



Passport Program

Annual Report for 2016 – 2017

(April 1, 2016, to March 31, 2017)



CANADA 150



Government
of Canada

Gouvernement
du Canada

Canada

Contact us



1-800-0-Canada

(1-800-622-6232) for general information on the Passport Program.



Service Canada Call Centre

(1-800-567-6868) for status updates on applications or case-specific information, inquiries and complaints.



Government of Canada website

(Canada.ca/passport) for information on the Passport Program, application forms and complaints.

Interact with us on social media and stay informed with passport-related announcements and campaigns:



www.facebook.com/passportcan



www.twitter.com/passportcan



www.youtube.com/CitImmCanada

Travellers can also explore:

- Travel.gc.ca for a comprehensive list of contact information and toll-free telephone numbers for various points of contact at home and abroad.
- Global Affairs Canada's [Travel Smart](#) application for real-time travel advisory information and border wait times.
- Canada Border Service Agency's [CanBorder](#) smartphone applications, including [eDeclaration](#) to create declarations in advance of arrival and Border Wait Time for wait times at ports of entry by land.

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Letter from the Deputy Minister and the Associate Deputy Minister

In 2017, Canadians across the country celebrated the 150th anniversary of Canadian confederation. For many of us, it was an occasion to reflect on how much the country has changed since 1867, but also an occasion to look to the future.

We are pleased to present the *2016-2017 Passport Program Annual Report* wherein we reflect on our past (see our special Canada 150 feature) and report on our most recent accomplishments, notably in service excellence and in laying the ground work for modernization.

In the 2016-2017 fiscal year, our clients continued to respond positively to the level of service the Passport Program provides. The 2017 Passport Program Evaluation Survey showed an impressive 97 percent rate of client satisfaction, with an unprecedented number of clients reporting they were “very satisfied” with services received in Canada.

Their satisfaction is a testament to the work done throughout the Passport Program’s delivery network including Immigration, Refugees and Citizenship Canada, Employment and Social Development Canada, Global Affairs Canada, and Canada Post.

As the Program continues to focus on excellence in service delivery and integrity, 2016-2017 was a foundational period for many major initiatives to be implemented over the next few years. Work was undertaken to enhance security and integrity by advancing the replacement of the current passport issuing system. We continue to move forward on procurement of the next generation of the ePassport with the launch of consultations between provinces and territories for the establishment of linkages for the verification of identity.

Finally, we would like to highlight an initiative of which we are especially proud. In 2016-2017, IRCC prepared for the introduction of an “X” gender designation in our government-issued documents, including passports. When implemented, this measure will advance equality for all Canadians regardless of gender identity or expression.

In 2016-2017, the Passport Program focused its work on modernization to ensure the Canadian passport remains a source of security and a symbol of pride. Looking forward, we will continue our efforts to enable Canadians to travel internationally with ease while ensuring the country’s security.



Marta Morgan
Deputy Minister
Immigration, Refugees and Citizenship Canada



Richard Wex
Associate Deputy Minister
Immigration, Refugees and Citizenship Canada

Executive Summary

The *2016-2017 Passport Program Annual Report* is prepared on a yearly basis and provides an account of the Program's performance during the previous fiscal year. It evaluates the major activities of the Program and accounts for its financial situation.

In celebration of Canada's 150th Anniversary, this year's report includes a section on the history of the Passport Program.

The first section of the report provides general information about the Passport Program. Here you will learn about the variety of products and services the Program offers as well as find out where they can be obtained in Canada and abroad.

Section two goes into detail about the Program's performance during the 2016-2017 fiscal year. The themes of Excellence in Service Delivery, Strengthening Security, Enhancing Management Practices, and International Engagement are central to the Passport Program's operations. For this reason, section two has been organized into the year's highlights under each of these themes:

Excellence in Service Delivery

- More than 5.07 million travel documents were issued
- Performance against service standards remained very high, at 98 percent
- Overall satisfaction level in the annual Passport Program Evaluation Survey of 97 percent

Strengthening Security

- Compared to last fiscal year, there were fewer travel documents lost, stolen, refused, or revoked
- Procurement work has started for the ePassport Next Generation with specific focus on enhanced security features

Enhancing Management Practices

- The Mission Support Unit helped Canadian Missions abroad finalize more than 16,000 applications
- As part of its Modernization Initiative, the Program started testing the processing of a limited number of passport applications in a new issuance system.

International Engagement

- The Passport Program participated in international discussions on the development of improved standards, frameworks and specifications

Section three describes the Program's financial performance during 2016-2017. Because the Passport Program is funded entirely through user fees, it is required by the Treasury Board of Canada to report on its financial performance to the public on an annual basis. The Annual Report is one method by which the Program demonstrates accountability to users and the Canadian Public.

Finally, section four looks at where the Program is headed during the next few years.

Canada 150

In 2017, Canadians have come together to celebrate 150 years of Confederation. Canada has come a long way since 1867, and so has its passport. In fact, the security features of today's Canadian passport would be inconceivable to the issuing authorities of the 19th century.

The passports of 1862, when the first system was implemented, were little more than a "Letter of Request" for safe travel signed by the Governor General. The first booklet-type passport issued in 1920 was an English-only, 10-section single sheet folder. The booklet was later updated in 1926 for print in English and French based on recommendations from the 1920 International Passport Conference.

It wasn't until the Canadian Citizenship Act of 1947 that the familiar blue passport of today was introduced, along with the requirement that passports be issued only to Canadian citizens. However, applicants claiming birth in Canada did not have to provide proof. That is until the escape of Martin Luther King Jr.'s assassin with a Canadian passport caused the government to tighten the passport issuing process. The Royal Commission on Security in 1969 resulted in the mandatory requirement for proof of citizenship at the time of application. And a year later, the first passport offices were opened.

Although today's booklet remains generally similar to its 1947 format, the Canadian passport has stayed abreast of international developments and technical advancements: machine readable passports were introduced in 1985; a series of print modernization efforts were undertaken from 2002 to 2006; and the production of the booklet containing an electronic chip, the ePassport, started in 2013. The ePassport also marked a change in validity period as the option for a 10-year passport was introduced in addition to the five-year passport that had been in place since 1969.

The Canadian passport is both a symbol of this great country and a state-of-the-art identity document that facilitates the travel of Canadians because of the trust it garners globally. The Passport Program will continue its efforts to foster this sense of confidence hopefully for another 150 years.

History of the Canadian Passport

- 1862**
 First passport system implemented
- 1867**
 *British North America Act:* Canadian Confederation
- 1915**
 British form passport adopted
- 1920**
 Booklet type passport introduced
- 1926**
 Introduction of dual-language passports
- 1947**
 *Canadian Citizenship Act:* Citizenship required for passport
- 1967**
 Canadian Centennial: 100 years of Confederation
- 1969**
 Royal Commission on Security: Proof of Citizenship required
- 1970**
 Royal Commission on Government Organization: First offices opened
- 1985**
 Machine readable passports introduced
- 2002-2006**
 Print Modernization initiative
- 2013**
 ePassport: Electronic chip added to booklet
- 2017**
 Canadian Sesquicentennial: 150 years of Confederation

Section 1 – About the Passport Program

The Program

The Passport Program provides [passport and other travel document services](#) to eligible Canadian citizens, permanent residents and refugees.

The Program is administered through joint efforts between several federal departments: Immigration, Refugees and Citizenship Canada (IRCC) is accountable for the Program. Employment and Social Development Canada (ESDC) administers program delivery in-Canada while Global Affairs Canada (GAC) is responsible for program delivery abroad.

Through an extensive [service delivery network](#) in Canada and abroad, the Program provides information on applying for and possessing Canadian travel documents, collects and processes applications, authenticates applicants' identity, determines eligibility, and issues secure Canadian travel documents.

The Program also performs activities to ensure that fraud and misuse of travel documents are prevented and detected. As such, it can [refuse, cancel, revoke or withhold](#) travel documents.

Program operations are funded on a [full cost-recovery basis](#) from [fees charged for travel document services](#). In other words, passports are not financed by taxpayers; only those who apply for a passport actually pay for the service.



Strategic outcome and priorities

The Program establishes priorities and measures results under three strategic themes: [Excellence in service delivery](#), [Strengthening security](#) and [Enhancing management practices](#). Performance under these themes is presented in [Section 2 - The Year in Review](#).

In its commitment to Canadians and to the world, the Program's activities and products are informed by evolving international standards and specifications; which the Program helps develop on the [international stage](#).

Ultimately, the Passport Program contributes to the Government of Canada's strategic outcome of "a safe and secure world through international engagement".

Supporting legislation

The Passport Program is governed by the following legislation and policies:

- [Canadian Passport Order](#)
- [Diplomatic and Special Passports Order](#)
- [Revolving Funds Act](#)
- [Service Fees Act](#) (replaced the [User Fees Act](#) in June 2017)
- [Passport and Other Travel Document Services Fees Regulations](#)
- [Financial Administration Act](#)
- [Directive on Charging and Special Financial Authorities](#) (replaced the [Policy on Special Revenue Spending Authorities](#) in April 2017)
- [Immigration and Refugee Protection Act](#)
- [United Nations Convention Relating to the Status of Refugees](#)

Our Products and Services

The Passport Program issues several types of travel documents to Canadians and eligible non-Canadian citizens (permanent residents or refugees).

Travel documents for Canadians

Regular passports (blue) are issued to Canadian citizens primarily for occasional travel, such as vacations and business trips.

Maximum validity: Five or 10 years for adults; Five years for children (from birth to 15 years of age).

Diplomatic passports (red) are issued to Canadian diplomats, senior government officials, diplomatic couriers as well as private citizens nominated as official delegates to international diplomatic conferences. Dependents of diplomatic passport holders can also obtain this type of passport.

Maximum validity: Five years.

Special passports (green) are issued to persons 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, as well as private citizens nominated to non-diplomatic conferences. Dependents of special passport holders can also obtain this type of passport.

Maximum validity: Five years.

Temporary passports (white) are issued to Canadians outside Canada who require passport services while their regular passport application is being processed.

Maximum validity: One year.

Emergency travel documents are issued to Canadians outside Canada for a single-journey direct return to Canada or to the nearest Government of Canada office where more comprehensive passport services can be obtained.

Maximum validity: One trip.

60 percent of Canadians hold a valid passport!

Share of Passport Holders by Province/Territory of total passport holders in Canada

Ontario	41.36%
Quebec	21.40%
British Columbia	14.02%
Alberta	11.85%
Manitoba	3.28%
Saskatchewan	2.69%
Nova Scotia	2.07%
New Brunswick	1.71%
Newfoundland and Labrador	1.08%
Prince Edward Island	0.32%
Yukon	0.11%
Northwest Territories	0.09%
Nunavut	0.03%

Percentages may not total 100% due to rounding

Travel documents for non-Canadians

Certificates of identity are issued to permanent residents of Canada who are not yet Canadian citizens, who are 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.

Maximum validity: Five years.

Refugee travel documents are issued to persons in Canada with protected person status, including United Nations Convention refugees and persons in need of protection. Such documents are endorsed for travel to all countries, except the holder's country of origin.

Maximum validity: Five years.

Administrative services

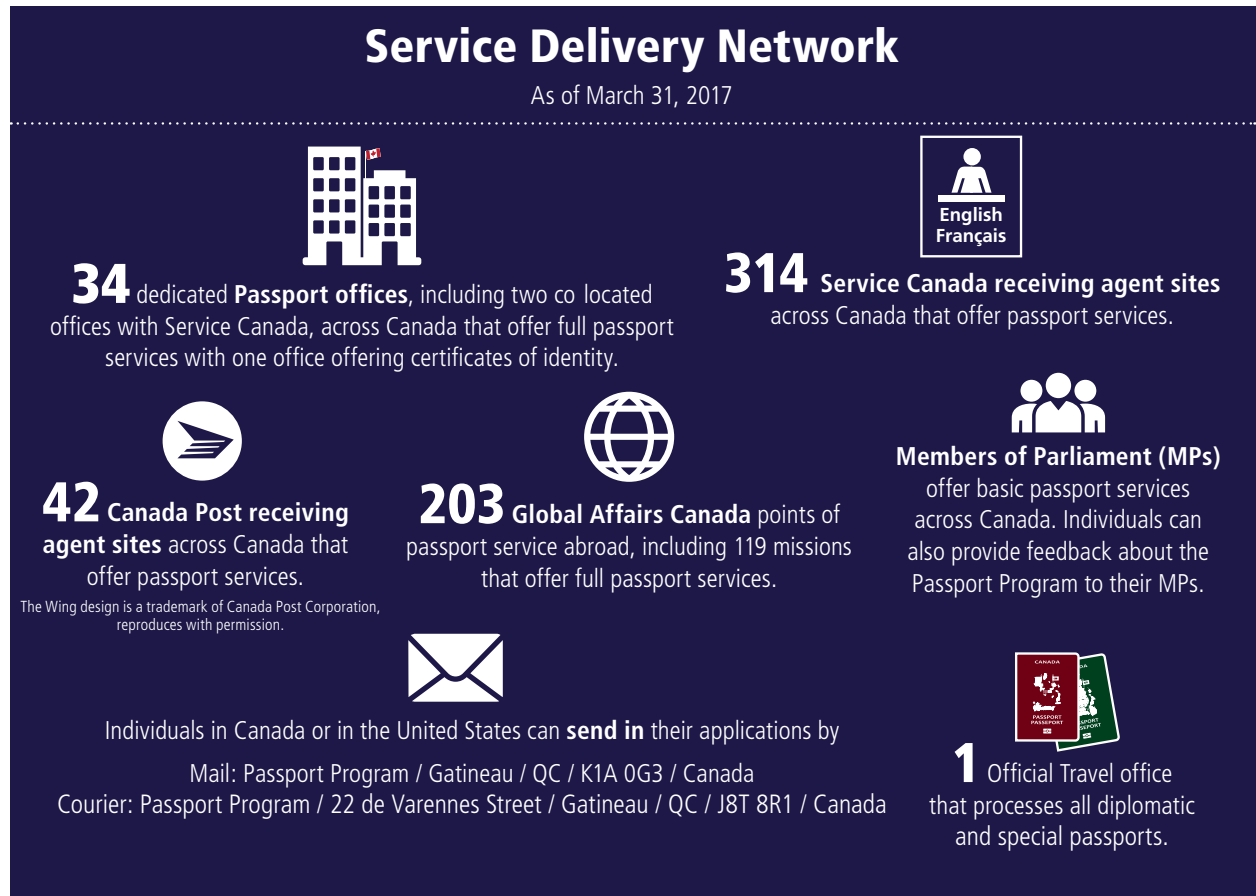
The Program also offers a variety of travel document services within Canada and abroad. To see a full list of services and associated costs, refer to [Annex A – Passport Program Service Fees](#).

Our Service Delivery Network

The Passport Program offered many channels to apply for travel documents in 2016-2017. Service Canada (ESDC), Canadian missions abroad (GAC), Canada Post, IRCC's Official Travel office and even offices of Members of Parliament are on hand to provide passport services¹.

This extensive network is complemented by [several points of contact online](#) (websites and social media), and toll-free telephone numbers where the general public can direct their inquiries.

Regardless of the service channel, the Program and its partners remain committed to providing Canadians with seamless access to passport services and information.

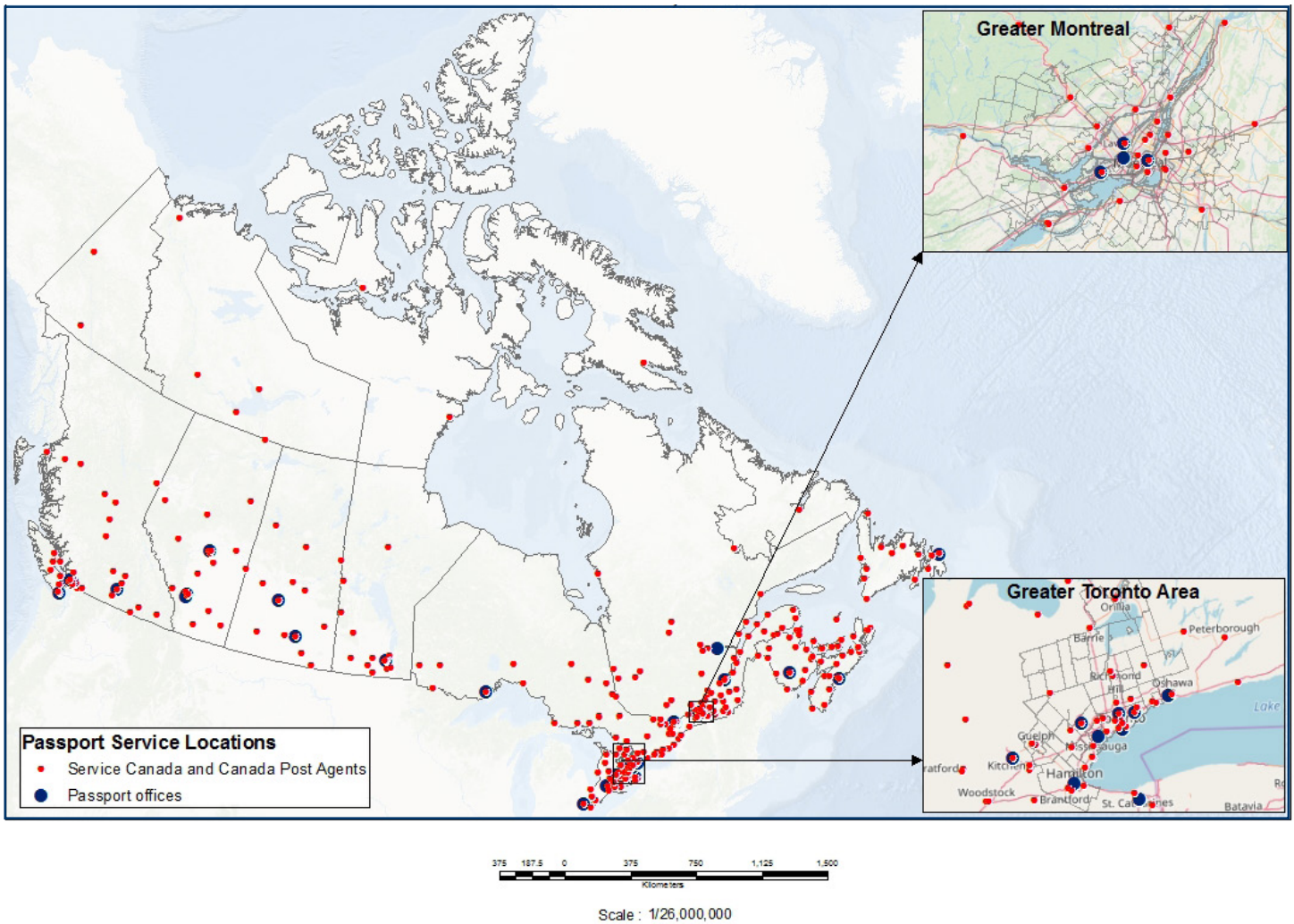


¹ **Full passport services** include accepting and reviewing application forms, validating supporting documentation and pictures, accepting payments, entering application data into passport system and transferring files to a processing centre. They also offer expedited services in Canada (Urgent and Express), pick up service and supplementary services such as Certified true copy and Special Stamps.

Receiving agent sites accept standard passport applications in person, accept payments, validate supporting documents, review application for completeness, and send it to a processing centre.

Basic passport services offered by Members of Parliament consist of reviewing application forms, supporting documents and pictures and sending applications to a processing centre.

Service Delivery in Canada March 31, 2017



As of March 31st, 2017, more than 93 percent of Canadians residing in Canada have access to passport services within 50 km of their place of residence.

Find a passport service location near you at <http://www.cic.gc.ca/english/passport/map/map.asp>

Section 2 – The Year in Review

As events that impact travel continuously unfold at home and abroad, they bring about new challenges and opportunities. Year after year, the Program maintains a steadfast focus on service delivery, robust security, effective management and international engagement to keep abreast of changes affecting Canadians.

Several initiatives affecting the Program were either advanced or fully implemented in 2016-2017. Some notable ones are as follows:

Service Canada Centre Expansion: The number of Service Canada Centres offering Passport services more than doubled in 2016-2017, from 151 to more than 300 (as of March 31, 2017).

Gender X: IRCC took steps to consider the implementation of the policy requirements for introducing an “X” marker for gender in the sex field of identity documents, including passports. Interim measures based on these steps will come into place next fiscal year.

Canadian citizens flying to Canada: As of November 10, 2016, the Government of Canada implemented a new electronic system that helps verify that all passengers have an appropriate travel document before they can board a flight to Canada. Canadian citizens, including dual citizens, need a valid Canadian passport, a valid Canadian temporary passport or a Canadian emergency travel document to board their flight to Canada. A valid Canadian passport provides proof that a traveller is a Canadian citizen and has the right to enter Canada without being subjected to immigration screening.

Primary Inspection Kiosks (PIKs): Led by the Canada Border Services Agency (CBSA), the deployment of PIKs began in March 2017. PIKs verify travellers’ passports and confirm their identity by leveraging biometric technology. They also allow travellers to complete an on-screen declaration instead of a paper one. Overall, the [kiosks](#) help save time and bolster security at the border.

Improved Linkages with Partners: As part of the Program’s modernization initiative, the Passport Program is working towards establishing linkages with partners such as provincial vital statistics agencies for the purposes of real-time confirmation of identity information. In 2016-2017, negotiations progressed on information sharing agreements and high-level business requirements needed for future implementation.



Through these initiatives and the constant challenges of transforming itself, the Program continued to stand out as a model for delivery of government services.

Indeed, despite receiving the third highest number of applications on record, the Program achieved impressively high levels of client satisfaction and performance in 2016-2017.

More detailed results are presented in the following pages under the Program’s strategic themes:

- [Excellence in Service Delivery;](#)
- [Strengthening Security;](#)
- [Enhancing Management Practices;](#)
- [International Engagement.](#)

Excellence in Service Delivery

Canadians expect high-quality services, including a straightforward passport application process and an acceptable time frame to obtain a passport. Throughout its network, the Passport Program makes it a priority to deliver excellent service and meet its clients' needs.

2016-2017 Highlights

- More than 5.07 million travel documents were issued out of slightly less than 5.13 million applications received.
- Despite high volumes, performance against service standards remained very high, at 98 percent.
- The overall satisfaction level measured in the annual Passport Program Evaluation Survey was 97 percent, including an unprecedented six out of 10 clients who were "very satisfied".

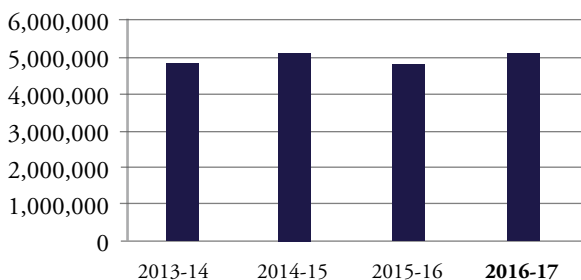
Travel documents issued

The Program issued more than 5.07 million travel documents in 2016–2017, representing the third highest volume level ever recorded.

Travel document Issued

Last four fiscal years

2013-14	2014-15	2015-16	2016-17
4,907,000	5,111,150	4,788,100	5,075,700



Of all travel documents issued over the fiscal year, 73 percent were 10-year adult passports, 17 percent were five-year child passports, and nine percent were five-year adult passports. All other types of travel documents represented one percent of all documents issued.

Applications received by service channel

The Program received just under 5.13 million applications for travel documents in 2016-2017. Service channel usage was comparable to the previous fiscal year.

Applications Received by Service Channel

Percentages of applications received through

	2015-16	2016-17
Passport offices	66.4%	64.6%
Receiving agent sites (Service Canada, Canada Post)	14.7%	15.9%
Mail (Canada and U.S.)	13.7%	13.4%
Canadian missions abroad	3.9%	4.0%
Member of Parliament offices	1.3%	1.4%
Official Travel (special or diplomatic passports) and travel documents for non-Canadians (certificate of identity, refugee travel documents)	0.5%	0.6%

Percentages may not total 100% due to rounding

Almost two out of three Canadians continue to favour in-person service at a Passport office, which provides the fastest service (10 business days).

Across channels, clients reported their primary reason for choosing a specific channel was convenience. In-person service was preferred as clients appreciated having their questions addressed, retaining their official documents with on the spot citizenship validation and having their applications reviewed by an officer.

These preferences are likely reasons why receiving agent sites (which provide service within 20 business days) represent the second most popular channel for applications. Usage rates for channels remain stable.

Service standards performance

The Passport Program has consistently achieved superior levels of application processing. In 2016-2017, 98 percent of all services rendered were within stated standards. See [Annex B – Performance against Service Standards](#) for a complete list of processing times against service standards.

Passport Program Evaluation Survey results

The Passport Program is committed to an ongoing collection of client feedback. Chief in its toolkit is the annual Passport Program Evaluation Survey which aims to identify passport applicants' expectations for service and to measure progress against meeting expectations. As such, the Survey provides insight that allows the Program to "fine-tune" operations and address future needs.

The 2017 Passport Program Evaluation Survey was conducted from January 5, 2017, to March 7, 2017. The Survey had a sample size of 2,501 passport holders, aged 18 years or older, who applied for a new passport between May and November 2016. There were about 250 respondents from each province. Survey results are accurate within +/- 3.2 percent, 19 times out of 20.

Satisfaction levels

In 2016-2017, across all service channels, 97 percent of clients were either "very satisfied" or "satisfied" with their overall service experience. In fact, an unprecedented six out of 10 clients were "very satisfied" with their experience.

In addition, 93 percent of respondents were pleased with the simplicity of the passport application process and 94 percent of respondents were satisfied with the turnaround time to receive their passports.

For almost all aspects of the in-person service experience, respondents indicated very high levels of satisfaction. Overall satisfaction levels for 2016-2017 are equal to or higher than last year's survey. It appears that the core drivers of growing satisfaction rates among clients are varied.



Client Satisfaction In-person Service in Canada

Percentage of respondents satisfied and very satisfied

	2015-16	2016-17
Competence of staff	96%	▲ 99%
Service in chosen official language	98%	99%
Quality of answers provided	91%	▲ 97%
Understanding of your particular needs	93%	▲ 97%
Courtesy of staff	96%	96%
Line-up management	85%	▲ 91%
Hours of operation	86%	88%
Convenience of the location	80%	▲ 83%
Waiting time at the office	75%	▲ 81%

Changes of +/- 3 % are marked with ▲ or ▼

Confidence levels

Most respondents felt the Canadian passport provides confidence and peace of mind when travelling. Further, the passport is more than just a travel document to them; it is also associated with a sense of national pride.

Trust and Pride in the Canadian Passport

Percentage of respondents who agreed

	2015-16	2016-17
Confidence in travelling abroad with passport	78%	79%
Sense of security while travelling with passport	73%	75%
Association of passport with pride of being Canadian	68%	▲ 71%

Changes of +/- 3 % are marked with ▲ or ▼

Awareness levels

Most Canadians are aware that passports should always be kept safe while traveling or when at home and that lost or stolen passports should be reported and replaced. However, the Survey reveals that some protocols are still not widely known, namely the need to return the passport of a deceased person.

Awareness of Passport Protocol

Percentage of respondents who were aware that

	2015-16	2016-17
You have to report a lost or stolen passport to the Program	95%	94%
You should apply for a new passport if the current one is damaged	81%	80%
A deceased person's passport should be returned for cancellation	48%	48%

Online services levels

According to the Survey, half the respondents used currently provided online tools during their passport application process.

Online Usage

Percentage of respondents who reported

	2015-16	2016-17
Obtaining forms online	47%	46%
Likely to apply online	68%	64%

Changes of +/- 3 % are marked with ▲ or ▼

For reasons of convenience, 41 percent of clients obtained their application form in-person at an office, of which most (56 percent) picked it up at a Canada Post office. The proportion of people who obtain their form in-person is expected to decrease over time as 30 percent of the respondents who picked-up a form in-person were not aware that forms were available online. Also, as Canadians become increasingly comfortable with government e-services, more applicants are expected to retrieve application forms online.

In fact, if given the opportunity, more than six out of 10 respondents (64 percent) said they would

likely complete their passport application online (including submitting photos and paying fees). Other respondents (35 percent) would rather not apply online because of information technology issues, privacy concerns and a preference for in-person service. Preferences aside, almost all respondents agreed on the importance of security in an online application system.

Top Five Important Factors in an Online Application System

Percentage of respondents who agreed

	2016-17
Security of the online process	99%
User-friendliness of the online application	98%
Completing every step of the process online, including payment	96%
Obtaining a new passport faster	92%
The option of confirming online the status of their passport application	91%

Client support

In 2016-2017, the Program received more telephone calls and agents dedicated more time to callers than the previous fiscal year. This is due to the increase in applications received, as well as an increase in status of application calls which normally take longer than general information calls. Despite the higher volumes in calls, the service standard of 75 percent was surpassed; 79 percent of clients waited eight minutes or less in the telephone queue.

General Inquiries Telephone

Percentage of respondents who agreed

	2015-16	2016-17
Calls received	1,520,644	1,668,586
Clients who waited 8 minutes or less in the telephone queue	93%	79%

Changes of +/- 10 % are marked with ▲ or ▼

The Program's website received, 13.9 million visits, 29,225 general queries and 1,986 complaints.

Strengthening Security

The integrity of the Passport Program is critical to domestic and international interests. The Program constantly works to enhance passport security features, deter fraud and reduce the likelihood that documents are issued to or used by individuals presenting a security threat.

To strengthen Canada's security infrastructure, the Program collaborates with government security partners, such as the CBSA, Canadian Security Intelligence Service (CSIS), Public Safety Canada (PSC), and the Royal Canadian Mounted Police (RCMP), as well as with provincial and territorial governments. These collaborations are essential to the continued efforts of ensuring that our passports are resistant to counterfeiting and alteration and maintaining program integrity in response to the evolving security environment.

2016-2017 Highlights

- Compared to last fiscal year, there were fewer travel documents lost, stolen, refused, or revoked. But more suspensions were made under the Family Orders and Agreements Enforcement Assistance Act.
- Procurement work has started for the ePassport Next Generation with specific focus on enhanced security features.

ePassport enhancements

In 2016-2017, headway was made on the ePassport Next Generation Project's definition and planning phase. The Program performed in-depth options analyses, developed a comprehensive business case and defined the Project's scope.

This work paved the way for the multi-phase procurement exercise that will span over the next two fiscal years. The Project will result in the improvement of Canadian travel documents through strengthened security features and enhanced technology.

Lost and stolen passports

Lost or stolen passports are monitored for security purposes. The information is shared with the RCMP, the CBSA and the International Police Organization (INTERPOL) for inclusion in their respective databases and to support their efforts to identify persons travelling on invalid passports.

In 2016-2017, 56,835 Canadian travel documents out of a total of 22.17 million in circulation (0.26 percent) were reported lost or stolen.

Security Measures

Number of Canadian travel documents that were

	2015-16	2016-17
Lost	45,577	44,199
Stolen	12,958	12,636
Refused	5,337	▼ 4,678
Revoked	723	▼ 504

Changes of +/- 10 % are marked with ▲ or ▼

Refused and revoked passports

The Canadian Passport Order provides legal authority to IRCC to cancel, refuse or revoke a passport when an application or investigation raises concerns about identity fraud, passport misuse or criminality. PSC can also do the same for cases related to national security and terrorism.

This reporting year, there were 30 percent fewer revoked travel documents and 13 percent fewer refused applications than last fiscal year, primarily due to the decrease of citizenship revocations.

The [Family Orders and Agreements Enforcement Assistance Act](#) allows for the suspension or refusal of passports belonging to or requested by individuals subject to a License Denial Application due to child support payment arrears.

Family Orders and Agreements Enforcement Assistance Act

Number of travel documents that were

	2015-16	2016-17
FOAEAA Refusals	737	697
FOAEAA Suspensions	2,083	▲ 2,956

Changes of +/- 10 % are marked with ▲ or ▼

Enhancing Management Practices

The Passport Program undertakes planning, analysis, outreach and modernization activities required to achieve service and security excellence, while providing value for money for Canadians. In other words, the Program aims for optimal efficiency.

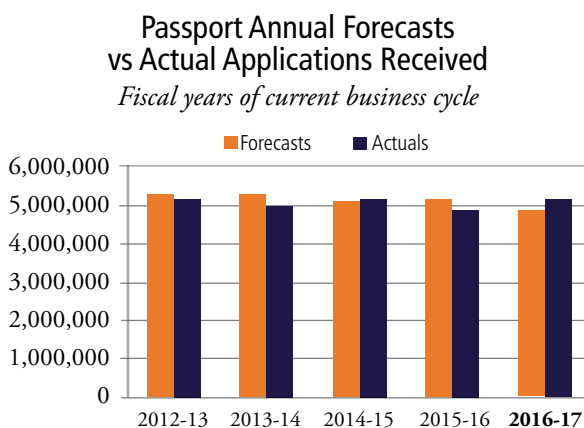
2016-2017 Highlights

- Forecasted volumes were within 5.8 percent of actual volumes received.
- The Mission Support Unit helped Canadian Missions abroad finalize more than 16,000 applications.
- As part of its Modernization Initiative, the Program started testing the processing of a limited number of passport applications in a new issuance system.

Forecasting

As one of the few Government of Canada programs to operate on a full cost-recovery basis, the Program uses a forecasting model to help implement timely resource reallocation strategies.

For 2016-2017, the forecasted volume estimated (4.83 million) was 5.8 percent lower than volumes actually received (just under 5.13 million).



Mission Support Unit

Following the introduction of the requirement for dual nationals to travel with their Canadian passport, a temporary Mission Support Unit was put in place to give assistance to missions where there were significant increases in passport applications. In total, 19 temporary duty officers travelled to missions in need of support.

From September 2016 to March 2017, the Unit approved and finalized more than 16,000 regular passport applications. More than 800 complete passport applications were also sent from two missions that were experiencing significant backlogs to this Unit to be fully processed.

The Program also offered five passport certification training sessions in three missions in order to increase missions' capacity to process larger volumes of passport applications.

Having this additional capacity not only helped GAC in delivering passport services to Canadians abroad in a timely manner, but it also helped develop integrity expertise and reinforce the Program's quality assurance system.

Modernization initiative

The Passport Program Modernization Initiative (PPMI) is a multi-year, large scale government service transformation project. This service transformation will improve efficiency and convenience by providing a modern and secure service to Canadian passport holders and applicants. It will also lay the foundation to support future business improvements and innovations such as the introduction of online passport services and improved security.

One of the key initiatives being undertaken in PPMI is to upgrade the passport issuance system from the Integrated Retrieval Information System (IRIS) to a new system.

In 2016-2017, a limited number of passport applications were processed using a new system within a controlled testing environment. All files processed in

the controlled environment were put through several levels of rigorous verification and quality control to ensure accuracy, identity, security and the entitlement of an applicant to hold a travel document. Planning the transition from IRIS to a new passport issuance system will be completed in winter 2019.

As with any large scale transformational project, there must be a transition period during which changes are introduced, tested and fully understood in order to

ensure effective, long-term, and sustainable results for PPMI. Throughout this multi-year project, IRCC is incorporating regular and timely reviews of the project's progress to incorporate lessons learned and feedback, both of which will be critical to the PPMI's success. The security and integrity of the Canadian passport, in addition to maintaining our client satisfaction levels and service standards, is of utmost importance.



International Engagement

The Passport Program is an active participant in a number of international organizations. This engagement helps to fulfil the expectations of Canadians who expect recognition of the passport by foreign authorities and visa-free access to other countries.

2016-2017 Highlights

- Throughout 2016-2017, the Passport Program participated in international discussions on the development of improved standards, frameworks and specifications.
- The Program continued monitoring international trends and exchanging best practices on passport related topics.

Five Nations Passport Group

The Five Nations Passport Group is an international forum of the passport issuing authorities of Australia, New Zealand, the United Kingdom, the United States and Canada. The Group meets annually to discuss issues of mutual concern in the individual passport programs, consider ideas and share best practices.

In this reporting year, Canada hosted the Five Nations Passport Conference that was held in Vancouver, Canada in May 2016.

G7 Roma Lyon Group

Comprised of Canada, France, Germany, Italy, Japan, the United Kingdom, the United States, and the European Union, the G7 Roma-Lyon Group (RLG), pursues practical projects in counterterrorism, transportation security, high-tech crime, criminal legal affairs, law enforcement, and migration.

IRCC, along with the CBSA, represents Canada in the Migration Experts Sub-Group which works on issues related to irregular migration, border and travel documents.

The RLG meets twice a year under the G7 presidency. Meetings were held in November 2016 in Hiroshima, Japan and in April 2017 in Rome, Italy.

International Civil Aviation Organization

The International Civil Aviation Organization (ICAO) is a United Nations specialized agency that manages the administration and governance of the Convention on International Civil Aviation. Composed of 191 member states, ICAO works with industry groups to establish international civil aviation standards and recommended practices and policies in support of a safe, efficient, secure, economically sustainable and environmentally responsible civil aviation sector.

The Program is an active member of a number of ICAO working groups and boards, including:

- The Implementation and Capacity Building Working Group which promotes the implementation of ICAO standards and to provide assistance to those countries and states that lack the capacity or resources to meet ICAO travel document standards.
- The New Technologies Working Group (NTWG) is responsible for developing international standards and specifications, and for monitoring new technological advancements in the issuance and use of travel documents. Canada co-chairs a sub-group of the NTWG exploring the next generation of ePassport chips.
- The Public Key Directory (PKD) which facilitates the exchange of information to support ePassport authentication, thus improving fraud detection and identity management at borders. 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.

Section 3 – Financial Performance

Passport Program Funding

The Passport Program operates on a cost-recovery basis, financing its operations entirely from the fees charged for passports and other travel documents.

As a full cost-recovery program, the Program must generate sufficient revenues to meet expenditures over a 10-year business cycle – creating neither a substantial deficit nor a substantial surplus at the end of the cycle.

Because demand for passports fluctuates on a year-to-year basis, when annual revenues exceed expenditures, they can be carried over and used to fund the Program's deficits in years when revenues do not cover expenditures within the business cycle. The current 10-year business cycle spans from 2013-2014 to 2022-2023.

Passport financial governance

A strong governance framework is in place to ensure compliance with the [Revolving Funds Act](#) and the new [Directive on Charging and Special Financial Authorities](#) (which replaced the Policy on Special Revenue Spending Authorities in April 2017).

IRCC makes it a priority to allocate resources responsibly. In addition, accurate forecasting and activity-based management to facilitate budget allocation serve to minimize financial risks for the Program.

Financial Results for 2016–2017

In 2016-2017, the Program's actual revenues were \$659 million, an eight percent increase from the previous fiscal year's results, while operating expenditures were \$352 million, a decrease of 1.4 percent. A surplus of \$307 million was thus generated.

The Program is expected to generate high revenues during the first half of the business cycle and anticipates a drop in revenue starting in 2018–2019. This decrease is projected because most passport holders are opting for the 10-year passport since its introduction in 2013, which will result in fewer Canadians needing to renew their travel documents in the second half of the business cycle. The surplus will be used to offset future deficits.

Revolving Fund Financial Results *In millions of dollars*

	2015-16	2016-17
Revenues	\$610	\$659
Expenditures	\$357	\$352
Net results (surplus or deficit)	\$253	\$307

The Program's financial statements for the 2016-2017 fiscal year ([Annex C – Financial Statements](#)) have been audited by an external firm to confirm that they accurately represent the financial position of the revolving fund. Auditors have issued no observations resulting from their audit.

Section 4 – Moving Forward

Canadians are confident that their passport is a recognized proof of Canadian citizenship that makes travelling easier. The Program does not take this trust for granted.

Investments in infrastructure, processes and products are underway that will modernize service delivery and maintain the confidence and satisfaction of Canadians. Work will also continue with other government partners to implement the “X” option in the sex field of passports and other travel documents in coming years.

The Program intends on “staying the course” on high quality service delivery while continuing to modernize its infrastructure, processes and products:

Improved service delivery

- Moving forward, the Program will continue to improve service delivery and accessibility. It will increase the number of Service Canada Centre locations that review an applicant’s proof of citizenship and return it to them, instead of sending it for processing with the application.
- Moreover, the Program will ensure that feedback from Canadians and from the annual Passport Program Evaluation Survey continue to shape modernization initiatives.

Stronger security

- The Program will maintain high levels of security and advance the development of the next generation of the ePassport booklet.
- It will also continue to leverage its national and international partnerships to ensure Canadians have one of the most secure passports available.



Better processes

- Using knowledge gained during the controlled environment testing phases, the Program will continue to migrate towards a new passport issuance system.
- As always, the Program will maintain its current high level of compliance with service standards and strong fiscal sustainability.

Lastly, to succeed in these efforts, the Program relies upon its people. The employees who provide front-end and back-end passport services across our network – in Canada and abroad – take pride in what they do. Their work should not go unsung, as it is the driving force behind our accomplishments.

Annex A – Passport Program Service Fees

Services	Fees*
<i>Passports: Applications made in Canada and passports delivered in Canada</i>	
10-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
<i>Passports: Applications made outside Canada or passports delivered outside Canada</i>	
10-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
<i>Expedited services in Canada (in addition to the regular passport fee)</i>	
Urgent (end of next business day)	\$110
Express (two to nine days)	\$50
Pick-up (day 10)	\$20
Same day, out of regular hours of service	\$335
<i>Expedited services outside Canada</i>	
Emergency travel document (one trip)	\$75
Children's emergency travel document (one trip)	\$30
Temporary passport (linked to regular passport application)	\$110
<i>Travel documents for non-Canadians</i>	
Certificate of identity (adult)	\$260
Children's certificate of identity	\$141
Refugee travel document	\$120
Children's refugee travel document	\$57
<i>Administrative services</i>	
Addition of a special stamp or observation (at applicant's request) ²	\$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

*As of March 31st, 2017

²An 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.

Annex B – Performance against Service Standards

Service	Service Standard	Performance Target³	2016–2017*
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	99.12%
Passport application in person at a receiving agent site	20 business days		98.27%
Passport application by mail	20 business days		95.00%
Services outside of 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	91.01%
Temporary passport	Under 20 business days		99.28%
Emergency travel document	Under 20 business days		98.92%
Services for non-Canadians in Canada		Process 90% of complete applications within announced processing times	
Certificate of identity	20 business days		97.26%
Refugee travel document	20 business days		95.87%
Expedited Services in Canada			
Urgent service	24 hours (next business day)	Process 90% of complete applications within announced processing times	99.10%
Express service	Two to nine business days		98.85%
Pick-up service	10 business days		98.50%
Same day, out of regular hours of service	Same day		96.83%
Other Services			
Addition of a special stamp ⁴	Same as processing time if request is associated to a travel document application or 10 business days if request is after a travel document has been issued	Process 90% of requests within announced processing times	100.00%
Certified true copy of a travel document	10 business days		95.18%
File transfers from one regional office in Canada to another	Three business days		90.91%

*As of March 31st, 2017

³ Under the [User Fees Act](#), the Passport Program must report on service standards performance to Parliament on an annual basis in the Departmental Results Report (formerly the Departmental Performance Report). If stated service standards are unmet by more than 10 percent over a prescribed period, fees will have to be reduced by a percentage equivalent to the unachieved performance, up to a maximum of 50 percent.

⁴ Certain countries require the passport to contain a stamp with an Arabic translation of the bearer's particulars as seen on the photo page.

Annex C – Financial Statements

Passport Canada Revolving Fund Statement of management responsibility

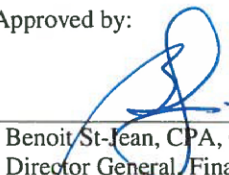
We have prepared the accompanying financial statements of the Passport Canada Revolving Fund as required by and in accordance with the Treasury Board Policy on Special Revenue Spending Authorities and the reporting requirements and standards of the Receiver General for Canada. These financial statements were prepared by the management of the Fund in accordance with the significant accounting policies set out in note 2 of the 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 Departmental Audit Committee 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 Results Report is consistent with these financial statements.

The Fund's financial management develops and disseminates financial 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

2017.06.02

Date
Ottawa, Canada



Daniel Mills, CPA, CMA
Assistant Deputy Minister and Chief Financial Officer
Immigration, Refugees and Citizenship Canada

2017.06.02

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, 2017, 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.

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.



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

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, 2017, 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, Immigration, Refugees and Citizenship 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' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

June 2, 2017

Ottawa, Canada

Passport Canada Revolving Fund

Statement of authority provided (used) [unaudited]

For the year ended March 31, 2017

(in thousands of dollars)

	2017		2016	
	Estimates	Actual	Estimates	Actual
Net results	\$ 250,217	\$ 306,769	\$ 244,903	\$ 253,337
Items not requiring use of funds	5,415	3,728	7,250	6,813
Operating source of funds	255,632	310,497	252,153	260,150
Items requiring use of funds:				
Net tangible capital assets acquisitions	(25,986)	(1,107)	(20,000)	(76)
Net other assets and liabilities	—	3,378	—	1,209
Investment in modernization initiative ⁽¹⁾	(45,438)	(7,241)	(30,000)	(8,866)
Transition payments for implementing salary payments in arrears	—	—	—	(12)
Authority provided	\$ 184,208	\$ 305,527	\$ 202,153	\$ 252,405

(1) In 2016-2017, modernization costs totaled \$17,157,467. Of that amount, \$7,240,821 is an investment in software as described in note 13 and is presented against the total estimated for the modernization initiative as per the Main Estimates' reporting. The remaining amount of \$9,916,646 was expensed and is included in the net results.

Passport Canada Revolving Fund

Reconciliation of unused authority [unaudited]

As at March 31, 2017

(in thousands of dollars)

	2017	2016
Debit balance in the accumulated net charge against the Fund's authority	\$1,051,480	\$753,805
Payables charged against the Fund at year-end	(42,588)	(46,390)
Receivables credited to the Fund at year-end	13,658	9,608
Net authority provided, end of year	1,022,550	717,023
Authority limit	--	--
Unused authority carried forward	\$1,022,550	\$717,023

Passport Canada Revolving Fund

Financial Statements

March 31, 2017

Passport Canada Revolving Fund

Statement of financial position as at March 31, 2017

(in thousands of dollars)

	2017	2016
Assets		
Financial assets		
Accounts receivable and advances (note 4)	\$ 14,500	\$ 10,486
Inventory held for resale (note 5)	9,415	13,314
Subtotal	23,915	23,800
Non-financial assets		
Prepaid expenses	734	637
Inventory held for consumption (note 5)	3,444	3,678
Tangible capital assets (note 6)	9,817	11,803
Subtotal	\$ 13,995	16,118
Total	\$ 37,910	\$ 39,918
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	44,940	49,436
Long-term liabilities		
Employee future benefits	2,090	3,098
	47,030	52,534
Net assets (liabilities) (note 8)	(9,120)	(12,616)
Total	\$ 37,910	\$ 39,918

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, 2017

(in thousands of dollars)

	2017	2016
Revenues		
Fees earned	\$ 658,246	\$ 610,207
Miscellaneous revenues	271	252
Total revenues	658,517	610,459
Expenses		
Professional and special services (note 11)	199,347	203,597
Salaries and employee benefits	59,059	62,196
Freight, express and cartage	34,361	32,792
Passport materials	32,586	30,564
Passport operations at missions abroad	7,192	4,337
Rentals (note 3)	6,331	5,700
Accommodation	4,427	4,363
Amortization of tangible capital assets	3,085	4,032
Information	2,488	2,192
Repair and maintenance (note 3)	2,171	1,680
Travel and removal	1,061	394
Printing, stationery and supplies	700	2,779
Postal services and postage	53	240
Loss on disposal of tangible capital assets	8	1,993
Utility	2	2
Telecommunications	1	1
Provision for employee future benefits	(1,008)	248
Other	(116)	12
Total expenses	351,748	357,122
Net results	306,769	253,337
Net assets [liabilities], beginning of year	(12,616)	(12,392)
Net financial resources provided and change in the accumulated net charge against the Fund's authority during the year	(297,675)	(245,224)
Transfer of transition payments for implementing salary payments in arrears (note 12)	—	(12)
Net investment in modernization initiative - software (note 13)	(5,598)	(8,325)
Net liabilities, end of year (note 8)	\$ (9,120)	\$ (12,616)

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, 2017 (in thousands of dollars)

	2017	2016
Operating activities		
Net results	\$ 306,769	\$ 253,337
Items not requiring use of funds:		
Amortization of tangible capital assets	3,085	4,032
Loss on disposal of tangible capital assets	8	1,993
Provision for employee termination benefits	(1,008)	248
Usage charge for modernization initiative - software (note 13)	1,643	541
Transfer of transition payments for implementing salary payments in arrears (note 12)	—	(12)
Net results excluding items not requiring use of funds	310,497	260,139
Variations in Statement of financial position:		
Decrease (increase) in accounts receivable and advances	(4,014)	3,287
Decrease (increase) in prepaid expenses	(97)	135
Decrease in inventory held for resale	3,899	2,145
Decrease (increase) in inventory held for consumption	234	(1,756)
Decrease in accounts payable and accrued liabilities	(4,496)	(9,712)
Decrease in obligation for employee future benefits	—	(72)
Net financial resources provided by operating activities	306,023	254,166
Capital investing activities:		
Acquisition of tangible capital assets	(1,107)	(76)
Investment in modernization initiative – software (note 13)	(7,241)	(8,866)
Net financial resources used by investing activities	(8,348)	(8,942)
Net financial resources provided and change in the accumulated net charge against the Fund's authority during the year	297,675	245,224
Correction from previous year of the accumulated net charge against the Fund's authority	—	81,886
Accumulated net charge against the Fund's authority, beginning of year	753,805	426,695
Accumulated net charge against the Fund's authority, end of year (note 8)	\$1,051,480	\$753,805

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, 2017

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

Significant accounting policies are as follows:

a) Basis of accounting

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.

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.

c) Inventories

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

Passport Canada Revolving Fund

Notes to the financial statements for the year ended March 31, 2017

d) Basis of accounting

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

Asset class	Amortization period
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

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

e) 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

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

3. Changes in financial statements presentation

Some expenses from the previous year have been reclassified to comply with the 2016-2017 financial statements' presentation. The net result is an increase in Rentals with a corresponding decrease in Repair and maintenance in the amount of \$5,641,825. This adjustment is due to the harmonization of the financial statements' presentation of the Passport program with that of IRCC and to better reflect the nature of the transactions. Passport has integrated into the IRCC financial system in 2015-2016.

Passport Canada Revolving Fund

Notes to the financial statements for the year ended March 31, 2017

4. Accounts receivable and advances

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

	2017	2016
	(in thousands of dollars)	
Accounts receivable and advances		
Accounts receivable – Government of Canada	\$ 14,306	\$ 10,219
Accounts receivable – Outside parties	194	256
Employee advances	—	11
Total	\$ 14,500	\$ 10,486

5. Inventories

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

	2017	2016
	(in thousands of dollars)	
Inventories		
Inventories held for consumption	\$ 3,444	\$ 3,678
Inventories held for resale	9,415	13,314
Total	\$ 12,859	\$ 16,992

The inventories held for consumption are mainly composed of prepaid envelopes and informatics hardware. The inventories held 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 (liabilities) is \$61,234,359 for 2016-2017 (\$57,519,097 for 2015-2016).

Passport Canada Revolving Fund

Notes to the financial statements for the year ended March 31, 2017

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)

	Balance, beginning of the year	Acquisitions	Disposals, transfers and adjustments	Balance, end of the year
Tangible capital Assets				
Technology Enhancement Plan Project ⁽¹⁾	\$ 2,906	\$ —	\$ —	\$ 2,906
Leasehold improvements	4,353	—	—	4,353
Office furniture	41	—	—	41
Informatics hardware	5,231	—	(42)	5,189
Software	26,724	—	(911)	25,813
Vehicles	21	—	—	21
Machinery and equipment	406	—	—	406
Assets under construction	—	1,107	—	1,107
Total	\$ 39,682	\$ 1,107	\$ (953)	\$ 39,836

	Balance, beginning of the year	Amortization	Disposals, transfers and adjustments	Balance, end of the year
Accumulated Amortization				
Technology Enhancement Plan Project ⁽¹⁾	\$ 2,906	\$ —	\$ —	\$ 2,906
Leasehold improvements	4,353	—	—	4,353
Office furniture	20	3	—	23
Informatics hardware	2,972	921	(42)	3,851
Software	17,449	2,140	(903)	18,686
Vehicles	7	2	—	9
Machinery and equipment	172	19	—	191
Total	\$ 27,879	\$ 3,085	\$ (945)	\$ 30,019

Net Book Value	2017	2016
Technology Enhancement Plan Project	\$ —	\$ —
Leasehold improvements	—	—
Office furniture	18	21
Informatics hardware	1,338	2,259
Software	7,127	9,275
Vehicles	12	14
Machinery and equipment	215	234
Assets under construction	1,107	—
Total	\$ 9,817	\$ 11,803

Passport Canada Revolving Fund

Notes to the financial statements for the year ended March 31, 2017

7. Accounts payable and accrued liabilities

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

	2017	2016
	(in thousands of dollars)	
Accounts payable and accrued liabilities		
Accounts payable – Government of Canada	\$ 30,079	\$ 29,298
Accounts payable – Outside parties	8,056	12,933
Accrued liabilities – Outside parties	6,548	7,205
Contractors' holdbacks – Outside parties	257	—
Total	\$ 44,940	\$ 49,436

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.

	2017	2016
	(in thousands of dollars)	
Net assets (liabilities)		
Accumulated net charge against the Fund's authority	\$ (1,051,480)	\$ (753,805)
Accumulated surplus	961,886	660,715
Contributed capital	80,474	80,474
Total	\$ (9,120)	\$ (12,616)

Passport Canada Revolving Fund

Notes to the financial statements for the year ended March 31, 2017

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)

2018	\$ 59,326
2019	4,598
2020	4,548
2021	4,566
2022	42
Total	\$ 73,080

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, 2017, the Fund has one outstanding claim with a contingent liability of \$25,000.

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 2016-2017, the Fund collected and remitted to GAC \$101,001,725 (\$93,085,666 in 2015-2016) in consular fees.

Passport Canada Revolving Fund

Notes to the financial statements for the year ended March 31, 2017

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):

	2017	2016
	(in thousands of dollars)	
Related party transactions		
Information technologies services (SSC)	\$ 14,685	\$ 14,551
Service Delivery, Operations and Internal Services (ESDC)	156,717	159,125
Applications processing (ESDC)	13,639	10,835
Transition and modernization (ESDC)	2,098	6,056
Total	\$ 187,139	\$ 190,567

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.

	2017	2016
	(in thousands of dollars)	
Expenses – Other Government departments	\$ 27,264	\$ 25,928

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, 2017

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. They 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 2016-2017, expenses paid by the Fund in the amount of \$7,240,821 were capitalized in IRCC. During the year, charges totaling \$1,643,245 were transferred to the Fund to account for the yearly utilization.