



SAFETY, RESPECT  
AND DIGNITY  
FOR ALL

LA SÉCURITÉ,  
LA DIGNITÉ  
ET LE RESPECT  
POUR TOUS

# Quarterly Financial Report

*For the Quarter ended  
June 30, 2014*

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## Introduction

This quarterly report has been prepared by management of Correctional Service of Canada (CSC) as required by section 65.1 of the [Financial Administration Act](#) and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the [Main Estimates](#), [Supplementary Estimates](#). This report has not been subject to an external audit or review.

The purpose of the federal correctional system, as defined by law, is to contribute to the maintenance of a just, peaceful and safe society by carrying out sentences imposed by courts through the safe and humane custody and supervision of offenders; and by assisting the rehabilitation of offenders and their reintegration into the community as law-abiding citizens through the provision of programs in penitentiaries and in the community (*Corrections and Conditional Release Act*, s.3). A summary description of CSC's program activities can be found in [Part II of the Main Estimates](#).

## Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the CSC's spending authorities granted by Parliament and those used by the organization, consistent with the [Main Estimates](#), and [Supplementary Estimates A](#) for the 2014-2015 fiscal year, for which full supply was released on June 20, 2014<sup>1</sup>. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

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

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

CSC has an active Revolving Fund (CORCAN) which is included in the statutory votes of the enclosed Statement of Authorities. CORCAN's purpose is to aid in the safe reintegration of offenders into Canadian society by providing employment and training opportunities to offenders incarcerated in federal penitentiaries and, for brief periods of time, after they are released into the community. CORCAN has a continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund (CRF) for working capital, capital acquisitions and temporary financing of accumulated operating deficits, the total of which is not to exceed \$5.0 million at any time.

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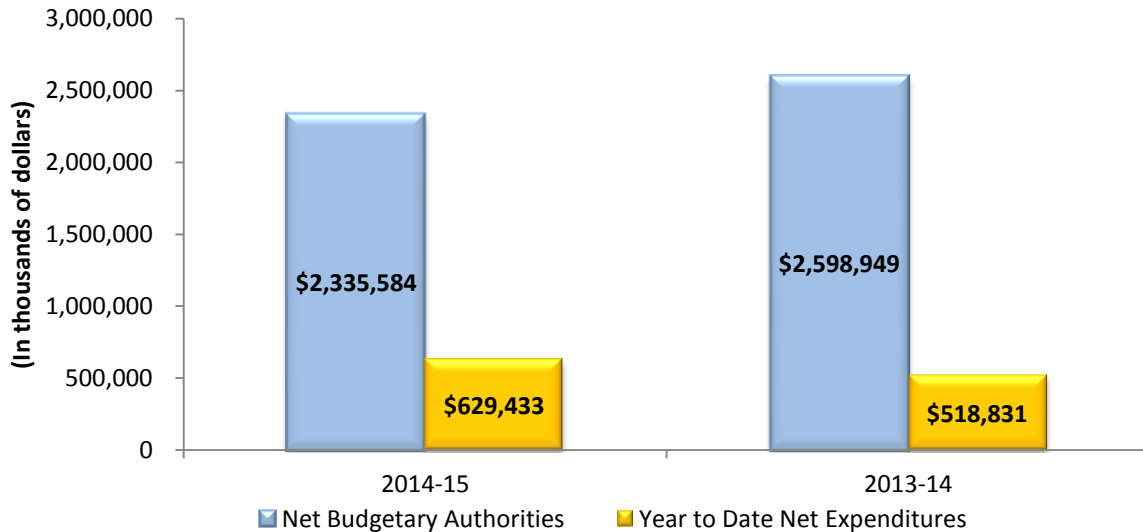
<sup>1</sup> Released through Orders in Council P.C. [2014-0837](#) and P.C. [2014-0838](#).



## Highlights of Fiscal Quarter and Fiscal Year to Date (YTD) Results

The following graph provides a comparison of the net budgetary authorities and expenditures as of June 30, 2014 and June 30, 2013 for CSC's combined Operating, Capital and Budgetary Statutory Authorities.

### Net Budgetary Authorities and Expenditures



### Significant Changes to Authorities

As reflected in the [Statement of Authorities](#), as of June 30, 2014, CSC has seen a reduction in total net authorities of \$263.4 million for the current fiscal year compared to the previous fiscal year. This represents a 10.1% decrease over the total net authorities available as of June 30, 2013.

### Operating Vote

CSC's Operating Vote decreased by \$95.9 million or 4.8%, which is attributed to the net effect of the following items:

- An **increase of \$49.2 million** related to transfer from Capital to Operating Vote due to the implementation of the common definition of Capital Asset defined in [Treasury Board Accounting Standard 3.1](#);
- A **decrease of \$111.5 million** (excluding employee benefit plan (EBP) of \$13.7 million) related to savings identified as part of [Budget 2012](#) (*Canada's Economic Action Plan*);
- A **decrease of \$31.0 million** to offset the additional EBP costs (Statutory authorities) as a result of a transfer from non-personnel Operating budget to Personnel budget for realignment based on historical trends; and,
- A **net decrease of \$2.6 million** related to miscellaneous adjustments.

## Capital Vote

CSC's Capital Vote decreased by \$171.3 million or 48.2%, which is attributed to the net effect of the following items:

- Through CSC's 2013-2018 Accommodation Plan, funding has been **reduced by \$122.1 million**. As part of the plan, CSC's reference levels were reduced by \$125.9 million associated with the return of funds related to projected inmate population growth which has not materialized for the [Tackling Violent Crime Act](#) and the [Truth in Sentencing Act](#), and an increase of \$3.8 million was provided to address the ongoing capitalized maintenance requirements of existing and planned additional units within existing institutions; and,
- A **decrease of \$49.2 million** related to transfer from Capital to Operating Vote due to the implementation of the common definition of Capital Asset defined in [Treasury Board Accounting Standard 3.1](#).

## Budgetary Statutory Authorities

CSC's Budgetary Statutory Authorities **increased by \$3.8 million** mainly due to the net increase in the employee benefit plan (EBP) costs associated with the change in personnel costs.

## Quarterly Expenditures Analysis

Compared to the first quarter of the previous fiscal year, total net budgetary expenditures have increased by \$110.6 million or 21.3%.

(in millions of dollars)

Departmental Budgetary Expenditures	Quarter Over Quarter
Total Net Budgetary Expenditures 2013-2014	518.8
Total Net Budgetary Expenditures 2014-2015	629.4
<b>Variance</b>	<b>110.6</b>
Explanation of Variances by Standard Object	
• Personnel <sup>2</sup>	84.8
• Professional and special services	(6.6)
• Acquisition of land, buildings and works <sup>3</sup>	(17.4)
• Other subsidies and payments <sup>2</sup>	48.3
• Other	1.5
• <b>Total</b>	<b>110.6</b>

<sup>2</sup> This variance is mainly the increase of CSC's expenditures in Vote 1 (Operating Expenditures) as presented in Statement of Authorities.

<sup>3</sup> This variance is mainly the decrease of CSC's expenditures in Vote 5 (Capital Expenditures) as presented in Statement of Authorities.

## Quarter over Quarter Expenditures Analysis

The most notable variances by standard object from the first quarter last year to this year are as follows:

- An **increase of \$84.8 million** in personnel expenditures which is mainly due to the severance pay liquidation related to the signature of the collective agreement with the Union of Canadian Correctional Officers;
- A **decrease of \$6.6 million** in professional and special services expenditures which is mainly due to a delay in finalizing contracts with community residential facilities;
- A **decrease of \$17.4 million** in acquisition of land, buildings and works expenditures which is mainly due to the completion of several new living unit constructions in the previous year; and,
- An **increase of \$48.3 million** in other subsidies and payments which is mainly due to a one-time transition amount of \$50.5 million for implementing 'salary payment in arrears' by the Government of Canada.

## Spending Trend Analysis

CSC's spending in the first quarter of 2014-2015 has increased compared to the same quarter last year (\$629.4 million versus \$518.8 million). Overall, the increase is mainly due to non-recurring payments related to the severance pay and the pay in arrears.

## Risks and Uncertainties

CSC's [Report on Plans and Priorities \(RPP\)](#) identifies the current risk environment and CSC's key risk areas to the achievement of its strategic outcomes.

In the 2013 Speech from the Throne, the Government of Canada announced it will freeze the overall federal operating budget. Consequently, CSC will have to fund the increases in salary resulting from collective agreements that take effect during the freeze period (2014-15 and 2015-16), and for the ongoing impact of those adjustments.

CSC continues to review its operation to address the budgetary constraints resulting from the operating budget freeze.

## Significant Changes in Relation to Operations, Personnel and Programs

During the first quarter of 2014-2015, there have been no significant changes in relation to operations, personnel and programs.

## Budget 2012 Implementation

This section provides an overview of the savings measures announced in [Budget 2012](#) that are being implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

CSC is doing its part to support the federal government's return to a balanced budget, reduce the deficit, and deliver on its commitments to Canadians. [Budget 2012](#) announced that CSC will achieve savings of \$85.5 million in 2012-2013, \$170.2 million in 2013-2014, and ongoing savings of \$295.4 million by 2014-2015. The organization has achieved these cost savings by pursuing the implementation of measures to increase offender accountability, achieve administrative efficiencies, streamline operations and program delivery, and close three institutions (Kingston Penitentiary and the Regional Treatment Centre in Ontario and Leclerc Institution in Quebec were all closed in September 2013). Although delays have been encountered for a few initiatives, interim mitigation strategies have been implemented to achieve the savings as planned.

The initiatives arising from [Budget 2012](#) will further enable CSC to focus resources on the organization's key priorities and core mandate, while at the same time ensuring the organization will continue delivering strong public safety results for Canadians.

## Approvals by Senior Officials

Signed by:  
Don Head, Commissioner  
*Ottawa, Canada*  
*August 14, 2014*

Signed by:  
Liette Dumas-Sluyter, CPA, CMA, CIA  
Chief Financial Officer

## Statement of Authorities (unaudited)

	<b>Fiscal Year 2014-2015</b>			<b>Fiscal Year 2013-2014</b>		
	Total available for use for the year ending March 31, 2015*	Used during the quarter ended June 30, 2014	Year to date used at quarter-end	Total available for use for the year ending March 31, 2014*	Used during the quarter ended June 30, 2013	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
<b>Vote 1 – Operating Expenditures</b>	<b>1,913,021</b>	<b>555,381</b>	<b>555,381</b>	<b>2,008,952</b>	<b>432,383</b>	<b>432,383</b>
<b>Vote 5 – Capital Expenditures</b>	<b>184,245</b>	<b>12,325</b>	<b>12,325</b>	<b>355,545</b>	<b>30,476</b>	<b>30,476</b>
<b>Budgetary Statutory Authorities</b>						
CORCAN Gross Expenditures	88,829	16,698	16,698	87,201	16,748	16,748
CORCAN Gross Revenues	(88,829)	(14,325)	(14,325)	(87,201)	(19,055)	(19,055)
CORCAN Net Expenditures (Revenues)	-	2,373	2,373	-	(2,307)	(2,307)
Contributions to employee benefit plans	237,417	59,354	59,354	233,117	58,279	58,279
Spending of proceeds from the disposal of surplus Crown assets	901	-	-	1,335	-	-
<b>Total Budgetary Authorities</b>	<b>2,335,584</b>	<b>629,433</b>	<b>629,433</b>	<b>2,598,949</b>	<b>518,831</b>	<b>518,831</b>
Non-Budgetary Authorities	45	-	-	46	-	-
<b>Total Authorities</b>	<b>2,335,629</b>	<b>629,433</b>	<b>629,433</b>	<b>2,598,995</b>	<b>518,831</b>	<b>518,831</b>

More information is available on the following page.

\* Includes only Authorities available for use and granted by Parliament at quarter-end.



## Departmental Budgetary Expenditures by Standard Object (unaudited)

	<b>Fiscal Year 2014-2015</b>			<b>Fiscal Year 2013-2014</b>		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
<b>Expenditures</b>						
Personnel	1,718,745	499,865	499,865	1,614,750	415,046	415,046
Transportation and communications	28,861	3,888	3,888	60,641	5,872	5,872
Information	710	75	75	1,931	175	175
Professional and special services	269,683	44,803	44,803	356,414	51,361	51,361
Rentals	17,354	1,865	1,865	16,847	2,932	2,932
Repair and maintenance	19,485	1,819	1,819	46,327	2,762	2,762
Utilities, materials and supplies	106,775	22,245	22,245	149,888	22,125	22,125
Acquisition of land, buildings and works*	169,663	9,071	9,071	280,725	26,471	26,471
Acquisition of machinery and equipment*	15,482	2,822	2,822	76,154	2,050	2,050
Transfer payments	4,982	-	-	958	121	121
Other subsidies and payments	72,673	57,305	57,305	81,515	8,971	8,971
<b>Total Gross Budgetary Expenditures</b>	<b>2,424,413</b>	<b>643,758</b>	<b>643,758</b>	<b>2,686,150</b>	<b>537,886</b>	<b>537,886</b>
<b>Less Revenues Netted Against Expenditures</b>						
CORCAN	(88,829)	(14,325)	(14,325)	(87,201)	(19,055)	(19,055)
<b>Total Net Budgetary Expenditures</b>	<b>2,335,584</b>	<b>629,433</b>	<b>629,433</b>	<b>2,598,949</b>	<b>518,831</b>	<b>518,831</b>

\* These are mainly Vote 5 (Capital) expenditures