



Passport Program

Annual Report for 2015—2016

(April 1, 2015, to March 31, 2016)



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Passport Program

Annual Report for 2015-2016

Message from the Deputy Minister

I am delighted to present the achievements of Canada's Passport Program for the 2015–2016 fiscal year, during which the Passport Program continued to maintain one of the highest levels of client satisfaction in the Federal services. Specifically, our latest customer feedback survey tells us that we maintain an impressive 96 percent rate of client satisfaction. Our continued commitment to providing Canadians with the most responsive service possible is demonstrated by quick turnaround times; 4.8 million passports — the fifth highest volume in the Passport Program's history — were processed within advertised service standards 99 percent of the time.

During the 2015–2016 fiscal year, the Passport Program also continued to work on modernizing the way it does business to facilitate improvements to client service while upholding integrity. IRCC is focussed on ensuring a smooth transition to a passport issuance system across the network in the coming years and improving the overall passport application process for Canadians.

As part of enhanced security measures, in the last fiscal year, IRCC took steps to make the passport even safer by amending the legislation governing the Passport Program. New authorities aim to prevent the issuance of Canadian passports to high-risk individuals intending to travel to carry out acts of terrorism or to commit sexual offences against children abroad.

In addition, IRCC worked hard to strengthen the integrity of the passport while ensuring that only eligible Canadian citizens have access to Canadian passports. To better mitigate the risk of issuing passports to individuals who are not entitled to them or to revoke their travel documents, the Program

- processed over 642 000 facial recognitions alerts;
- analyzed and resolved over 40 000 high-risk applications; and
- referred 2 750 cases involving judicial mobility restrictions, passport misuse, entitlement fraud, identity fraud or national security concerns for administrative investigation.

The Program continuously strives to strike the best possible balance between service excellence, strengthened security and increased operating efficiency to ensure Canadians are able to rely on their passport to facilitate international travel.

As we move forward, we will continue to ensure Canadians receive the high level of client service and value for money that they have come to expect from the Passport Program.

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

Marta Morgan
Deputy Minister



Section 1 – About the Passport Program

1.1 The Program

Current Passport Program responsibilities are set out in the Canadian Passport Order and have been in effect since July 2, 2013. Subject to the *Canadian Passport Order*, the Minister of Immigration, Refugees and Citizenship Canada (IRCC) is responsible for the Passport Program and has authority to work with the Minister of Employment and Social Development Canada (ESDC) and the Minister of Global Affairs Canada (GAC) to exercise specific administrative powers. Therefore, IRCC is responsible for the issuing, revoking, withholding, recovery and use of Canadian passports; ESDC, through Service Canada, is responsible for the bulk of passport service delivery in Canada; and GAC is responsible for passport services abroad.¹

The Minister of IRCC derives authorities and responsibilities for the Passport Program from the following legislation:

- *Canadian Passport Order*;
- *Order Respecting the Issuance of Diplomatic and Special Passports*;
- *Financial Administration Act*; and
- *User Fees Act*.

1.1.1 Alignment with Government Priorities

The Passport Program contributes to the Government of Canada's strategic outcome of “a safe and secure world through international engagement”. Through the Passport Program², 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 travelers are in possession of Canadian travel documents, that potential applicants are informed 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.

1.1.2 Passport Program Strategic Themes

During the 2015–2016 fiscal year, the Program established priorities and presented accomplishments and results under three strategic themes: enhancing management practices, strengthening security and excellence in service delivery. This section presents the Program's accomplishments and results under each of these three themes.

Enhancing Management Practices

Ensuring the use of modern management practices to anticipate and respond to future needs, including capabilities for strategic alignment, innovation and decision making.

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 long term while providing value for money for Canadians.

¹ Prior to July 2013, the Passport Program was a special operating agency of GAC.

² On July 2, 2013, the responsibility of Passport Canada, a special operating agency under GAC, was transferred as a program to the Minister of IRCC.

Program management is particularly critical when working with service delivery partners (i.e., ESDC and GAC). IRCC must continuously work with its partners to strike the appropriate balance between integrity and operating efficiency, without any service disruptions to Canadians. This year saw the following accomplishments in relation to program management:

- **The integration of Passport Canada internal services within IRCC** to optimize synergies between the Program and the Department was finalized. This included the transfer of the Program's Foreign Operations group to the Department's International Region Branch. This has helped strengthen the relationship between IRCC and GAC and assisted in reducing any duplication of work between departments.
- **Work continued on the modernization initiative.** IRCC is working toward the launch of GCMS, a new system for the Passport Program, and has concluded some of its testing of the passport issuance module. Information gathered during the testing phase will assist in improving workflows and GCMS functionality for the Passport Program. Certificates of identity and refugee travel documents are now being issued exclusively through GCMS.

Strengthening Security

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

Maintaining the integrity of the Passport Program is critical. Canada's Passport Program is an important component of our country's security infrastructure and helps to mitigate security threats. Research shows that when acquiring a passport, Canadians look for strong security features, recognition of the passport by foreign authorities and visa-free access to other countries. All of these factors relate to integrity and depend on the Program's capacity to enhance passport security features, build and maintain effective partnerships, detect fraud and reduce the risk that Canadian passports are issued to or in possession of high risk individuals.

For the reporting year, business priorities were established that were mindful of an evolving environment marked by increasingly sophisticated identity theft and fraud, with more individuals seeking to fraudulently obtain genuine passports rather than trying to tamper with existing documents. To prevent such fraud, IRCC continued to collaborate with other government security partners to minimize these threats and strengthen Canada's security infrastructure.

Accomplishments in this area in the 2015–2016 fiscal year were as follows:

- **Amendments to the *Canadian Passport Order*** were approved on June 23, 2015, to limit access to passports for individuals considered to be at a high risk of travelling to engage in terrorism or to commit sexual offences against children abroad.
- **Working relationships were maintained** with the Canadian Security Intelligence Service, the Royal Canadian Mounted Police (RCMP), the Canada Border Services Agency (CBSA) and Public Safety Canada, focussing 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 terrorism-related activities.
- **The integrity and worldwide recognition of the Canadian passport were maintained** by beginning work on the development of the next generation passport booklet to ensure Canadians have one of the most advanced and secure passports available. Work will continue on the ePassport Next Generation Project over the next few years with an expected implementation date for the new ePassport Solution in 2020.



- **Passport Program risk assessments in the Eastern African region were completed.** These risk assessments provide insight into threats and risks that may be unique to a mission or geographic area of responsibility, client profile, or operating environment, providing key information for missions on passport service delivery, supporting tools and strategies.
- **Continued improvements were made to the facial recognition program** through engaging in an enhancement initiative aimed at improving fraud detection, identity management and efficiency. Business and system requirements have been clearly defined and documented in preparation for the development and implementation of these enhancements.
- **The validation identities with provinces were initiated.** In the 2015–2016 fiscal year, engagement with provinces began in order to develop automated information sharing to better validate identities prior to issuing passports. This process will also offer provinces the option to validate IRCC identity and status information.

Success Indicators Related to Program Integrity

According to the *Henley & Partners Visa Restrictions Index 2015*³, Canada ranks fourth worldwide 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 and of a high regard for the Canadian passport.

Given the ongoing scrutiny of the security and integrity of the Canadian passport and its issuing system, the *Canadian Passport Order* provides a legal basis for the Minister to refuse or revoke a passport as a result of the analysis of high risk passport applications and investigations. In the 2015–2016 fiscal year, 4 380 passport applications were refused for not being duly completed upon reception, whereas 209 passport applications were refused and 892 were revoked after investigations into concerns about the person's identity, criminality, suspected fraudulent activity or misuse of a passport.

IRCC also administers decisions on behalf of the Department of Justice under the *Family Orders and Agreements Enforcement Assistance Act* (FOAEAA). Sections 69 and 70 of the FOAEAA give the Minister of IRCC the authority to suspend or refuse to issue a passport to an individual upon being informed by the Minister of Justice that this individual is subject to a license denial application due to child support payment arrears. In the 2015–2016 fiscal year, a total of 2 820 individuals were subject to refusal or suspension of a passport pursuant to FOAEAA (737 refusals and 2 083 suspensions).

Passports that are lost or stolen are also monitored for security reasons. In the 2015–2016 fiscal year, 58 535 passports out of a total of 23.2 million passports in circulation were reported lost or stolen. This represents 0.25 percent of all the passports in circulation during this period, down from 0.27 percent last year. Information regarding lost and stolen passports is shared with the RCMP, CBSA and Interpol for inclusion in their respective databases in order to mitigate the risk of unauthorized use of invalidated passports.

Excellence in Service Delivery

Ensuring the Passport Program is responsive to high client service expectations.

According to the latest client survey undertaken in 2015, Canadians continue to expect high-quality passport services, including a straightforward passport application process and an acceptable time frame to obtain a passport. Therefore, the Passport Program continues to explore modernization options to ensure it is able to meet clients' needs in years to come. This includes recognizing that Canadians want to access a full range of federal government programs and services electronically, including passport services.

³ The Henley & Partners Visa Restrictions Index is a global ranking of countries according to the travel freedom that their citizens enjoy: <https://www.henleyglobal.com/files/download/HP/hvri/HP%20Visa%20Restrictions%20Index%2020151001.pdf>

1.3 Our Fees

The following table describes the fees associated with each Passport Program service:

Figure 1: Passport Program Services and Associated Fees

Passports: Applications made in Canada and passports delivered in Canada	
Travel document	Fee
Ten-year passport (16 years or over)	\$160
Five-year passport (or less) (16 years or over)	\$120
Children's passport (15 years or under)	\$57
Passports: Applications made outside Canada or passports delivered outside Canada	
Travel document	Fee
Ten-year passport (16 years or over)	\$260
Five-year passport (or less) (16 years or over)	\$190
Children's passport (15 years or under)	\$100
Expedited services in Canada (in addition to the regular passport fee)	
Service	Fee
One-day service (urgent)	\$110
Express service (two to nine days)	\$50
Pick-up (day ten)	\$20
Same day, out of regular hours of service	\$335
Expedited services outside Canada	
Service	Fee
Emergency travel document (one trip)	\$75
Children's emergency travel document (one trip)	\$30
Temporary passport (linked to regular passport application)	\$110
Travel documents for non-Canadians	
Travel document	Fee
Certificate of identity	\$260
Children's certificate of identity	\$141
Refugee travel document	\$120
Children's refugee travel document	\$57
Administrative services	
Service	Fee
Addition of a special stamp or observation (at applicant's request) ⁴	\$45
Certified true copies (up to three copies)	\$45
Replacement of lost or stolen passport or other travel document (in addition to passport fee)	\$45
File transfers (between offices in Canada)	\$45
Retention of valid passport or other travel document (in Government of Canada offices abroad)	\$45

⁴ An observation is the text printed on a label and inserted in the passport to add information or text limitations and/or to alert border authorities to particular facts relevant to the conditions of issuance or use in certain circumstances. A special stamp is a stamp that is inserted in a passport for special circumstances, for example, a language translation to facilitate travel to some countries.

1.4 Our Network

1.4.1 Service Delivery Model

By designating ESDC as primarily responsible for passport service delivery in Canada, the Program benefits from Service Canada's extensive in-person network to provide greater access to passport services for Canadians across the country. The Program also relies on GAC's extensive network of missions to deliver passport services abroad. That said, IRCC continues to process applications for refugee travel documents, certificates of identity and diplomatic and special passports. As a result, IRCC, ESDC and GAC work collaboratively to strike the best possible balance between program integrity, client service and operating efficiency. Each partner remains committed to providing Canadians with seamless access to passport services regardless of their location.

1.4.2 Service Delivery Network

Canadians can access passport services through several service channels:

- There are 34 dedicated **Passport Canada-branded offices** across Canada that offer full⁵ passport services.
- There are 151 **Service Canada receiving agent sites** across Canada that offer basic⁶ passport services.
- There are 42 **Canada Post receiving agent sites** across Canada that offer basic passport services.
- **Members of Parliament (MPs)** offer basic passport services across Canada. Individuals can also file complaints about the Passport Program to their MPs.
- Individuals living in Canada or in the United States (U.S.) can **mail in** their applications to the Passport Program through mail or a certified courier.
- **GAC** offers 200 points of passport service abroad, including 118 missions that offer full passport services.

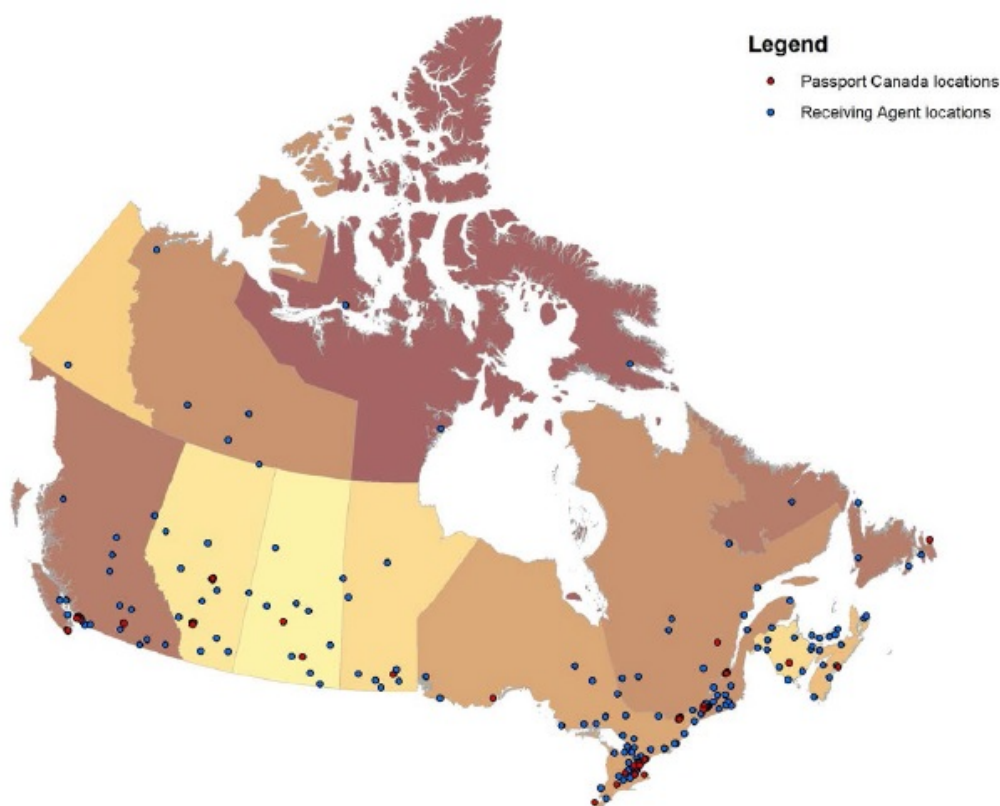
⁵ Full passport services include providing general information, accepting and reviewing client application forms, verifying supporting documentation and pictures, accepting payments, entering application data into IRIS and shipping applications and supporting documents to a processing center.

⁶ Basic passport services include reviewing application forms, verifying supporting documents and pictures, accepting payments and transferring files to one of the central processing centers.



The following figure illustrates the locations of offices providing passport services in Canada:

Figure 2: Passport Points of Service in Canada



Today, over 95 percent 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 through 200 GAC points of service, including 118 full-service missions abroad.

Canadians can obtain other types of assistance related to passport services through the following:

- The **Government of Canada website** (Canada.ca/passport) allows individuals to obtain information on the Passport Program, retrieve application forms and file complaints.
- The **Service Canada Call Centre** (1-800-567-6868) allows individuals to obtain status updates for applications or case-specific information, address inquiries and file complaints. Individuals can also contact the 1-800-O-Canada (1-800-622-6232) call centre for general information on the Passport Program.
- The Passport Program also utilizes **social media** such as Twitter, Facebook and Youtube to interact with Canadians. The social media forum allows the Program to respond to inquiries and stay abreast of feedback, issues and concerns expressed by individuals while providing clients with awareness campaigns and instructional messages. Find below links to the Passport Program's social media tools:

www.facebook.com/passportcan

www.twitter.com/passportcan

<http://www.youtube.com/passportcan>

Section 2 – Performance Review

2.1 Processing Applications

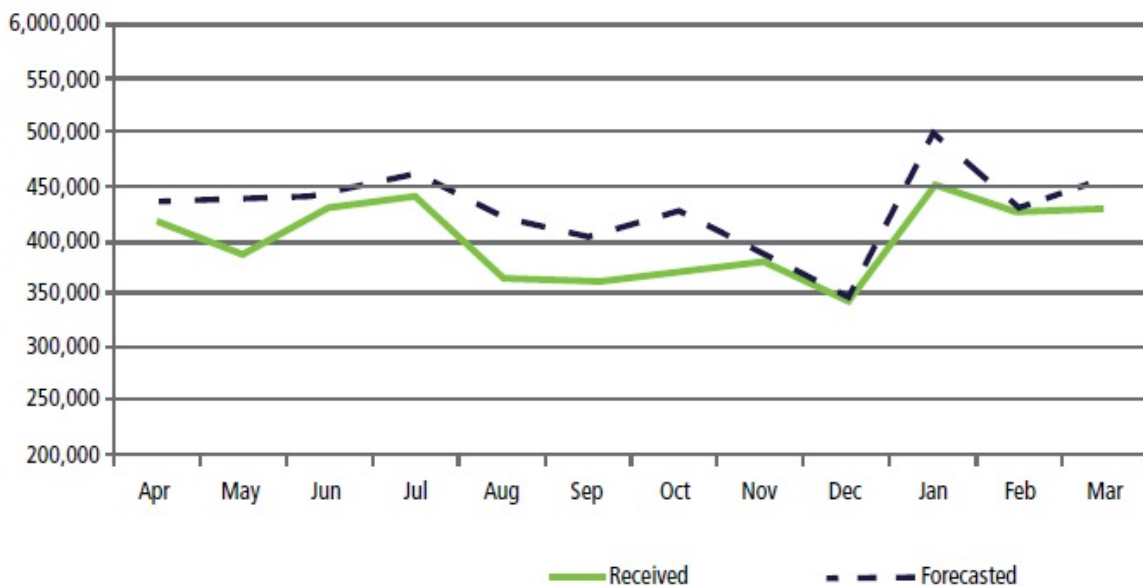
2.1.1 Forecasts

As one of the few Government of Canada programs to operate on a full cost-recovery basis, the Program has established a robust forecasting model to support sound program management by enabling it to maximize the use of its resources, to assess the value of new initiatives and to implement timely resource reallocation strategies in sync with forecasted changes to passport demand.

The Passport Program forecasting model predicts business volume within a range of probability. The Program estimated volumes in the 2015–2016 fiscal year approximately six percent higher than were actually received. The differential between estimated (5.1 million) and actual (4.8 million) applications received can be primarily attributed to a decrease in demand for passports due to a decrease in the value of Canadian currency against U.S. currency.

In Figure 3, below, the blue dotted line illustrates the forecast and the black line illustrates the actual number of applications received.

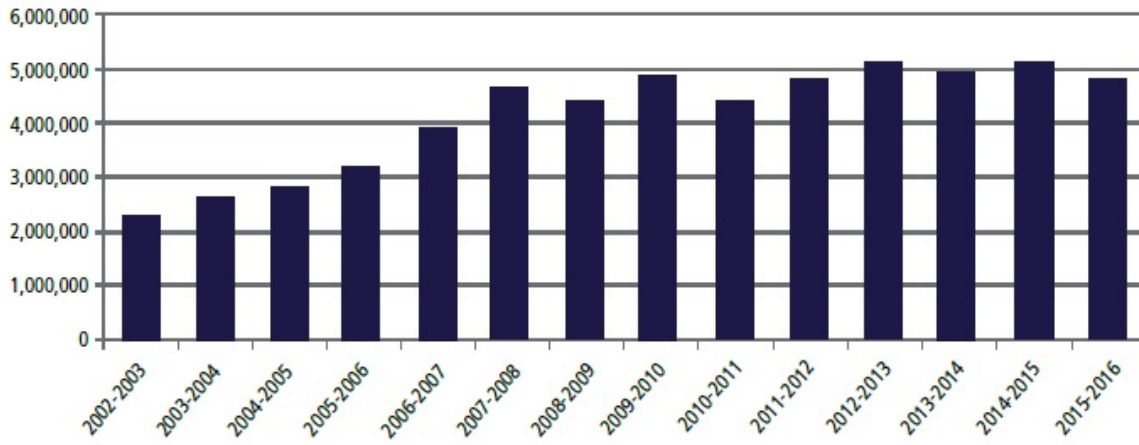
Figure 3: Applications Received in 2015-2016 vs. Forecasted



2.1.2 Volumes

The Passport Program issued 4.8 million travel documents in the 2015–2016 fiscal year, representing the fifth highest volume level ever recorded. Figure 4 illustrates the demand for passports over the last 14 fiscal years:

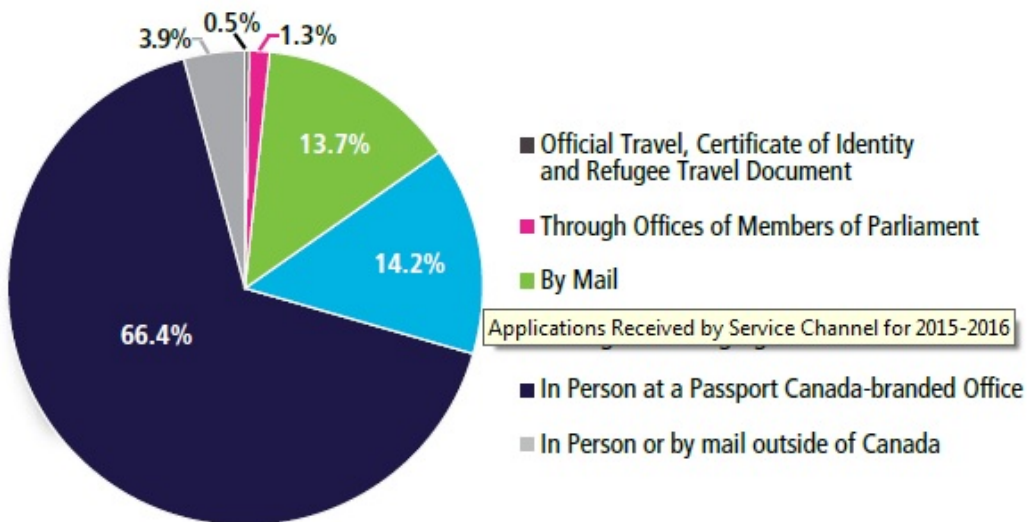
Figure 4: Passport Volumes



2.1.3 Service Channel Use

The Passport Program monitors passport demand trends and service preferences in order to maintain its excellent client service reputation and seek ways to modernize the Program while meeting clients’ needs. Figure 5 illustrates the distribution of passport applications across the various channels through which Canadians can apply for passports and other travel documents:

Figure 5: Applications Received by Service Channel for 2015-2016



In the 2015–2016 fiscal year, the distribution of passport applications by channel was as follows:

- Over 66 percent of all applications were submitted at a Passport Canada-branded office, down from 79 percent in the 2005-2006 fiscal year.
- More than 14 percent were submitted at a Service Canada Center or a Canada Post location (receiving agent sites), up from three percent in the 2005-2006 fiscal year.
- Nearly 14 percent were mailed (by Canadians in Canada and the U.S.), up from 11 percent in the 2005-2006 fiscal year.
- Almost four percent were submitted outside Canada (i.e., at missions abroad).
- Slightly more than one percent were received at an MP office.
- Less than one percent were for other types of documents, such as the certificate of identity, the refugee travel document and the special or diplomatic passport.

This illustrates Canadians' continued preference for in-person service at a Passport Canada-branded office. Canadians continue to use the quicker channel, and this channel is perceived as the quickest way to obtain a passport, with better processing turnaround times. Also, clients enjoy having their questions addressed during the application phase during the in-office service experience and favor this channel because they can retain their official documents and because their applications are reviewed by passport officers.

Although clients prefer the in-office experience, the number of clients submitting applications at Passport Canada-branded offices has slowly but steadily decreased over the years. This may be attributable to the successful addition of over 100 receiving agent sites since 2007, which are more convenient locations for many applicants. Also, the simplified renewal option, introduced in 2007, has increased Canadians' confidence in sending applications by mail.

In the 2015–2016 fiscal year, the Passport Program also responded to client requests via three points of contact:

- 1 520 644 calls were answered, with 93.1 percent of clients waiting eight minutes or less in the telephone queue.
- 13 000 000 visits to our website were recorded from April 1, 2015, to March 31, 2016.
- 83 294 requests and 30 716 general queries received through the [Contact the Passport Program](#) section on the website were addressed.

2.1.4 Service Standard Performance

In accordance with the [User Fees Act](#), the Program is accountable to Parliament for its service standards and performance in relation to the services for which it collects fees. The Program reports on these service standards on an annual basis through IRCC's Departmental Performance Report⁷.

Overall, the Passport Program has consistently achieved superior levels of client satisfaction despite large volumes. In the 2015–2016 fiscal year, the Passport Program delivered 4.8 million travel documents, with 99.5 percent of clients receiving their passport on time or earlier. The Program must continue to meet services standards; if it misses its stated service standards by more than 10 percent over a prescribed period, it will have to reduce its fees by a percentage equivalent to the unachieved performance, up to a maximum of 50 percent.

Figure 6 below describes the Program's performance against established service standards for specific products in various circumstances:

⁷ The Departmental Performance Review can be found here: <http://www.cic.gc.ca/english/resources/publications/dpr/index.asp>



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

Service	Service Standard	Performance target	Results for 2015–2016
Services for Canadians in Canada			
Passport application in person at a Passport Canada-branded office	10 business days	Process 90% of complete applications within announced processing times	99.79%
Passport application by mail	20 business days		99.65%
Passport application in person at a receiving agent site	20 business days		99.87%
Services for Canadians in Canada			
Regular passport application in person at a Government of Canada office abroad	20 business days	Process 90% of complete applications within announced processing times	93.22%
Temporary passport ⁸	Under 20 business days		99.35%
Emergency travel document ⁹	Under 20 business days		99.07%
Services for Canadians in Canada			
Certificate of identity	20 business days	Process 90% of complete applications within announced processing times	94.82%
Refugee travel document	20 business days		93.53%
Expedited Services in Canada			
Urgent service	24 hours (next business day)	Process 90% of complete applications within announced processing times	99.52%
Express service	2 to 9 business days		99.95%
Pick-up service	10 business days		99.81%
Same day, out of regular hours of service	Same day		98.41%
Other Services			
Addition of a special stamp ¹⁰	<ul style="list-style-type: none"> • Same as processing time if request is associated to a travel document application. • 10 business days if request is after a travel document has been issued. 	Process 90% of requests within announced processing times	100%
Certified true copy of a travel document	10 business days		97.81%
File transfers from one regional office in Canada to another	3 business days		99.04%

⁸ Expedited service outside Canada for individuals who require a passport to travel while their regular passport is being processed.

⁹ For Canadians outside 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.

¹⁰ Certain countries require the passport to contain a stamp with an Arabic translation of the bearer's particulars as seen on the photo page.

2.2 Client Feedback

The Passport Program adopts a client-centric model and consistently finds mechanisms to obtain client feedback, addressing concerns and adding functionality to continuously improve client service. Furthermore, IRCC is now mandated to measure the success of the transition of authority of the Passport Program from GAC to IRCC and the success of the delegation of the service delivery component to ESDC in Canada. This transition occurred on July 2, 2013, and the Passport Program has conducted three editions of the Passport Program Evaluation Survey annually since that time and will continue to do so until the official evaluation exercise in 2018. These surveys will support the evaluation exercise for the Passport Program in 2018 by providing longitudinal insights to IRCC.

The specific objectives of the 2016 Passport Program Evaluation Survey are as follows:

- Support departmental evaluation obligations.
- Evaluate the overall efficiency and effectiveness of the Program.
- Provide essential and comparative data as it relates to client satisfaction, including the perceptions about program and service improvements.
- Understand and assess the impact of passport modernization initiatives, including the upcoming online application process.
- Assess future needs that IRCC may address.

The following results in this section relate to the latest survey — the 2016 Passport Program Evaluation Survey. This survey was based on telephone interviews with a representative sample of 2 500 Canadians from every province, 18 years and older, who applied for a new passport between May and October 2015.

2.2.1 Key Highlights

Several key highlights were obtained from the 2015–2016 survey, notably that service delivery remains strong, that Canadians continue to trust the integrity of their passport, that Canadians are increasingly using more and more online passport services and that Canadians are more aware of their responsibilities in regard to their passport (i.e., how to keep it secure). The following section provides more details from the 2015–2016 survey in these areas.

Service Delivery Remains Strong

In the last survey, where respondents applied for a passport prior to the 2013 transition, client satisfaction was at 96 percent. Since then, satisfaction has remained consistent, as respondents who applied for a passport in 2015 reported 96 percent satisfaction and the portion of very satisfied clients increased. An unprecedented 56 percent of respondents were “very satisfied” with the service received during their passport application, marking the Program’s highest levels of client satisfaction. The most important contributors of client satisfaction were the amount of time taken to deliver the passport and the time applicants waited at the office while submitting their applications.

For the large majority of clients who applied in person at Passport Canada-branded offices, Service Canada Centers or Canada Post locations,

- 97 percent of respondents reported that the turnaround time to receive their passport was acceptable regardless of the channel, up from the 93 percent for applicants who applied for a passport just prior to July 2, 2013;
- 81 percent of applicants perceived their wait time as acceptable or shorter than expected and 34 percent perceived it as shorter than expected; the proportion of respondents who believed their wait times were too long shrank from 23 percent prior to the transition to 19 percent in the last survey;



- over 90 percent of respondents were satisfied with obtaining services in the official language of their choice, the competence and courtesy of the staff, the staff understanding their particular needs and the quality of these services;
- over 80 percent of respondents were satisfied with the way the line-up was managed, the convenience of the location and the hours of operations;
- nearly 80 percent of respondents were satisfied with the wait time at the office.

Satisfaction with overall client service and the aspects of the in-person service experience with the Passport Program continues to remain very high.

Canadians Trust the Passport

The Passport Program always seeks to deliver a trusted and secure travel document. Of the survey respondents, 78 percent feel confident travelling abroad with the Canadian passport, 73 percent have a sense of security while traveling abroad with their passport and 68 percent associate their passport with the pride of being a Canadian citizen. These results have stayed fairly consistent throughout the survey's history as well as before and beyond the transition.

Appetite for More Online Services

Passport clientele is fairly representative of the demographic profile of Canadians, and Canadians want more online services. According to the survey, the proportion of clients obtaining their forms on the website has increased to nearly 50 percent, up four percent from the previous survey. Also, nearly 55 percent of respondents visited the Government of Canada website for information on the Passport Program, and nearly 95 percent of those were satisfied with the information found. The results provide a general sense of applicants' current comfort in engaging with the online environment when applying for a passport.

Survey results also show that Canadians want more online services. Despite enjoying the in-office experience, they reported that they would welcome the opportunity to apply online. Of the survey respondents, 68 percent are likely to apply online knowing that the process includes submitting photos and paying the fee. That number has increased from 62 percent from two survey editions prior. Every year, there is a growing comfort level amongst Canadians for engaging in e-government services. Also, at least 89 percent of respondents rated each online related factor listed below as important:

- security of the online process;
- user-friendliness of the online application;
- completing every step of the process online, including payment;
- obtaining a new passport faster;
- option of confirming online the status of a passport application;
- availability of online application assistance; and
- not having to go in person.

For example, these results show that clients could be encouraged to complete their application forms online if these forms were simple, with little information to fill in.

- 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.
 - A new consolidated and user-friendly version of Doc 9303¹¹ was published in July 2015.
 - Canada continues to co-chair a sub-group of the NTWG exploring the next generation of ePassport chips. A technical demonstration of the technology was provided at the March 2016 meeting of the Technical Advisory Group (TAG) in Montreal.
- Public Key Directory (PKD): The ICAO 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.
 - Canada is a founding and long-standing board member and regularly takes a leadership role in projects to promote awareness and explore ways to improve the use and service of the ICAO PKD.

As a member of the **G7 Roma Lyon Group**, Canada led a Migration Experts Sub Group project on Best Practices in Birth and Death Document Management, which received the approval from the Heads of Delegation of the Roma Lyon Group in November 2015. The project compares the various vital events management systems (birth, death) among G7 countries and their capability in the prevention of document fraud (i.e., imposter acquisition, fraudulent use of lost, stolen, expired or cancelled documents) in the travel document issuance process.

¹¹ Document 9303 contains current ICAO's specifications for machine-readable passports, visas and ID cards ("travel documents") used in crossing the borders.

Section 3 – Financial Performance

3.1 How Passports Are Funded

The Passport Program operates on a cost-recovery basis through a revolving fund, financing its operations entirely from the fees charged for passports and other travel documents. 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 expenditures over a business cycle. 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.

By introducing a ten-year validity ePassport in July 2013, the Passport Program transitioned from a five-year to a ten-year business cycle, meaning its costs and revenues must balance out over the ten-year business cycle, creating neither a substantial deficit nor a substantial surplus at the end of the cycle. The current business cycle started in 2013-2014 and will conclude in 2023-2024. The Passport Program expects to generate a surplus in revenues until 2017-2018. These financial surpluses will be used to compensate for 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 ten-year passport in July 2013 (see Figure 7 below). During this second half of the business cycle, the Passport Program will draw on the 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 Travel Document Applications 2007-2008 to 2023-2024
(as of March 31, 2016)



A strong governance framework is in place to ensure compliance with the [Revolving Funds Act](#), the [Policy on Special Revenue Spending Authorities](#) and effective management of Passport Program investments. Among initiatives put in place, IRCC has a stage gate approach to identify, prioritize and manage the intake of investment opportunities and 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 cost and expenditures against this Program. In addition, the robust passport demand forecast, the agreement with ESDC on the deliverance of passport services on behalf of IRCC and the support of activity-based management to facilitate budget allocation all serve to minimize financial risks for the Passport Program.

3.2 Financial Results for the 2015–2016 fiscal year

In the 2015–2016 fiscal year, actual revenues were at \$610 million, compared to \$645 million in the 2014–2015 fiscal year, representing a decrease of \$34 million. This can be attributed to declining volumes as predicted by the forecasting model and to the decrease in the value of Canadian currency against U.S. currency (as previously mentioned in section 2.1).

In the 2015–2016 fiscal year, the Passport Program's operating expenditures were at \$357 million, an increase of 1.1 percent compared to the previous fiscal year. As revenues still exceeded expenditures, however, the Program generated a surplus of \$253 million in the 2015–2016 fiscal year. As indicated above, the Passport Program is currently building funds in its ANCAFA in order to be able to cover Program expenditures, despite expected lower passport demand starting in the 2018–2019 fiscal year.

The Passport Program financial statements from the 2015–2016 fiscal year have been audited by an external firm to confirm that they fairly represent the financial position of the revolving fund. For the sixth 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

IRCC will continue to ensure that Canadians' ease of travel stays high, with a focus on client service while contributing to the country's security. The Program's priorities in the coming years will be to increase the Passport Program's efficiency, to continue to ensure Canadians receive value for money from the fees they pay and to continue to facilitate secure travel for Canadians.

In the 2016-2017 fiscal year and beyond, the Passport Program will continue to advance its modernization agenda by

- continuing work on the migration to GCMS as the new passport issuance system, using knowledge gained during a controlled testing phase conducted in the 2015–2016 fiscal year;
- improving service delivery and accessibility, which will enable the Passport Program to strive toward meeting Canadians' expectations by offering more self-service options, convenient and accessible services and a streamlined client experience (e.g., the Program will explore options to increase the number of Service Canada locations that will review an applicant's proof of citizenship and return it to them instead of sending it for processing with the passport application);
- maintaining high levels of security; the Program will advance the development of the next generation Canadian passport booklet to ensure Canadians have one of the most secure passports available; and
- ensuring that feedback from Canadians during public consultations under the [User Fees Act](#) and from the annual client survey will continue to shape how the Passport Program is modernized and improved to meet the evolving needs of Canadians.

Since some of these modernization initiatives are complex and encompass three departments (IRCC, ESDC, GAC) with different mandates, accountabilities and cultures, IRCC will continue to facilitate effective collaboration while driving modernization. While changes to update and improve the Program are happening, the Program will aim to maintain its current high level of compliance with service standards and solid fiscal sustainability.



Annex A - Financial Statements

Passport Canada Revolving Fund Statement of management responsibility

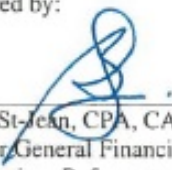
We have prepared the accompanying financial statements of the Passport Canada Revolving Fund as required by and in accordance with the Treasury Board *Policy on Special Revenue Spending Authorities*. These financial statements were prepared by the management of the Fund in accordance with the significant accounting policies set out in note 2 of the financial statements, on a basis consistent with that of the preceding year. Some previous year's figures have been reclassified to conform to the current year's presentation.

Responsibility for the integrity and objectivity of these financial statements rests with the management of the Fund. To ensure maximum objectivity and freedom from bias, the financial data contained in these financial statements is examined by the audit and review committee of the Department in conjunction with their review of the departmental financial statements. The information included in these financial statements is based on management's best estimates and judgment with due consideration given to materiality. To fulfill its accounting and reporting responsibilities, the Fund maintains a set of accounts which provides a centralized record of the Fund's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the department's Departmental Performance Report is consistent with these financial statements.

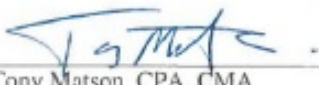
The Fund's Financial Sector develops and disseminates financial management and accounting policies and issues specific directives which maintain standards of accounting and financial management. The Fund maintains systems of financial management and internal control which gives due consideration to costs, 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. Financial management and internal control systems are augmented by the maintenance of internal audit programs. The Fund also seeks to ensure 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 Auditor, who audited them and has provided an independent opinion which has been appended to these financial statements.

Approved by:


Benoit St-Jean, CPA, CA
Director General Financial Operations
Immigration, Refugees and Citizenship Canada

2016-05-30
Date
Ottawa, Canada


Tony Matson, CPA, CMA
Assistant Deputy Minister and Chief Financial Officer
Immigration, Refugees and Citizenship Canada

2016-05-30
Date
Ottawa, Canada



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Passport Canada Revolving Fund, which comprise the statement of financial position as at March 31, 2016, 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, 2016, 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature, extending from the left side of the 'K' towards the right.

Chartered Professional Accountants, Licensed Public Accountants

May 30, 2016

Ottawa, Canada

Passport Canada Revolving Fund
FINANCIAL STATEMENTS
MARCH 31, 2016



Passport Canada Revolving Fund

STATEMENT OF AUTHORITY PROVIDED [USED] [unaudited]

FOR THE YEAR ENDED MARCH 31, 2016

[in thousands of dollars]

	2016		2015	
	Estimates	Actual	Estimates	Actual
Net results	\$244,903	\$253,337	\$294,110	\$290,113
Items not requiring use of funds	7,250	6,813	10,082	8,164
Operating source of funds	252,153	260,150	304,192	298,277
Items requiring use of funds:				
Net tangible capital assets acquisitions	20,000	76	19,338	2,851
Net other assets and liabilities	—	(1,209)	—	3,829
Investment in modernization initiative - software <i>[note 13]</i>	30,000	8,866	30,662	2,625
Transition payments for implementing salary payments in arrears	—	12	—	1,585
Authority provided	\$202,153	\$252,405	\$254,192	\$287,387

Passport Canada Revolving Fund

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2016

[in thousands of dollars]

	2016	2015
Assets		
Financial assets		
Accounts receivable and advances <i>[note 4]</i>	\$10,486	\$13,773
Prepaid expenses	637	772
Inventories <i>[note 5]</i>	16,992	17,381
Subtotal	28,115	31,926
Non-financial assets		
Tangible capital assets <i>[note 6]</i>	11,803	17,752
Total	\$39,918	\$49,678
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities <i>[note 7]</i>	\$49,436	\$59,148
Employee termination benefits	—	72
Subtotal	49,436	59,220
Long-term liabilities		
Employee termination benefits	3,098	2,850
	52,534	62,070
Net assets (liabilities) <i>[note 8]</i>	(12,616)	(12,392)
Total	\$39,918	\$49,678

Contractual obligations *[note 9]*

Contingent liabilities *[note 10]*

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

Passport Canada Revolving Fund

STATEMENT OF OPERATIONS AND NET ASSETS (LIABILITIES)

FOR THE YEAR ENDED MARCH 31, 2016
[in thousands of dollars]

	2016	2015
Revenues		
Fees earned	\$610,207	\$644,903
Miscellaneous revenues	252	245
Total revenues	610,459	645,148
Expenses		
Professional and special services <i>[notes 3 and 11]</i>	203,597	199,926
Salaries and employee benefits <i>[note 3]</i>	62,196	55,972
Freight, express and cartage	32,792	34,281
Passport materials	30,564	34,116
Repair and maintenance <i>[note 3]</i>	7,322	6,532
Accommodation	4,363	4,656
Passport operations at missions abroad	4,337	4,339
Amortization of tangible capital assets	4,032	5,415
Printing, stationery and supplies	2,779	4,148
Information	2,192	2,957
Loss on disposal of tangible capital assets	1,993	1,904
Travel and removal	394	333
Provision for employee termination benefits <i>[note 3]</i>	248	292
Postal services and postage	240	59
Rentals	58	65
Utility	2	23
Telecommunications	1	8
Other	12	9
Total expenses	357,122	355,035
Net results	253,337	290,113
Net assets [liabilities], beginning of year	(12,392)	45,626
Net financial resources provided and change in the accumulated net charge against the Fund's authority during the year	(245,224)	(346,268)
Transfer of transition payments for implementing salary payments in arrears <i>[note 12]</i>	(12)	(1,585)
Net investment in modernization initiative - software <i>[note 13]</i>	(8,325)	—
Transfer to other government departments	—	(278)
Net liabilities, end of year <i>[note 8]</i>	\$(12,616)	\$(12,392)

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



Passport Canada Revolving Fund

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016

[in thousands of dollars]

	2016	2015
Operating activities		
Net results	\$253,337	\$290,113
Items not requiring use of funds:		
Amortization of tangible capital assets	4,032	5,415
Loss on disposal of tangible capital assets	1,993	1,904
Provision for employee termination benefits	248	292
Usage charge for modernization initiative - software <i>[note 13]</i>	541	—
Transfer of transition payments for implementing salary payments in arrears <i>[note 12]</i>	(12)	(1,585)
Net results excluding items not requiring use of funds	260,139	296,139
Variations in Statement of financial position:		
Decrease in accounts receivable and advances	3,287	35,878
Decrease in prepaid expenses	135	103
Decrease (increase) in inventories	389	(3,932)
Increase (decrease) in accounts payable and accrued liabilities	(9,712)	20,859
Increase (decrease) in obligation for employee termination benefits	(72)	72
Net financial resources provided by operating activities	254,166	349,119
Capital investing activities:		
Acquisition of tangible capital assets	(76)	(2,851)
Investment in modernization initiative – software <i>[note 13]</i>	(8,866)	—
Net financial resources used by investing activities	(8,942)	(2,851)
Net financial resources provided and change in the accumulated net charge against the Fund's authority during the year	245,224	346,268
Correction from previous year of the accumulated net charge against the Fund's authority <i>[note 8]</i>	81,886	—
Accumulated net charge against the Fund's authority, beginning of year	426,695	80,427
Accumulated net charge against the Fund's authority, end of year <i>[note 8]</i>	\$753,805	\$426,695

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

Passport Canada Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

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 Global Affairs Canada [GAC] to Immigration, Refugees and Citizenship Canada [IRCC]. 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 and tangible capital acquisitions.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with the significant accounting policies stated 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 the 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, because the funding for tangible capital assets received from Treasury Board is recorded as contributed capital and not as a reduction of the cost of capital assets.

Significant accounting policies are as follows:

a) 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.

b) Inventories

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



Passport Canada Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

c) Tangible capital assets

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

Category	Estimated useful life
Office furniture	10 years
Vehicles	8 years
Informatics hardware	5 years
Software (purchased and developed)	3 to 10 years
Machinery and equipment	15 years
Leasehold improvements	Lesser of the remaining term of the lease or estimated useful life of the improvement

During 2015-2016 the Fund revised its estimate of the useful lives of depreciable assets. The changes have been applied prospectively. The change in the basis of depreciation has had the effect of decreasing depreciation expense by \$1,029,413 in 2015-2016.

d) Employee future benefits

- i) Pension benefits: Eligible employees of the Fund participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. The Fund's contributions to the Plan are charged to expenses in the year incurred and represent the Fund's total obligation to the Plan. The Fund'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.
- ii) Severance benefits: Eligible employees of the Fund are entitled to severance benefits under labor contracts or conditions of employment earn these benefits as services necessary to earn them are rendered.

3. Changes in financial statements presentation

Some expenses from the previous year have been reclassified to comply with the 2015-2016 financial statements' presentation. The net result is an increase in Salaries and employee benefits with a corresponding decrease in Provision for employee termination benefits in the amount of \$891,586 as well as an increase in Repair and maintenance with a corresponding decrease in Professional and special services in the amount of \$102,615.

Passport Canada Revolving Fund
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

4. Accounts receivable and advances

The following table presents details of the Fund's accounts receivable and advances.

	2016	2015
	[in thousands of dollars]	
Accounts receivable and advances		
Accounts receivable – Government of Canada	\$10,219	\$13,728
Accounts receivable – Outside parties	256	45
Accounts receivable – Outside parties	11	—
Total	\$10,486	\$13,773

5. Inventories

The following table presents details of the inventory, measured at the lower of cost using the average cost and net realizable value.

	2016	2015
	[in thousands of dollars]	
Inventories		
Inventories held for consumption	\$3,678	\$1,922
Inventories for resale	13,314	15,459
Total	\$16,992	\$17,381

The inventories held for consumption are mainly composed of prepaid envelopes and informatics hardware. The inventories for resale are the passport booklets.

The cost of consumed inventory recognized as an expense in the Statement of Operations and Fund's net assets is \$57,519,097 for 2015-2016 (\$60,712,473 for 2014-2015).



Passport Canada Revolving Fund
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

6. Tangible capital assets

The following table presents details of the tangible capital assets held by the Fund during the fiscal year.

[in thousands of dollars]

Tangible 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
Leasehold improvements	32,934	—	(28,581)	4,353
Office furniture	95	—	(54)	41
Informatics hardware	5,231	—	—	5,231
Software	30,247	76	(3,599)	26,724
Vehicles	21	—	—	21
Machinery and equipment	406	—	—	406
Total	\$71,840	\$76	\$(32,234)	\$39,682

Accumulated Amortization	Balance, beginning of the year	Amortization	Disposals, transfers and adjustments	Balance, end of the year
Technology Enhancement Plan Project	\$2,906	\$ —	\$ —	\$2,906
Leasehold improvements	29,987	956	(26,590)	4,353
Office furniture	69	3	(52)	20
Informatics hardware	2,051	921	—	2,972
Software	18,917	2,131	(3,599)	17,449
Vehicles	5	2	—	7
Machinery and equipment	153	19	—	172
Total	\$54,088	\$4,032	\$(30,241)	\$27,879

Net Book Value	2016	2015
Technology Enhancement Plan Project	\$ —	\$ —
Leasehold improvements	—	2,947
Office furniture	21	26
Informatics hardware	2,259	3,180
Software	9,275	11,330
Vehicles	14	16
Machinery and equipment	234	253
Total	\$11,803	\$17,752

Passport Canada Revolving Fund
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

7. Accounts payable and accrued liabilities

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

	2016	2015
[in thousands of dollars]		
Accounts payable and accrued liabilities		
Accounts payable – Government of Canada	\$29,298	\$45,021
Accounts payable – Outside parties	12,933	6,695
Accrued liabilities – Outside parties	7,205	5,422
Contractors' holdbacks – Outside parties	—	2,010
Total	\$49,436	\$59,148

8. Net assets (liabilities)

The accumulated net charge against the Fund's authority represents the cumulative receipts and disbursements over the life of the Fund.

The accumulated surplus is an accumulation of each fiscal year's surplus net of deficits since the inception of the Fund.

The contributed capital is a financing arrangement approved by Treasury Board, to finance the acquisition of tangible capital assets in substitute of the Fund's authority. In the current year, there were no additional capital contributions from Treasury Board to finance the Fund's capital project.

	2016	2015
[in thousands of dollars]		
Net assets (liabilities)		
Accumulated net charge against the Fund's authority	\$(753,805)	\$(426,695)
Accumulated surplus	660,715	333,829
Contributed capital	80,474	80,474
Total	\$(12,616)	\$(12,392)

During 2015-2016, an adjustment in the amount of \$81,885,760 has been made between the Accumulated net charge against the Fund's authority and the Accumulated surplus to correct a reporting error that occurred in 2013-2014. This correction has no impact on the total net assets (liabilities).



Passport Canada Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

9. 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, rent of office premises and other operating expenses:

[in thousands of dollars]

2017	\$47,165
2018	43,921
2019	2,988
2020	314
Total	\$94,388

10. Contingent liabilities

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, 2016, the Fund has one outstanding claim with a contingent liability of \$175,597.

11. 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, and the employers' contributions to the health and dental insurance plans 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 GAC. These fees are not recorded as revenues in the Statement of operations and net assets (liabilities). In 2015-2016, the Fund collected and remitted to GAC \$93,085,666 (\$101,007,265 in 2014-2015) in consular fees.

Passport Canada Revolving Fund
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

The cost reported in the Professional and Special Services line item in the Statement of operations and net assets (liabilities) includes the following transactions with Shared Services Canada (SSC) and Employment and Social Development Canada (ESDC):

	2016	2015
	[in thousands of dollars]	
Related party transactions		
Information technologies services (SSC)	\$14,551	\$11,473
Service Delivery, Operations and Internal Services (ESDC)	159,125	161,619
Applications processing (ESDC)	10,835	10,712
Transition and modernization (ESDC)	6,056	4,412
Total	\$190,567	\$188,216

The following table presents the total of other transactions with related parties, such as accommodation, legal services and employers' contributions to the health and dental insurance plans.

	2016	2015
	[in thousands of dollars]	
Expenses – Other Government departments	\$25,928	\$23,192

12. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014-2015. 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. 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.



Passport Canada Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

13. Investment in modernization initiative

IRCC's Passport program is shifting from the Integrated Retrieval Information System (IRIS) to the Global Case Management System (GCMS) and Integrated Payment Revenue Management System (IPRMS) for the processing of passport applications. It will provide the foundation for a future online service channel. As its owner, the expenses affected to the Fund related to this initiative are capitalized in IRCC's financial statements. Annually, IRCC charges back the Fund for the use of GCMS and IPRMS. In 2015-2016, expenses paid by the Fund in the amount of \$8,865,996 were capitalized in IRCC. During the year, internal charges totaling \$541,186 were transferred to the Fund to account for the yearly utilization.