



Quarterly Financial Report for the Quarter ended September 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 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 September 30, 2011, total authorities available for the year have increased by \$3.2 million compared to the same quarter of the previous year, from \$48.5 million to \$51.7. The major changes are as follows:

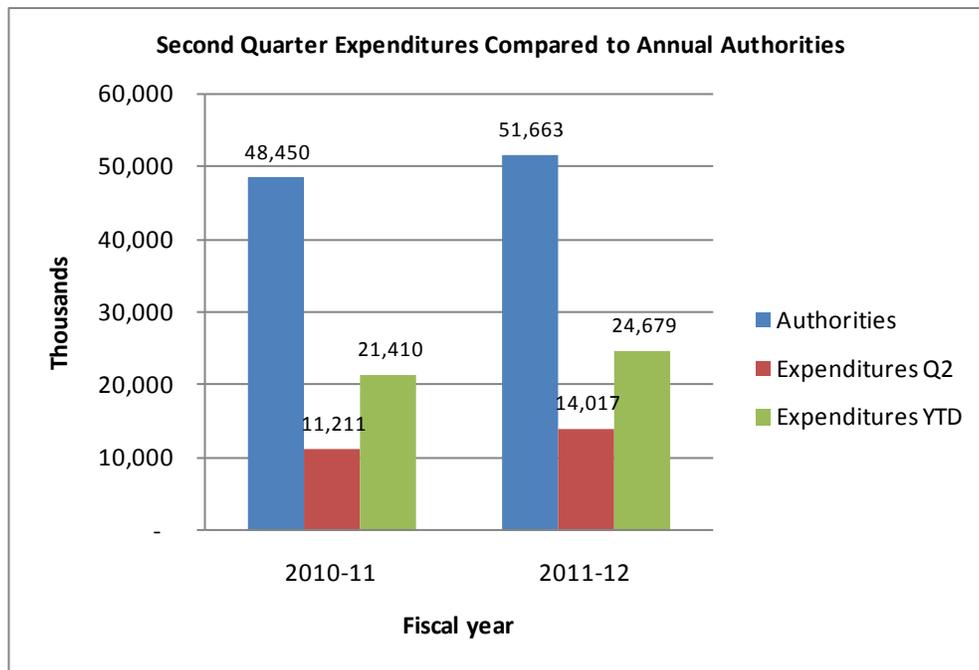
Quarter 1:

- 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.

Quarter 2:

- An increase of \$392K related to the reimbursement by Treasury Board Secretariat of certain pay benefits such as severance pay, parental benefits and vacation credits payable upon termination of employment with the Public Service.

Figure 1 - Second Quarter Expenditures Compared to Annual Authorities



Significant Changes to Budgetary Expenditures

The year-to-date (YTD) spending, net of revenue, increased by \$3.3 million or 15% in 2011-12, compared with 2010-11. As a percentage of planned expenditures, YTD spending in 2011-12 is 47.8% in 2011-12, compared to 44.2% in 2010-11. Expenditures, net of revenue, in the second quarter of 2011-12 are \$2.8 million higher than the same quarter in the previous year. This is an increase of 25%.

Readers should refer to the Board's first quarterly report for explanations of variances noted in the first quarter, as these will, in many cases, carry forward as explanations for YTD variances.

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

- The vast majority of the Board's expenditures are for salary. Personnel expenditures increased by \$3.6 million or 18% over YTD expenditures of 2010-11. The second quarter spending increased by \$3.0 million or 30% compared to the same quarter of the previous fiscal year. Both YTD and quarter-to-quarter variances are due in large part to significant payments for severance pay and termination benefits following revisions to certain Collective Agreements. (Elimination of severance pay was approved by Treasury Board and bargaining units in recent Collective Agreements representing over 95,000 members of the core public administration. Members were entitled to choose either immediate payment of accumulated severance pay or to defer the payments until termination of employment.) In addition, there were general increases in Collective Agreements, increases to employer contributions and increased utilization of Part-Time Board Members, term employees, and students during the summer months.

- Transport and Communications is also a significant cost element for the Board and increased by \$179K from \$562K in the second quarter of 2010-11 to \$741K in the corresponding period in 2011-12. Key contributors to this increase included temporary travel status for staff members from one region filling vacancies in another region or National Office, travel for Board Members to National Office to work on pardons or appeals decisions, Aboriginal Awareness training session and Elder gatherings held, and air charters to conduct remote hearings.
- Professional and Special Services is another significant expenditure element. However, the amount for the second quarter in 2011-12 was slightly lower from the previous year's second quarter. In the second quarter of 2010-11, consultant resources were engaged to provide independent third party advice in the areas of cost benefit analysis and costing related to the proposed new pardon fee. In addition, a significant payment related to shared library services made in the second quarter of 2010-11 was made in the third quarter in 2011-12.
- Rentals increased significantly by \$14K or 45% from \$31K in the second quarter of 2010-11 to \$45K in the corresponding quarter in 2011-12. This increase is mostly due by the rental of meeting rooms and equipment for the Aboriginal Awareness training session held in the prairie region.
- Expenditures for Utilities, Materials and Supplies were down slightly in the second quarter of 2011-12. In 2010-11, outreach products were purchased, which accounts in large part for this decrease.
- Acquisition of machinery and equipment increased significantly by \$48K from \$23K in the second quarter of 2010-11 to \$71K in the corresponding period in 2011-12. This increase is largely due to the purchase of scanners and other materiel required for an electronic file pilot project carried out in the Prairie region.

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 respend 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: 1,113, or 49% from the second quarter of 2010-11. However, revenue collected in the second quarter increased significantly, from \$114K to \$509K.

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 Deficit Reduction Action Plan. 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 Accelerated 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 September 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 September 30, 2010	Year to date used at quarter-end
Vote 40 – Program expenditures	48,084	13,022	22,755	43,893	9,941	19,083
Less revenues netted against expenditures	2,436	509	1,084	980	114	441
Budgetary statutory authorities - EBP	6,015	1,504	3,008	5,537	1,384	2,768
Total authorities	51,663	14,017	24,679	48,450	11,211	21,410

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 September 30, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended September 30, 2010	Year to date used at quarter-end
Expenditures						
Personnel	42,582	13,012	23,166	40,592	9,997	19,576
Transportation and communications	4,557	741	1,339	3,452	562	1,081
Information	145	6	30	160	6	8
Professional and special services	3,893	572	948	2,699	615	937
Rentals	250	45	74	208	31	61
Repair and maintenance	1,729	10	13	1,373	9	20
Utilities, materials and supplies	375	69	98	320	81	121
Acquisition of machinery and equipment	564	71	92	620	23	46
Other subsidies and payments	4	0	3	6	1	1
Total gross budgetary expenditures	54,099	14,526	25,763	49,430	11,325	21,851
Total revenues netted against expenditures	2,436	509	1,084	980	114	441
Total net budgetary expenditures	51,663	14,017	24,679	48,450	11,211	21,410