



SAFETY, RESPECT
AND DIGNITY
FOR ALL

LA SÉCURITÉ,
LA DIGNITÉ
ET LE RESPECT
POUR TOUS

Quarterly Financial Report

*For the Quarter ended
June 30, 2015*

Table of Contents

<i>Introduction</i>	3
Basis of Presentation	3
<i>Highlights of Fiscal Quarter and Fiscal Year to Date (YTD) Results</i>	4
Significant Changes to Authorities	4
Explanation of Significant Variances from Previous Year Expenditures	5
<i>Risks and Uncertainties</i>	5
<i>Significant Changes in Relation to Operations, Personnel and Programs</i>	6
<i>Statement of Authorities (unaudited)</i>	7
<i>Departmental Budgetary Expenditures by Standard Object (unaudited)</i>	8

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](#) and [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 2015-2016 fiscal year, for which full supply was released on June 19, 2015¹. 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.

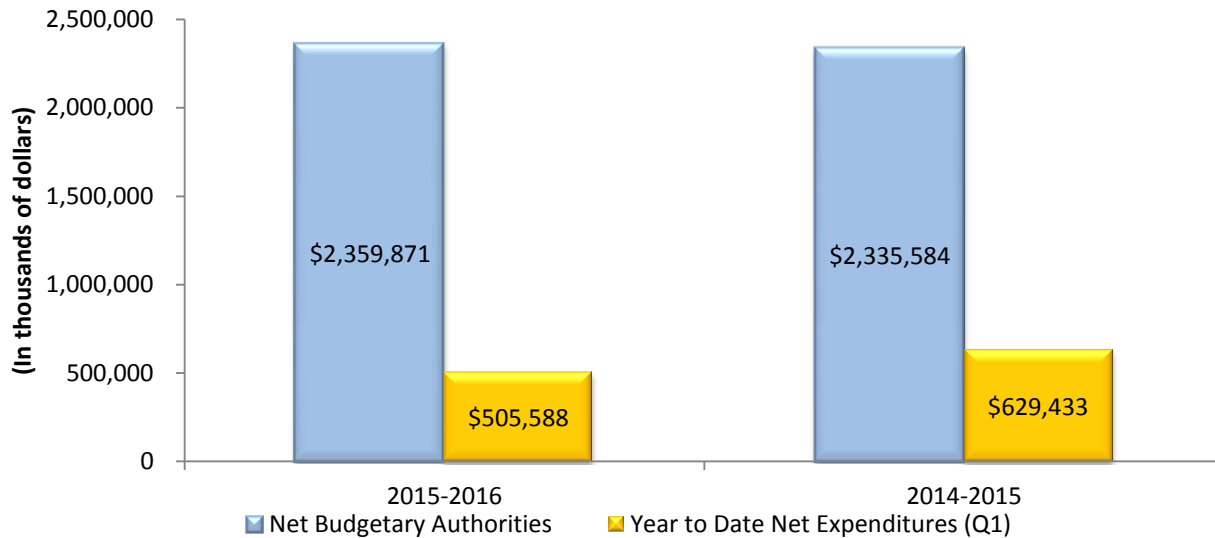
CSC has an active Revolving Fund (CORCAN) which is included in the statutory votes of the enclosed Statement of Authorities. CORCAN's purpose is to aid in the safe reintegration of offenders into Canadian society by providing employment and training opportunities to offenders incarcerated in federal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

¹ Released through Orders in Council P.C. [2015-0966](#) and P.C. [2015-0967](#).

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 at June 30, 2015 and June 30, 2014 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 June 30, 2015, CSC has seen an **increase** in total net authorities of **\$24.3 million or 1.0%** for the current fiscal year compared to the previous fiscal year.

Operating Vote

CSC's Operating Vote **increased by \$15.7 million or 0.8%** compared to the authorities at the end of June 2014, which is attributed to the net effect of the following items:

- An **increase of \$20.8 million** for signed Collective Agreements;
- A **decrease of \$3.9 million** for the return of funds to the fiscal framework for the requirements related to the mandatory minimum penalties; and
- A **decrease of \$1.2 million** related to miscellaneous adjustments.

Capital Vote

CSC's Capital Vote **increased by \$1.6 million or 0.8 %** compared to the authorities at the end of June 2014, which is attributed to the net effect of the following items:

- An **increase of \$8.9 million** in capital through Supplementary Estimates A for the 2014 Federal Infrastructure Initiative; and
- A net **decrease of \$7.3 million** in capital investments due to reduced requirements related to the completion of the construction of new units and adjustments related to reprofiling of funds from previous years.

Budgetary Statutory Authorities

CSC's Budgetary Statutory Authorities **increased by \$7.0 million or 2.9%** mainly due to the net increase in the Employee Benefit Plan (EBP) costs associated with the change in personnel costs as noted above and the proceeds from the disposal of surplus Crown assets.

Explanation of Significant Variances from Previous Year Expenditures

Compared with the first quarter of the previous fiscal year, total net budgetary expenditures **decreased by \$123.8 million or 24.5%** due to multiple factors:

- Personnel expenditures decreased mainly due to the severance pay liquidation of \$77.0 million related to the signing of the collective agreement with the Union of Canadian Correctional Officers in November 2013; and
- Other subsidies and payments expenditures also decreased due to a one-time transition amount of \$50.5 million in quarter one of 2014-2015 compared to \$0.2 million in quarter one of 2015-2016 for implementing salary payment in arrears by the Government of Canada.

(in millions of dollars)

Departmental Budgetary Expenditures	Quarter Over Quarter
Total Net Budgetary Expenditures 2014-2015	629.4
Total Net Budgetary Expenditures 2015-2016	505.6
Variance	(123.8)
Explanation of Variances by Standard Object	
• Personnel ²	(78.0)
• Other subsidies and payments ²	(43.6)
• Other	(2.2)
• Total	(123.8)

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 (2014-2015 and 2015-2016), 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.

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

CSC's specific risks, as outlined in the [RPP of 2015-2016](#), are the increasingly diverse and evolving profile of the offender population, the maintenance of required levels of operational safety and security in institutions and the community, the ability to manage significant change related to transformation, legislative changes and fiscal constraints, the potential loss of partners delivering critical services and providing resources for offenders and the need to sustain results related to violent reoffenders.

CSC has put in place risk mitigation strategies to address the stated potential risks. The integrated approach allows CSC to handle risk-related challenges, ensure operational sustainability and fulfill its mandate.

Significant Changes in Relation to Operations, Personnel and Programs

During the first quarter of 2015-2016, there have been no significant changes in relation to operations, personnel and programs.

Approvals by Senior Officials

Approved by:

_____ Original signed by _____
Don Head, Commissioner

_____ Original signed by _____
Liette Dumas-Sluyter, CPA, CMA
Chief Financial Officer

*Ottawa, Canada
August 13, 2015*

Statement of Authorities (unaudited)

	Fiscal Year 2015-2016			Fiscal Year 2014-2015		
	Total available for use for the year ending March 31, 2016*	Used during the quarter ended June 30, 2015	Year to date used at quarter-end	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
<i>(in thousands of dollars)</i>						
Vote 1 – Operating Expenditures	1,928,747	432,159	432,159	1,913,021	555,381	555,381
Vote 5 – Capital Expenditures	185,794	12,259	12,259	184,245	12,325	12,325
Budgetary Statutory Authorities						
CORCAN Gross Expenditures	79,462	16,350	16,350	88,829	16,698	16,698
CORCAN Gross Revenues	(79,462)	(16,379)	(16,379)	(88,829)	(14,325)	(14,325)
CORCAN Net Expenditures (Revenues)**	-	(29)	(29)	-	2,373	2,373
Contributions to employee benefit plans	244,798	61,199	61,199	237,417	59,354	59,354
Spending of proceeds from the disposal of surplus Crown assets	532	-	-	901	-	-
Total Budgetary Authorities	2,359,871	505,588	505,588	2,335,584	629,433	629,433
Non-Budgetary Authorities	45	-	-	45	-	-
Total Authorities	2,359,916	505,588	505,588	2,335,629	629,433	629,433

More information is available on the following page.

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

** CORCAN has conducted a review of its operations and is expected to achieve cost savings by closing and clustering various shops and by implementing a centralized governance model.

Departmental Budgetary Expenditures by Standard Object (unaudited)

<i>(in thousands of dollars)</i>	Fiscal Year 2015-2016			Fiscal Year 2014-2015		
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended June 30, 2015	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end
Expenditures						
Personnel	1,740,664	421,870	421,870	1,718,745	499,865	499,865
Transportation and communications	25,486	2,977	2,977	28,861	3,888	3,888
Information	615	77	77	710	75	75
Professional and special services	284,716	45,408	45,408	269,683	44,803	44,803
Rentals	21,011	1,796	1,796	17,354	1,865	1,865
Repair and maintenance	17,286	1,204	1,204	19,485	1,819	1,819
Utilities, materials and supplies	117,694	23,295	23,295	106,775	22,245	22,245
Acquisition of land, buildings and works*	149,069	9,602	9,602	169,663	9,071	9,071
Acquisition of machinery and equipment*	37,258	1,950	1,950	15,482	2,822	2,822
Transfer payments	5,962	121	121	4,982	-	-
Other subsidies and payments	39,572	13,667	13,667	72,673	57,305	57,305
Total Gross Budgetary Expenditures	2,439,333	521,967	521,967	2,424,413	643,758	643,758
Less Revenues Netted Against Expenditures						
CORCAN	(79,462)	(16,379)	(16,379)	(88,829)	(14,325)	(14,325)
Total Net Budgetary Expenditures	2,359,871	505,588	505,588	2,335,584	629,433	629,433

* These are mainly Vote 5 (Capital) expenditures