



SAFETY, RESPECT
AND DIGNITY
FOR ALL

LA SÉCURITÉ,
LA DIGNITÉ
ET LE RESPECT
POUR TOUS

Quarterly Financial Report

*For the Quarter ended
September 30, 2015*

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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](#) and [Quarterly Financial Report](#) for the quarter ended June 30, 2015. This report has not been subject to an external audit or review.

The purpose of the federal correctional system, as defined in 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.

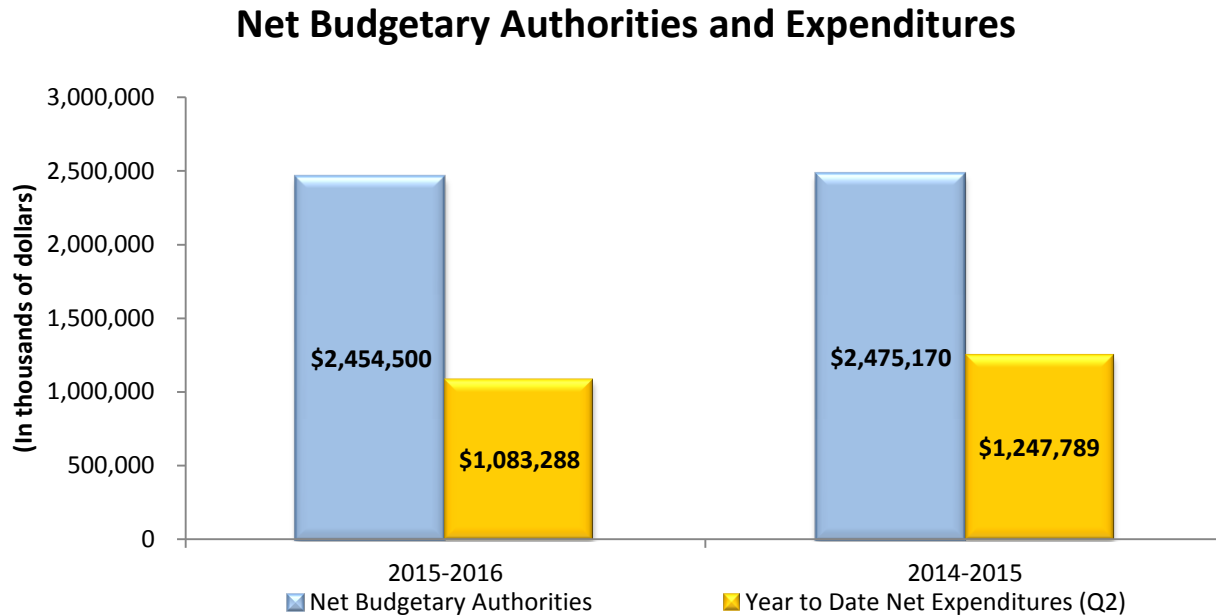
CSC uses the full accrual method of accounting to prepare and present its annual consolidated financial statements that are part of the departmental reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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 of September 30, 2015 and September 30, 2014 for CSC's combined Operating, Capital and Budgetary Statutory Authorities.



Significant Changes to Authorities

As reflected in the [Statement of Authorities](#) for the period ending September 30, 2015, CSC has seen a **decrease** in total net authorities of **\$20.7 million or 0.8%** for the current fiscal year compared to the previous fiscal year.

Operating Vote

CSC's Operating Vote **decreased by \$2.0 million or 0.1%** compared to the authorities at the end of September 2014, which is attributed to the net effect of the following items:

- A **decrease of \$17.7 million** in Operating Budget Carry Forward compared to prior fiscal year;
- A **decrease of \$3.9 million** for the return of funds to the fiscal framework for the requirements related to the mandatory minimum penalties;
- A **decrease of \$1.2 million** related to miscellaneous adjustments; and
- An **increase of \$20.8 million** for signed Collective Agreements.

Capital Vote

CSC's Capital Vote **decreased by \$25.3 million or 9.6 %** compared to the authorities at the end of September 2014, which is attributed to the net effect of the following items:

- A **decrease of \$26.9 million** in Capital Budget Carry Forward compared to prior fiscal year;

- 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; and
- An **increase of \$8.9 million** in capital through [Supplementary Estimates A](#) for the 2014 Federal Infrastructure Initiative.

Budgetary Statutory Authorities

CSC's Budgetary Statutory Authorities **increased by \$6.6 million or 2.8%** 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 previous year, the total year to date net budgetary expenditures **decreased by \$164.5 million or 13.2%** due to multiple factors as reported in the first quarter for 2015-16:

- Personnel expenditures decrease is mainly due to the severance pay liquidation of \$90 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 \$50.9 million as at quarter two of 2014-2015 compared to \$0.3 million as at quarter two of 2015-2016 for implementing "salary payment in arrears" by the Government of Canada.

When compared to the same period in the previous fiscal year, the total net budgetary expenditures in the second quarter ending September 30, 2015 has **decreased by \$40.7 million or 6.6%**. The net decrease is mainly due to a reduction in severance pay liquidation.

(in millions of dollars)

Departmental Budgetary Expenditures	Year To Date	Quarter Over Quarter
Total Net Budgetary Expenditures 2014-2015	1,247.8	618.4
Total Net Budgetary Expenditures 2015-2016	1,083.3	577.7
Variance	(164.5)	(40.7)
Explanation of Variances by Standard Object		
• Personnel ²	(107.2)	(29.2)
• Other subsidies and payments ²	(50.0)	(6.4)
• Other	(7.3)	(5.1)
Total	(164.5)	(40.7)

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

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.

CSC's specific risks, as outlined in the [RPP of 2015-16](#), 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 manage risk-related challenges, ensure operational sustainability and fulfill its mandate.

Significant Changes in Relation to Operations, Personnel and Programs

During the second quarter of 2015-16, 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
November 12, 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 September 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 September 30, 2014	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1 – Operating Expenditures	1,971,315	481,569	913,728	1,973,299	517,572	1,072,953
Vote 5 – Capital Expenditures	237,465	36,831	49,090	262,794	42,990	55,315
Budgetary Statutory Authorities						
CORCAN Gross Expenditures	79,462	19,257	35,607	88,829	19,140	35,838
CORCAN Gross Revenues	(79,462)	(21,163)	(37,542)	(88,829)	(20,732)	(35,057)
CORCAN Net Expenditures (Revenues)**	-	(1,906)	(1,935)	-	(1,592)	781
Contributions to employee benefit plans	244,798	61,200	122,399	237,417	59,356	118,710
Refunds of previous years revenue	-	-	-	-	28	28
Spending of proceeds from the disposal of surplus Crown assets	922	6	6	1,660	2	2
Total Budgetary Authorities	2,454,500	577,700	1,083,288	2,475,170	618,356	1,247,789
Non-Budgetary Authorities	45	1	1	45	-	-
Total Authorities	2,454,545	577,701	1,083,289	2,475,215	618,356	1,247,789

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.

Organizational 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 September 30, 2015	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end
Expenditures						
Personnel	1,783,233	412,057	833,927	1,779,023	441,267	941,132
Transportation and communications	25,486	5,467	8,444	28,861	7,112	11,000
Information	615	138	215	710	184	259
Professional and special services	284,716	81,384	126,792	269,683	81,049	125,852
Rentals	21,011	2,498	4,294	17,354	8,007	9,872
Repair and maintenance	17,286	5,529	6,733	19,485	5,004	6,823
Utilities, materials and supplies	117,694	33,208	56,503	106,775	28,334	50,579
Acquisition of land, buildings and works*	200,739	29,298	38,900	248,212	34,065	43,136
Acquisition of machinery and equipment*	37,648	5,686	7,636	16,241	6,137	8,959
Transfer payments	5,962	2,182	2,303	4,982	123	123
Other subsidies and payments	39,572	21,416	35,083	72,673	27,806	85,111
Total Gross Budgetary Expenditures	2,533,962	598,863	1,120,830	2,563,999	639,088	1,282,846
Less Revenues Netted Against Expenditures						
CORCAN	(79,462)	(21,163)	(37,542)	(88,829)	(20,732)	(35,057)
Total Net Budgetary Expenditures	2,454,500	577,700	1,083,288	2,475,170	618,356	1,247,789

* These are mainly Vote 5 (Capital) expenditures