues numerous types of travel documents:

- **Regular passports** with a validity period of five or ten years are issued to Canadian citizens for occasional travel, such as vacations and business trips. Regular passports have 36 pages. Note that passports for children (0 to 15 years of age) are issued for a maximum of five years.
- **Diplomatic passports** are issued to Canadian diplomats, senior government officials, diplomatic couriers and private citizens duly nominated as official delegates of the Government of Canada to international conferences of a diplomatic nature. The validity period is determined by the issuing office, with a maximum validity of five years.
- **Special passports** are issued to people representing the Canadian government on official business, including members of the Canadian military and the Privy Council who are not members of Cabinet, members of Parliament, provincial Cabinet members, public servants, and private citizens duly nominated as official delegates to conferences of a non-diplomatic character. The validity period is determined by the issuing office, with a maximum validity of five years.
- **Emergency travel documents** are issued to Canadians outside Canada for a single-journey direct return to their home country or to the nearest Government of Canada office where more comprehensive passport services can be obtained.
- **Refugee travel documents** are issued in accordance with the *United Nations Convention Relating to the Status of Refugees* to people in Canada with protected-person status, including Convention refugees and persons in need of protection. Such documents are endorsed for travel to all countries, except the bearer's country of citizenship. The validity period is determined by the issuing office, with a maximum validity of five years.



- **Certificates of identity** are issued to permanent residents of Canada who are not yet Canadian citizens, who are otherwise stateless or who are unable to obtain a national passport for a valid reason. A certificate of identity is not valid for travel to the bearer's country of citizenship. The validity period is determined by the issuing office, with a maximum validity of five years.
- **Temporary passports** are issued to Canadians outside Canada who require passport services while their regular passport application is being processed. They are issued for a maximum validity of one year.

1.3 Our Network

The Passport Program monitors passport demand trends and service preferences in order to maintain its excellent client service reputation and ensure the integrity of the Program.

Service Delivery Model

Designating ESDC as primarily responsible for passport services in Canada and Global Affairs Canada responsible for passport services abroad allows the Government of Canada to leverage the extensive in-person network of Service Canada offices across the country and Foreign Affairs' network abroad. That said, IRCC remains responsible for the processing of applications for refugee travel documents, certificates of identity, and diplomatic and special passports. In order to generate operating efficiencies, the Program's objective is to provide Canadians with access to passport services through a single window, rather than have segmented Government of Canada service options for passports. This model also allows IRCC to focus on the critical function of ensuring the integrity of the Passport Program. That being said, IRCC, ESDC and Foreign Affairs work collaboratively to strike the best possible balance between integrity, client service and operating efficiency.

Service Delivery Network

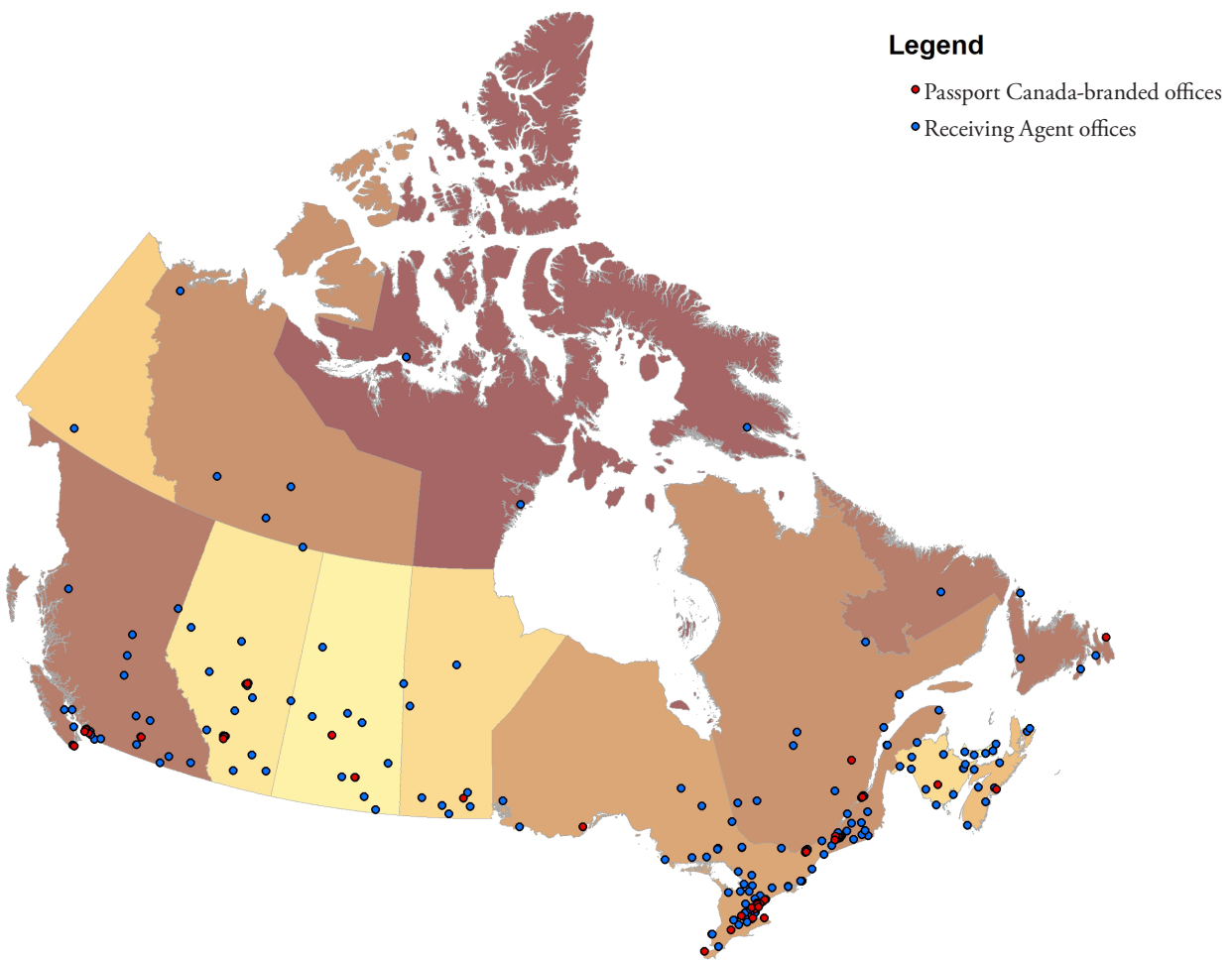
Canadians can access passport services through several service channels. Completed application forms may be submitted in person at one of the 34 Passport Canada-branded offices or receiving agent locations (i.e. 144 Service Canada and 44 Canada Post locations) as shown on Figure 2 below, mailed to a central processing centre, or submitted through the office of the applicant's Member of Parliament.

Today, over 95% of Canadians residing in Canada have access to passport services within 100 km of their place of residence. Canadians living or travelling abroad can access passport services at just over 200 Global Affairs Canada points of service abroad. In addition, Canadians can find information on the Passport Canada website (<http://www.passportcanada.gc.ca/>), by calling the Passport Program's toll-free number (1-800-567-6868), on social media, or at any of the service locations. Passport Canada's social media tools can also be found at the following links:

- www.facebook.com/passportcan
- www.twitter.com/passportcan
- <http://www.youtube.com/passportcan>



Figure 2: Passport Points of Service



Service Channel Use

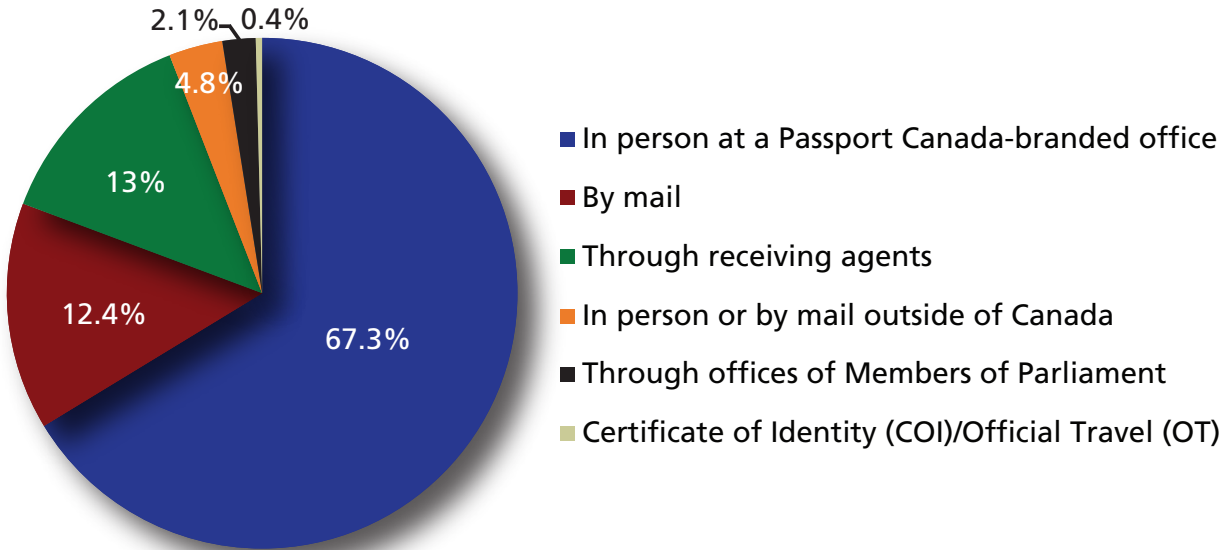
Figure 3 illustrates Canadians' continued preference for in-person service at a Passport Canada-branded office, mainly due to being able to retain official documents, have an application reviewed, obtain immediate answers to questions and benefit from shorter service standards. In fiscal year 2005-2006, 83 percent of all applications received were through a Passport Canada-branded office, which has tapered to just over 67 percent last year. This may be attributable to the addition of over 100 receiving agent offices since 2007 and the convenience of having such offices closer to clients. The percentage of applications received through receiving agent offices continues to increase, up from 4 percent in 2006-2007 to 13 percent last year.

Canadians also submit applications by mail (12.4% in 2014–2015, compared with 14.4% in 2013–2014). The simplified renewal option introduced in 2007 has increased Canadians' confidence in sending applications by mail, as official documents, such as documentary evidence of citizenship, are not required.

The remaining applications received in 2014–2015 were submitted outside Canada (4.8%), through the office of a Member of Parliament (2.1%), or were for types of documents other than a regular passport (i.e. 0.4% of applications were for a certificate of identity, a refugee travel document or a special/diplomatic passport).



Figure 3: Applications Received per Service Channel



As we continue to modernize the Passport Program, we will look at other, more convenient methods for Canadians to submit their passport applications, while maintaining the internationally respected integrity levels the Program is accustomed to.



Section 2 - Accomplishments

The Passport Program develops an annual plan to describe the plans and priorities for the use of the Passport Canada Revolving Fund in support of the Passport Program.

For 2014–2015, the Program priorities were grouped under three themes: Program Management, Integrity and Service. This section presents the Program’s accomplishments and results under these three themes.

2.1 Program Management

Ensure the use of modern management practices to anticipate and respond to future needs, including alignment with IRCC and Government of Canada business processes and systems, innovation, and decision making.

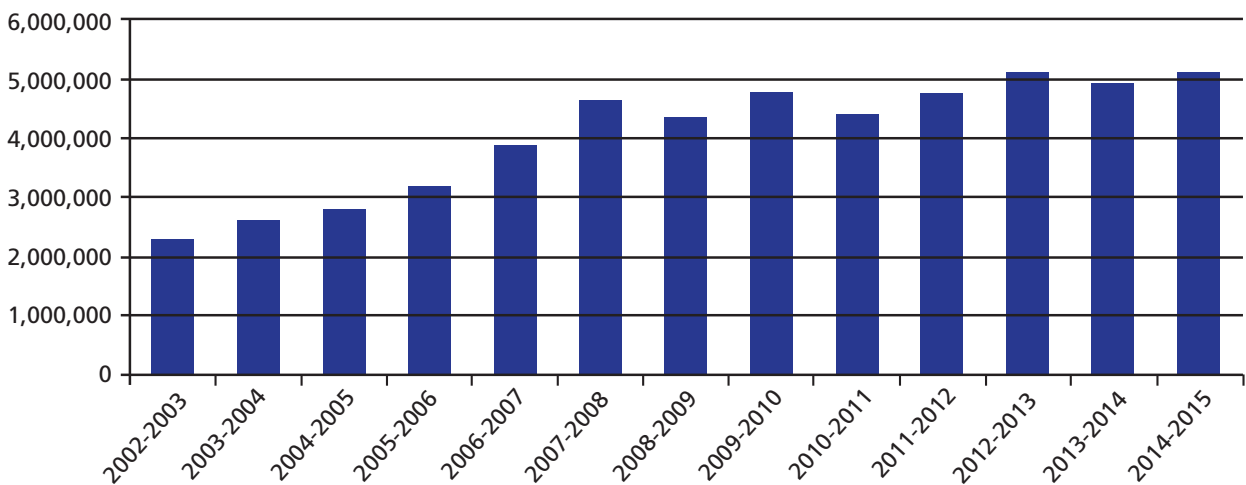
Program management plays a vital role in enabling the Passport Program to manage its resources to optimize efficient and effective day-to-day operations. At the same time, strong program management ensures the Program stays abreast of changes in the operating environment by undertaking the planning, analysis, stakeholder outreach and modernization initiatives required to achieve service and security objectives over the longer-term, while providing value-for-money for Canadians.

Program management is especially critical when working with service delivery partners (i.e. ESDC and Foreign Affairs). Program management must be effectively managed at all times and IRCC must continuously work with its partners to strike the appropriate balance between integrity and operating efficiency, without any service disruptions to Canadians.

Performance in 2014–2015

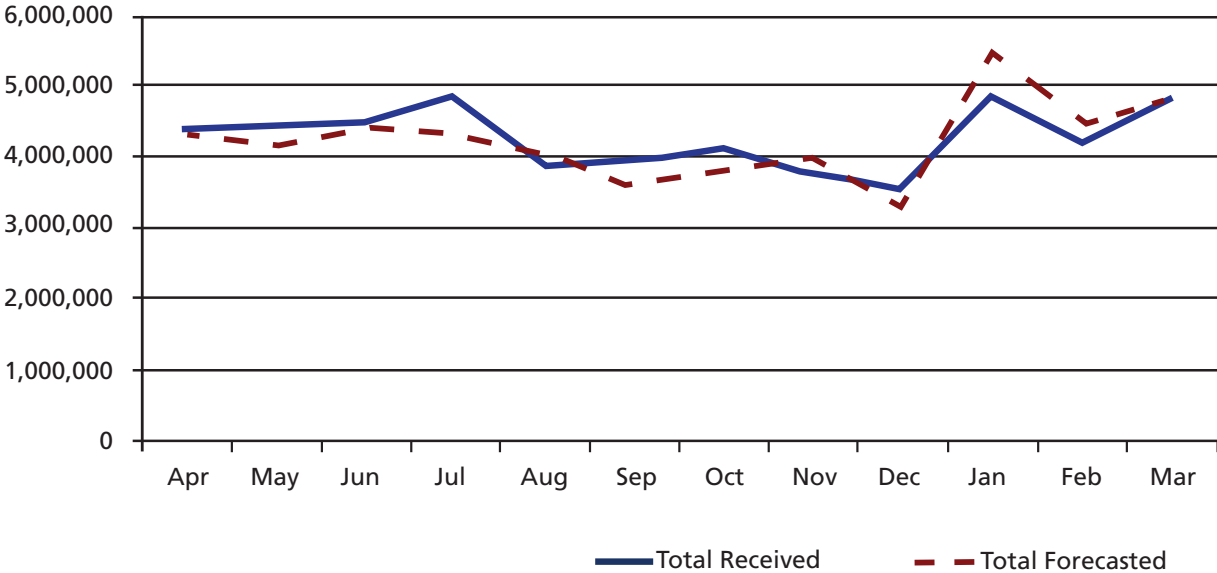
The Passport Program issued 5.1 million travel documents in 2014–2015. As seen in Figure 4, the number of passports issued annually has increased steadily over the last decade, with a sharp increase in 2007 due to the United States’ implementation of the Western Hemisphere Travel Initiative (WHTI) requiring all travellers, including Canadians, to show a valid passport when entering the United States.

Figure 4: Passport Volumes



The Passport Program forecasting model continued to play a key role in helping the Agency efficiently manage its resources to maintain service levels as Canadians’ demand for passport services fluctuated over the reporting period. As one of the few Government of Canada programs to operate on a full cost-recovery basis, the Program’s establishment of robust forecasting has enabled it to maximize the use of its resources, assess the value of new initiatives, and implement timely resource reallocation strategies in sync with forecasted changes to passport demand. The model predicts business volume within a range of probability. As set out below, the red dotted line portrays the forecast, and the blue line, the actual number of applications received. Although applications received were 1.08% higher than forecasted, the number was still well within the 5 percent discrepancy range.

Figure 5: Applications Received in 2014–2015, Forecasted vs. Received



Key Program Management Accomplishments in 2014—2015 Include:

- **Integrated Passport Canada internal services within IRCC** to optimize synergies between the Program and the department and the transfer of responsibility. This includes financial and IT systems and will allow the Program and the department to save money by reducing the duplication of work on separate systems.
- **Began the collection of Administrative Services fees.** Although the new fee structure was introduced in July of 2013, some of the administrative services fees only came into force at the beginning of this reporting period. The collection of these fees completes the implementation of the new fee structure, allowing the Program to sustain itself over its 10-year business cycle.
- **Continued work on the modernization initiative.** A change management strategy for the modernization initiative, including governance, communications and training has been developed. Work is now underway to customize the Global Case Management System. This is a major enhancement, as GCMS will begin to facilitate direct ties to relevant information from IRCC’s Citizenship program.



2.2 Integrity

Ensure that the reputation of the Canadian travel document and confidence in the Passport Program are maintained.

Maintaining the security and integrity of Canada's Passport Program is essential to ensure Canadians have internationally trusted travel documents that enable them to gain visa-free entry to other countries. Canada's Passport Program is a critical element of our country's security infrastructure and preventing the fraudulent use of Canada's travel documents has and will always be a mission critical function for the Passport Program. Authentication of identity, determination of entitlement, security policies and procedures, passport security features, biometrics, and security checks and investigations, are all integral to maintaining and strengthening Passport Program integrity in the face of evolving security threats.

For the reporting year, business priorities were established that reflect awareness of an evolving environment marked by increasingly sophisticated identity theft and fraud, i.e. fraudulently obtained genuine passports, enabling the criminal element to cross international borders to do harm.

Over the past years, Canada has seen an increased threat to national security posed by high-risk travelers that is those individuals believed to have travelled, or be intending to travel outside Canada for terrorism-related purposes. Passport refusal, cancellation and revocation have and will continue to be important tools available to the Government to limit or deter high risk travelers, minimizing the chances of a Canadian passport being used fraudulently abroad, or facilitating the return of a high-risk traveler to Canada. Over the past year, the Program has been working with other government security partners to amend the *Canadian Passport Order* to provide more authority to intervene in cases of national security and terrorism.

Performance in 2014–2015

According to the 2013 Henley Visa Restrictions Index, Canada is one of the top countries in the world in terms of visa-free access to other countries. This high level of travel freedom is a reflection of Canada's relationships within the international community, as well as the high regard for the Canadian passport.

The past year has demonstrated a strong need for collaboration among passport, security and law enforcement officials to assess high-risk travelers to ensure that a limiting action relating to passport services is the tool of choice in a particular case. Given recent attention on the issue, the Passport Program is currently examining options to enhance the capacity to take proactive and swift action to mitigate security risks posed by high-risk travelers. Consideration is being given to whether or not passport actions could be taken as a preventative measure.

The security and integrity of the Canadian passport and its issuing system are subject to intense and ongoing scrutiny. The *Canadian Passport Order* provides a legal basis for decisions rendered by the Minister to refuse or revoke a passport. Investigations into concerns related to identity, suspected fraudulent activity, misuse of a passport or following revocation/renunciation of citizenship resulted in 493 cases of refusal of passport services and 636 cases of revocation of passports in 2014–2015 (an increase of 60% and 36.2% respectively over the previous year).

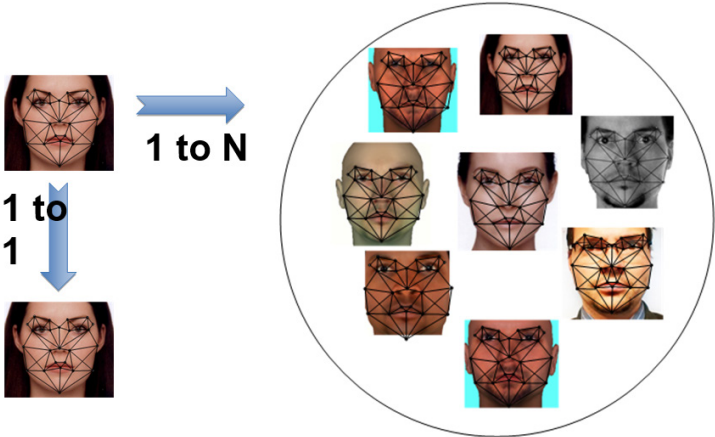
In addition, sections 69 and 70 of the *Family Orders and Agreements Enforcement Assistance Act* (FOAEAA) give the Minister the authority to suspend or refuse to renew or to issue a passport to an individual on being informed by the Minister of Justice that he or she is subject to a license denial application due to child support payment arrears. In 2014–2015, a total of 2,077 individuals were subject to suspensions or the refusal of a passport pursuant to FOAEAA (1,366 suspensions and 711 refusals).



Passports that are lost or stolen are also monitored for security reasons. In 2014–2015, 60,780 passports out of the total 22.8 million passports in circulation were reported lost or stolen. This represents 0.27% of all passports in circulation during this period. Information regarding lost and stolen passports is shared with the Royal Canadian Mounted Police, the Canada Border Services Agency and Interpol for inclusion in their respective databases in order to mitigate the risk of unauthorized use of invalidated passports.

Key Integrity Accomplishments in 2014—2015 Include:

- **Amendments to the *Canadian Passport Order*** have been developed and are awaiting parliamentary approval to limit travel for terrorism purposes and for individuals considered to be at a high risk of committing sexual offences against children abroad. It is expected that these amendments will come into force early in the next fiscal year.
- **Expanded the efficiency of the Facial Recognition Program** by updating the algorithm used to increase effectiveness. In addition, the compression rate of photos in the central database was decreased which has reduced the number of false hits.



- **Continued working relationships** with the Canadian Security Intelligence Service, the Royal Canadian Mounted Police, the Canada Border Services Agency and Public Safety Canada focussed on security threats with a special emphasis on Canadians involved in foreign conflicts. This information sharing network has proven effective in the detection of fraud and will contribute to building appropriate safeguards, controls and oversight mechanisms to manage the risk that a passport may be used for the purpose of travelling to engage and participate in terrorist-related activities.
- **Completed Passport Program risk assessments in the South America region.** These risk assessments provide insight into threats and risks that may be unique to a mission or geographic area of responsibility, client profile, and/or operating environment, which provide information for missions on passport service delivery and the supporting tools and strategies.
- **Validating identities with provinces and territories.** The Program started to develop a strategy for automated information-sharing with provinces and territories to better validate identities prior to issuing passports began.



2.3 Service

Ensure that the Passport Program is responsive to heightened client service expectations.

Canadians expect high-quality passport services, including a straightforward passport application process and an acceptable time frame to obtain a passport. Despite excellent levels of client satisfaction, the Passport Program continues to evolve to ensure its ability to meet clients' needs in years to come, that is, by recognizing that Canadians want to access a full range of federal government programs and services electronically, including passport services.

Over the reporting year, an in-person Passport point of service (Passport Canada-branded office, Service Canada or Canada Post receiving agent) was less than 100km away for 95 percent of Canadians residing in Canada. For Canadians living or travelling abroad, passport services are available through a vast network of Government of Canada offices abroad.

Performance in 2014–2015

The Passport Program has consistently achieved superior levels of client satisfaction. In a year of transition and significant change, the Passport Program delivered on its promise not to disrupt service to Canadians and delivered over 5 million travel documents, with 99% of clients receiving their passport on time or earlier.

The Passport Program's service standards are commitments to a specific level of service that clients can expect to receive under normal circumstances. The Passport Program formalized its service standards when the new fee structure was introduced in July 2013. Under the [User Fees Act](#), the Program is accountable to Parliament for its service standards and performance. The Program will report on these service standards on an annual basis through IRCC's Departmental Performance Report. If the Program misses its stated service standards by more than 10 percent, it will be required to reduce its fees by a percentage equivalent to the unachieved performance, up to a maximum of 50 percent.



Figure 6 describes the established service standards, which are monitored to ensure that the commitment is being met; it illustrates that the Program is maintaining high-quality service delivery by exceeding its service commitments to Canadians:

Figure 6: Current Services, Service Standards, Performance Targets and Results

Service	Service standard	Performance target	Results for 2014-2015
Services for Canadians in Canada			
Passport application in person at a Passport Canada-branded office	10 business days	90% of complete applications are processed within announced processing times	99.64%
Passport application by mail	20 business days		99.84%
Passport application in person at a receiving agent	20 business days		99.81%
Services for Canadians outside Canada			
Regular passport application in person at a Government of Canada office abroad	20 business days	90% of complete applications are processed within announced processing times	96.39%
Temporary passport ³	Under 20 business days		99.44%
Emergency travel document ⁴	Under 20 business days (determined on a case by case basis)		98.86%
Services for non-Canadians in Canada			
Certificate of identity	20 business days	90% of complete applications are processed within announced processing times	94.81%
Refugee travel document	20 business days		95.73%
Expedited Services in Canada			
Urgent service	24 hours (next business day)	90% of complete applications are processed within announced processing times	99.40%
Express service	2 to 9 business days		99.94%
Pick-up service	10 business days		99.78%
Same day/out of regular hours of service	Same day		97.78%
Other Services			
Addition of a special stamp ⁵	If request is made: - Along with a travel document application: same as processing time for the associated travel document; - After a travel document has been issued: 10 business days	90% of requests are processed within announced processing times	100%
Certified true copy of a travel document	10 business days		95.77%
File transfers from one regional office in Canada to another	3 business days		99.02%



During this transition period, the Program continued to support and provide information to passport applicants and passport holders through its call center and website, answering approximately 1,560,724 calls in 2014–2015, with 88.8% of clients waiting eight minutes or less in the telephone queue. The eight minute wait time for the Passport Program surpasses the Government of Canada objective of 10 minutes. Our website recorded 18,998,158 visits between April 1, 2014 and March 31, 2015. The website's **Contact Us** section allows users to share their concerns, provide feedback, request the status of their passport application and ask questions related to the Canadian passport. In 2014–2015, **Contact Us** received 91,432 requests for the status of passport applications and 43,015 general queries.

Client Satisfaction

Since the 1990s, the Passport Program has conducted periodic client-centred research to identify passport applicants' expectations regarding service and to measure progress towards meeting these expectations. For example, in 2001, the Program launched an ongoing Client Satisfaction Measurement Program to support its continuing objectives for service excellence. The 2014 National Client Satisfaction Survey was based on telephone interviews with a representative sample of 2,500 Canadians 18 years and older from every province who received a new passport between January and June of 2013.

The specific objectives of the 2014 Client Satisfaction Survey were as follows:

- to support departmental evaluation obligations;
- to provide essential baseline data on client satisfaction, including perceptions about the Program and service improvements;
- to evaluate the overall efficiency and effectiveness of the Program; and,
- to clearly understand and assess the impact of the Passport Program's modernization initiatives, including the forthcoming online application process.

The 2014 survey results highlights are as follows:

Eligibility and Type of Process

Sixty percent of respondents submitted their passport application at a Passport Canada-branded office, 18% submitted it by mail and 14% submitted it at a Service Canada location.

Seventy-six percent of clients would feel comfortable completing an application on a computer, if the option to print the application was no longer available.

Application Form and Requirements

Fifty-three percent of applicants had no suggestions on how to improve application requirements when obtaining a new passport.

³ Expedited service outside Canada is for those individuals who require a passport to travel while their regular passport is being processed.

⁴ For Canadians outside of Canada who require a single-journey direct return to Canada or to facilitate their travel to the nearest Government of Canada office where more comprehensive passport services can be obtained.

⁵ Certain countries require the passport to contain a stamp containing an Arabic translation of the bearer's particulars as seen on the photo page.



Submitting Applications in Person

Eighty-one percent of respondents who applied in person were satisfied with the waiting time at the office; 66% of respondents reported spending less than 30 minutes waiting. Over 90% of respondents were satisfied with all aspects of the service they received during the in-person visit. Most notably, 97% were satisfied with the competence of the staff.

Passport Turnaround

Almost three quarters of respondents (74%) reported that it took less than two weeks to receive their passport and 93% of clients said that the turnaround time was acceptable.

Website

Forty-seven percent of clients indicated that they had visited the Passport Canada website prior to submitting their application and 89% were either very satisfied or satisfied with the information they found.

Channel Preferences and Online

Thirty-nine percent of respondents were very likely to apply for a passport online (including submitting the photo and making the payment); 23% were somewhat likely.

Sixty-nine percent of respondents said it was important to have an online chat function to help them to complete an online passport application.

Passport Use and Socio-demographics

Eighty-six percent of respondents said they had used their passport to travel outside Canada and 82% of passport holders said they felt very confident in travelling abroad with their Canadian passport. Despite the fact that most Canadians use their passport to travel abroad, a significant number (58%) of respondents have used their Canadian passport as an identity document for air travel within Canada.

In term of awareness, 95% of respondents were aware that they have to report a lost or stolen passport, but the majority (58%) was unaware that the passport of a deceased person should be returned to Passport Canada for cancellation.

Overall Service Experience

Ninety-six percent of respondents were satisfied with the overall service they received from the Passport Program. The proportion of clients who were very satisfied is at an all-time high (49%).

International Service Achievements and Partnerships

The **Five Nations Passport Group** is an international forum for cooperation among the passport issuing authorities of Australia, Canada, New Zealand, the United Kingdom and the United States. The five countries work collectively toward achieving a secure travel document, safe international travel and protecting national borders. The 2014 Five Nations Passport Conference was held in Seattle, in the United States, in April 2014.

The annual **Five Nations Passport Conference** is a largely informal, in-person meeting between officials from the passport issuing authorities. It has taken place for at least as far back as 1994. As Canada looks forward to chairing the Five Nations Conference in 2016, the Passport Program will be able to provide additional updates on how the modernization initiative has progressed.



International Civil Aviation Organization (ICAO)

ICAO is a United Nations specialized agency, established by States in 1944 to manage the administration and governance of the Convention on International Civil Aviation (Chicago Convention).

ICAO works with the Convention's 191 Member States and industry groups to reach consensus on international civil aviation Standards and Recommended Practices (SARPs) and policies in support of a safe, efficient, secure, economically sustainable and environmentally responsible civil aviation sector. These SARPs and policies are used by ICAO Member States to ensure that their local civil aviation operations and regulations conform to global norms, which in turn permits more than 100,000 daily flights in aviation's global network to operate safely and reliably in every region of the world.

Below are descriptions of the ICAO working groups and board of which IRCC is a member and their major accomplishments:

Implementation and Capacity Building Working Group (ICBWG):

The ICBWG was established to promote the implementation of ICAO standards and to assist States that lack the capacity or resources to meet ICAO travel document standards. The working group provides guidance and assessment material on issues related to travel documents and identity, supports gap assessment, exchanges information on problems and policy issues, addresses non-compliance with relevant ICAO standards and specifications, and advises concerned States on requirements and resources.

IRCC actively participates in ICAO's ICBWG to encourage the uptake of the travel document technical specifications, standards and best practices that it develops with international partners. The adoption of safe and secure travel document production, issuance and control practices ensures that States (particularly developing States) are preventing and responding to criminal and terrorist activities, and contributing to a system of safer air travel.

- Canada led international efforts to amend the travel document-related standards and recommended practices in Annex 9 of the Chicago Convention; these amendments are subject to State approval and, if passed, would come into effect in October 2015. The amendments, when implemented, seek to enhance aviation security and facilitation through the improved use of international travel document-related repositories, while ensuring that standards and recommended practices remain current and consistent.

New Technologies Working Group (NTWG):

The NTWG is responsible for developing international standards and specifications, and for monitoring new technological advancements in the issuance and use of travel documents. The working group pursues advancements to international travel document specifications and technologies that are backward compatible, globally interoperable and secure.

IRCC is very active in ICAO's NTWG, where it provides technical and policy advice to involved States and international organizations.



- Canada and the Netherlands are co-chairing a sub-group of the NTWG to develop the policy and technical foundation for the next generation of ePassport. Over the coming year, the sub-group will consult with key stakeholders to ensure that they are aware of the benefits, challenges and limits of the technology.
- Canada presented and received approval from the Technical Advisory Group (TAG) on the Machine Readable Travel Documents (MRTD) Programme to include new guidance on the treatment of information regarding lost, stolen and revoked travel documents in the 7th Edition of ICAO Doc 9303, which is an internationally recognized document containing travel document technical specifications.

Public Key Directory (PKD):

ICAO's PKD was created to facilitate the exchange of information to support ePassport authentication, which, in turn, improves fraud detection and identity management at the border. ICAO's PKD board is responsible for a range of administrative and operational procedures to ensure the efficient operation of the PKD. In addition, the 15-member PKD Board of Directors develops policies on issues affecting the management, use and deployment of PKD systems that support ePassport validation at border control.

Canada is a founding and long-standing board member, and regularly takes a leadership role in projects that promote awareness and explore ways of improving the use and service of ICAO's PKD.

- Canada and New Zealand are co-leading a Border Engagement Strategy to encourage the use of ICAO's PKD for ePassport validation at borders. Project outcomes will include tools and resources to support implementation and awareness building;
- As part of this strategy, Canada led the organization of a PKD Borders Day event, which brought together 80 participants from over 30 ICAO Member States to discuss public key infrastructure and border control systems.

G7 Roma Lyon Group

Under the Migration Experts Sub-Group (MESG), Canada has proposed two new projects on ePassport checks at border controls and, along with the United Kingdom, an analysis of fraud detection among travel document-issuing authorities.

Key Service Accomplishments in 2014–2015 Include:

- **Opened nine new Service Canada Receiving Agent sites** offering passport application services to provide a greater service experience for Canadians.
- **Began updates to the Passport Canada website** to maintain the same look and feel of other Government of Canada external sites.



Section 3 - Financial Performance

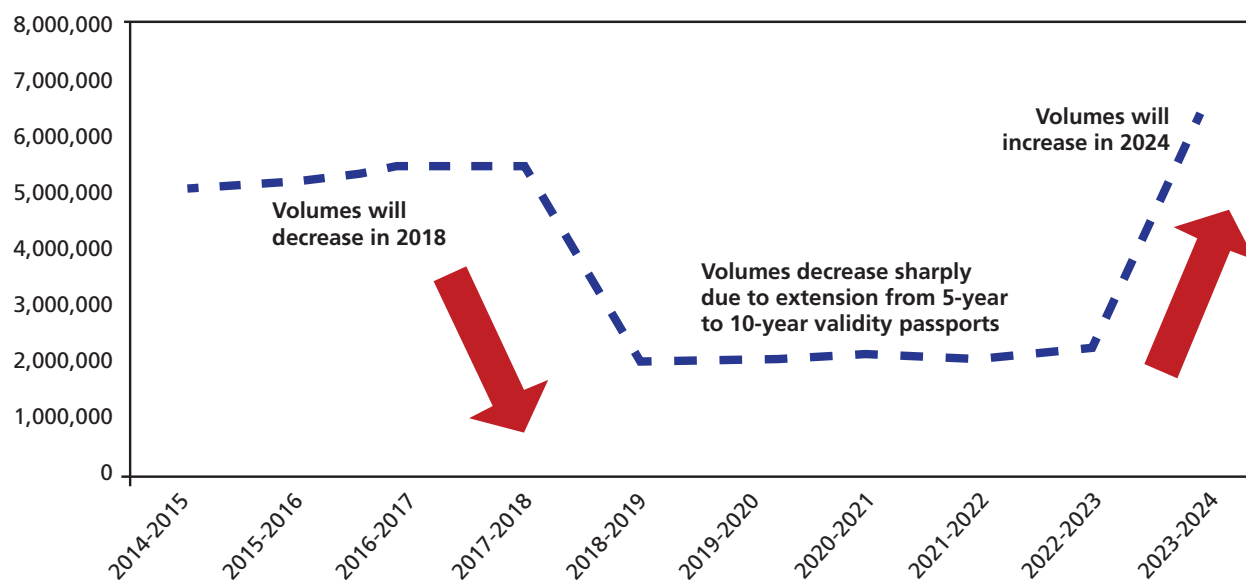
How Passports Are Funded

The Passport Program operates on a cost-recovery basis, financing its operations entirely from the fees charged for passport and other travel document services. In other words, passports are not financed by taxpayers; only those who apply for a passport actually pay for this service. As a full cost-recovery Program, the Passport Program must generate sufficient revenues to meet its mandate.

Since the Passport Program operates under a revolving fund, it has a continuing, non-lapsing authority from Parliament that allows for the accumulation and carry-over of surplus revenues from year to year to offset future shortfalls. When revenues exceed expenditures, the Passport Program accumulates a surplus in its accumulated net charge against the Fund's authority (ANCAFA), essentially a bank account. This surplus can then be used to fund the Passport Program's deficits in years when revenues do not cover expenditures within a ten-year business cycle. The current business cycle started this year in 2014-2015 and will conclude in 2023-2024.

Within the current business cycle, the Passport Program expects to generate a surplus in revenues until 2017-2018. These financial surpluses will be used to compensate the anticipated reduction in revenues during the second half of the business cycle, starting in 2018-2019. The significant drop in revenues in the second half of the business cycle is caused by an abrupt reduction in passport demand due to the introduction of a 10-year passport in July 2013 (see Figure 7). During this second half of the business cycle, the Passport Program requires accumulated surpluses to sustain operations as there are many fixed costs associated with maintaining the infrastructure that supports Passport Program delivery that do not vary with passport volume fluctuations.

Figure 7: Long Term Forecast for Passport Applications 2014-2015 to 2023-2024



The Passport Program must generate sufficient revenues to sustain operations over a 10-year business cycle (from 2013-2014 to 2023-2024), with no negative impact on the fiscal framework, as was committed to Canadians and parliamentarians in the consultations process to increase passport fees in 2013.



When passport demand is low, the Passport Program requires accumulated surpluses to sustain operations, as there are many fixed costs associated with maintaining the infrastructure that supports Passport Program delivery that do not vary with passport volume fluctuations. The Passport Program expects to generate a revenue surplus until 2017–2018. These financial surpluses will be used to compensate for the anticipated reduction in revenue during the second half of the business cycle, starting in 2018–2019.

A portion of the new fee structure implemented in 2013 is dedicated for new investments. This funding will ensure the Program has the means to update and modernize the way it does business, continue to improve upon the security of the passport itself, and maintain a high level of client service. The investment fund allocates \$500M for use during the 10-year business cycle. If portions of the investment fund are not used on a yearly basis, they cannot be re-profiled for other uses within the Program. This un-used funding is to be returned to the investment fund and can be used in subsequent years (within the 10-year cycle).

The investment fund is to be used to undertake initiatives to modernize the way the Program does business, continue to improve upon the integrity of the Passport Program and maintain a high level of client services. Although the Modernization Initiative, focused on client service, is expected to be the main use of the fund for the next number of years, the Program must still anticipate changes required to maintain the integrity of Canadian travel documents.

A strong governance framework is in place to ensure compliance with the *Revolving Funds Act* and the *Policy on Special Revenue Spending Authorities*, and the effective management of Passport Program investments. Among its initiatives put in place, IRCC has a step-by-step approach to identify, prioritize and manage the intake of investment opportunities, and to allocate resources.

IRCC has also created measures to ensure that the accounts related to the Passport Program are properly segregated in order to monitor the costs and expenditures against this Program. In addition, the robust passport demand forecast, the agreement with ESDC on the delivery of passport services on behalf of IRCC and the support of activity-based management to facilitate the budgetary allocation all minimize financial risks for the Passport Program.

Financial Results for 2014—2015

The new fee structure introduced in July 2013 brought positive changes to the Passport Program's financial position. In fiscal year 2014–2015, actual revenues were \$645 million compared with \$534 million in 2013–2014, which represents an increase of \$111 million as a result of the passport services fee increase.

In 2014–2015, the Passport Program's operating expenditures were at \$353 million, an increase of 4.5% compared with the previous fiscal year.

The Program generated a surplus of \$290 million in 2014–2015. As indicated above, the Passport Program has started building funds in its ANCAFA in order to be able to cover for low passport demand anticipated to start in 2018–2019.

The Passport Program's financial statements from 2014–2015 have been audited by an external firm to confirm that they fairly represent the financial position of the revolving fund. For the fifth consecutive year, the auditors have issued no observations resulting from their audit.

The Program's financial statements can be found in Annex A.



Section 4 - Moving Forward

Looking ahead, IRCC will continue to improve the Passport Program by focusing activities on the Program's priorities of integrity and service in order to increase the Passport Program's efficiency, to ensure Canadians receive value for money from the fees they pay, and to ensure effectiveness in facilitating secure travel for Canadians.

As described in previous sections, the Passport Program continued work on its Modernization Initiative over the reporting period. In fiscal year 2015-2016, the Passport Program will continue efforts to advance the Modernization Initiative. To improve service delivery and accessibility, the Passport Program will strive to meet Canadians' expectations by offering more self-service options, convenient and accessible services and a streamlined client experience. In fiscal year 2015-2016, the Program will intensify its efforts to advance the modernization initiative, which was planned as a phased approach over a five-year period, from 2013-2014 to 2017-2018, with the aim of enhancing security and integrity, modernizing service through the use of IRCC's technological platform and Service Canada's service delivery network with the aim of increasing efficiencies and savings for the Program.

The Modernization Initiative is a complex undertaking which includes the transfer of overall accountability for the Passport Program to IRCC with ESDC/Service Canada and GAC responsible for service delivery. Also included is a complex transformational project focused on improving the client experience, increasing security and integrity measures, and generating efficiencies. Two key factors define the complexity of the project: the management of Program and project across three departments (IRCC, ESCD, GAC) with different mandates, accountabilities and cultures; transitioning a workforce to a new IT system without disruption to client service standards; and ensuring the highly respected reputation of the Canadian Passport Program remains solid. Every effort will be made to ensure continuity of service and security of the system through strong governance and effective partnerships with our service delivery partners while we modernize the Program to meet the evolving needs of the travelling public.

Moving forward, input and ideas gathered from Canadians during public consultations under the [User Fees Act](#) will continue to shape how the Passport Program is delivered in the future.



Annex A - Financial Statements

PASSPORT CANADA REVOLVING FUND

STATEMENT OF MANAGEMENT RESPONSIBILITY

We have prepared the accompanying financial statements of the Passport Canada Revolving Fund in accordance with the policy of the Treasury Board on revolving funds and the reporting requirements and standards of the Receiver General for Canada. These financial statements were prepared by the management of the Fund in accordance with the significant accounting policies set out in Note 2 of the statements on a basis consistent with that of the preceding year.

Responsibility for the integrity and objectivity of these financial statements rests with the management of the Fund. The information included in these financial statements is based on management's best estimates and judgement with due consideration given to materiality. To fulfil its accounting and reporting responsibilities, the Fund maintains a set of accounts which provides a centralized record of the Fund's financial transactions.

The Fund's directorate of financial operations develops and disseminates financial management and accounting policies and issues specific directives which maintain standards of accounting and financial management. The Fund maintains systems of financial management and internal control which gives due consideration to costs, benefits and risks. The systems are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded to maintain accountability of Government funds and safeguard the assets under the Fund's administration. The Fund also seeks to assure the objectivity and integrity of data in its financial statements by the careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that its regulations, policies, standards and managerial authorities are understood throughout the organization.

Management has presented the financial statements to the independent auditors, who have audited them and has provided an independent opinion which has been appended to these financial statements.

Approved by:



Arick Ouellette
Director General and Deputy Chief Financial Officer
Financial Operations
Citizenship and Immigration Canada

2015-05-27
Date



Tony Matson
Assistant Deputy Minister and Chief Financial Officer
Citizenship and Immigration Canada

2015-05-27
Date





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INDEPENDENT AUDITORS' REPORT

To the Assistant Deputy Minister and Chief Financial Officer, Citizenship and Immigration Canada

We have audited the accompanying financial statements of Passport Canada Revolving Fund, which comprise the statement of financial position as at March 31, 2015, the statements of operations and changes in net assets (liabilities) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These financial statements have been prepared by management in accordance with Section 6, subsection 4 of the Treasury Board of Canada's *Policy on Special Revenue Spending Authorities*.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting requirements of Section 6, subsection 4 of the Treasury Board of Canada's *Policy on Special Revenue Spending Authorities*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.





Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Passport Canada Revolving Fund as at March 31, 2015, and its results of operations and its cash flows for the year then ended, in accordance with the reporting requirements of Section 6, subsection 4 of the Treasury Board of Canada's *Policy on Special Revenue Spending Authorities*.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describe the basis of accounting. The financial statements are prepared solely for the information and use of the management of the Revolving Fund, Assistant Deputy Minister and Chief Financial Officer, Citizenship and Immigration Canada and the Treasury Board of Canada Secretariat for reporting on the use of the Revolving Fund authority. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Chartered Professional Accountants, Licensed Public Accountants

May 27, 2015

Ottawa, Canada



Passport Canada Revolving Fund

STATEMENT OF AUTHORITY (USED) PROVIDED
[UNAUDITED] FOR THE YEAR ENDED AS AT MARCH 31
[in thousands of dollars]

	2015		2014	
	Estimates \$	Actual \$	Estimates \$	Actual \$
Net results	294,110	290,113	(56,085)	186,839
Add: Items not requiring use of funds	10,082	8,164	(288)	(28,785)
Operating source (use) of funds	304,192	298,277	(56,373)	158,054
Less: Items requiring use of funds				
Net capital acquisitions	19,338	2,851	14,000	6,543
Net other assets and liabilities	—	3,829	—	41,243
Modernization Fund	30,662	2,625	—	—
Transition payments for implementing salary payments in arrears	—	1,585	—	—
Authority provided (used)	254,192	287,387	(70,373)	192,754



Passport Canada Revolving Fund

RECONCILIATION OF UNUSED AUTHORITY

[UNAUDITED] AS AT MARCH 31

[in thousands of dollars]

	2015 \$	2014 \$
Debit balance in the accumulated net charge against the Fund's authority	(426,695)	(80,427)
Add: Payables at Year-End charges against the appropriation after March 31	56,871	36,492
Less: Amounts credited to the appropriation after March 31	12,908	49,649
Cumulative amounts credited to the appropriation for expenses paid on behalf of other government departments	81,886	81,886
Other items	—	1,761
Net authority provided, end of year	(464,618)	(177,231)
Authority limit	—	—
Unused authority carried forward	464,618	177,231



Passport Canada Revolving Fund

STATEMENT OF FINANCIAL POSITION

As at March 31
[in thousands of dollars]

	2015 \$	2014 \$
ASSETS		
Current		
Accounts receivable		
Government of Canada	13,728	49,584
Outside parties	45	67
Prepaid expenses	772	875
Inventories	17,381	13,449
	<hr/> 31,926	<hr/> 63,975
Long-term		
Capital assets <i>[note 3]</i>		
At cost	71,840	81,178
Less accumulated amortization	(54,088)	(58,680)
	<hr/> 17,752	<hr/> 22,498
	<hr/> <hr/> 49,678	<hr/> <hr/> 86,473
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
Government of Canada	45,021	24,759
Outside parties		
Accounts payable	9,768	10,050
Accrued liabilities	2,349	1,796
Contractors' holdbacks	2,010	1,684
Employee termination benefits	72	240
	<hr/> 59,220	<hr/> 38,529
Long-term		
Employee termination benefits	2,850	2,318
	<hr/> 62,070	<hr/> 40,847
Net Assets (Liabilities) <i>[note 4]</i>	<hr/> (12,392)	<hr/> 45,626
	<hr/> <hr/> 49,678	<hr/> <hr/> 86,473

Contractual Obligations *[note 5]*

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



Passport Canada Revolving Fund

STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS

As at March 31
[in thousands of dollars]

	2015 \$	2014 \$
Revenues		
Fees earned	644,903	533,417
Miscellaneous revenues	245	378
	<u>645,148</u>	<u>533,795</u>
Expenses		
Professional and special services <i>[note 6]</i>	200,028	148,342
Salaries and employee benefits	55,081	93,350
Freight, express and cartage	34,281	31,942
Passport materials	34,116	32,050
Repair and maintenance	6,430	6,615
Amortization of capital assets	5,415	7,251
Accommodation	4,656	6,380
Passport operations at missions abroad <i>[note 6]</i>	4,339	4,342
Printing, stationery and supplies	4,148	1,578
Information	2,957	3,408
Provision for employee termination benefits	1,183	557
Travel and removal	333	649
Rentals	65	166
Postal services and postage	59	38
Utility	23	111
Miscellaneous	9	220
Telecommunications	8	14
	<u>353,131</u>	<u>337,013</u>
Net results before disposal of assets	292,017	196,782
Loss on disposal of assets	1,904	2,924
Loss on disposal of obsolete inventory	—	7,019
	<u>1,904</u>	<u>9,943</u>
Net Results	290,113	186,839
Net assets, beginning of the year <i>[note 4]</i>	45,626	32,262
Net financial resources provided and change in the accumulated net charge against the Fund's authority during the year	(346,268)	(75,781)
Transfer of the payments for implementing salary payments in arrears <i>[note 9]</i>	(1,585)	
Transfer to other government departments <i>[note 4]</i>	(278)	(97,694)
Net assets (liabilities), end of the year <i>[note 4]</i>	<u>(12,392)</u>	<u>45,626</u>

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



Passport Canada Revolving Fund

STATEMENT OF CASH FLOWS

As at March 31
[in thousands of dollars]

	2015 \$	2014 \$
OPERATING ACTIVITIES		
Net results	290,113	186,839
Add		
Provision for employee termination benefits	532	(1,887)
Amortization of capital assets	5,415	7,251
Loss on disposal of capital assets	1,904	2,924
Loss on disposal of obsolete inventory	—	7,019
Transition payments for implementing payments in arrears <i>[note 9]</i>	(1,585)	—
	296,379	202,146
Changes in current assets and liabilities <i>[note 7]</i>	52,740	(44,092)
Net financial resources provided by operating activities	349,119	158,054
INVESTING ACTIVITIES		
Capital assets acquired	(2,851)	(6,543)
Net financial resources used by investing activities	(2,851)	(6,543)
FINANCING ACTIVITIES		
Transfers to other government departments	—	(75,730)
Net financial resources used by financing activities	—	(75,730)
Net financial resources provided and change in the accumulated net charge against the Fund's authority beginning of year	346,268	75,781
Accumulated net charge against the Fund's authority, beginning of year	80,427	4,646
Accumulated net charge against the Fund's authority, end of year <i>[note 4]</i>	426,695	80,427

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



Passport Canada Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

[Tabular figures in thousands of dollars]

1. AUTHORITY AND PURPOSE

The Passport Canada Revolving Fund [the “Fund”] was established in 1969 to provide for the issue of appropriate passport and other travel document services in Canada and at posts abroad. The Revolving Funds Act authorized the operation of the Fund.

Effective July 2, 2013, the accountability for the Passport Program and the Fund shifted from the Department of Foreign Affairs, Trade and Development [DFATD] to Citizenship and Immigration Canada [CIC]. In addition, the Fund transferred its passport delivery and processing services to Employment and Social Development Canada [ESDC] on July 2, 2013.

The Fund has a continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for working capital, capital acquisitions and temporary financing of accumulated operating deficits.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the requirements of Section 6, subsection 4 of the Treasury Board of Canada *Policy on Special Revenue Spending Authorities* and the reporting requirements for revolving funds prescribed by the Receiver General for Canada. The basis of accounting used in these financial statements differs from Canadian Generally Accepted Accounting Principles (GAAP) because:

- revenues from passport service request fees are recognized upon receipt of payment and verification of an application for completeness as stated in the Regulations prescribing fees for passport services; and,
- funding for capital assets received from Treasury Board is recorded as contributed capital and not as a reduction of the cost of capital assets.

b. Revenue recognition

Revenues from passport fees are recognized upon request for a passport service, which is upon receipt of payment and verification of the passport application for completeness.



NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

[Tabular figures in thousands of dollars]

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

c. Inventory

Inventories of materials and supplies are carried at the lower of cost using the average cost and the net realizable value.

d. Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives, as follows:

Category	Estimated useful life
Furniture	10 years
Vehicles	5 years
Computer hardware and software	3 – 5 years
Other machines and equipment	5 years

The capital projects are assets under construction which are not yet amortized; these capital assets will be amortized once they are in service. Leasehold improvements are amortized on a straight-line basis on the lesser of the remaining term of the lease or estimated useful life of the improvement.

e. Employee termination benefits

Employees charged to the Fund are entitled to specified termination benefits, calculated based on salary levels in effect at the time of termination as provided for under collective agreements and conditions of employment. The cost of these benefits is recorded in the accounts as the benefits accrue to the employees. The obligation relating to the benefits earned by employees is calculated using information derived from results of the actuarially determined liability for employee's termination benefits for the government as a whole and is provided by Treasury Board of Canada.



NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

[Tabular figures in thousands of dollars]

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

f. Pension plan

Employees charged to the Fund are covered by the Public Service Retirement Pension Plan [the “Plan”] administered by the Government of Canada. Under present legislation, contributions made by the Fund to the Plan are limited to an amount equal to the employee’s contributions on account of current service. These contributions represent the total pension obligations of the Fund and are charged to operations on a current basis. The Fund is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for the indexation of payments under the *Supplementary Retirement Benefits Act*.

g. Use of estimates

The preparation of financial statements requires management and the Treasury Board Secretariat to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of estimates relate to employee termination benefits and to accrued liabilities. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

h. Financial instruments

The Fund’s financial instruments consist of accounts receivable, accounts payable, accrued liabilities and employee termination benefits. The carrying values of these financial instruments approximate their fair value because of their short terms to maturity. Unless otherwise noted, it is management’s opinion that the Fund is not exposed to significant interest, currency or credit risk arising from these financial instruments.



NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

[Tabular figures in thousands of dollars]

3. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

Capital Assets	Balance, beginning of the year	Acquisitions	Disposals, transfers and adjustments	Balance, end of the year
	\$	\$	\$	\$
Technology Enhancement Plan Project	2,906	—	—	2,906
Capital projects	757	111	(868)	—
Leasehold improvements	36,296	—	(3,362)	32,934
Furniture	97	—	(2)	95
Computer hardware and software	38,898	2,740	(6,160)	35,478
Vehicles	21	—	—	21
Machinery and equipment	2,203	—	(1,797)	406
	81,178	2,851	(12,189)	71,840

Accumulated Amortization	Balance, beginning of the year	Acquisitions	Disposals, transfers and adjustments	Balance, end of the year
	\$	\$	\$	\$
Technology Enhancement Plan Project	2,906	—	—	2,906
Capital projects	—	—	—	—
Leasehold improvements	32,194	970	(3,177)	29,987
Furniture	79	2	(12)	69
Computer hardware and software	21,762	4,345	(15,139)	20,968
Vehicles	1	4	—	5
Machinery and equipment	1,738	94	(1,679)	153
	58,680	5,415	(10,007)	54,088

Net Book Value	Balance, end of the year
	\$
Leasehold improvements	2,947
Furniture	26
Computer hardware and software	14,510
Vehicles	16
Machinery and equipment	253
	17,752



Passport Canada Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

[Tabular figures in thousands of dollars]

4. NET ASSETS (LIABILITIES)

	2015	2014
	\$	\$
Accumulated net charge against the Fund's authority	(426,695)	(80,427)
Accumulated surplus	333,829	45,579
Contributed capital	80,474	80,474
	<u>(12,392)</u>	<u>45,626</u>

Accumulated net charge against the Fund's authority:

Accumulated net charge against the Fund's authority is the cash position of the Fund, held by the Government on the Fund's behalf.

Accumulated surplus (deficit):

The accumulated surplus (deficit) is an accumulation of each year's surpluses (deficits) including the absorption of the opening net assets of \$746,000 upon establishment of the Fund. Other adjustments to the Fund net financial position were made in 2012 for \$419,771, in 2013 for \$19,936 and in 2014 for \$220,842 as a result of the Fund transferring its information technologies services to Shared Services Canada [SSC], on November 15, 2011. Additional adjustments to the Fund's net financial position were made in 2014 for \$97,472,888 as a result of the Fund transferring its passport delivery and processing services to ESDC on July 2, 2013. In 2015, further adjustments to the Fund net financial position were made totaling the amount of \$1,861,936 for the pay in arrears (\$1,585,685) and asset transfers to ESDC (\$187,127) and SSC (\$91,125).

Contributed capital:

In the year, there were no additional capital contributions from Treasury Board to finance the Fund's capital projects.



Passport Canada Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

[Tabular figures in thousands of dollars]

5. CONTRACTUAL OBLIGATIONS

Because of the nature of its activities, the Fund is engaged in contractual obligations for the purchase of goods and other services.

Below are the expected future maximum payments under contract for its supplier of blank passports:

	\$
2016	<u>37,090</u>

Below are the expected future minimum payments for rents of office premises and other suppliers:

	\$
2016	<u>7,112</u>
2017	5,494
2018	4,380
2019	2,679
	<u><u>19,665</u></u>

6. RELATED PARTY TRANSACTIONS

Through common ownership, The Fund is related to all Government of Canada created departments, agencies and Crown corporations. Payments for passport operations at missions abroad, passport delivery and processing service throughout Canada, accommodation and legal services are made to related parties in the normal course of business. All related party transactions are accounted for at the exchange amount, which represents the consideration agreed to by both parties.

As part of its operations, the Fund collects Consular fees on behalf of the DFATD. These fees are not recorded as revenues in the Statement of Operations and Change in Net Assets. In 2014, the Fund collected and remitted to DFATD \$97,671,047 [2013 – \$101,680,188] in consular fees.



Effective November 15, 2011, the Fund transferred its information technologies services to SSC. The cost of these services provided by SSC is reported in the Professional and Special Services line item in the Statement of Operations and Change in Net Asset. In 2014, SSC charged the Fund a total of \$11,771,132 [2013 – \$11,423,170] for Information technologies services.

Effective July 2, 2013, the Fund transferred its passport delivery and processing service to ESDC. In 2014-15, ESDC and CIC signed a service level agreement (SLA) to ensure optimal and sound financial management of Passport Program and for the recovery of costs associated with Passport Service Delivery and Operations, Receiving Agent Services, Transition and Modernization costs and Internal Services provided by Service Canada, an initiative operating within ESDC.

The cost of the Service Delivery, Operations and Internal Services provided by ESDC is reported in the Professional and Special Services line item in the Statement of Operations and Change in Net Assets (Liabilities). In 2015, ESDC charged the Fund a total of \$161,619,403 [2014 – \$109,078,645] for these services.

Effective for all applications processed by ESDC from April 1, 2014 to March 31, 2015, a fee of \$13.90 per application, plus a fixed amount of approximately 1 million dollars was charged to the Fund for the Receiving Agent Services. These fees are reported in the Professional and Special Services line item in the Statement of Operations and Change in Net Assets (Liabilities). In 2015, ESDC charged the Fund a total of \$10,711,754 [2014 – \$8,802,250] for application processing fees.

The Fund was charged for transition and modernization costs. The cost for these activities provided by ESDC is reported in the Professional and Special Services line item in the Statement of Operations and Change in Net Assets (Liabilities). In 2015, ESDC charged the Fund a total of \$4,411,691 [2014 – \$3,253,827].

7. CHANGES IN CURRENT ASSETS AND LIABILITIES

	2015	2014
	\$	\$
Assets		
Accounts receivable – Government of Canada	35,856	(41,244)
Accounts receivable – Outside parties	22	226
Prepaid expenses	103	70
Inventories	(3,932)	(3,506)
Accounts payable and accrued liabilities		
Government of Canada	20,262	11,714
Outside parties – Accounts payable	(282)	(6,366)
Outside parties – Accrued liabilities	553	(2,895)
Outside parties – Contractors' holdbacks	326	330
Employee termination benefits	(168)	(2,421)
	52,740	(44,092)



NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

[Tabular figures in thousands of dollars]

8. CONTINGENCIES

The Fund is subject to various legal claims arising in the normal course of its operations. Some of these potential liabilities 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 has been accrued and an expense recorded on the Fund's financial statements. Based on the Fund's legal assessment of potential liability as at March 31, 2015, the Fund has one outstanding claim with a contingent liability of \$175,597.

9. TRANSFER OF THE TRANSITION PAYMENTS FOR IMPLEMENTING SALARY PAYMENTS IN ARREARS

The Government of Canada implemented salary payments in arrears in 2014-15. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of the Revolving Fund. However, it did result in the use of authorities by the Revolving Fund and impacted the accumulated net charge against the Fund's authority (ANCAFA). Prior to year end, transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Works and Government Services Canada, who is responsible for the administration of the Government pay system.



10. TRANSFER TO OTHER GOVERNMENT DEPARTMENTS

Effective July 2, 2013, the Fund transferred its passport delivery and processing service to ESDC in accordance with Order-in-Council P.C. 2013-540, including the stewardship responsibility for the assets and liabilities related to the both service activities. Accordingly, the Fund transferred the following assets, liabilities and related expenses to ESDC:

	2015 \$	2014 \$
Assets		
Capital assets [net book value] [note 3]	187	21,964
Liabilities		
Allowance for severance and vacation pay	—	(5,903)
Other	—	(256)
Total Liabilities	—	6,159
Expenses paid on behalf of ESDC	—	81,668
Adjustment to the Fund's net financial position	187	97,473

Effective November 15, 2011, the Fund transferred its information technologies services to SSC, including the stewardship responsibility for the assets and liabilities related to the service activities. As a result in 2014, the Fund transferred the following assets and related expenses to SSC for its Information technologies services:

	2015 \$	2014 \$
Asset		
Capital assets [net book value] [note 3]	91	—
Prepaid expenses	—	218
Expenses paid on behalf of SSC	—	218
Adjustment to the Fund's net financial position	91	221

11. COMPARATIVE FIGURES

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

