



SAFETY, RESPECT  
AND DIGNITY  
FOR ALL

LA SÉCURITÉ,  
LA DIGNITÉ  
ET LE RESPECT  
POUR TOUS

# Quarterly Financial Report

*For the Quarter ended  
December 31, 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 Reports as of [June 30, 2015](#) and [September 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, 2015<sup>1</sup> and [Supplementary Estimates \(B\)](#), for which full supply was released on December 11, 2015<sup>2</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 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.

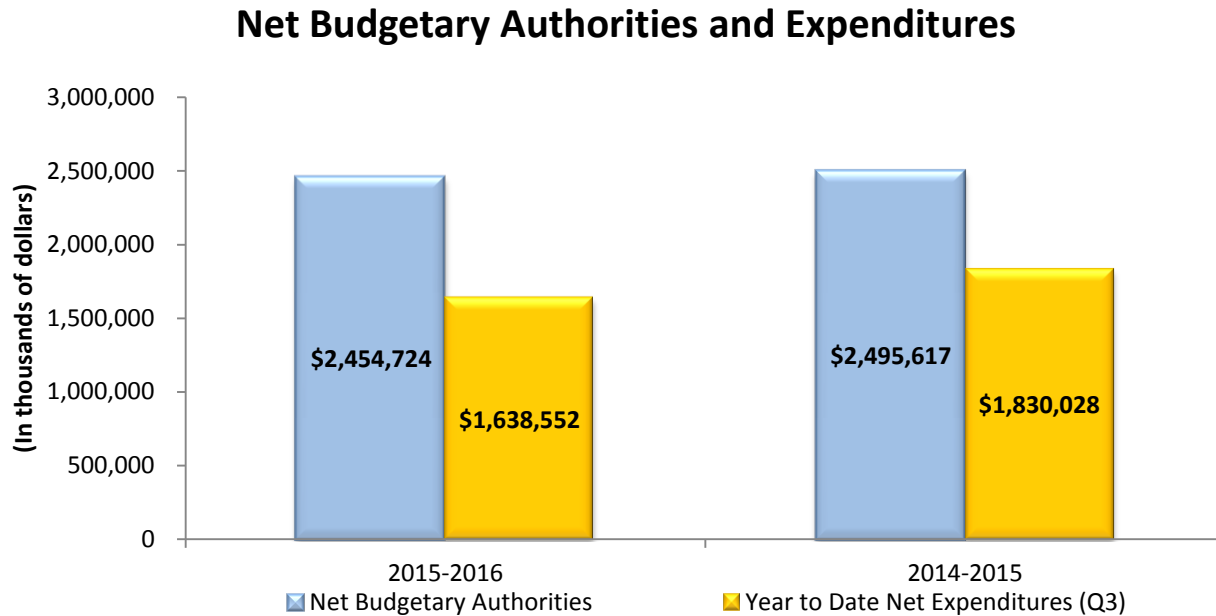
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<sup>1</sup> Released through Orders in Council P.C. [2015-0966](#) and P.C. [2015-0967](#).

<sup>2</sup> Released through Orders in Council P.C. [2015-1294](#)

## 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 December 31, 2015 and December 31, 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 December 31, 2015, CSC has seen a **decrease** in total net authorities of **\$40.9 million or 1.6%** for the current fiscal year compared to the previous fiscal year.

### Operating Vote

CSC's Operating Vote **decreased by \$27.2 million or 1.4%** compared to the authorities at the end of December 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 for serious drug offenders;
- A **decrease of \$2.8 million** for signed Collective Agreements;
- A **decrease of \$1.9 million** related to the transfer to the Canada School of Public Service;
- A **decrease of \$0.6 million** related to funding received in 2014-15 through [Supplementary Estimates \(B\)](#) for Federal Contaminated Sites Action Plan (FCSAP); and
- A **decrease of \$0.3 million** related to miscellaneous adjustments.

## Capital Vote

CSC's Capital Vote **decreased by \$20.1 million or 7.8 %** compared to the authorities at the end of December 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;
- An **increase of \$8.9 million** in capital through [Supplementary Estimates \(A\)](#) for the 2014 Federal Infrastructure Initiative; and
- An **increase of \$5.2 million** related to funding transferred in 2014-15 through [Supplementary Estimates \(B\)](#) to the Royal Canadian Mounted Police (RCMP) to support the renovation and fit-up of "B" Block living unit.

## Budgetary Statutory Authorities

CSC's Budgetary Statutory Authorities **increased by \$6.4 million or 2.7%** mainly due to the increase to the allocation of the employer's share of the Employee Benefit Plan (EBP) costs.

## Explanation of Significant Variances from Previous Year Expenditures

Compared with the previous year, the total year to date net budgetary expenditures **decreased by \$191.4 million or 10.5%** due to the following factors:

- Personnel expenditures decrease is mainly due to the severance pay liquidation of \$90 million in 2014-15 related to the signing of the collective agreement with the Union of Canadian Correctional Officers in November 2013 and the implementation of saving measures to achieve administrative efficiencies within National Headquarter and Regional Headquarters organizational structures;
- Other subsidies and payments expenditures also decreased mainly due to a one-time transition amount of \$51.5 million as at quarter three of 2014-2015 compared to \$0.4 million as at quarter three of 2015-2016 for implementing "salary payment in arrears" by the Government of Canada; and
- Acquisition of land, buildings and works decrease is mainly due to reduced requirements related to the completion of the construction of new living units.

When compared to the same period in the previous fiscal year, the total net budgetary expenditures in the third quarter ending December 31, 2015 has **decreased by \$26.9 million or 4.6%**. The net decrease is mainly due to the following:

- Personnel expenditures decrease is mainly due to the implementation of saving measures to achieve administrative efficiencies within National Headquarter and Regional Headquarters organizational structures; and
- Acquisition of land, buildings and works decrease is mainly due to reduced requirements related to the completion of the construction of new living units.

(in millions of dollars)

Departmental Budgetary Expenditures	Year To Date	Quarter Over Quarter
Total Net Budgetary Expenditures 2014-2015	1,830.0	582.2
Total Net Budgetary Expenditures 2015-2016	1,638.6	555.3
<b>Variance</b>	<b>(191.4)</b>	<b>(26.9)</b>
Explanation of Variances by Standard Object		
• Personnel <sup>3</sup>	(122.0)	(14.7)
• Other subsidies and payments <sup>3</sup>	(49.5)	(0.5)
• Acquisition of land, buildings and works <sup>4</sup>	(17.2)	(13.0)
• Other	(2.7)	1.3
<b>Total</b>	<b>(191.4)</b>	<b>(26.9)</b>

## 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.

<sup>3</sup> The variances mainly explain the decrease in Vote 1 – Operating Expenditures as presented in the Statement of Authorities.

<sup>4</sup> 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 third 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

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Don Head, Commissioner

*Ottawa, Canada  
February 18, 2016*

Original signed by

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Liette Dumas-Sluyter, CPA, CMA  
Chief Financial Officer

## Statement of Authorities (unaudited)

	<b>Fiscal Year 2015-2016</b>			<b>Fiscal Year 2014-2015</b>		
	Total available for use for the year ending March 31, 2016*	Used during the quarter ended December 31, 2015	Year to date used at quarter-end	Total available for use for the year ending March 31, 2015*	Used during the quarter ended December 31, 2014	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
<b>Vote 1 – Operating Expenditures</b>	<b>1,971,315</b>	<b>449,986</b>	<b>1,363,714</b>	<b>1,998,525</b>	<b>463,054</b>	<b>1,536,007</b>
<b>Vote 5 – Capital Expenditures</b>	<b>237,465</b>	<b>40,305</b>	<b>89,395</b>	<b>257,579</b>	<b>55,916</b>	<b>111,231</b>
<b>Budgetary Statutory Authorities</b>						
CORCAN Gross Expenditures	79,462	20,941	<b>56,548</b>	88,829	19,060	<b>54,898</b>
CORCAN Gross Revenues	(79,462)	(17,219)	<b>(54,761)</b>	(88,829)	(15,746)	<b>(50,803)</b>
CORCAN Net Expenditures (Revenues)**	-	<b>3,722</b>	<b>1,787</b>	-	<b>3,314</b>	<b>4,095</b>
Contributions to employee benefit plans	244,798	61,199	<b>183,598</b>	237,417	59,353	<b>178,063</b>
Refunds of previous years revenue	-	1	<b>1</b>	-	4	<b>32</b>
Spending of proceeds from the disposal of surplus Crown assets	1,146	51	<b>57</b>	2,096	598	<b>600</b>
<b>Total Budgetary Authorities</b>	<b>2,454,724</b>	<b>555,264</b>	<b>1,638,552</b>	<b>2,495,617</b>	<b>582,239</b>	<b>1,830,028</b>
Non-Budgetary Authorities	45	-	<b>1</b>	45	-	-
<b>Total Authorities</b>	<b>2,454,769</b>	<b>555,264</b>	<b>1,638,553</b>	<b>2,495,662</b>	<b>582,239</b>	<b>1,830,028</b>

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)

	<b>Fiscal Year 2015-2016</b>			<b>Fiscal Year 2014-2015</b>		
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended December 31, 2015	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended December 31, 2014	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
<b>Expenditures</b>						
Personnel	1,783,233	402,825	<b>1,236,752</b>	1,802,660	417,541	<b>1,358,673</b>
Transportation and communications	25,486	5,274	<b>13,718</b>	28,861	6,165	<b>17,165</b>
Information	615	171	<b>386</b>	710	170	<b>429</b>
Professional and special services	284,716	64,975	<b>191,767</b>	271,272	73,087	<b>198,939</b>
Rentals	21,011	9,393	<b>13,687</b>	17,354	4,800	<b>14,672</b>
Repair and maintenance	17,286	9,643	<b>16,376</b>	19,485	5,841	<b>12,664</b>
Utilities, materials and supplies	117,694	28,473	<b>84,976</b>	106,775	29,176	<b>79,755</b>
Acquisition of land, buildings and works*	200,739	29,486	<b>68,386</b>	242,998	42,460	<b>85,596</b>
Acquisition of machinery and equipment*	37,872	8,412	<b>16,048</b>	16,677	8,792	<b>17,751</b>
Transfer payments	5,962	3,504	<b>5,807</b>	4,982	167	<b>290</b>
Other subsidies and payments	39,572	10,327	<b>45,410</b>	72,672	9,786	<b>94,897</b>
<b>Total Gross Budgetary Expenditures</b>	<b>2,534,186</b>	<b>572,483</b>	<b>1,693,313</b>	<b>2,584,446</b>	<b>597,985</b>	<b>1,880,831</b>
<b>Less Revenues Netted Against Expenditures</b>						
CORCAN	(79,462)	(17,219)	<b>(54,761)</b>	(88,829)	(15,746)	<b>(50,803)</b>
<b>Total Net Budgetary Expenditures</b>	<b>2,454,724</b>	<b>555,264</b>	<b>1,638,552</b>	<b>2,495,617</b>	<b>582,239</b>	<b>1,830,028</b>

\* These are mainly Vote 5 (Capital) expenditures