



SAFETY, RESPECT
AND DIGNITY
FOR ALL

LA SÉCURITÉ,
LA DIGNITÉ
ET LE RESPECT
POUR TOUS

Quarterly Financial Report

*For the Quarter ended
September 30, 2014*

Table of Contents

<i>Introduction</i>	3
<i>Basis of Presentation</i>	3
<i>Highlights of Fiscal Quarter and Fiscal Year to Date Results</i>	4
<i>Significant Changes to Authorities</i>	4
<i>Explanations of Significant Variances from Previous Year Expenditures</i>	6
<i>Risks and Uncertainties</i>	6
<i>Significant Changes in Relation to Operations, Personnel and Programs</i>	7
<i>Budget 2012 Implementation</i>	7
<i>Statement of Authorities (unaudited)</i>	8
<i>Departmental Budgetary Expenditures by Standard Object (unaudited)</i>	9

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](#) and [Quarterly Financial Report](#) for the quarter ended June 30, 2014. 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, 2014¹. 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 monies 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.

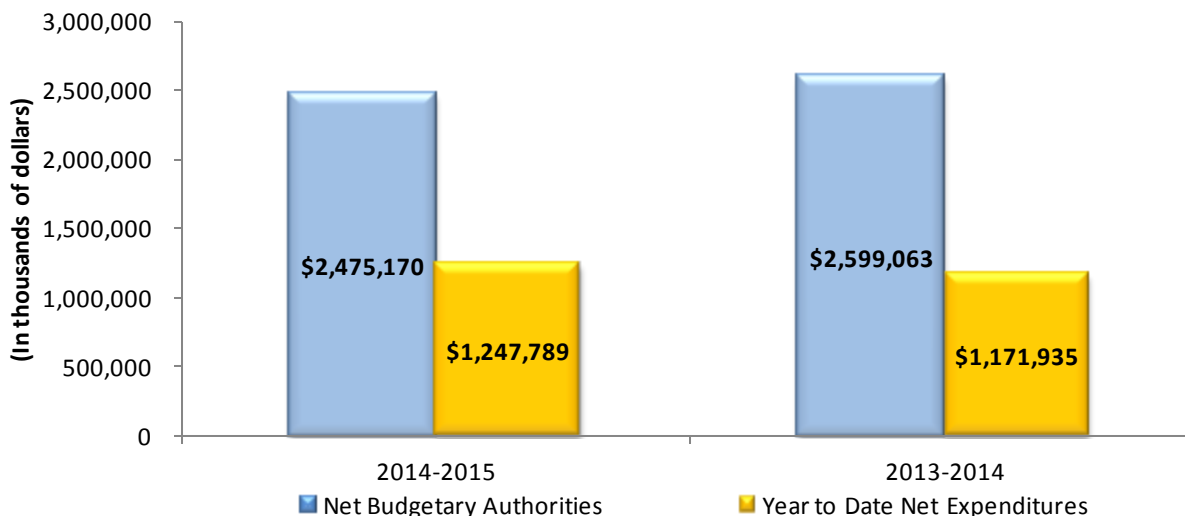
CSC has an active Revolving Fund (CORCAN) which is included in the statutory votes of the enclosed Statement of Authorities. CORCAN's purpose is to aid in the safe reintegration of offenders into Canadian society by providing employment and training opportunities to offenders incarcerated in federal 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.

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

Highlights of Fiscal Quarter and Fiscal Year to Date Results

The following graph provides a comparison of the net budgetary authorities and expenditures as of September 30, 2014 and September 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](#) for the period ending September 30, 2014, CSC has seen a reduction in total net authorities of \$123.9 million for the current fiscal year compared to the previous fiscal year. This represents a 4.8% decrease over the total net authorities available as at September 30, 2013.

Operating Vote

CSC's Operating Vote decreased by \$35.6 million or 1.8% compared to the authorities at the end of September 2013, which is attributed to the net effect of the following items:

- An **increase of \$60.3 million** due to the Operating Budget Carry Forward. In 2014-2015, the carry forward was confirmed by Treasury Board Secretariat (TBS) before the end of the quarter while in 2013-2014 it was confirmed after the end of the quarter;
- An **increase of \$49.2 million** related to transfer from Capital to Operating Vote due to the implementation of the common definition of Capital Assets 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 **decrease of \$2.6 million** related to miscellaneous adjustments.

Capital Vote

CSC's Capital Vote decreased by \$92.8 million or 26.1% compared to the authorities at the end of September 2013, which is attributed to the net effect of the following items:

- An **increase of \$78.5 million** due to the Capital Budget Carry Forward. In 2014-2015, the carry forward was confirmed by TBS before the end of the quarter while in 2013-2014 it was confirmed after the end of the quarter;
- 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 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 Assets defined in [Treasury Board Accounting Standard 3.1](#).

Budgetary Statutory Authorities

CSC's Budgetary Statutory Authorities **increased by \$4.5 million** mainly due to the net increase in the EBP costs associated with the change in personnel costs as noted above.

Explanations of Significant Variances from Previous Year Expenditures

Compared with the previous year, the total year to date net budgetary expenditures increased by \$75.9 million or 6.5% due to multiple factors:

- Personnel expenditures increased mainly due to the severance pay liquidation related to the signing of the collective agreement with the Union of Canadian Correctional Officers;
- Other subsidies and payments expenditures also increased due to a one-time transition amount of \$51.1 million for implementing 'salary payment in arrears' by the Government of Canada; and
- Acquisition of land, buildings and works expenditures decreased due to the completion of several new living unit constructions in the previous fiscal year.

With respect to the same comparison, the total net budgetary expenditures in the second quarter ending September 30, 2014, have decreased by \$34.7 million or 5.3%. The net decrease is mainly due to the completion of several new living unit constructions in the previous fiscal year as reflected in the Acquisition of land, buildings and works detailed in the table below.

(in millions of dollars)

Departmental Budgetary Expenditures	Year To Date	Quarter Over Quarter
Total Net Budgetary Expenditures 2013-2014	1,171.9	653.1
Total Net Budgetary Expenditures 2014-2015	1,247.8	618.4
Variance	75.9	(34.7)
Explanation of Variances by Standard Object		
• Personnel ²	93.5	8.7
• Professional and special services	0.8	7.4
• Acquisition of land, buildings and works ³	(65.8)	(48.4)
• Other subsidies and payments ²	46.8	(1.5)
• Other	0.6	(0.9)
Total	75.9	(34.7)

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 internally the increases in salary resulting from collective agreements that take effect during this frozen period (2014-15 and 2015-16), and the resulting ongoing impacts of those adjustments.

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

² The variances mainly explain the increase in Vote 1 – Operating Expenditures as presented in the Statement of Authorities.

³ The variances mainly explain the decrease in Vote 5 – Capital Expenditures as presented in the Statement of Authorities.

Significant Changes in Relation to Operations, Personnel and Programs

During the second 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
November 13, 2014

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

Statement of Authorities (unaudited)

	Fiscal Year 2014-2015			Fiscal Year 2013-2014		
	Total available for use for the year ending March 31, 2015*	Used during the quarter ended September 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 September 30, 2013	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1 – Operating Expenditures	1,973,299	517,572	1,072,953	2,008,952	495,546	927,928
Vote 5 – Capital Expenditures	262,794	42,990	55,315	355,545	94,698	125,173
Budgetary Statutory Authorities						
CORCAN Gross Expenditures	88,829	19,140	35,838	87,201	20,841	37,589
CORCAN Gross Revenues	(88,829)	(20,732)	(35,057)	(87,201)	(16,258)	(35,313)
CORCAN Net Expenditures (Revenues)	-	(1,592)	781	-	4,583	2,276
Contributions to employee benefit plans	237,417	59,356	118,710	233,117	58,279	116,558
Refunds of previous years revenue	-	28	28	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	1,660	2	2	1,449	-	-
Total Budgetary Authorities	2,475,170	618,356	1,247,789	2,599,063	653,106	1,171,935
Non-Budgetary Authorities	45	-	-	70	-	-
Total Authorities	2,475,215	618,356	1,247,789	2,599,133	653,106	1,171,935

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)

<i>(in thousands of dollars)</i>	Fiscal Year 2014-2015			Fiscal Year 2013-2014		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end
Expenditures						
Personnel	1,779,023	441,267	941,132	1,614,750	432,584	847,629
Transportation and communications	28,861	7,112	11,000	60,641	6,802	12,673
Information	710	184	259	1,931	137	311
Professional and special services	269,683	81,049	125,852	356,414	73,649	125,011
Rentals	17,354	8,007	9,872	16,847	5,404	8,336
Repair and maintenance	19,485	5,004	6,823	46,327	5,294	8,055
Utilities, materials and supplies	106,775	28,334	50,579	149,888	27,003	49,129
Acquisition of land, buildings and works*	248,212	34,065	43,136	280,725	82,452	108,924
Acquisition of machinery and equipment*	16,241	6,137	8,959	76,268	6,696	8,745
Transfer payments	4,982	123	123	958	30	151
Other subsidies and payments	72,673	27,806	85,111	81,515	29,313	38,284
Total Gross Budgetary Expenditures	2,563,999	639,088	1,282,846	2,686,264	669,364	1,207,248
Less Revenues Netted Against Expenditures						
CORCAN	(88,829)	(20,732)	(35,057)	(87,201)	(16,258)	(35,313)
Total Net Budgetary Expenditures	2,475,170	618,356	1,247,789	2,599,063	653,106	1,171,935

* These are mainly Vote 5 (Capital) expenditures