

accountability

CCRA [Annual Report](#) to Parliament  
2002-2003 [Financial Statements](#)

*More Ways to Serve You!*  
*Pour vous servir encore mieux!*



Canada Customs  
and Revenue Agency

Agence des douanes  
et du revenu du Canada

**Accountability**, the ongoing title of our annual performance reports to Parliament, embodies two key themes: **account** and **ability**. **Account** represents the CCRA's declaration of what we have accomplished following our transition to agency status and, in the case of this report, in our third year as an agency. **Ability** symbolizes the capacity of the CCRA's workforce to realize the promise of agency status. In both themes, a common thread emerges: that teamwork is essential to both the successes realized to date and to achieving the strategic agendas set out in our corporate business plans. Underpinning these themes is a strong commitment to being a connected, learning organization—where we work together to reflect on our experiences, both successes and failures, and on new ideas, knowledge, and insights to continually improve our performance.

Our annual report comprises two volumes. This volume provides an agency-wide overview of our program delivery results, and summaries of our performance in each of the CCRA's five business lines against the objectives set out in our *2002-2003 to 2004-2005 Corporate Business Plan*. The second volume, **CCRA Financial Statements**, provides the financial information for our operations and responsibilities in 2002-2003. It also includes additional financial information to meet government-wide performance reporting requirements.

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## Introduction

This volume of the Canada Customs and Revenue Agency's (CCRA's) Annual Report to Parliament contains audited financial statements for the CCRA's operations and the activities it administers, as well as unaudited supplementary financial information relating to Parliamentary appropriations.

The audited financial statements pertaining to the operations and activities of the CCRA present the financial information in accordance with the accounting principles of the Government of Canada. In 2002-2003, the Government of Canada changed its accounting policy to full accrual basis, as announced in the 2003-2004 Federal Budget. The changes under the full accrual basis of accounting are indicated in the notes to the financial statements.

For financial reporting purposes, the activities of the CCRA have been divided into two sets of financial statements—Agency Activities and Administered Activities. The statements for Agency Activities include the operational revenues and expenses that the CCRA controls and utilizes in running the organization. The Administered Activities statements provide information on the revenues and expenses that the CCRA manages on behalf of the federal government, provinces, territories, First Nations, or other groups or organizations. The Auditor General of Canada provides audit opinions on these two sets of financial statements. Beyond the audited financial statements, this document contains management discussions on the CCRA's operations and the activities it administers.

The unaudited supplementary financial information relating to the CCRA's resource management performance for purposes of reporting to Parliament on the use of its annual appropriations are prepared on a modified cash basis of accounting, which does not parallel the financial statement reporting. This appropriation basis of accounting does not include, for example, a amortization or certain accrual accounting adjustments for services provided by other government departments that are part of the audited financial statement of operations. Note 4 on page 2-25 and Table 9 on page 2-71 provide reconciliations between these two accounting methodologies. The opinions of the Auditor General on the financial statements do not extend to this supplementary financial information.

The CCRA maintains financial and management control systems and practices that provide reasonable assurance the information presented constitutes a fair and frank accounting of how well the CCRA is performing against the objectives it set out to accomplish. To ensure a high level of assurance, Internal Audit conducts independent reviews of various aspects of the CCRA's performance information. In addition, the Board of Management's Audit and Resource Committee—which oversees management's responsibilities for maintaining adequate internal control and financial/performance reporting systems—meets with internal and external auditors on a regular basis. The Board of Management recommends the *Annual Report* to the Minister for approval.



## **Audited *Financial Statements***







## Statement of Management Responsibility

We have prepared the accompanying financial statements of the Canada Customs and Revenue Agency in accordance with accounting principles consistent with those applied in preparing the financial statements of the Government of Canada. Significant accounting policies are set out in Note 2 in the financial statements.

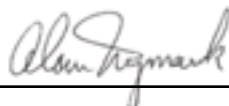
Responsibility for the integrity and objectivity of data in these financial statements rests with the management of the Agency. In order to assure objectivity and freedom from bias, these financial statements have been approved by the Agency's Audit and Resource Committee on behalf of the Board of Management. The Audit and Resource Committee is independent of management and meets with management, the internal auditors and the Auditor General of Canada on a regular basis, and the auditors have full and free access to the Audit and Resource Committee.

Some of the information, such as accruals, services provided without charge by other Government departments and the allowance for doubtful accounts, included in the financial statements, are based on management's best estimates and judgments with due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains sets of accounts, which provide a record of the Agency's financial transactions. Financial information submitted to the Public Accounts of Canada and included in the Agency's Annual Report is consistent with these financial statements.

The Agency maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. They are designed to provide reasonable assurance that transactions are within the authorities provided by Parliament and by others such as the Provinces and Territories and are executed in accordance with prescribed regulations, and are properly recorded so as to maintain the accountability of funds and the safeguarding of assets. Financial management and internal control systems are reinforced by the maintenance of internal audit programs. The Agency also seeks to assure the objectivity and integrity of data in its financial statements by the careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that its regulations, policies, standards and managerial authorities are understood throughout the organization.

The Auditor General of Canada conducts an independent audit and expresses opinions on the accompanying financial statements.

Approved by:



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Alan Nymark  
Commissioner



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Stephen Rigby  
Chief Financial Officer and Assistant  
Commissioner, Finance and Administration

Ottawa, Ontario  
September 29, 2003



## **Financial Statements – *Agency Activities***







Auditor General of Canada  
Vérificateur général du Canada

## AUDITOR'S REPORT

To the Board of Management of the Canada Customs and Revenue Agency  
and the Minister of National Revenue

I have audited the statement of financial position – Agency Activities of the Canada Customs and Revenue Agency as at March 31, 2003 and the statements of operations, net liabilities and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency Activities of the Canada Customs and Revenue Agency as at March 31, 2003 and the results of operations and cash flows for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
July 25, 2003



## Statement of Financial Position – Agency Activities

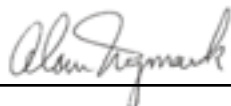
as at March 31  
(in thousands of dollars)

	2003	2002
<b>ASSETS</b>		
<b>Financial assets</b>		
Cash	315	309
Due from the Consolidated Revenue Fund (Note 2)	266,225	336,263
Accounts receivable (Note 6)	25,497	22,409
	<u>292,037</u>	<u>358,981</u>
<b>Non-financial assets</b>		
Prepaid expenses	9,217	7,832
Consumable supplies	9,537	12,709
Capital assets (Note 8)	329,963	233,408
	<u>348,717</u>	<u>253,949</u>
<b>TOTAL</b>	<b><u>640,754</u></b>	<b><u>612,930</u></b>
<b>LIABILITIES</b>		
Accrued employee salaries and benefits	56,497	150,625
Accounts payable and accrued liabilities	209,371	185,206
Vacation pay and compensatory leave	148,030	133,989
Capital lease obligations (Note 12)	5,968	6,804
Employee severance benefits	441,915	381,752
Other liabilities	1,038	758
	<u>862,819</u>	<u>859,134</u>
<b>Net liabilities</b> (Note 7)	<u>(222,065)</u>	<u>(246,204)</u>
<b>TOTAL</b>	<b><u>640,754</u></b>	<b><u>612,930</u></b>

Contingent liabilities (Note 11) and Commitments (Note 13)

*The accompanying notes are an integral part of these financial statements.*

Approved by:



Alan Nymark  
Commissioner



Michael L. Turcotte  
Chair, Board of Management

## Statement of Operations – Agency Activities

for the year ended March 31  
(in thousands of dollars)

	<b>2003</b>	<b>2002</b> <b>(Restated-Note 3)</b>
<b>EXPENSES</b>		
Personnel		
Salaries	2,208,492	2,008,680
Other allowances and benefits	1,009,550	830,790
	<u>3,218,042</u>	<u>2,839,470</u>
Accommodation	241,016	222,495
Professional and special services	199,596	179,885
Transportation and communications	192,857	181,126
Transfer payments (Note 14)	109,307	108,126
Repair and maintenance	83,339	78,314
Equipment purchases	81,696	73,697
Materials and supplies	57,453	63,642
Other services	39,760	40,582
Amortization of capital assets (Note 8)	27,419	20,880
Loss on disposal/write-off of capital assets	15,888	905
Equipment and other rentals	14,189	11,864
Advertising, printing and related services	6,051	6,378
Utilities	510	561
Other expenses	3,566	3,942
<b>Total expenses</b>	<u>4,290,689</u>	<u>3,831,867</u>
<b>NON-TAX REVENUE</b> (Note 5)	196,608	204,399
<b>NET COST OF OPERATIONS</b>	<u><b>4,094,081</b></u>	<u><b>3,627,468</b></u>

*The accompanying notes are an integral part of these financial statements.*



## Statement of Net Liabilities – Agency Activities

for the year ended March 31  
(in thousands of dollars)

	<b>2003</b>	<b>2002</b>
Net liabilities at beginning of year	(246,204)	(283,473)
Net cost of operations	(4,094,081)	(3,627,468)
Net cash provided by Government of Canada	3,681,645	3,099,807
Services provided without charge by other Government departments (Note 10)	506,613	465,708
Change in Due from the Consolidated Revenue Fund (Note 2)	(70,038)	99,222
<b>Net liabilities at end of year</b> (Note 7)	<b>(222,065)</b>	<b>(246,204)</b>

*The accompanying notes are an integral part of these financial statements.*

## Statement of Cash Flows – Agency Activities

for the year ended March 31  
(in thousands of dollars)

	2003	2002
<b>Operating transactions</b>		
Net cost of operations	4,094,081	3,627,468
<b>Adjustments for items not affecting cash</b>		
<b>Statement of operations</b>		
Amortization of capital assets (Note 8)	(27,419)	(20,880)
Net loss on disposal/write-off of capital assets	(15,567)	(817)
Services provided without charge by other Government departments (Note 10)	(506,613)	(465,708)
<b>Statement of financial position</b>		
Change in financial assets other than Due from Consolidated Revenue Fund	3,094	(5,507)
Change in non-financial assets other than capital assets	(1,787)	(944)
Change in liabilities other than capital lease obligations	(4,521)	(153,253)
<b>Cash applied to operating transactions</b>	<b>3,541,268</b>	<b>2,980,359</b>
<b>Capital transactions</b>		
Acquisition of capital assets	139,904	119,524
Change in capital lease obligations	836	12
Proceeds from disposal of capital assets	(363)	(88)
<b>Cash applied to capital transactions</b>	<b>140,377</b>	<b>119,448</b>
<b>Net cash provided by Government of Canada</b>	<b>3,681,645</b>	<b>3,099,807</b>

*The accompanying notes are an integral part of these financial statements.*

## Notes to the Financial Statements – Agency Activities

### 1. Authority and purpose

The Canada Customs and Revenue Agency (the "Agency") was established effective November 1, 1999, under the *Canada Customs and Revenue Agency Act*. The Agency was established to support the evolution of tax administration and customs services in Canada.

The Agency is a departmental corporation named in Schedule II of the *Financial Administration Act* and reports to Parliament through the Minister of National Revenue. The Agency's expenditures are funded by the Government of Canada through appropriations.

The Agency's mandate is to provide support, advice and services when:

- (a) supporting the administration and enforcement of program legislation;
- (b) implementing agreements between the Government of Canada or the Agency and the government of a province or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;
- (c) implementing agreements or arrangements between the Agency and departments or agencies of the Government of Canada to carry out an activity or administer a program; and
- (d) implementing agreements between the Government of Canada and aboriginal governments to administer a tax.

In delivering its mandate, the Agency:

- collects revenues and administers tax laws for the federal government and for certain provinces and territories and others, including First Nations;
- provides border services and administers legislation governing international trade and travel; and
- delivers certain social and economic benefit programs to Canadians, through the tax system.

The Agency administers, on behalf of others, income taxes and sales taxes, Canada Pension Plan (CPP) contributions, Employment Insurance (EI) premiums, as well as amounts collected for other groups or organizations. The Agency is responsible for the administration and enforcement of the following acts, and certain other acts for which the Minister of National Revenue has a mandated role: *Canada Customs and Revenue Agency Act*, *Children's Special Allowances Act*, *Customs Act*, *Customs Tariff*, *Excise Act*, *Excise Tax Act* (includes Goods and Services Tax (GST)/Harmonized Sales Tax (HST)), *Income Tax Act*, and others.

The Minister of National Revenue is responsible for the Agency and remains accountable to Parliament for the administration and the enforcement of the various tax and customs programs' legislation.

## 2. Summary of significant accounting policies

For financial reporting purposes, the activities of the Agency have been divided into two sets of financial statements: Agency Activities and Administered Activities. The financial statements – Agency Activities include those operational revenues and expenses which are controlled by the Agency and utilized in running the organization. The financial statements – Administered Activities include those revenues and expenses which are controlled by someone other than the Agency, such as the federal government, a province or territory, or other groups or organizations, but are managed by the Agency on their behalf. The purpose of the distinction between Agency and Administered activities is to facilitate, among other things, the assessment of the administrative efficiency of the Agency in achieving its mandate.

As required by section 88(2)(a) of the *Canada Customs and Revenue Agency Act*, the Financial Statements – Agency Activities have been prepared in accordance with accounting principles consistent with those applied in preparing the financial statements of the Government of Canada. The purpose of these financial statements is to present operational non-tax revenues and expenses and assets and liabilities that are controlled by the Agency and utilized in running the organization. A summary of significant accounting policies is as follows:

### (a) Parliamentary appropriations

The Agency is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the Agency do not parallel financial reporting prepared in accordance with accounting principles consistent with those applied in preparing the financial statements of the Government of Canada since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 4(a) provides a reconciliation between the two bases of reporting.

### (b) Expense recognition

All expenses are recorded on the accrual basis.

### (c) Revenue recognition

All non-tax revenue is recorded on the accrual basis. Non-tax revenue reported in this statement excludes administered revenues collected under the authority of the *Income Tax Act*, the *Customs Act*, the *Excise Act*, the *Excise Tax Act* and other similar legislation.

### (d) Consumable supplies

Consumable supplies consist of forms, publications and uniforms. These assets are recorded at the lower of cost (determined by using the weighted average cost method) or net realizable value. The cost of consumable supplies is charged to operations in the period in which the items are used.

### (e) Capital assets

The Agency records as capital assets all expenses providing multi-year benefits to the Agency (including leasehold improvements) having an initial cost of \$10,000 or more. Similar items under \$10,000 are disclosed as equipment purchases in the statement of operations. The capitalization of software and leasehold improvements has been done on a prospective basis from April 1, 2001. Capital assets do not include intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, and museum collections. Amortization of capital assets is done on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Useful life
Border crossings infrastructure (Roads, sewers and works)	40 years
Buildings	30 years
Machinery, equipment and furniture	10 years
In house developed software	7 years
Vehicles and other means of transportation	5 years
Information technology equipment	5 years
Purchased software	3 years
Capital leases and leasehold improvements	Term of the lease

Assets under construction/development are not amortized until completed and put into operation.

**(f) Services provided without charge by other government departments**

Estimates of amounts for services provided without charge by other government departments are included in expenses. Those amounts include:

- accommodation provided by Public Works and Government Services Canada,
- employer's contributions to the health insurance plan provided by Treasury Board,
- workers' compensation benefits provided by Human Resources Development Canada,
- audit services provided by the Office of the Auditor General of Canada,
- legal services provided by Justice Canada, and
- payroll services provided by Public Works and Government Services Canada.

**(g) Net cash provided by Government of Canada**

The Agency operates within the Consolidated Revenue Fund (CRF). The CRF is administered by the Receiver General for Canada. All cash receipts are deposited to the CRF and all cash disbursements are paid from the CRF. The net cash provided by government is the difference between all cash receipts and all cash disbursements including transactions between departments and agencies.

**(h) Due from the Consolidated Revenue Fund (CRF)**

Due from the CRF represents the amount of cash that the Canada Customs and Revenue Agency is entitled to draw from the CRF without further appropriations, in order to discharge its liabilities. These amounts have been charged to current or prior years appropriations but will be paid in the future, and include items such as accrued employee salaries, accounts payable and accrued liabilities.

**(i) Contributions to Public Service Superannuation Plan**

Most Agency employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Agency contribute to the cost of the Plan. Contributions by the Agency are charged to expenses in the period incurred and represent the total pension obligation of the Agency to the Plan. The Agency is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Public Service Superannuation Account.

**(j) Employee severance benefits, vacation pay and compensatory leave**

Employee severance benefits, vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment. The employee severance benefits liability is estimated using the Government of Canada's demographic population characteristics and demographic population assumptions. The liability for vacation pay and compensatory leave is calculated at the salary levels in effect at the end of the year for all unused vacation pay and compensatory leave benefits accruing to employees. Employee severance benefits and vacation pay liabilities payable on cessation of employment represent obligations of the Agency that are normally funded through future years' appropriations.

**(k) Employee future benefits**

The Federal Government sponsors an employee benefit plan (Health and Dental) in which CCRA participates. As a participant, contributions by the Agency are recorded at cost and are charged to personnel expenses in the period incurred and represent the total obligation of the Agency to the plan. The Agency is not required under present legislation to make contributions with respect to any future unfunded liabilities of the plan.

**(l) Measurement uncertainty**

The preparation of these financial statements in accordance with accounting principles consistent with those applied in preparing the financial statements of the Government of Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Employee severance benefits, contingencies and the useful life of capital assets are the most significant items where estimates are used. Actual results could differ from these current estimates. The estimates are reviewed periodically and as adjustments become necessary, they are reported in net results of operations in the period in which they become known.

### 3. Changes in accounting policies

As required by section 88(2)(a) of the *Canada Customs and Revenue Agency Act*, the financial statements of the Agency must be prepared in accordance with accounting principles consistent with those applied in preparing the statements of the Government of Canada. In the 2003-04 federal budget, the Government announced that it would change its basis of accounting from the current modified accrual basis to the full accrual basis for the 2002-03 financial statements. With the exception of software and leasehold improvements as described in note 3(c) below, the changes in accounting principles have been applied on a retroactive basis. Table 1 shows the cumulative effects of these changes for the year ended March 31, 2002 and are as follows:

#### (a) Financial statement presentation

The Agency's financial statements previously consisted of a statement of operations and notes to the statement of operations. The Agency's financial statements, for the year ended March 31, 2002, contain a statement of financial position, a statement of operations, a statement of net liabilities, a statement of cash flows and notes to the financial statements.

#### (b) Net cash provided by Government of Canada

The Agency now reports net cash provided by the Government of Canada in the Statement of Net Liabilities and the Statement of Cash Flows. Total net cash provided by the government was \$3,099,807,000 in the year ended March 31, 2002.

#### (c) Capital assets

In prior years, purchases of capital assets were charged to expenses in the year of acquisition. The Agency changed its policy of accounting for capital assets for the year ended March 31, 2002. Capital assets are now recognized as non-financial assets of the Agency and are amortized over their estimated useful lives as detailed in note 2(e). Software and leasehold improvements are being capitalized on a prospective basis from April 1, 2001. Net capital asset acquisitions during the year ended March 31, 2002 in the amount of \$118,634,000 which would have previously been expensed, have been capitalized. Amortization expense in the amount of \$20,880,000 for the year has been recorded in the Statement of Operations. The net effect of these changes is to decrease various expenses, total expenses and the net cost of operations by \$97,754,000 for the year ended March 31, 2002.

#### (d) Adjustments to prior years' expenses

In prior years, the Agency included adjustments to prior years' expenditures (refunds of prior years' expenditures and adjustment to accounts payable) as an element of non-tax revenue. The Agency has retroactively changed its accounting policy to record these items as adjustments to the appropriate expenses. The net effect of this change is to decrease non-tax revenue, various expenses and total expenses by \$4,572,000. There is no impact on the net cost of operations for the year ended March 31, 2002.

#### (e) Consumable supplies

In prior years, the Agency expensed consumable supplies in the year of purchase. The Agency retroactively changed its accounting policy to record forms, publications and Customs uniforms as non-financial assets at the lower of cost (determined by using the weighted average cost method) or net realizable value and to expense the cost of the items as they are consumed. The net effect of this change is to establish the asset at April 1, 2001, then reduce it at March 31, 2002, and thus increase materials and supplies expense, total expenses and the net cost of operations by \$2,165,000 for the year ended March 31, 2002.

#### (f) Services provided without charge

In prior years, the Agency did not record payroll services as a service provided without charge. The Agency retroactively changed its accounting policy to recognize this item as an expense. The net effect of this change is to increase professional and special services, total expenses and the net cost of operations by \$1,865,000 for the year ended March 31, 2002.

#### (g) Prepaid expenses

In prior years, the Agency recorded prepaid expenses in the year of purchase. The Agency retroactively changed its accounting policy to record these items as non-financial assets at cost at the time of acquisition, and to expense the items when used. The net effect of this change is to establish the asset at April 1, 2001, then increase it at March 31, 2002, and thus decrease various expenses, total expenses and the net cost of operations by \$1,222,000 for the year ended March 31, 2002.

**(h) Bad debt expense**

In prior years, the Agency included accounts receivable in the notes to the statement of operations and recorded non-tax revenues on an accrual basis. However, a provision for bad debts was not recorded as an operating expense. The Agency retroactively changed its accounting policy to record accounts receivable at their estimated net realizable value and to expense the cost of uncollectible amounts. The net effect of this change is to establish the asset and a provision at April 1, 2001, then decrease the net asset at March 31, 2002, and thus increase other expenses, total expenses and the net cost of operations by \$134,000 for the year ended March 31, 2002.

**(i) Salary advances**

In prior years, the Agency recorded salary advances as an operating expense. The Agency retroactively changed its accounting policy to recognize salary advances as an account receivable in the appropriate years. The net effect of this change is to establish the asset at April 1, 2001, then decrease it at March 31, 2002, and thus increase salary expenses, total expenses and the net cost of operations by \$45,000 for the year ended March 31, 2002.

**(j) Environmental clean-ups**

In prior years, the Agency did not record any liability for future environmental clean-ups. The Agency retroactively changed its accounting policy to recognize this liability in the appropriate years. The net effect of this change is to establish the liability at April 1, 2001, then increase it at March 31, 2002, and thus decrease various expenses, total expenses and the net cost of operations by \$38,000 for the year ended March 31, 2002.

**(k) Comparative figures**

Certain comparative figures have been reclassified to conform to current year's presentation.

**Table 1**

Cumulative effects of the changes in accounting policies  
(in thousands of dollars)

	<b>2002</b>		<b>2002</b>
	<b>As previously</b>	<b>Adjustments</b>	<b>As</b>
	<b>reported</b>		<b>Restated</b>
<b>EXPENSES</b>			
Personnel			
Salaries	2,038,584	(29,904)	2,008,680
Other allowances and benefits	835,254	(4,464)	830,790
	<u>2,873,838</u>	<u>(34,368)</u>	<u>2,839,470</u>
Accommodation	222,495	0	222,495
Transportation and communications	183,538	(2,412)	181,126
Professional and special services	202,846	(22,961)	179,885
Transfer payments	108,126	0	108,126
Repair and maintenance	82,104	(3,790)	78,314
Equipment purchases	112,465	(38,768)	73,697
Materials and supplies	61,583	2,059	63,642
Other services	41,164	(582)	40,582
Amortization of capital assets	-	20,880	20,880
Loss on disposal/write-off of capital assets	-	905	905
Equipment and other rentals	12,032	(168)	11,864
Advertising, printing and related services	6,473	(95)	6,378
Land, building and works	21,546	(21,546)	-
Utilities	568	(7)	561
Other expenses	2,466	1,476	3,942
<b>Total expenses<sup>1</sup></b>	<u>3,931,244</u>	<u>(99,377)</u>	<u>3,831,867</u>
<b>NON-TAX REVENUE<sup>2</sup></b>	208,971	(4,572)	204,399
<b>NET COST OF OPERATIONS</b>	<u><b>3,722,273</b></u>	<u><b>(94,805)</b></u>	<u><b>3,627,468</b></u>

<sup>1</sup> This adjustment is primarily the result of note 3(c) (Capital assets) and note 3(f) (Services provided without charge).

<sup>2</sup> For an explanation of this adjustment, see note 3(d) (Adjustments to prior years' expenses).



#### 4. Parliamentary appropriations

The Agency receives the majority of its funding through Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Agency has different net results of operations for the year on a government funding basis than on an accrual accounting basis. These differences are reconciled below:

(a) Reconciliation of net cost of operations to total Parliamentary appropriations used:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
Net cost of operations	4,094,081	3,627,468
Expenses not requiring use of current year appropriations:		
Amortization of capital assets	(27,419)	(20,880)
Adjustment to prior years' expenses	9,722	4,572
Consumable supplies	(3,172)	(2,165)
Loss on disposal/write-off of capital assets	(15,888)	(905)
Services provided without charge by other government departments (Note 10)	(506,613)	(465,708)
Other	(128)	(134)
	<u>(543,498)</u>	<u>(485,220)</u>
Net changes in future funding requirements:		
Employee severance benefits	(60,163)	(34,230)
Vacation pay and compensatory leave	(14,041)	(17,989)
Other	(266)	(7)
	<u>(74,470)</u>	<u>(52,226)</u>
Asset acquisitions funded by current year appropriations:		
Capital assets	140,740	119,536
Prepaid expenses	1,340	1,222
	<u>142,080</u>	<u>120,758</u>
Non-tax revenue not permitted to be credited to appropriations (Note 5):		
Non-tax revenue available for spending	31,886	28,119
Other non-tax revenue	21,860	35,356
Adjustment to prior years' revenues	5,914	3
	<u>59,660</u>	<u>63,478</u>
<b>Total parliamentary appropriations used</b>	<b><u>3,677,853</u></b>	<b><u>3,274,258</u></b>

(b) Reconciliation of net cash provided by the Government of Canada to Parliamentary appropriations used:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
Net Cash provided by Government of Canada	3,681,645	3,099,807
Net changes in funded liabilities:		
Accounts payable and accrued liabilities	24,165	(8,520)
Accrued employee salaries and benefits	(94,128)	109,221
Other liabilities	280	638
	<u>(69,683)</u>	<u>101,339</u>
Net changes in funded financial assets:		
Cash	(6)	(30)
Accounts receivable (Note 6)	(3,088)	5,537
	<u>(3,094)</u>	<u>5,507</u>
Non-tax revenue not permitted to be credited to appropriations (Note 5):		
Non-tax revenue available for spending	31,886	28,119
Other non-tax revenue	21,860	35,356
Adjustment of prior years' revenues	5,914	3
	<u>59,660</u>	<u>63,478</u>
Adjustment to prior years' expenses	9,722	4,572
Other adjustments	(397)	(445)
<b>Total parliamentary appropriations used</b>	<b><u>3,677,853</u></b>	<b><u>3,274,258</u></b>

(c) Reconciliation of Parliamentary appropriations voted to Parliamentary appropriations used:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
Parliamentary appropriations – voted:		
Vote 1 – CCRA operating expenditures	3,144,878	2,935,128
Less: Relief for Heating Expense payments <sup>1</sup>	(20,341)	(62,552)
Vote 5 – CCRA capital expenditures	23,840	27,236
Vote 10 – CCRA transfer payments	115,769	113,028
Statutory contributions to employee benefits plans	501,775	390,100
Amounts available for spending per section 60 of the CCRA Act	37,366	30,956
Spending of proceeds from disposal of surplus Crown assets	588	480
Other statutory expenditures	7,256	785
	<u>3,811,131</u>	<u>3,435,161</u>
Less:		
Appropriations available for future year (Note 15):		
Operating	(126,816)	(152,362)
Capital	0	(491)
Transfer payments	(6,462)	(4,902)
Appropriation lapsed	0	(3,148)
	<u>(133,278)</u>	<u>(160,903)</u>
<b>Total parliamentary appropriations used</b>	<b><u>3,677,853</u></b>	<b><u>3,274,258</u></b>

<sup>1</sup> In accordance with the division of activities for financial reporting purposes outlined in Note 2, the ex gratia relief for heating expense payments, which were authorized through Vote 1-CCRA (Operating expenditures), are reported as a federal administered expense on the Statement of Administered Expenses.

## 5. Non-tax revenue

The following table presents details of non-tax revenue as reported on the Statement of Operations:

	2003	2002 (Restated-Note 3)
	(in thousands of dollars)	
<b>Non-tax revenue credited to vote 1– CCRA (Operating expenditures)</b>		
Fees for collecting Employment Insurance premiums (from HRDC)	77,933	78,244
Fees for collecting Canada Pension Plan contributions (from HRDC)	64,929	62,680
	<u>142,862</u>	<u>140,924</u>
<b>Non-tax revenue available for spending</b>		
Administration fees – Provinces and Territories	21,304	20,634
Services fees	3,416	3,434
Ruling fees	1,667	2,086
Expedited access border fees	1,588	–
Miscellaneous spendable revenues	3,911	1,965
	<u>31,886</u>	<u>28,119</u>
<b>Other non-tax revenue</b>		
Recovery of employee benefit costs for collecting activities (from HRDC)	24,057	25,513
Duty free shops <sup>1</sup>	(3,830)	5,531
Lease and use of public property	637	645
Miscellaneous non-tax revenue	996	3,667
	<u>21,860</u>	<u>35,356</u>
<b>TOTAL NON-TAX REVENUE</b>	<b><u>196,608</u></b>	<b><u>204,399</u></b>

<sup>1</sup> Due to retroactive regulatory changes, some 2001-2002 Duty free shops – License fees revenues were reimbursed to licensees in 2002-2003.

## 6. Accounts receivable

The following table presents details of accounts receivable as reported on the Statement of Financial Position:

	2003	2002 (Restated-Note 3)
	(in thousands of dollars)	
Accounts receivable – From government departments and agencies	18,925	16,185
Accounts receivable – External to the Government	1,254	1,131
Advances to employees	2,218	2,015
Salary overpayments	3,228	3,181
Other	34	37
	<u>25,659</u>	<u>22,549</u>
Less: allowance for doubtful accounts	(162)	(140)
	<b><u>25,497</u></b>	<b><u>22,409</u></b>

Revenues and expenses associated with these accounts receivable are reflected in the Statement of Operations.

## 7. Net liabilities

Net liabilities represent the excess of the liabilities relating to Agency activities over its assets.

Net liabilities were \$222,065,000 at March 31, 2003 (\$640,754,000 in assets less \$862,819,000 in liabilities) compared to \$246,204,000 (\$612,930,000 in assets less \$859,134,000 in liabilities) at March 31, 2002. Included in the liabilities are \$590,478,000 (2002 – \$516,008,000), which represent transactions incurred by the Agency in providing services that will require future funding. The net change in future funding requirements is \$74,470,000. Significant components of the future funding requirements amounts are employee severance benefits and vacation pay and compensatory leave liabilities. These amounts are expected to be funded by appropriations in future years as they are paid.

## 8. Capital assets

The following table presents details of capital assets as reported on the Statement of Financial Position:

	Asset Class (in thousands of dollars)					
	Land, buildings (owned and under construction), roads, sewers works and infrastructure	Machinery, equipment and furniture	Vehicles and other means of transportation	Software (purchased and in house developed and/or in development)	Information technology equipment including capital leases (Note 12)	Total
<b>Opening</b> (April 1, 2002)						
Cost	127,345	29,666	15,534	66,245	117,629	356,419
Accumulated Amortization	(25,592)	(17,369)	(8,187)	(14)	(71,849)	(123,011)
Carrying Cost	101,753	12,297	7,347	66,231	45,780	233,408
<b>In-year transactions</b>						
Additions	19,869	19,725	3,762	75,647	20,901	139,904
Disposals/Write-off	0	(9)	(85)	(15,753)	(83)	(15,930)
Amortization	(3,036)	(2,443)	(2,185)	(2,281)	(17,474)	(27,419)
<b>Closing</b> (March 31, 2003)						
Cost	147,214	49,362	17,390	126,106	143,430	483,502
Accumulated Amortization	(28,628)	(19,792)	(8,551)	(2,262)	(94,306)	(153,539)
Carrying Cost	118,586	29,570	8,839	123,844	49,124	329,963

Certain amounts above are shown on a net basis.

## 9. Board of Management

Pursuant to the *Canada Customs and Revenue Agency Act*, a Board of Management is appointed to oversee the organization and administration of the Agency and the management of its resources, services, property, personnel and contracts. Expenses relating to the Board's activities during the year total \$937,000 (2002 – \$920,000) and are included in the Statement of Operations. This includes payments to the Board of Management, secretariat staff personnel expenses, travel and other expenses.

## 10. Related party transactions

The Agency is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises. To be consistent with the accounting policies of the Government of Canada, transactions with enterprise Crown corporations and other government business enterprises which are not dependent on the Government for financing their activities are not considered to be related party transactions.

(a) Services provided without charge by other government departments:

During the year, the Agency received accommodation and professional services without charge from other government departments and agencies. Employer's health insurance plan contributions and workers' compensation benefits were also provided by other government departments without charge. Significant services provided without charge have been recognized in the Agency's Statement of Operations as follows:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
Accommodation	241,016	222,495
Employer's contribution to the health insurance plan	187,134	169,465
Legal services	69,362	65,072
Audit services	4,089	4,000
Workers' compensation benefits	2,940	2,811
Payroll services	2,072	1,865
	<b>506,613</b>	<b>465,708</b>

(b) Payables and receivables outstanding at year end with related parties:

Accounts receivable – From other government departments and agencies	18,925	16,185
Accounts payable – To other government departments and agencies	87,244	37,126

## 11. Contingent liabilities

In connection with its operations, the Agency is a defendant in certain cases of litigation and has contingencies for contaminated sites. It is estimated that, at March 31, 2003, there are \$6 million (\$5 million at March 31, 2002) in potential liabilities arising from claims and contaminated sites. A contingent liability will be recorded as an actual liability with a corresponding charge to expenses when it becomes likely that a payment will be made and the amount of that payment may be reasonably and reliably estimated.

## 12. Capital lease obligations

The Agency has entered into agreements to rent information technology equipment under capital leases with a cost of \$12,214,000 and accumulated depreciation of \$6,424,000 as at March 31, 2003 (\$9,813,000 and \$3,292,000 respectively as at March 31, 2002) (Note 8). The obligations for the upcoming years include the following:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
Year 1	3,231	2,974
Year 2	2,594	2,290
Year 3	480	1,749
Year 4	0	369
Year 5	0	0
Total future minimum lease payments	6,305	7,382
Less: imputed interest (2.86% – 6.17%)	337	578
<b>Balance of obligations under capital leases</b>	<b>5,968</b>	<b>6,804</b>

## 13. Commitments

The nature of the Agency's activities can result in multi-year contracts and obligations whereby the Agency will be committed to make future payments when the services/goods are rendered. Significant commitments that can be reasonably estimated are as follows:

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008 and thereafter</b>	<b>Total</b>
	(in thousands of dollars)					
Capital leases (Note 12)	3,231	2,594	480	0	0	6,305
Operating leases	2,440	838	668	467	225	4,638
<b>Total</b>	<b>5,671</b>	<b>3,432</b>	<b>1,148</b>	<b>467</b>	<b>225</b>	<b>10,943</b>

## 14. Transfer payments

The following table presents details of transfer payments as reported on the Statement of Operations:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
Contributions to the Province of Quebec in respect of the joint administration costs of federal and provincial sales taxes	108,826	108,126
Contribution to the Canadian Home Builders' Association to support the "Get It in Writing!" consumer information campaign	481	-
	<b>109,307</b>	<b>108,126</b>

### 15. Appropriations available for future year

Pursuant to section 60(1) of the *Canada Customs and Revenue Agency Act*, the balance of money appropriated by Parliament for the use of the Agency that remains unexpended at the end of the fiscal year lapses at the end of the following fiscal year.

### 16. Employee future benefits

Included in the Statement of Operations as other allowances and benefits are the following expenses of the Agency with respect to employee future benefits:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
Contributions to the Public Service Superannuation Plan	352,748	264,098
Employee severance benefits	60,163	34,230
	<b>412,911</b>	<b>298,328</b>





## **Financial Statements – *Administered Activities***







Auditor General of Canada  
Vérificateur général du Canada

## AUDITOR'S REPORT

To the Board of Management of the Canada Customs and Revenue Agency  
and the Minister of National Revenue

I have audited the statement of administered assets and liabilities of the Canada Customs and Revenue Agency as at March 31, 2003 and the statements of administered revenues, administered expenses and administered cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the assets and liabilities of the administered activities of the Canada Customs and Revenue Agency as at March 31, 2003 and the results of its administered operations and cash flows for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
September 29, 2003



## Statement of Administered Assets and Liabilities

as at March 31  
(in thousands of dollars)

	2003	2002
<b>ADMINISTERED ASSETS</b>		
Cash on hand	5,609,498	3,957,486
Amounts receivable from taxpayers (net of allowance for doubtful accounts of \$7,174,162 in 2003 and \$6,762,046 in 2002) (Note 4)	43,597,037	45,604,906
<b>TOTAL ASSETS</b>	<b>49,206,535</b>	<b>49,562,392</b>
<b>ADMINISTERED LIABILITIES</b>		
Amounts payable to taxpayers (Note 5)	33,570,536	34,415,111
Amounts payable to provinces (Note 6)	161,321	72,411
Deposit accounts (Note 7)	28,133	16,716
	33,759,990	34,504,238
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others (Note 8)	15,446,545	15,058,154
<b>TOTAL LIABILITIES</b>	<b>49,206,535</b>	<b>49,562,392</b>

Contingent Liabilities: Note 9

*The accompanying notes are an integral part of these financial statements.*

Approved by:



Alan Nymark  
Commissioner



Michael L. Turcotte  
Chair, Board of Management

## Statement of Administered Revenues

for the year ended March 31  
(in thousands of dollars)

	<b>2003</b>	<b>2002</b> <b>(restated-note 3)</b>
<b>Federal Government</b>		
Income Tax Revenues		
Personal and trust	89,605,675	88,085,587
Corporate	22,221,626	24,241,682
Non-resident	3,291,113	2,925,666
	<u>115,118,414</u>	<u>115,252,935</u>
Other Taxes and Duties		
Goods and Services Tax (GST) (Note 10)	29,399,235	26,570,080
Energy taxes	4,992,264	4,848,158
Other Excise taxes and duties	4,474,920	3,952,638
Customs import duties	3,221,185	3,074,401
Air Transportation Security Charge	421,006	-
	<u>42,508,610</u>	<u>38,445,277</u>
Total Tax Revenues	157,627,024	153,698,212
Employment Insurance Premiums	18,243,025	17,999,408
Interest and Penalties (Note 11)	2,771,809	3,001,425
<b>Gross revenues administered on behalf of the Government of Canada</b>	<b><u>178,641,858</u></b>	<b><u>174,699,045</u></b>
Provision for bad debts	(2,090,638)	(1,773,004)
Interest expense	(985,850)	(870,354)
<b>Net revenues administered on behalf of the Government of Canada</b>	<b><u>175,565,370</u></b>	<b><u>172,055,687</u></b>
<b>Provincial, Territorial Governments and First Nations</b>		
Income Tax Revenues		
Personal and trust	32,994,104	33,684,916
Corporate	1,833,294	2,669,141
	<u>34,827,398</u>	<u>36,354,057</u>
Harmonized Sales Tax (HST)	2,192,014	2,123,888
Other Revenues (Note 12)	217,078	220,192
<b>Revenues Administered on behalf of Provincial and Territorial Governments and First Nations</b>	<b><u>37,236,490</u></b>	<b><u>38,698,137</u></b>
<b>Net Revenues Administered on behalf of the Canada Pension Plan (Note 13)</b>	<b><u>25,203,787</u></b>	<b><u>22,990,195</u></b>
<b>Total Net Administered Revenues</b>	<b><u>238,005,647</u></b>	<b><u>233,744,019</u></b>

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

## Statement of Administered Expenses

for the year ended March 31  
(in thousands of dollars)

	2003	2002 (restated-note 3)
<b>Federal administered expenses</b>		
Child tax benefits	7,822,688	7,470,625
Children's special allowance	134,498	125,009
Relief for heating expenses	(1,117)	15,211
<b>Federal administered recoveries</b>		
Old Age Security benefits	(641,631)	(724,371)
Employment Insurance benefits	(101,747)	(81,491)
<b>Net expenses administered for the Federal Government</b>	<b>7,212,691</b>	<b>6,804,983</b>
<b>Provincial and Territorial administered expenses</b>		
Family benefit programs	302,055	336,508
Sales tax credits	37,659	32,961
Energy tax rebates	(1,219)	415,604
<b>Net expenses administered for Provinces and Territories</b>	<b>338,495</b>	<b>785,073</b>
<b>Total Net Administered Expenses</b>	<b>7,551,186</b>	<b>7,590,056</b>

*The accompanying notes are an integral part of these financial statements.*

## Statement of Administered Cash Flows

for the year ended March 31  
(in thousands of dollars)

	<b>2003</b>	<b>2002</b>
Total Net Administered Revenues	238,005,647	233,744,019
Less provincial revenues paid directly to provinces:		
Revenue administered for Nova Scotia workers' compensation	(172,649)	(178,859)
Provincial sales tax on tobacco and alcohol	(40,680)	(38,721)
Less Total Net Administered Expenses	(7,551,186)	(7,590,056)
Change in administered assets and liabilities:		
(Increase) decrease in cash on hand	(1,652,012)	97,759
Decrease in amounts receivable from taxpayers net of Allowance for doubtful accounts	2,007,869	3,020,552
Increase (decrease) in amounts payable to taxpayers	(844,575)	1,385,764
Increase in amounts payable to provinces	88,910	21,378
Increase in deposit accounts	11,417	2,620
<b>Net Cash Deposited in the Consolidated Revenue Fund of the Government of Canada</b>	<b>229,852,741</b>	<b>230,464,456</b>
Consisting of:		
Cash deposits to the Consolidated Revenue Fund	305,495,615	300,548,232
Cash refunds/payments from the Consolidated Revenue Fund	(75,642,874)	(70,083,776)
<b>Net Cash Deposited in the Consolidated Revenue Fund of the Government of Canada</b>	<b>229,852,741</b>	<b>230,464,456</b>

*The accompanying notes are an integral part of these financial statements.*



## Notes to the Financial Statements – Administered Activities

### 1. Authority and purpose

The Canada Customs and Revenue Agency (the "Agency") was established effective November 1, 1999, under the *Canada Customs and Revenue Agency Act*. The Agency was established to support the evolution of tax administration and customs services in Canada.

The Agency is a departmental corporation named in Schedule II of the *Financial Administration Act* and reports to Parliament through the Minister of National Revenue. The Agency's expenses are funded by the Government of Canada through appropriations.

The Agency's mandate is to provide support, advice and services when:

- (a) supporting the administration and enforcement of the program legislation;
- (b) implementing agreements between the Government of Canada or the Agency and the government of a province or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;
- (c) implementing agreements or arrangements between the Agency and departments or agencies of the Government of Canada to carry out an activity or administer a program; and
- (d) implementing agreements between the Government of Canada and Aboriginal governments to administer a tax.

In delivering its mandate, the Agency:

- collects revenues and administers tax and other legislation for the Federal Government and for certain provinces and territories and others, including First Nations;
- provides border services and administers legislation governing international trade and travel; and
- delivers certain federal and provincial governments' social and economic benefit programs to Canadians, through the tax system.

The Agency administers, on behalf of others, income taxes and sales taxes, Canada Pension Plan (CPP) contributions, Employment Insurance (EI) premiums, as well as amounts collected for other groups or organizations. The Agency is responsible for the administration and enforcement of the following acts and certain other acts for which the Minister of National Revenue has a mandated role: *Air Travellers Security Charge Act*, *Canada Customs and Revenue Agency Act*, *Children's Special Allowances Act*, *Customs Act*, *Customs Tariff*, *Department of National Revenue Act*, *Excise Act*, *Excise Tax Act* (includes GST/HST), *Income Tax Act*, and others.

The Minister of National Revenue is responsible for the Agency and remains accountable to Parliament for the administration and the enforcement of the various tax programs' legislation.

In the province of Quebec, the Ministère du Revenu du Québec (MRQ) acts as an agent of the Agency. GST revenues collected in that province are therefore included in these financial statements. The Agency monitors cash transfers made by MRQ, reports GST revenues to the Federal Government and authorizes refunds and transfers funds out of the Consolidated Revenue Fund to MRQ for the purpose of issuing refunds.

## 2. Summary of significant accounting policies

For financial reporting purposes, the activities of the Agency have been divided into two financial statements: Administered Activities and Agency Activities. The financial statements – Administered Activities include those revenues and expenses which are controlled by someone other than the Agency, such as the Federal Government, a Province or Territory, or another group or organization, and managed by the Agency on their behalf. The financial statements – Agency Activities include those operational revenues and expenses which are controlled by the Agency and utilized in running the organization. The purpose of the distinction between Agency and Administered activities is to facilitate, among other things, the assessment of the administrative efficiency of the Agency in achieving its mandate.

As required by section 88(2)(a) of the *Canada Customs and Revenue Agency Act*, the financial statements of the Agency have been prepared in accordance with accounting principles consistent with those applied in the preparation of the financial statements of the Government of Canada. The purpose of these financial statements is to present the tax and tax-related revenues, expenses, assets and liabilities that the Agency administers on behalf of the Federal Government, provincial governments and other organizations. The most significant accounting policies are as follows:

### (a) Revenue recognition

Revenues are recognized in the period in which the event that generates the revenue occurs.

The following specific policies are applied for individual revenue streams:

#### (i) Income taxes, Canada Pension Plan contributions and Employment Insurance premiums:

For income taxes, the objective is to recognize revenue when the taxpayer has earned the income producing the tax. This is done by determining income earned net of tax deductions and credits allowed under the *Income Tax Act*, including refundable taxes resulting from current year activity. For Canada Pension Plan contributions (CPP), the objective is to recognize revenue when the employee or the self-employed person has earned pensionable income. For Employment Insurance premiums (EI), the objective is to recognize revenue when the employee has earned insurable earnings.

Revenues for the fiscal year are based on actual amounts assessed/reassessed at the time of preparation of the financial statements and estimates of income tax, CPP contributions and EI premiums not yet assessed/reassessed. These estimates are based on amounts received at the time of preparation of the financial statements that relate to the fiscal year ended March 31 that have not been assessed or that are awaiting reassessment. Actual results may differ significantly from these estimates. The difference will be recorded in the fiscal year in which the actual assessment/reassessment is completed. No additional estimate of future reassessments is made.

Reassessments include changes made to previously assessed net income at the request of the taxpayer, for example to claim a subsequent loss carry back, or are initiated by the Agency as a result of applying reporting compliance procedures such as taxpayer audits.

#### (ii) GST and HST, Excise and Customs:

The determination of these revenues is based on the taxes and duties assessed and estimated at the time of preparation of the financial statements that relate to the fiscal year ended March 31.

For the Goods and Services Tax (GST) and Harmonized Sales Tax (HST) on domestic goods and services, revenue is recognized at the time of the sale of goods or the provision of services. Revenue is determined net of the input tax credits (ITC), GST rebates and the GST quarterly tax credit. ITC is the recovery of GST/HST paid or owed on purchases related to commercial activities of the taxpayer. The GST quarterly tax credit for lower-income families is recorded in the period to which it relates. It is intended to offset the cost of the tax for lower-income individuals and families.

For Excise duties, revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act*. For Excise taxes, revenue is recognized when a taxpayer sells goods taxable under the *Excise Act*. For GST/HST on imports and Customs duties, revenue is recognized when goods are authorized by the Agency to enter Canada.

(iii) Other revenue recognition:

Other revenues are recorded in the period to which they relate. All interest and penalty revenues are recorded as revenues administered for the Federal Government as per the terms of the tax collection agreements with the provinces and territories. Interest and penalties are recorded net of amounts forgiven under the various tax acts and the *Financial Administration Act*.

(iv) Assessment definition:

An assessment (or reassessment) of tax is defined as all decisions and other steps made or taken by the Minister of National Revenue and officials of the Agency under the federal, provincial and territorial acts or sections of the acts administered by the Agency to determine tax payable by taxpayers. When verifying a taxpayer's return, the Agency uses applicable provisions of the various tax acts it administers as well as other internally developed criteria which are designed to substantially meet the provisions of these acts.

(v) Completeness of tax revenues:

The Canadian Tax System is a self-assessment system where taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not report all of their income. The Agency has implemented systems and controls in order to detect and correct situations where taxpayers are not complying with the various acts it administers. These systems and controls include performing audits of taxpayer records where determined necessary by the Agency. Such procedures cannot be expected to identify all sources of unreported income or other cases of non-compliance with tax laws. The Agency does not estimate the amount of unreported tax. However, such amounts are included in revenues once assessed.

**(b) Expenses**

(i) Interest expense:

The Agency incurs interest expenses as a result of late refund payments. These are in large part due to the resolution of long standing corporate tax cases which have been appealed and which are resolved in favour of the taxpayer. The refund payment includes interest accrued since the tax in dispute was initially paid. Accrued interest is recognized when liability for the related tax case is accrued. The Agency does not estimate these amounts in advance.

(ii) Administered expenses:

Expenses relating to child tax benefits, the Children's Special Allowance, relief for heating expenses and the Provincial and Territorial administered expenses are recorded in the period to which they relate.

(iii) Administered recoveries:

Recoveries of Old Age Security and Employment Insurance benefits are recognized when assessed, with an estimate for unassessed amounts. Only recoveries assessed through the personal income tax system are reported by the Agency. Recoveries determined by other Federal Government departments are not reported in these financial statements.

**(c) Cash on hand**

Cash on hand includes amounts received in CCRA offices or by CCRA agents as at March 31 but not yet deposited to the credit of the Consolidated Revenue Fund of the Government of Canada.

**(d) Amounts Receivable**

Amounts receivable represent taxes and other revenues assessed or estimated by the Agency but not yet collected. A significant portion of the receivable balance is due to the recording of accrued receivables, which relate to the current fiscal year but are not due for payment until the next fiscal year. They include, for example, March GST returns, March source deduction remittances and the final personal tax payments due in April.

**(e) Allowance for doubtful accounts**

The allowance for doubtful accounts reflects management's best estimate of the collectibility of amounts assessed but not yet paid. The allowance for doubtful accounts has two components. A general allowance ratio is calculated based on a periodic review of a sample of accounts receivable with a balance of less than \$10 million. A specific allowance ratio is calculated based on an annual review of all accounts over \$10 million.

The allowance for doubtful accounts is increased by an annual provision for bad debts and is reduced by amounts written off as uncollectible during the year. The bad debt provision is reported in the statement of Administered Revenues because it is associated with the administration of tax and non-tax revenues and is not related to any program expenses. The provision is charged entirely to revenues administered for the Federal Government as it assumes all collection risks, as per the terms of the tax collection agreements with the provinces and territories.

**(f) Amounts payable to taxpayers**

Amounts payable to taxpayers represent tax and interest assessed, or estimated by the Agency, not paid as at March 31. A significant portion of the payable is due to the recording of accrued payables, which relate to the current fiscal year but are not due for payment until the next fiscal year. They include refunds resulting from assessments completed after March 31, and estimates of refunds for personal and corporate income tax not yet assessed.

**(g) Contingent liabilities**

Contingent liabilities are potential liabilities resulting from, for example, previously assessed taxes recorded as revenue, which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or to fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

**(h) Measurement uncertainty**

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. Estimates are used to record tax revenues and the related amounts receivable and payable. Actual results could differ from the current estimates. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable.

### 3. Change in accounting policies

As required by Section 88(2)(a) of the *Canada Customs and Revenue Agency Act*, the financial statements of the Agency must be prepared in accordance with accounting principles consistent with those applied in preparing the statements of the Government of Canada. In the 2003-2004 federal budget, the Government announced that it would change its basis of accounting from the modified accrual basis to the full accrual basis for the 2002-2003 financial statements.

In addition, in prior years, the Agency's administered activities financial statements consisted only of a statement of operations and notes to the statement of operations. The Agency's financial statements for administered activities now contain a statement of administered assets and liabilities, statement of administered revenues, statement of administered expenses, statement of administered cash flows and notes to the financial statements.

Tax revenues are now reported in the year in which the income/transaction giving rise to the taxes was earned/occurred rather than at the time of cash receipt. Tax amounts receivable and payable are now recorded as assets and liabilities, respectively, on the statement of administered assets and liabilities.

Furthermore, in prior years, the Agency reported tax revenues net of cash transfers to provinces and other Federal Government departments. This year, the Agency modified its presentation to report revenues administered for provinces and other Federal Government departments in the statement of Administered Revenues.

The Agency has reclassified the GST credit from an administered expense to a reduction of administered revenues. The GST paid by the Federal Government to its suppliers is now included in revenues administered on behalf of the Government of Canada. Previously, this was not reported in these financial statements.

Furthermore, interest revenues and interest expenses are now reported separately on the statement of Administered Revenues. Previously, only interest and penalties related to GST and excise were reported separately and other interest and penalty revenues were previously included with their respective federal tax revenue stream. Federal trust income tax has been reclassified from non-resident and other to personal income tax revenues. EI benefit recovery has been reclassified from an administered revenue to an administered recovery.

The changes in accounting principles have been applied on a retroactive basis as follows:

	(in thousands of dollars)
2001-2002 federal administered revenues as originally reported	158,554,906
Plus: Transfers to provinces and other federal departments	82,013,974
	<u>240,568,880</u>
Decrease as a result of reclassifying the GST credits from an administered expense to a reduction of administered revenues	(2,963,732)
Increase as a result of including GST paid by Federal Government departments	1,277,837
Decrease as a result of reclassifying interest expense related to GST and excise from an administered expense to a reduction in administered revenues	(53,801)
Decrease as a result of reclassifying the EI benefit recovery from an administered revenue to a reduction of administered expenses	(36,584)
Decrease as a result of the implementation of accrual accounting	(5,048,581)
<b>Restated 2001-2002 net administered revenues</b>	<b><u>233,744,019</u></b>

	(in thousands of dollars)
2001-2002 administered expenses as originally reported	10,008,277
Plus: Recoveries from Provinces/Territories	791,224
	<u>10,799,501</u>
Decrease as a result of reclassifying the GST credits to a reduction of administered revenues	(2,963,732)
Decrease as a result of reclassifying interest expense related to GST and excise from an administered expense to a reduction of administered revenues	(53,801)
Decrease as a result of reclassifying the EI benefit recovery from an administered revenue to a reduction of administered expenses	(36,584)
Decrease as a result of the implementation of accrual accounting	(155,328)
<b>Restated 2001-2002 net administered expenses</b>	<b><u>7,590,056</u></b>

#### 4. Amounts receivable

For the purpose of this note, income tax receivables include Canada Pension Plan, Employment Insurance and related interest and penalties receivable. The Agency has established the following allowance for doubtful accounts related to the amounts receivable:

	2003		2002	
	Gross	Allowance for Doubtful Accounts	Net	Net
	(in thousands of dollars)			
Income taxes receivable				
Individuals	24,280,264	(3,311,053)	20,969,211	21,211,347
Employers	10,203,348	(644,610)	9,558,738	9,760,573
Corporations	5,243,102	(1,073,723)	4,169,379	5,005,077
Non-residents	824,562	(332,673)	491,889	395,029
GST receivable	9,570,803	(1,734,102)	7,836,701	8,725,109
Excise receivable	523,016	(40,263)	482,753	425,412
Customs receivable	126,104	(37,738)	88,366	82,359
<b>Total</b>	<b>50,771,199</b>	<b>(7,174,162)</b>	<b>43,597,037</b>	<b>45,604,906</b>

#### 5. Amounts payable to taxpayers

Amounts payable to taxpayers are as follows:

	2003	2002
	(in thousands of dollars)	
Personal income tax	18,754,192	18,965,776
Corporate income tax	8,258,328	8,974,264
GST	6,484,487	6,419,717
Customs and Excise tax and duties	73,529	55,354
<b>Total</b>	<b>33,570,536</b>	<b>34,415,111</b>

## 6. Amounts payable to provinces

Only amounts that are under the Agency's administrative responsibility and are payable directly by the Agency to the provinces are recorded in these financial statements; these accounts relate primarily to Quebec. Amounts payable to provinces, territories and other organizations, which are settled by other departments such as the Department of Finance for Provincial, Territorial and First Nations taxes, are not recorded in these financial statements because these amounts are outside of the Agency's responsibility.

## 7. Deposit accounts

The Agency receives refundable deposits to ensure compliance with various regulations. Deposits held at March 31, are as follows:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
<b>Guarantee deposits</b>		
Balance, beginning of year	19,475	16,414
Add: receipts	15,518	6,529
Less: disbursements	(2,474)	(3,468)
<b>Balance, end of year</b>	<b>32,519</b>	<b>19,475</b>
<b>Temporary deposits received from importers</b>		
Balance, beginning of year	305	556
Net transactions during the year	393	(251)
<b>Balance, end of year</b>	<b>698</b>	<b>305</b>
<b>Total deposit accounts</b>	<b>33,217</b>	<b>19,780</b>
Less: Securities held in trust	(5,084)	(3,064)
<b>Net deposit accounts</b>	<b>28,133</b>	<b>16,716</b>

The guarantee deposits account was established to record cash and securities required to guarantee payment of customs duties and excise taxes on imported goods, and of sales and excise taxes payable by licensees pursuant to the *Customs Act* and the *Excise Tax Act*.

The temporary deposits received from importers account was established to record temporary security deposits received from importers to ensure compliance with various customs and excise regulations regarding temporary entry of goods.

Securities held in trust by the Agency are made up of cash and Government of Canada bonds.

## 8. Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others

The net cash deposited in the Consolidated Revenue Fund (CRF) of the Government of Canada includes all amounts collected on behalf of the Federal Government, provinces, territories and other organizations by the Agency and deposited in the CRF during the year.

The net amount due to the CRF on behalf of the Government of Canada and others is the difference between administered assets (taxes not yet collected and/or deposited in the CRF) and other administered liabilities payable by the Agency out of the CRF. The change in the net amount due to the CRF during the fiscal year is presented below:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others at the beginning of the year	15,058,154	19,586,227
Total net administered revenues	238,005,647	233,744,019
Less provincial revenues paid directly to provinces:		
Revenue administered for Nova Scotia Workers' Compensation	(172,649)	(178,859)
Provincial sales tax on tobacco and alcohol	(40,680)	(38,721)
Total administered expenses	(7,551,186)	(7,590,056)
Net cash deposited in the Consolidated Revenue Fund of the Government of Canada	(229,852,741)	(230,464,456)
<b>Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others at the end of the year</b>	<b>15,446,545</b>	<b>15,058,154</b>

## 9. Contingent Liabilities

Contingent liabilities include previously assessed taxes where amounts are under objection or are being appealed to either the Tax Court, the Federal Court of Canada or the Supreme Court of Canada. As at March 31, 2003, an amount of \$7,641 million was under objection at the Agency level (\$7,859 million for 2002) and an amount of \$1,419 million was being appealed to the courts (\$1,422 million for 2002). Where appropriate, the Agency has recorded a provision to reflect the estimated amount of objections or appeals that are considered likely to be lost and that can be reasonably estimated (no amount for 2003 and \$366 million for 2002).

## 10. GST Revenues administered for the Federal Government

The following table presents details of the revenues from the Goods and Services Tax (GST) administered for the Federal Government as classified in the statement of Administered Revenues:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
GST net of ITC and rebates	32,480,931	29,552,743
GST quarterly tax credits	(3,081,696)	(2,982,663)
<b>GST net revenues</b>	<b>29,399,235</b>	<b>26,570,080</b>



## 11. Interest and Penalties

The Agency can, under certain circumstances, such as Agency processing delays, financial hardship by taxpayers or other extraordinary circumstances, forgive interest and penalties that have been charged or that would normally be charged. Interest and penalties may be cancelled under the various tax acts if they have already been charged to the taxpayer. They may be waived under the *Financial Administration Act* if they have not yet been charged to the taxpayer. Amounts of interest and penalties forgiven under applicable authority by the Agency are provided below:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
Gross interest and penalties earned	3,092,320	3,289,344
Less interest and penalties cancelled under authority of the:		
<i>Income Tax Act</i>	(70,770)	(84,577)
<i>Excise Tax Act</i>	(17,619)	(16,111)
<i>Customs Act</i>	(1,221)	(1,772)
	(89,610)	(102,460)
Less interest and penalties waived under authority of the <i>Financial Administration Act</i>	(230,901)	(185,459)
<b>Net interest and penalties earned</b>	<b>2,771,809</b>	<b>3,001,425</b>

## 12. Other Revenues administered for Provincial, Territorial Governments and First Nations

The following table presents details of the other revenues administered for Provincial, Territorial Governments and First Nations as classified in the statement of Administered Revenues:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
First Nations Sales Tax	3,749	2,612
Nova Scotia workers' compensation	172,649	178,859
Sales tax on tobacco and alcohol	40,680	38,721
<b>Total</b>	<b>217,078</b>	<b>220,192</b>

## 13. Net Revenues administered on behalf of the Canada Pension Plan

The following table presents details on the revenues administered for the Canada Pension Plan as reported on the statement of Administered Revenues:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
CPP Contributions	25,166,344	22,935,376
Interest and penalties	100,975	97,339
Provision for bad debts	(63,532)	(42,520)
<b>CPP net revenues</b>	<b>25,203,787</b>	<b>22,990,195</b>

## 14. Internal transactions with the Federal Government

The Department of Finance makes payments to provinces, territories and other organizations for revenue amounts such as Provincial, Territorial and First Nations taxes, for which the Agency administers the revenue collection process. Canada Pension Plan contributions and Employment Insurance premiums, net of overpayments refunded by the Agency and Old Age Security benefit recoveries, are deposited to the Consolidated Revenue Fund by the Agency and are then credited to Human Resource Development Canada (HRDC) who administers these programs through the Employment Insurance Account and the Canada Pension Plan Account.

The Agency deposits all monies collected for provincial tax, Canada Pension Plan contributions and Employment Insurance premiums to the Consolidated Revenue Fund; therefore no related inter-departmental balances are reported in these financial statements.

Employment Insurance premiums administered on behalf of the Federal Government include the employer's share of Employment Insurance paid by the Federal Government. GST declared to the Agency includes the GST paid by the Federal Government to its suppliers. GST collected by other Federal Government departments is deposited to the Consolidated Revenue Fund and declared to the Agency and, therefore, included in the GST revenues. Customs import duties administered on behalf of the Federal Government include duties paid by the Federal Government. Amounts are provided below:

	<b>2003</b>	<b>2002</b>
	(in thousands of dollars)	
Employer's share of EI paid by the Federal Government	373,000	362,000
GST paid by the Federal Government to its suppliers	1,150,678	1,277,837
GST assessed on other Federal Government departments revenues	70,941	41,780
Customs import duties paid by Federal Government departments	57,658	35,085

# **Management Discussion in Support of *Audited Financial Statements***





# Management Discussion and Analysis – Agency Activities

## Introduction

This section of the Financial Statements provides unaudited supplementary information on Agency Activities, as reported in the audited Statement of Operations – Agency Activities. The information is on a full accrual basis.

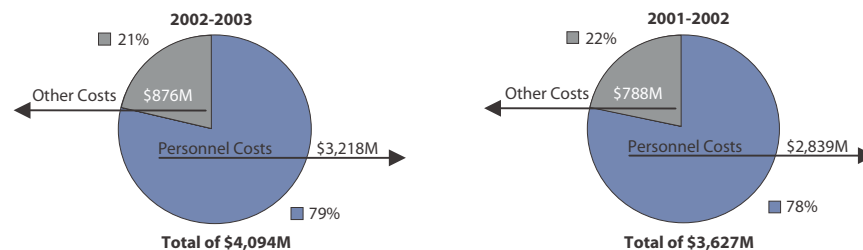
## Agency Management

The larger part of the expenditure variances between fiscal years relates to the new authorities received by the Agency in 2002-2003 such as new initiatives announced in Federal Government Budgets, or other initiatives such as the increasing efforts on revenue generation as set out in the Resource and Management Review.

## Net Cost of Operations (Based on Financial Statements)

The CCRA's total 2002-2003 spending increased by \$467 million or 13% from 2001-2002. The Agency costs, as detailed in its annual Financial Statement of Operations, are made up of approximately 79% in personnel costs (salaries, other allowances and benefits) and nearly 21% in other costs. Much of the latter are linked to personnel costs (e.g., travel for auditors, computers, accommodation, furniture replacement, etc.) and therefore personnel costs are the primary cost drivers for the Agency, as illustrated below:

### Exhibit 1: Net Cost of Operations



## Personnel Costs (Salaries, Other Allowances and Benefits)

The CCRA's personnel costs (salaries, other allowances and benefits) increased by some 13% or \$379 million over 2001-2002. Of this amount, \$77 million results from a 3.8% increase in the Full-Time Equivalent utilization; \$123 million relates to higher rates of pay mainly from collective agreements, economic increases, movement of employees in the pay scales, etc. The remaining \$179 million of the \$379 million increase relates to other allowances and benefits, and is directly linked to the increase in the salaries noted above. For example, employee benefit plans increased by \$112 million (including \$56 million from the understatement by Treasury Board Secretariat of the real amount for 2001-2002); \$29 million for employee severance benefits; \$20 million for other allowances and benefits such as vacation, maternity benefits and performance pay; and \$18 million for health insurance.

## Other Costs

Other costs increased by 11% or some \$88 million. The majority of these expenses have a support relationship to the salary increases noted above. Major components of this increase relate to: accommodation (\$18 million), transportation and communication (\$12 million), professional and special services (\$20 million), transfer payments (\$1 million), repair and maintenance (\$5 million), equipment purchases (\$8 million), amortization of capital assets (\$6 million), equipment and other rentals (\$2 million) and loss on disposal of capital assets (\$15 million); and a decrease in non-tax revenue of \$8 million—for a total of \$95 million. These were offset by decreases in materials and supplies (\$6 million); and other services and expenses (a total of \$1.6 million – comprising other services, \$822 thousand; advertising, \$327 thousand; utilities, \$51 thousand; and other expenses, \$376 thousand).

## Management Discussion and Analysis – Administered Revenues

### Introduction

The Financial Statements – Administered Activities reflect the total assets and liabilities, tax and non-tax revenues, expenses and cash flows administered by the CCRA on behalf of the Government of Canada, provincial/territorial, First Nations and other government organizations. Tax revenues are recognized on an accrual basis and are net of the applicable deductions and credits allowed under various Acts. The prior year, which was previously reported on a modified cash basis, has been restated to reflect the effect of accrual accounting.

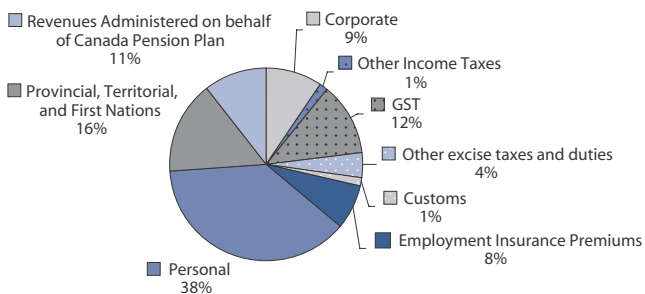
### Analysis of Revenues Administered on Behalf of the Federal Government

Federal income tax revenues were \$135 million lower in 2002-2003 than in 2001-2002. Personal income tax revenues increased \$1.5 billion, while corporate income tax revenues decreased \$2.0 billion. Other income tax revenues increased \$365 million. The increase in personal income tax revenues is broadly in line with the growth of 3.3% in personal income, adjusted for the impact of tax reduction measures in the February 2000 budget and October 2000 *Economic Statement and Budget Update*. The corporate income tax revenue decline results from the impact of loss carry-forwards from 2001 and reductions in the corporate tax rate.

There was an increase of \$4.1 billion in other taxes and duties. GST revenues were up \$2.8 billion, mainly the result of strong growth in consumer demand, especially for durable goods and new housing. Customs import duties increased \$147 million, reflecting a strong increase in imports subject to tariffs. The remaining taxes and duties were \$1.1 billion higher, attributable to the introduction of the Air Travellers Security Charge on April 1, 2002 and to increases in the tobacco excise tax.

Employment insurance premiums increased \$244 million due to the increase in the number of people employed and paying premiums offset somewhat by the reduction in premiums.

### Exhibit 2: Revenues 2002-2003



# **Unaudited *Supplementary Financial Information***







# Financial Performance Information – Parliamentary Appropriations

## Introduction

This section provides the details of the CCRA's Resource Management performance for purposes of reporting to Parliament on the use of appropriations in 2002-2003. This complements the information provided in the *CCRA Annual Report* and satisfies the reporting requirements set for departmental performance reports. The information presented in this section is consistent with CCRA's 2002-2003 Public Accounts.

## Financial Reporting Methodologies

The CCRA's funding is provided by Parliament through annual appropriations (modified cash accounting basis) and the CCRA reports its expenditures and performance to Parliament in the *CCRA Annual Report* together with details on the management of Parliamentary appropriations in this section on the same basis. However, this does not include, for example, certain items such as services provided by other government departments that are part of the audited financial statement of operations.

In addition to the above reporting requirements, the CCRA is also required to prepare its annual financial statements in accordance with the accounting principles applied in preparing the financial statements of the Government of Canada (full accrual accounting basis). Accordingly, the CCRA Statement of Operations – Agency Activities includes certain items such as services provided by other government departments referred to above.

Throughout the first volume of the *CCRA Annual Report*, and this section, the modified cash accounting approach is used. A reconciliation between the expenditures reported in the performance report, and those reported in the audited Financial Statement of Operations – Agency Activities, is shown in Table 9.

## CCRA Financial Information

### Exhibit 1: Activities of the Agency

<b>Canada Customs and Revenue Agency</b>	<b>2002-2003</b> (in thousands of dollars)
Planned Spending	3,363,758
Final Authorities	3,965,970
Actual Spending	3,824,904

## Revenues Administered by the Agency

Net Revenues administered by the CCRA totalled some \$238.4 billion, an increase of 1.9% from the \$234.0 billion administered in 2001-2002, once the latter are re-stated in the full accrual accounting methodology.

	<b>2001-2002</b>	<b>2002-2003</b>
	(in thousands of dollars)	
Federal Government	172,055,687	175,565,370
Provincial, Territorial Governments and First Nations	38,698,137	37,236,490
Canada Pension Plan	22,990,195	25,203,787
<b>Total</b>	<b>233,744,019</b>	<b>238,005,647</b>

## Overview

The Planned Spending amount shown previously represents the original funding of \$3,363.8 million approved by Parliament, as well as Supplementary Estimates and other Treasury Board approvals, statutory adjustments or year-end adjustments of \$602.1 million approved during the 2002-2003 fiscal year. This represents an in-year increase of 18% over the original Main Estimates.

<b>Authorities approved by Parliament in 2002-2003</b>		(in millions of dollars)
<b>Main Estimates</b>		<b>3,363.8</b>
<b>Supplementary Estimates A*</b>		
Implementation of New Initiatives Announced in Federal Government Budgets:		
• Reporting of Federal Construction Contracts;	23.8	
• GST/HST Credit Responsiveness;	23.6	
• Financial Information Strategy;	4.7	
• Integrated Proceeds of Crime;	0.3	
• Tax Measures Affecting Individuals;	0.8	
• Deferral of Corporation Tax Instalments for Small Businesses;	0.5	
• Air Travellers Security Charge; and	4.6	
• Tax on Income (TONI)	24.6	
Implementation of Policy Initiatives:		
• <i>Excise Act</i> Review;	8.4	
• Government On-Line; and	12.4	
• Reduction in the funding for Scientific Research and Experimental Development Superallowance	(1.2)	
Agency's Responsibilities for Border Protection and Well-being of Canadian Residents:		
• 2002 World Youth Day; and	1.0	
• G8 Summit	0.3	
Other Adjustments	9.1	
	<b>112.9</b>	
<b>Supplementary Estimates B*</b>		
• Market Access for Least Developed Countries (LDC)	0.8	
• Adjustment to Respendable Revenue; Re-imburement by the Province of Quebec for Overpayment in the Administration of the GST	12.0	
• PWGSC Contracting Services	2.5	
• Conversion of Salary Dollars to Operating and Maintenance Dollars	5.0	
• Public Security and Anti-Terrorism	(1.8)	
	<b>18.5</b>	
<b>Technical and Year-End Adjustments</b>		
• Lapse from 2001-2002 to 2002-2003*	168.9	
• Collective Agreement approvals*	181.3	
• Vote 5 – Maternity and Severance*	44.5	
• Employee Benefit Plans – Adjustment	70.0	
• Other Adjustments*	6.0	
	<b>470.7</b>	
<b>Sub-Total for Supplementary Estimates A, B and Technical Adjustments</b>		<b>602.1</b>
<b>Total Authorities</b>		<b>3,965.9</b>

\* Excluding Employee Benefit Plans

## Financial Performance Tables

### Introduction

The following tables provide financial information about the performance of the CCRA during for the 2002-2003 fiscal year. These tables compare planned spending with final authorities approved by Parliament as well as the actual spending for the fiscal year.

The information is presented at the Agency level, the Business Line level and by Functional Branch; as well as by authority, by spending object and type of revenue and expense. Also included is the spending for the capital projects and the costs of services received without charge from other Departments.

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Table 1: Summary of CCRA Voted Appropriations

<b>Financial Requirements by Authority</b>				
(in thousands of dollars)		<b>Planned Spending 2002-2003</b>	<b>Final Authorities 2002-2003</b>	<b>Actual Spending 2002-2003</b>
<b>Vote</b>				
1	Operating expenditures	2,635,462	3,144,878	<b>3,010,274</b>
5	Capital expenditures	23,349	23,840	<b>23,840</b>
10	Contributions	110,326	115,769	<b>109,307</b>
(S)	Minister of National Revenue – Salary and motor car allowance	65	67	<b>67</b>
(S)	Spending of revenues received through the conduct of its operations pursuant to section 60 of the <i>Canada Customs and Revenue Agency Act</i> <sup>1</sup>	24,888	37,366	<b>37,366</b>
(S)	Contributions to employee benefit plans	431,668	501,775	<b>501,775</b>
(S)	Children's Special Allowance payments	138,000	134,498	<b>134,498</b>
(S)	Spending of proceeds from the disposal of Surplus Crown Assets		588	<b>588</b>
(S)	Court Awards		1,275	<b>1,275</b>
(S)	Refund of amounts credited to revenues in previous years		5,914	<b>5,914</b>
<b>Total Agency</b>		<b>3,363,758</b>	<b>3,965,970</b>	<b>3,824,904</b>

<sup>1</sup> Authorities and Actuals contain \$ 2,254K of spendable revenue paid to the Province of Quebec in respect of the joint administration costs of federal and provincial sales taxes. Other amounts paid to the Province of Quebec appear under Vote 10 – Contributions. Further details provided in Table 6.

Table 2: Comparison of Planned to Actual Spending

Agency Planned versus Actual Spending by Business Line (in thousands of dollars)									
Business Lines	FTE	Operating	Capital	Voted Grants & Contributions	Subtotal: Gross Voted Expenditures	Statutory Grants and Contributions	Total Gross Expenditures	Less: Respendable Revenues <sup>2</sup>	Total Net Expenditures
<b>Tax Services<sup>1</sup></b>	29,026	1,778,774		110,326	1,889,100		1,889,100	103,018	1,786,082
<i>Final Authorities</i>	31,263	2,110,649		115,769	2,226,418		2,226,418	100,664	2,125,754
<b>Actual Spending</b>	<b>29,723</b>	<b>2,065,932</b>		<b>109,307</b>	<b>2,175,239</b>		<b>2,175,239</b>	<b>100,664</b>	<b>2,074,575</b>
<b>Benefit Programs and Other Services<sup>1</sup></b>	1,036	57,868			57,868	138,000	195,868	380	195,488
<i>Final Authorities</i>	1,217	91,454			91,454	134,498	225,952	380	225,572
<b>Actual Spending</b>	<b>1,115</b>	<b>83,089</b>			<b>83,089</b>	<b>134,498</b>	<b>217,587</b>	<b>380</b>	<b>217,207</b>
<b>Appeals<sup>1</sup></b>	1,291	88,644			88,644		88,644	8,436	80,208
<i>Final Authorities</i>	1,379	102,819			102,819		102,819	6,352	96,467
<b>Actual Spending</b>	<b>1,256</b>	<b>99,883</b>			<b>99,883</b>		<b>99,883</b>	<b>6,352</b>	<b>93,531</b>
<b>Customs Services<sup>1</sup></b>	8,398	568,768	23,349		592,117		592,117	-	592,117
<i>Final Authorities</i>	8,218	692,769	23,840		716,609		716,609	-	716,609
<b>Actual Spending</b>	<b>7,855</b>	<b>636,840</b>	<b>23,840</b>		<b>660,680</b>		<b>660,680</b>		<b>660,680</b>
<b>Corporate Management &amp; Direction<sup>1</sup></b>	7,800	738,918			738,918		738,918	29,055	709,863
<i>Final Authorities</i>	7,474	837,034			837,034		837,034	35,466	801,568
<b>Actual Spending</b>	<b>7,530</b>	<b>814,377</b>			<b>814,377</b>		<b>814,377</b>	<b>35,466</b>	<b>778,911</b>
<b>Total Agency</b>									
Planned Spending	47,551	3,232,972	23,349	110,326	3,366,647	138,000	3,504,647	140,889	3,363,758
<i>Final Authorities</i>	49,551	3,834,725	23,840	115,769	3,974,334	134,498	4,108,832	142,862	3,965,970
<b>Actual Spending</b>	<b>47,479</b>	<b>3,700,121</b>	<b>23,840</b>	<b>109,307</b>	<b>3,833,268</b>	<b>134,498</b>	<b>3,967,766</b>	<b>142,862</b>	<b>3,824,904</b>
<b>Other Revenues and Expenditures</b>									
<b>Non-Tax Revenues</b>									
<b>Respendable Revenue – Pursuant to the CCRA Act<sup>3</sup></b>									24,888
<i>Final Authorities</i>									37,366
<b>Actual Revenue</b>									<b>37,366</b>
<b>Non-Respendable Revenue from Agency Activities<sup>4</sup></b>									163,328
<i>Final Authorities</i>									30,432
<b>Actual Revenue</b>									<b>30,432</b>
<b>Cost of services received from other departments without charge<sup>5</sup></b>									446,000
<i>Final Authorities</i>									506,613
<b>Actual Spending</b>									<b>506,613</b>
<b>Net Cost of the Program<sup>1</sup></b>									3,621,542
<i>Final Authorities</i>									4,404,785
<b>Actual Spending</b>									<b>4,263,719</b>
<sup>1</sup> Numbers in normal font are Planned Spending as per 2002-2003 Report on Plans and Priorities. Numbers in italics denote Final Authorities from Main and Supplementary Estimates and other authorities. Bolded numbers denote Actual Spending/Revenues.									
<sup>2</sup> Includes only Revenues Credited to the Vote; does not include Respendable Revenue pursuant to Section 60 of the CCRA Act.									
<sup>3</sup> Details are found in Table 4.1									
<sup>4</sup> Details of Actual Revenue are found in Table 4.3. Original Planned Spending amount of \$163,328K includes \$125,049K of Interest and Penalties for GST/HST, Customs, Excise, and Fines and Seizures (which now appear exclusively in the Agency Administered Activities part of the Financial Statements); and \$38,279K in other Non-Respendable Non-Tax Revenue from Agency Activities.									
<sup>5</sup> Details are found in Table 3.2									

Table 3: Historical Comparison of Planned to Actual Spending

<b>Agency Planned Versus Actual Spending by Business Line</b> (in thousands of dollars)					
<b>Business Lines</b>	<b>Actual Spending 2000-2001</b>	<b>Actual Spending 2001-2002</b>	<b>Planned Spending 2002-2003</b>	<b>Final Authorities 2002-2003</b>	<b>Actual Spending 2002-2003</b>
Tax Services	1,751,826	1,855,462	1,786,082	2,125,754	<b>2,074,575</b>
Benefit Programs and Other Services	154,152	178,464	175,147	205,231	<b>204,654</b>
Appeals	70,989	75,052	80,208	96,467	<b>93,531</b>
Customs Services	495,885	560,189	592,117	716,609	<b>660,680</b>
Corporate Management and Direction	628,602	730,116	709,863	801,568	<b>778,911</b>
Sub-Total	<b>3,101,454</b>	<b>3,399,283</b>	<b>3,343,417</b>	<b>3,945,629</b>	<b>3,812,351</b>
Add: Benefit Programs and Other Services (Relief for Heating Expenses) <sup>1</sup>	1,459,267	42,211	20,341	20,341	<b>12,553</b>
<b>Total</b>	<b>4,560,721</b>	<b>3,441,494</b>	<b>3,363,758</b>	<b>3,965,970</b>	<b>3,824,904</b>

<sup>1</sup> The Actual Spending of \$ 12,553K is on a cash accounting basis. The Statement of Administered Expenses shows an amount of (\$1,117K), on a full accrual accounting basis.

Table 3.1: Details of Spending by Object

(in thousands of dollars)	<b>Actual Spending 2000-2001</b>	<b>Actual Spending 2001-2002</b>	<b>Planned Spending 2002-2003</b>	<b>Final Authorities 2002-2003</b>	<b>Actual Spending 2002-2003</b>
<b>Personnel</b>					
Salaries and wages	2,015,040	2,259,535	2,158,405	2,615,823	<b>2,495,115</b>
Contributions to employee benefit plans	414,548	390,100	431,668	501,775	<b>501,775</b>
Sub-Total	<b>2,429,588</b>	<b>2,649,635</b>	<b>2,590,073</b>	<b>3,117,598</b>	<b>2,996,890</b>
<b>Goods and Services</b> <sup>1</sup>					
Transportation and communications	174,010	184,610	175,077	198,508	<b>194,662</b>
Information	4,948	6,583	4,893	6,150	<b>6,031</b>
Professional and special services	146,830	176,198	160,409	199,642	<b>195,773</b>
Rentals	11,414	12,032	13,287	14,703	<b>14,418</b>
Purchased repair and maintenance	81,890	79,045	82,980	85,898	<b>84,234</b>
Utilities, materials and supplies	64,176	62,611	65,463	56,556	<b>55,460</b>
Other subsidies and payments	1,461,632	42,923	2,339	23,005	<b>22,559</b>
Acquisition of machinery and equipment	94,501	110,748	138,451	132,665	<b>130,094</b>
Sub-Total	<b>2,039,401</b>	<b>674,750</b>	<b>642,899</b>	<b>717,127</b>	<b>703,231</b>
<b>Capital</b>					
Acquisition of land, buildings, and works	2,888	24,882	23,349	23,840	<b>23,840</b>
<b>Transfer payments</b>					
Grants (statutory payments)	102,689	125,026	138,000	134,498	<b>134,498</b>
Contributions	118,953	108,125	110,326	115,769	<b>109,307</b>
Sub-Total	<b>221,642</b>	<b>233,151</b>	<b>248,326</b>	<b>250,267</b>	<b>243,805</b>
Gross expenditures	4,693,519	3,582,418	3,504,647	4,108,832	<b>3,967,766</b>
Less: Respendable Revenue <sup>2</sup>	(132,798)	(140,924)	(140,889)	(142,862)	<b>(142,862)</b>
<b>Net Expenditures</b>	<b>4,560,721</b>	<b>3,441,494</b>	<b>3,363,758</b>	<b>3,965,970</b>	<b>3,824,904</b>

<sup>1</sup> Goods and services authorities were established based on the actual expenditures (pro-rated).

<sup>2</sup> Includes only Revenues Credited to the Vote; does not include Respendable Revenue pursuant to Section 60 of the CCRA Act.

Table 3.2: Cost of Services Received from other Departments Without Charge

(in thousands of dollars)	Actual Spending 2000-2001	Actual Spending 2001-2002	Planned Spending 2002-2003	Final Authorities 2002-2003	Actual Spending 2002-2003
Accommodations Provided by Public Works and Government Services Canada (PWGSC)	214,326	222,495	220,000	241,016	<b>241,016</b>
Employer's share of Employee Benefit Costs and Insurance Premiums provided by Treasury Board Secretariat	112,842	169,465	161,900	187,134	<b>187,134</b>
Legal services provided by Justice Canada	57,907	65,072	57,900	69,362	<b>69,362</b>
Audit services by the Office of the Auditor General	3,270	4,000	3,300	4,089	<b>4,089</b>
Worker's Compensation Benefits coverage provided by Human Resources Development Canada	3,032	2,811	2,900	2,940	<b>2,940</b>
Payroll Services provided by Public Works and Government Services Canada (PWGSC)*		1,865		2,072	<b>2,072</b>
<b>Total Services Received Without Charge</b>	<b>391,377</b>	<b>465,708</b>	<b>446,000</b>	<b>506,613</b>	<b>506,613</b>

\*These costs were not included in previous years' reports

## Non-Tax Revenue

By virtue of its mandate, the CCRA is responsible for collecting tax revenue; these are described earlier in the Audited Financial Statements – Administered Activities, along with other categories of non-tax revenues such as interest, penalties, fines, seizures, etc. The CCRA is also responsible for collecting non-tax revenue (respendable and non-respendable) similar to other government departments and agencies. As of 2002-2003, the CCRA has adopted a full accrual accounting methodology for both tax and non-tax revenue. Consequently, the data for only one year (2001-2002) was restated under this new methodology.

Table 4: Non-Tax Revenue from Agency Activities

(in thousands of dollars)	Actual Revenue 2001-2002	Planned Revenue 2002-2003	Actual Revenue 2002-2003
Respendable Non-Tax Revenue from Agency Activities			
Revenues Credited to Vote 1 – Operating Expenditures			
Canada Pension Plan administration work	62,680	63,676	<b>64,929</b>
Employment Insurance administration work	78,244	77,213	<b>77,933</b>
Sub-Total	<b>140,924</b>	<b>140,889</b>	<b>142,862</b>
Pursuant to Section 60 of the CCRA Act <sup>1</sup>	30,956	24,888	<b>37,366</b>
Sub-Total	<b>171,880</b>	<b>165,777</b>	<b>180,228</b>
Non-Respendable Non-Tax Revenue from Agency Activities <sup>2</sup>	36,952	38,279	<b>30,432</b>
Sub-Total	<b>36,952</b>	<b>38,279</b>	<b>30,432</b>
<b>Total</b>	<b>208,832</b>	<b>204,056</b>	<b>210,660</b>
<sup>1</sup> Details are found in Table 4.1			
<sup>2</sup> Details are found in Table 4.3			

Table 4.1: Respendable Non-Tax Revenue – Pursuant to the CCRA Act

(in thousands of dollars)	Actual Revenue 2001-2002	Planned Revenue 2002-2003	Actual Revenue 2002-2003
Refunds of previous year's expenditures <sup>1</sup>	2,979	992	<b>4,600</b>
Sales of goods and services			
Rights and privileges			
Brokers licence fees	378	380	<b>384</b>
Customs warehouse fees	1,249	1,000	<b>1,176</b>
Other	241	100	<b>677</b>
Service of a regulatory nature			
Ruling fees	2,186	2,000	<b>1,837</b>
Border Canada/United States Programs	–	–	<b>1,791</b>
Other	1,133	705	<b>1,288</b>
Services of a non-regulatory nature			
Administration of provincial programs	21,519	19,088	<b>23,555</b>
Special services fees	1,761	1,846	<b>1,736</b>
Others	585	873	<b>1,457</b>
Other fees and charges	36	75	<b>27</b>
Sub-Total	<b>32,067</b>	<b>27,059</b>	<b>38,528</b>
Less: Amounts Recovered on behalf of OGDs	1,111	2,171	<b>1,162</b>
<b>Total Respendable Revenue<sup>2</sup> Pursuant to Section 60 of the CCRA Act</b>	<b>30,956</b>	<b>24,888</b>	<b>37,366</b>
<sup>1</sup> See note on Table 6			
<sup>2</sup> Based on a cash accounting method. Respendable Revenue for CCRA is reported as \$31,886K under the full accrual accounting method as displayed in Note 4(a) of the Statement of Operations – Agency Activities.			



Table 4.2: Respendable Non-Tax Revenue – External Charging Initiatives<sup>1</sup>

External User Fee/Initiative Name (in thousands of dollars)	Authority to Charge	Estimate of Full Program Cost Regardless of Charging Rates	Cost Recovery/ User Fee Revenues	
			2001-2002	2002-2003
<b>Sales of Goods and Services</b>				
<b>a. Rights and Privileges</b>				
<b>a.1 Brokers Licence Fees</b>				
Brokers' License and Examination Fees	Customs Act	384	378	384
<b>a.2 Customs Warehouse Fees</b>				
Customs Sufferance Warehouse Licence Fees	Customs Act	584	585	584
Bonded Warehouse Licence Fees	Customs Act	592	664	592
<b>a.3 IONSCAN Technology</b>	CCRA Act, Sec. 60	591	241	591
<b>TOTAL RIGHTS AND PRIVILEGES</b>		<b>2,151</b>	<b>1,868</b>	<b>2,151</b>
<b>b. Services of a Regulatory Nature</b>				
<b>b.1 Ruling Fees</b>				
Rulings Fees	FAA, Sec. 19	2,000	2,169	1,837
<b>b.2 Other Services of a Regulatory Nature</b>				
Advance Pricing Agreement	CCRA Act, Sec. 60	1,313	321	504
Storage Charges Queen's Frontier	Customs Act	659	717	659
<b>b.3 Border Canada/US Programs</b>				
NEXUS	Customs Act	1,588	0	1,588
FASTProgram	Customs Act	203	0	203
<b>TOTAL SERVICES OF A REGULATORY NATURE</b>		<b>5,763</b>	<b>3,208</b>	<b>4,790</b>
<b>c. Other Goods and Services (Services of a Non-Regulatory Nature)</b>				
<b>c.1 Administration of Provincial Programs<sup>2</sup></b>				
Provincial Refund Set-Off – Gross forecast	CCRA Act, Sec. 60	369	145	369
Visitors' Rebate Quebec	CCRA Act, Sec. 60	652	297	652
British Columbia Forest Renewal	CCRA Act, Sec. 60	480	0	560
BC Personal Income Tax Rate Change	CCRA Act, Sec. 60	0	98	0
Nova Scotia Workers Compensation	CCRA Act, Sec. 60	522	308	522
Ontario Property Tax Credit	CCRA Act, Sec. 60	1,803	1,344	1,803
Alberta Energy Tax Credit	CCRA Act, Sec. 60	0	845	0
BC Energy Rebate	CCRA Act, Sec. 60	0	493	0
BC Mining Exploration Tax Credit	CCRA Act, Sec. 60	0	149	0
Provincial Corporate Efile	CCRA Act, Sec. 60	0	0	99
Provincial Sales Tax Collection	CCRA Act, Sec. 60	6,271	4,065	6,271
Provincial Tax Credit Programs	CCRA Act, Sec. 60	1,893	2,127	1,893
<b>c.2 Special Service Fees</b>				
Customs Special Service provided off-site	CCRA Act, Sec. 60	1,221	1,058	1,221
Customs Special Service provided outside of core hours	Customs Act	511	688	511
<b>c.3 Other Services of a Non-Regulatory Nature</b>				
Audit Foreign Travel	CCRA Act, Sec. 60	250	119	215
CANPASS	Customs Act	236	218	236
International Technical Assistance	CCRA Act, Sec. 60	600	52	600
Consolidated Verification Project	CCRA Act, Sec. 60	326	0	326
<b>TOTAL SERVICES OF A NON-REGULATORY NATURE</b>		<b>15,135</b>	<b>12,006</b>	<b>15,279</b>
<b>GRAND TOTAL</b>		<b>23,048</b>	<b>17,081</b>	<b>22,220</b>

<sup>1</sup> Modified cash accounting basis. The numbers for full accrual accounting basis for 2001-2002 and 2002-2003 are \$17,668K and \$22,277K respectively.

<sup>2</sup> Provincial Tax Credit Charges (including BC Film & TV Tax Credit and BC Science Research and Development Tax Credit) and Provincial Tobacco and Alcohol Mark-up/Lievies pursuant to the Tax Collection Agreement, in the amount of \$10.7M and \$572K respectively, were based on a formula-derived agreement negotiated by Finance Canada and are not included in this report compiled on a cash accounting basis. Those provincial cost recovery programs that are not covered by Tax Collection Agreements are included.

Table 4.3: Non-Respendable Non-Tax Revenue

(in thousands of dollars)	Actual Revenue 2001-2002	Actual Revenue 2002-2003
Adjustments to prior years' payables	1,594	3,865
Sales of goods and services		
Rights and privileges		
Duty free shops	5,531	826
Public building and property rental		
Lease and use of public property	645	637
Services of a regulatory nature		
Other	18	9
Other fees and charges	286	396
Proceeds from the disposal of surplus Crown assets	327	588
Miscellaneous		
Recovery of employee benefits	25,512	24,056
Other	3,028	44
Interest paid on non-tax revenue – Other	11	11
<b>Total Non-Respendable Non-Tax Revenue</b>	<b>36,952</b>	<b>30,432</b>

Table 5: Statutory Payments

Statutory Payments by Business Line (in thousands of dollars)					
Business Line	Actual Spending 2000-2001	Actual Spending 2001-2002	Planned Spending 2002-2003	Final Authorities 2002-2003	Actual Spending 2002-2003
Benefit Programs and Other Services	102,689	125,026	138,000	134,498	134,498
<b>Total</b>	<b>102,689</b>	<b>125,026</b>	<b>138,000</b>	<b>134,498</b>	<b>134,498</b>

Note: These amounts represent payments made from the Children's Special Allowance Statutory Vote.

Table 6: Transfer Payments

Transfer Payments by Business Line (in thousands of dollars)					
Business Line	Actual Spending 2000-2001	Actual Spending 2001-2002	Planned Spending 2002-2003	Final Authorities 2002-2003	Actual Spending 2002-2003
Tax Services	118,953	108,125	110,326	115,769	109,307
<b>Total</b>	<b>118,953</b>	<b>108,125</b>	<b>110,326</b>	<b>115,769</b>	<b>109,307</b>

Note: These amounts represent contributions to the Province of Quebec in respect of the joint administration costs of federal and provincial sales taxes from Vote 10 – Contributions; in addition, an amount of \$2,254K was paid to the Province of Quebec (under Statutory Vote for the "Spending of revenues received through the conduct of its operations pursuant to section 60 of the *Canada Customs and Revenue Agency Act*"). This amount of \$2,254K was a refund to the Agency in 2002-2003, by the Province of Quebec, of Agency payments made in the 2001-2002 fiscal year. Transfer Payments also include a contribution to the Canadian Home Builders' Association of \$540K in 2002-2003.

Table 7: Resource Requirements by Functional Organization and Business Line

Comparison of 2002-2003 Report on Plans and Priorities (RPP) Planned Spending and Final Authorities to Actual Expenditures by Organization and Business Line						
Organization	Business Lines					Organization Total
	Tax Services	Benefit Programs and Other Services	Appeals	Customs Services	Corporate Management and Direction	
(in thousands of dollars)						
Executive Office <sup>1</sup>	-	-	-	-	5,170	5,170
<i>Final Authorities</i>	-	-	-	-	5,629	5,629
<b>Actual Spending</b>	-	-	-	-	<b>4,885</b>	<b>4,885</b>
AC, Policy and Legislation Branch <sup>1</sup>	176,360	-	-	-	7,193	183,553
<i>Final Authorities</i>	193,268	-	-	-	12,214	205,482
<b>Actual Spending</b>	<b>185,364</b>	-	-	-	<b>12,258</b>	<b>197,622</b>
AC, Assessment and Collections (A&C) Branch <sup>1</sup>	798,340	181,882	-	-	-	980,222
<i>Final Authorities</i>	1,015,137	212,057	-	-	-	1,227,194
<b>Actual Spending</b>	<b>1,007,673</b>	<b>203,977</b>	-	-	-	<b>1,211,650</b>
AC, Customs Branch <sup>1</sup>	-	-	-	561,952	-	561,952
<i>Final Authorities</i>	-	-	-	634,812	-	634,812
<b>Actual Spending</b>	-	-	-	<b>587,311</b>	-	<b>587,311</b>
AC, Compliance Programs Branch (CPB) <sup>1</sup>	703,202	-	-	-	-	703,202
<i>Final Authorities</i>	787,808	-	-	-	-	787,808
<b>Actual Spending</b>	<b>761,648</b>	-	-	-	-	<b>761,648</b>
AC, Appeals Branch <sup>1</sup>	-	-	88,676	-	-	88,676
<i>Final Authorities</i>	-	-	101,782	-	-	101,782
<b>Actual Spending</b>	-	-	<b>98,888</b>	-	-	<b>98,888</b>
ACs, Regional Operations <sup>1</sup>	52,861	-	-	-	-	52,861
<i>Final Authorities</i>	40,448	-	-	-	-	40,448
<b>Actual Spending</b>	<b>38,080</b>	-	-	-	-	<b>38,080</b>
AC, Public Affairs <sup>1</sup>	16,361	-	-	-	-	16,361
<i>Final Authorities</i>	49,680	-	-	-	-	49,680
<b>Actual Spending</b>	<b>46,013</b>	-	-	-	-	<b>46,013</b>
AC, Corporate Audit and Evaluation <sup>1</sup>	-	-	-	-	-	-
<i>Final Authorities</i>	-	-	-	-	12,934	12,934
<b>Actual Spending</b>	-	-	-	-	<b>12,500</b>	<b>12,500</b>
AC, Finance and Administration (F&A) Branch <sup>1</sup>	105,482	350	-	23,685	288,924	418,441
<i>Final Authorities</i>	48,558	-	-	23,840	316,327	388,725
<b>Actual Spending</b>	<b>45,361</b>	-	-	<b>23,840</b>	<b>292,221</b>	<b>361,422</b>
AC, Human Resources Branch <sup>1</sup>	-	-	-	-	137,164	137,164
<i>Final Authorities</i>	-	-	-	-	168,491	168,491
<b>Actual Spending</b>	-	-	-	-	<b>162,837</b>	<b>162,837</b>
AC, Information and Technology Branch (ITB) <sup>1</sup>	38,462	12,674	225	5,746	225,483	282,590
<i>Final Authorities</i>	69,855	9,407	1,129	46,941	365,769	493,101
<b>Actual Spending</b>	<b>62,755</b>	<b>9,407</b>	<b>1,129</b>	<b>38,642</b>	<b>368,252</b>	<b>480,185</b>
Corporate Account <sup>1</sup>	(1,968)	962	(257)	734	74,984	74,455
<i>Final Authorities</i>	21,664	4,488	(92)	11,016	(44,330)	(7,254)
<b>Actual Spending</b>	<b>28,345</b>	<b>4,203</b>	<b>(134)</b>	<b>10,887</b>	<b>(38,576)</b>	<b>4,725</b>
Revenues Credited to the Vote <sup>1</sup>	(103,018)	(380)	(8,436)	-	(29,055)	(140,889)
<i>Final Authorities</i>	(100,664)	(380)	(6,352)	-	(35,466)	(142,862)
<b>Actual Spending</b>	<b>(100,664)</b>	<b>(380)</b>	<b>(6,352)</b>	-	<b>(35,466)</b>	<b>(142,862)</b>
<b>Total Agency</b>						
Planned Spending	1,786,082	195,488	80,208	592,117	709,863	3,363,758
<i>Final Authorities</i>	2,125,754	225,572	96,467	716,609	801,568	3,965,970
<b>Actual Spending</b>	<b>2,074,575</b>	<b>217,207</b>	<b>93,531</b>	<b>660,680</b>	<b>778,911</b>	<b>3,824,904</b>

<p><sup>1</sup> Numbers in normal font are planned spending as per 2002-2003 Report on Plans and Priorities (RPP) (see Note below). Numbers in italic denote Final Authorities from main and supplementary estimates and other authorities. Bolded numbers denote Actual Spending.</p> <p>Note: Shortly after the 2002-2003 RPP was finalized, some functions were moved out of Finance and Administration Branch to better reflect organizational reality. Publishing was moved to Public Affairs and Assessment and Collections with smaller amounts to all affected Branches. Corporate Affairs was split between Public Affairs and Corporate Audit and Evaluation with a portion remaining in Finance and Administration. These adjustments affected Planned and Authorities amounts above.</p>	Public Affairs	31,575	8,062
	A&C Client Serv.	63,635	
	Customs	1,568	
	Others	1,744	
	Audit and Evaluation		11,694
	F&A	264	5,839
	From F&A	<b>759,466</b>	<b>804,506</b>
	Publishing		
	Corporate Affairs		

**Table 8: Projects**

Table 8.1: Projects – Investment Plan

<b>Investment Expenditure Summary for 2002-2003</b>						
<b>Business Line / Investment Plan Initiative</b>		<b>Actual Spending</b>	<b>Planned FTEs</b>	<b>Planned Spending</b>	<b>Actual FTEs</b>	<b>Actual Spending</b>
(in thousands of dollars)	<b>Function</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2002-2003</b>	<b>2002-2003</b>	<b>2002-2003</b>
<b>Tax Services</b>						
Government On-Line Phase 1	A&C	12,882	22	2,118	22	2,118
Government On-Line Round 3	A&C		124	15,200	102	13,162
Integrated Revenue Collections	A&C	326	28	2,615	18	1,551
T1 Matching Redesign	A&C	665	21	1,219	21	1,219
T3 Automation	A&C	986	9	508	9	508
Call Centre Enhancements	A&C		4	1,035	3	155
Business Services Investment Envelope	A&C					
Other Levies Project	A&C	12,105	160	15,326	154	14,978
Business Number Registry	A&C		27	1,920	27	1,920
GST/HST Redesign	A&C		107	8,163	99	7,404
T2 Development	A&C		19	1,833	19	1,833
Information Returns Redesign	A&C		12	1,255	12	1,255
Debit Cards (Tax Services Office)	A&C		13	1,010	11	906
E-file Modernization	A&C		23	5,000	23	3,460
Business Integration and System Support	CPB		52	5,200	28	1,941
<b>Sub-Total – Tax Services</b>		<b>26,964</b>	<b>621</b>	<b>62,402</b>	<b>548</b>	<b>52,410</b>
<b>Appeals</b>						
Fairness System Review	Appeals	240	4	104	4	104
<b>Sub-Total – Appeals</b>		<b>240</b>	<b>4</b>	<b>104</b>	<b>4</b>	<b>104</b>
<b>Customs</b>						
Customs Action Plan	Customs	20,834	245	36,544	175	28,665
G11 Replacement	Customs		12	1,239	7	508
Public Security Envelope (Nexus, Expedited Passenger Processing System)	Customs		75	12,000	73	8,151
<b>Sub-Total – Customs</b>		<b>20,834</b>	<b>332</b>	<b>49,783</b>	<b>255</b>	<b>37,324</b>
<b>Corporate Management and Direction</b>						
Activity Based Costing (ABC)	F&A	270	3	500	2	300
Administrative Reform and Renewal (ARR)	F&A	3,540	31	13,858	19	5,700
Balanced Scorecard	F&A	2,903	56	9,592	42	6,638
Financial Information Strategy	F&A	5,664	133	13,615	98	8,490
Horizontal Review	F&A			100		100
Agency Classification Standard (ACS)	HR	613	5	1,000	5	570
HR Resourcing	HR	2,374	47	2,600	32	1,800
Pay Compensation Services	HR		6	1,428	3	1,170
HR Positions Organizational Tracking	HR		5	821	1	536
Corporate Administrative Systems (CAS) Stabilization	ITB	1,400		2,500		2,500
CAS Upgrade	ITB	3,450		1,650		1,650
Business Intelligence / Decision Support (B/DS)	ITB		12	3,208	12	3,208
IT Infrastructure Envelope	ITB					
Data Centre Recoverability	ITB	2,011	61	9,130	61	6,612
E-Comm Infrastructure	ITB		41	10,737	41	712
Service Availability	ITB	5,884	59	8,799	59	8,799
<b>Sub-Total – Corporate Management and Direction</b>		<b>28,109</b>	<b>459</b>	<b>79,538</b>	<b>375</b>	<b>48,785</b>
<b>TOTAL ALL BUSINESS LINES</b>		<b>76,147</b>	<b>1,416</b>	<b>191,827</b>	<b>1,182</b>	<b>138,623</b>
Amount Carried forward to 2003-2004					<b>234</b>	<b>53,204</b>

Table 8.2: Projects – Major Capital

<b>Major Capital Projects (Vote 5) by Business Line</b> (in thousands of dollars)						
<b>Business Line</b>	<b>Current Estimated Total Cost</b>	<b>Actual Spending 2000-2001</b>	<b>Actual Spending 2001-2002</b>	<b>Planned Spending 2002-2003</b>	<b>Final Authorities 2002-2003</b>	<b>Actual Spending 2002-2003</b>
Customs Services						
<b>New Facilities Projects:</b>						
Aldergrove, B.C.	9,935			2,260		
Andover, N.B.	5,761	43	23	1,075	795	<b>798</b>
Armstrong, Que.	7,076		12	2,000	745	<b>582</b>
Clarenceville, Que.	644		41	725	71	<b>64</b>
Coutts, Alberta	27,762	217	10,280	1,520	11,333	<b>13,243</b>
Coutts – Land, Alberta	3,000		2,401			<b>13</b>
Coutts – Animal Inspection, Alberta	1,600	1,600				
Douglas, B.C.	25,015	123	119	1,200	2,362	<b>1,203</b>
Emerson, Manitoba	12,658	406	319			<b>156</b>
Emerson (East-Lynn), Manitoba	500		5	450		<b>10</b>
Fort Frances, Ont.	32	11				
Kingsgate, B.C.	7,433			860		
Little Gold Creek, B.C.	1,820	281	31			
Nelway, B.C.	852	36	6			
Osoyoos, B.C.	17,530	4,559	8,070	5,919	2,500	<b>3,282</b>
Regway, Sask.	384					
Rigaud, Que.	440		438		8	<b>9</b>
Saint-Bernard-de-Lacolle, Que.	13,938		37			
Stanstead (Rock Island), Que.	13,500		34	1,685	708	<b>480</b>
Trout River, Que.	2,934					
Feasibility Studies	1,584		782		59	<b>53</b>
Design Templates	300		13		15	<b>15</b>
New Initiatives/Replacements	714		13		414	<b>128</b>
<b>Existing Facilities Projects:</b>						
Health and Safety Projects	20,656	1,535	2,315	1,945	2,705	<b>2,130</b>
Other Projects	38,358	1,189	1,819	3,710	2,125	<b>1,674</b>
<b>Total Major Capital Projects</b>	<b>214,426</b>	<b>10,000</b>	<b>26,758</b>	<b>23,349</b>	<b>23,840</b>	<b>23,840</b>

Table 8.3: Projects – Asset Management Plan

<b>Asset Management Plan</b>				
<b>Asset Class</b>		<b>Actual Spending</b>	<b>Planned Spending</b>	<b>Actual Spending</b>
(in thousands of dollars)	<b>Function</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2002-2003</b>
Real Property Major Capital Projects (see Table 8.2)	F&A	24,045	23,840	23,840
Real Property Operating & Maintenance	F&A	26,745	26,202	21,787
Vehicles	F&A	4,031	2,158	1,702
Contraband Detection Equipment	Customs	345	3,060	3,060
Laboratory Equipment	F&A	292	845	845
Personal Alarm Security System	F&A	1,615	1,556	1,556
IT Infrastructure	ITB	62,987	106,047	109,323
IT End User Equipment (e.g., Desktop Computers, Laptops, Printers)	ITB	10,350	38,151	23,762
Miscellaneous	F&A	1,200	1,200	1,200
<b>Total Asset Management Plan Projects</b>		<b>131,610</b>	<b>203,059</b>	<b>187,075</b>

Table 9: Reconciliation of Expenditures Reported in the Performance Report to the 2002-2003 Statement of Operations – Agency Activities

For the fiscal year ended at March 31, 2003 (in thousands of dollars)			
PERFORMANCE REPORT		EXTRACTS FROM AUDITED FINANCIAL STATEMENTS	
(See Table 2)		STATEMENT OF OPERATIONS – AGENCY ACTIVITIES	
		(See Statement of Operations – Agency Activities)	
<b>Operating</b>	3,700,121	<b>Expenses</b>	
<b>Major Capital</b>	23,840	Personnel	3,218,042
<b>Voted Grants and Contributions</b>	109,307	Other	1,072,647
<b>Subtotal</b>	<u>3,833,268</u>		
<b>Statutory Grants and Contributions</b>	134,498		
<b>Total Gross Expenditures</b>	<u>3,967,766</u>	<b>Total expenses</b>	<u>4,290,689</u>
<b>Less: Revenues credited to Vote 1</b>	(142,862)	<b>Non-Tax Revenue</b>	
		Credited to Vote 1 – CCRA	(142,862)
		Respendable Revenue	(31,886)
		Other Non-Tax Revenue	(21,860) (196,608)
<b>Total Net Expenditures</b>	<u><u>3,824,904</u></u>	<b>Net Cost of Operations</b>	<u><u>4,094,081</u></u>
<b>Adjustments to modified cash accounting methodology used in the CCRA Annual Report to reconcile to full accrual accounting methodology used in Statement of Operations – Agency Activities:</b>			
<b>Performance Report</b>	<u><u>3,824,904</u></u>		
<b>ADD / (SUBTRACT):</b>			
1 Services provided without charge by other government departments	506,613	}	Expenses not requiring use of current year appropriations
2 Amortization of capital assets	27,419		
3 Loss on disposal of capital assets	15,888		
4 Adjustment of prior years' expenses	(9,722)		
5 Consumable supplies	3,172		
6 Other adjustments	128		
7 Employee severance benefits	60,163	}	Net changes in future funding requirements
8 Vacation pay and compensatory leave	14,041		
9 Other adjustments	266		
10 Capitalization of expenses	(140,740)	}	Asset acquisitions funded by current year appropriations
11 Prepaid expenses	(1,340)		
12 Non-tax revenue available for spending (Section 60 – CCRA Act)	(31,886)	}	Non-tax revenue not permitted to be credited to appropriations
13 Other non-tax revenue	(21,860)		
14 Adjustment of prior years' revenues	(5,914)		
15 Children's special allowance	(134,498)	}	<b>Statement of Administered Expenses</b> (See Statement of Administered Expenses)
16 Relief for heating expense payments <sup>1</sup>	(12,553)		
<b>Statement of Operations – Agency Activities (Net Cost of Operations)</b>	<u><u>4,094,081</u></u>		

<sup>1</sup> The amount of \$12,553K is on a cash accounting basis. The Statement of Administered Expenses shows an amount of (\$1,117K), on a full accrual accounting basis.

Table 9.1: Reconciliation by Object

<b>For the fiscal year ended at March 31, 2003</b> (in thousands of dollars)			
	<b>Performance Report</b>	<b>Adjustments</b>	<b>Statement of Operations</b>
<b>Personnel</b>	2,996,890		
Employer's Contribution to Health Plans <sup>1</sup>		187,134	
Worker's Compensation Benefits <sup>1</sup>		2,940	
Adjustment of Prior Years' Expenses <sup>4</sup>		(592)	
Employee Severance Benefits <sup>7</sup>		60,163	
Vacation Pay and Compensatory Leave <sup>8</sup>		14,041	
Capitalization of Expenses (incl. Employee Benefit Plans) <sup>10</sup>		(42,208)	
Restated to Professional & Special Services		(326)	
			<b>3,218,042</b>
<b>Transportation and Communications</b>	194,662		
Adjustment of Prior Years' Expenses <sup>4</sup>		(1,069)	
Capitalization of Expenses <sup>10</sup>		(1,106)	
Prepaid Expenses <sup>11</sup>		370	
			<b>192,857</b>
<b>Information</b>	6,031		
Adjustment of Prior Years' Expenses <sup>4</sup>		(32)	
Capitalization of Expenses <sup>10</sup>		(37)	
Prepaid Expenses <sup>11</sup>		89	
			<b>6,051</b>
<b>Advertising, printing and related services</b>			<b>6,051</b>
<b>Professional and Special Services</b>	195,773		
Legal services provided without charge <sup>1</sup>		69,362	
Audit services provided without charge <sup>1</sup>		4,089	
Payroll Services <sup>1</sup>		2,072	
Adjustment of Prior Years' Expenses <sup>4</sup>		(3,526)	
Other Adjustments <sup>9</sup>		53	
Capitalization of Expenses <sup>10</sup>		(28,876)	
Prepaid Expenses <sup>11</sup>		83	
Restated from Personnel		326	
			<b>239,356</b>
<b>Other services \$39,760K</b>			<b>239,356</b>
<b>Professional and special services \$199,596K</b>			<b>239,356</b>
<b>Rentals</b>	14,418		
Adjustment of Prior Years' Expenses <sup>4</sup>		(163)	
Capitalization of Expenses <sup>10</sup>		(66)	
			<b>14,189</b>
<b>Equipment and other rentals</b>			<b>14,189</b>



For the fiscal year ended at March 31, 2003 (in thousands of dollars)			
	Performance Report	Adjustments	Statement of Operations
<b>Purchased Repair and Maintenance</b>	84,234		
Adjustment of Prior Years' Expenses <sup>4</sup>		(1,254)	
Other Adjustments <sup>9</sup>		160	
Capitalization of Expenses <sup>10</sup>		2,081	
Prepaid Expenses <sup>11</sup>		(1,882)	
<b>Repair and Maintenance</b>			<b>83,339</b>
<b>Utilities, Materials and Supplies</b>	55,460		
Adjustment of Prior Years' Expenses <sup>4</sup>		(307)	
Consumable Supplies (Inventory) <sup>5</sup>		3,172	
Capitalization of Expenses <sup>10</sup>		(281)	
Restated to Other Expenses		(51)	
Restated to Equipment Purchases		(30)	
<b>Utilities: \$510K</b>			<b>57,963</b>
<b>Materials and supplies: \$57,453K</b>			
<b>Other Subsidies and Payments: \$22,559K (Performance Report)</b>	15,681		
Loss on Disposal of Capital Assets <sup>3</sup>		15,888	
Adjustment of Prior Years' Expenses <sup>4</sup>		(85)	
Other Adjustments <sup>6</sup>		128	
Capitalization of Expenses <sup>10</sup>		(15)	
Adjustment of Prior years' revenues <sup>14</sup>	5,914	(5,914)	
Relief for Heating Expense Payments <sup>16</sup>		(12,553)	
Responsible Revenue (MRQ) – Restated from Transfer Payments	2,254	(2,254)	
Restated from Equipment Purchases		359	
Restated from Materials and Supplies		51	
Restated to Major Capital	(1,290)	1,290	
<b>Loss on disposal / write-off of capital assets: \$15,888K</b>			<b>19,454</b>
<b>Other expenses: \$3,566K</b>			
<b>Acquisition of machinery and equipment</b>	130,094		
Adjustment of Prior Years' Expenses <sup>4</sup>		(440)	
Other Adjustments <sup>9</sup>		53	
Capitalization of Expenses <sup>10</sup>		(47,682)	
Restated from Material and Supplies		30	
Restated to Other Expenses		(359)	
<b>Equipment purchases</b>			<b>81,696</b>

For the fiscal year ended at March 31, 2003 (in thousands of dollars)			
	Performance Report	Adjustments	Statement of Operations
<b>Major Capital: \$23,840K (Performance Report)</b>			
Capitalization of Expenses – Major Capital <sup>10</sup>	22,550	(22,550)	–
Restated from Other Subsidies and Payments	1,290	(1,290)	–
			–
<b>Transfer Payments: \$243,805K (Performance Report)</b>			
Adjustments of Prior Years' Expenses (MRQ) <sup>4</sup>		(2,254)	
Grants (Children's Special Allowance) <sup>15</sup>	134,498	(134,498)	
Contributions: \$109,307K (Performance Report)	111,561		
Responsable Revenue (MRQ) – Restated to Other Subsidies	(2,254)	2,254	
			<b>109,307</b>
<b>Non-Tax Revenue</b>			
Revenues Credited to Vote 1	(142,862)		
Non-Tax Revenue available for spending (Section 60 – CCRA Act) <sup>12</sup>		(31,886)	
Other Non-Tax Revenue <sup>13</sup>		(21,860)	
			<b>(196,608)</b>
<b>Accommodation <sup>1</sup></b>		241,016	<b>241,016</b>
<b>Amortization of Capital Assets <sup>2</sup></b>		27,419	<b>27,419</b>
<b>Totals</b>	<b>3,824,904</b>	<b>269,177</b>	<b>4,094,081</b>
<sup>1</sup> See Table 3.2 Services received from other departments without charge		506,613	
<sup>2</sup> Amortization of Capital Assets		27,419	
<sup>3</sup> Loss on disposal of capital assets		15,888	
<sup>4</sup> Adjustment of Prior Years' Expenses		(9,722)	
<sup>5</sup> Consumable Supplies (Inventory)		3,172	
<sup>6</sup> Other Adjustments		128	
<sup>7</sup> Employee Severance Benefits		60,163	
<sup>8</sup> Vacation Pay and Comp. Leave		14,041	
<sup>9</sup> Other Adjustments		266	
<sup>10</sup> Capitalization of Expenses		(140,740)	
<sup>11</sup> Prepaid Expenses		(1,340)	
<sup>12</sup> \$37,366K included in the Performance Report numbers		(31,886)	
<sup>13</sup> Not included in the Performance Report		(21,860)	
<sup>14</sup> Adjustment of Prior Years' Revenues		(5,914)	
<sup>15</sup> Children's Special Allowance – Included in Administered Expenses		(134,498)	
<sup>16</sup> Relief for Heating Expenses – See footnote on page 2-71		(12,553)	
		<u>269,177</u>	



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