



Quarterly Financial Report for the Quarter ended June 30, 2011



Parole Board of Canada

Introduction

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

Authority and Objectives

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

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

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

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

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2011-2012 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

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

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

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

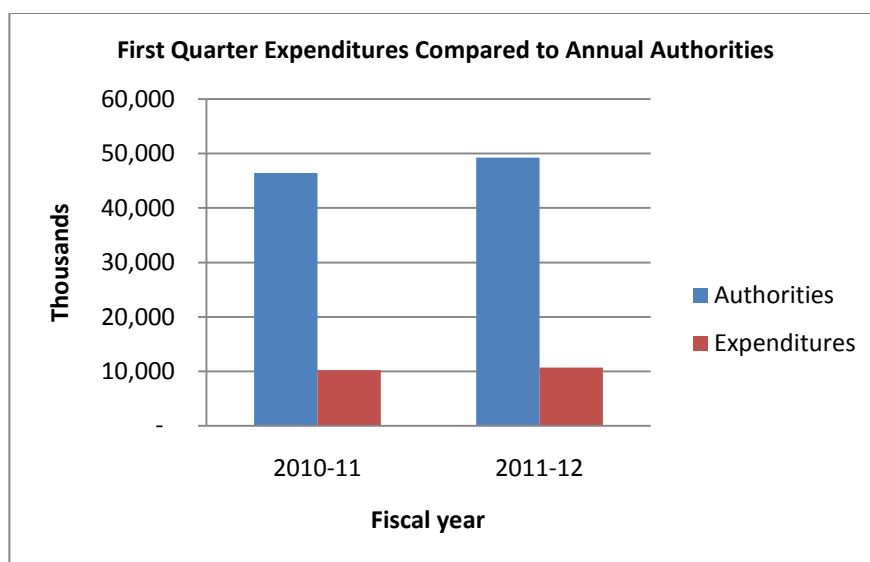
Highlights of Fiscal Quarter and Fiscal Year to Date Results

Significant Changes to Authorities

As at June 30, 2011, total authorities available for the year have increased by \$2.8 million compared to the same quarter of the previous year, from \$46.4 million to \$49.2 million. The major changes are as follows:

- An increase of \$1,607K, the third of six annual increases related to the Government's Truth in Sentencing Act (Bill C-25);
- An increase of \$1,137K due to the net results of reprofiling funds between various fiscal years for the department's Medium- to Long-Term Accommodation Plan for Program Delivery;
- An increase of \$573K for the Renewal of the Strengthening Community Safety Initiative;
- An increase of \$308K related to the Employee Benefit Plan rate change increase from 17.5% to 18.0%;
- An increase of \$97K the third and last annual increase related to the Tackling Violent Crime Act;
- A decrease of \$454K due to the Budget 2010 Cost Containment Measures; and
- A decrease of \$440K related to the Sunset of the Federal Victims Strategy Initiative.
- The Board received in February 2010 net voting authorities up to \$980K to respend revenues generated from pardon application fees commencing on April 1st 2010. The authority to respend revenue was followed by an increase of \$1,456K from \$980K to \$2,436K due to the December 2010 increase to the pardon application fee from \$50 to \$150.

Figure 1 - First Quarter Expenditures Compared to Annual Authorities



Significant Changes to Gross Budgetary Expenditures

Quarterly and year-to-date spending, net of revenue, increased by \$462K or 5% in 2011-12, compared with the same quarter in 2010-11. As a percentage of planned expenditures, year-to-date spending in the first quarter of 2011-12 is consistent with that of 2010-11 (21.7% in 2011-12 and 22.0% in 2010-11).

The vast majority of the Board's expenditures are for salary. Accordingly, increases in salaries represent the bulk of the difference between the two quarters. The following points explain significant variances between the two years:

- Personnel expenditures increased by \$575K or 6% over the first quarter in 2010-11. This increase was caused by general increases in collective agreements, and by the appointment of new Full- and Part-Time Board Members.
- Transport and Communications is a significant cost element for the Board at \$519K in the first quarter of 2010-11 and \$598K in the corresponding period in 2011-12. Total expenditures increased over the reporting period by \$79K or 15%. The biggest component of this expenditure category is travel. The Board's travel costs increased in large part due to the appointment in March 2011 of two new Full-time Board Members, and the resulting relocation expenditures incurred in the first quarter of 2011-12. In addition, newly-appointed Board Members, both full- and part-time, travelled to Ottawa for the Board Member orientation session. There were no comparable expenditures in the first quarter of the previous year.

- Information expenditures were \$22K higher in the first quarter of 2011-12 than in the previous year. This represented a significant increase as last year's amount was only \$2K. The increase is due to the printing of the Pardon Application Guide to coincide with changes to the Pardon process.
- Professional and Special Services is another significant expenditure element. The amount for the first quarter in 2011-12 is \$376K, up \$53K or 17% from the previous year's first quarter. One of the larger expenditure categories within this category is translation. Expenditures for translation were higher in the first quarter of 2011-12 due to a higher volume of appeal decisions requiring translation, and a significant amount of pardon-related translations related to the proposed new pardon fee. In addition, there were expenditures incurred for professional services related to the Board Member orientation session.
- The decrease of \$8K in expenditures for Purchased Repair and Maintenance is due to a timing difference in receipt and payment of a significant maintenance fee. The amount was invoiced in the first quarter, but not paid until the second quarter.
- Expenditures for Utilities, Materials and Supplies are down slightly over the reporting period. As Parliament was dissolved for a general election, and full supply was not approved. In an environment of Governor General Warrants, only expenditures which are deemed to be urgently required for the public good should be made, and this affected spending decisions with respect to materials and supplies.
- The difference of \$3K in Other Expenditures is due to a payment of legal fees as a result of a Federal Court decision.

Significant Changes to Revenues Collected

The Board collects a fee for processing pardon applications. Effective December 2010, the fee increased from \$50 to \$150, resulting in the need to increase the authority to respond revenue by \$1,456K from \$980K to \$2,436K. As well, the application process and eligibility requirements were changed following new legislation passed in June 2010. The combined effect of legislative change and increased fee resulted in a decrease in the number of pardon applications accepted: 2,710, or 41% from the first quarter of 2010-11. Accordingly, revenue collected in the first quarter increased only modestly, from \$327K to \$575K.

Risks and Uncertainties

Budget 2010 announced that the operating budgets of departments would be frozen at their 2010-11 levels for the fiscal years 2011-12 and 2012-13. The Board has estimated the impact of this initiative to be approximately \$436.9K in 2011-12. The Board expects managers to absorb the impact of the budget measure through a reduction in non-salary operating budgets, which were applied to each of the Board's 46 responsibility centres. This strategy is expected to continue for the duration of the budget measure until 2012-13.

Budget 2011 announced that departmental budgets would be examined through a Strategic and Operating Review. Pursuant to this review, it is expected that future years' budgets will be reduced for

fiscal years commencing in 2012-13. However, at this time the nature and extent of any reductions are not known.

The PBC receives all of its funding through annual Parliamentary authorities. As a result, its operations are impacted by any changes in funding approved through Parliament. The Board collects user fees for processing pardon applications, and has the authority to spend revenues received during the year on activities related to granting pardons. To ensure the pardons program continues to be delivered effectively without affecting budgets devoted to the Board's conditional release program, the Board is seeking to implement a full-cost recovery model for the processing of a pardon application. Estimates of costs and related fees are based on assumptions relating to volumes of pardon applications that will be received. Deviations of actual volumes from forecasts will have an impact on the Board's net financial situation.

As a small agency, the Board faces difficulties in recruiting and retaining staff. Over the next few months/years, the Board is expecting to see increased activity as a result of new and recently-approved as well as potential legislative changes. While the increase in workload will be most obvious in the number of reviews conducted, the entire organization will be impacted. This could exacerbate the recruiting and retention difficulties.

Significant Changes in Relation to Operations, Personnel and Programs

The Board has seen the following significant changes in its programs over the past year:

- On June 17, 2010, the House of Commons passed Bill C-23A, *Limiting Pardons for Serious Crimes Act*. The legislation modifies the waiting period to apply for a pardon. The user fee for a pardon increased from \$50 to \$150 on December 29, 2010. These changes will continue to have an impact on the Board's revenue.
- On March 28, 2011, Bill C-59, the *Abolition of Early Parole Act*, came into force. This Bill abolishes the system of Accelerate Parole Review, which allows those convicted of non-violent offences to obtain day parole after serving one-sixth of their sentence and full parole after serving one-third. While in the short term, this will reduce the number of Parole hearings and decisions, it will ultimately lead to a significant increase in volume.

Approval by Senior Officials

Approved by,

Harvey Cenaiko
Chairperson

Cathy Gaudet, CA
Acting Chief Financial Officer

Statement of Authorities (unaudited)

(In thousands of dollars)	Fiscal year 2011-12			Fiscal year 2010-11		
	Total available for uses for the year ending March 31, 2012	Used during the quarter ended June 30, 2011	Year to date used at quarter-end	Total available for uses for the year ending March 31, 2011	Used during the quarter ended June 30, 2010	Year to date used at quarter-end
	Vote 40 – Program expenditures	45,656	9,732	9,732	40,869	9,142
Less revenues netted against expenditures	2,436	575	575	-	327	327
Budgetary statutory authorities - EBP	6,015	1,504	1,504	5,537	1,384	1,384
Total authorities	49,235	10,661	10,661	46,406	10,199	10,199

Departmental Budgetary Expenditures by Standard Object (unaudited)

(In thousands of dollars)	Fiscal year 2011-12			Fiscal year 2010-11		
	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended June 30, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended June 30, 2010	Year to date used at quarter-end
	Expenditures					
Personnel	40,591	10,154	10,154	38,109	9,579	9,579
Transportation and communications	4,382	598	598	3,241	519	519
Information	140	24	24	150	2	2
Professional and special services	3,747	376	376	2,534	322	322
Rentals	242	29	29	195	30	30
Repair and maintenance	1,662	3	3	1,289	11	11
Utilities, materials and supplies	361	29	29	300	40	40
Acquisition of machinery and equipment	542	21	21	582	23	23
Other subsidies and payments	4	3	3	6	-	-
Total gross budgetary expenditures	51,671	11,236	11,236	46,406	10,526	10,526
Total revenues netted against expenditures	2,436	575	575	-	327	327
Total net budgetary expenditures	49,235	10,661	10,661	46,406	10,199	10,199