

CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



Quarterly Financial Report

FOR THE QUARTER ENDED JUNE 30, 2016

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	6
<i>Risks and Uncertainties</i>	6
<i>Significant Changes in Relation to Operations, Personnel and Programs</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](#) 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 safe 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 which full supply was released on June 23, 2016¹. 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.

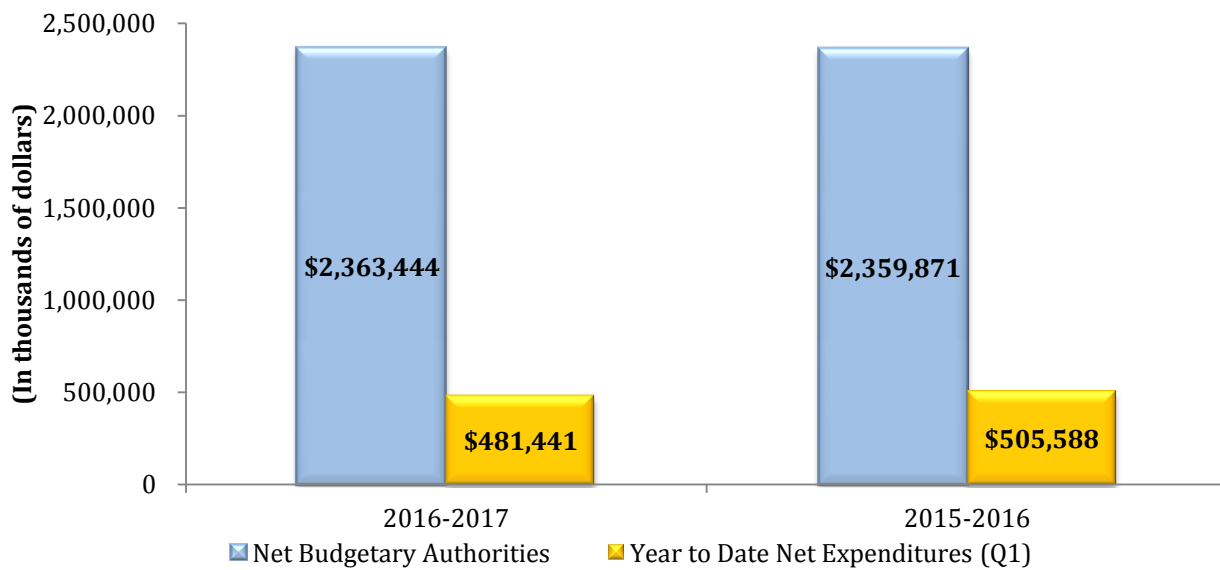
CSC has an active Revolving Fund (CORCAN) which is included in the statutory votes of the enclosed Statement of Authorities. CORCAN's purpose is to aid in the safe reintegration of offenders into Canadian society by providing employment and training opportunities to offenders incarcerated in federal 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. [2016-0652](#) and P.C. [2016-0653](#).

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, 2016 and June 30, 2015 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, 2016, CSC has seen an **increase** in total net authorities of **\$3.6 million or 0.15%** for the current fiscal year compared to the previous fiscal year.

Operating Vote

CSC's Operating Vote **decreased by \$3.2 million or 0.2%** compared to the authorities at the end of June 2015, which is attributed to the net effect of the following items:

- A **decrease of \$2.1 million** related to an increase in CSC's contribution to the Canada School of Public Service under its new service delivery model (CSC's contribution in 2016-2017 is \$4.1 million compared to \$2.0 million in 2015-2016);
- A **decrease of \$1.0 million** related to the Federal Contaminated Sites Action Plan;
- A **decrease of \$1.0 million** related to the National Infrastructure Contribution Program due to adjustment to reprofiling of funds in previous year;
- A net **decrease of \$0.2 million** related to miscellaneous adjustments; and
- An **increase of \$1.1 million** related to the implementation of the *Canadian Victims Bill of Rights*.

Capital Vote

CSC's Capital Vote has not significantly changed compared to the authorities at the end of June 2015. However, this minor change is a net effect of the following items:

- A **decrease of \$8.9 million** for [Supplementary Estimates \(A\)](#) received in 2015-2016 related to the 2014 Federal Infrastructure Initiative;
- A net **decrease of \$0.6 million** related to miscellaneous adjustments;
- An **increase of \$5.1 million** in capital investments mainly due to reprofiling of funds in previous years; and
- An **increase of \$4.3 million** from the Accelerated Infrastructure Program.

Budgetary Statutory Authorities

CSC's Budgetary Statutory Authorities **increased by \$6.8 million or 2.8%** mainly due to the department's allocation of the employer's share of the Employee Benefit Plan 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 \$24.2 million or 4.8%** due to multiple factors:

- A **decrease of \$6.0 million** in personnel expenditures as a result of the implementation of saving measures to achieve administrative efficiencies within National Headquarter and Regional Headquarters' organizational structures. Additionally, a **decrease of \$10.8 million** as a result of a timing issue with interdepartmental invoicing for CSC's portion of the Federal Worker's Compensation expenditure; and
- A **decrease of \$6.7 million** in other subsidies and payments expenditures which is mainly due to the timing difference between the payment and recovery of certain program expenditures.

(in millions of dollars)

Departmental Budgetary Expenditures	Quarter Over Quarter
Total Net Budgetary Expenditures 2015-2016	505.6
Total Net Budgetary Expenditures 2016-2017	481.4
Variance	(24.2)
Explanation of Variances by Standard Object	
• Personnel ²	(16.8)
• Other subsidies and payments ²	(6.7)
• Other	(0.7)
• Total	(24.2)

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

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

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.

CSC's specific risks, as outlined in the [RPP of 2016-2017](#), 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 2016-2017, 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
Gregory Hall, MBA, CPA, CMA
A/Chief Financial Officer

*Ottawa, Canada
August 12, 2016*

Statement of Authorities (unaudited)

	<i>Fiscal Year 2016-2017</i>			<i>Fiscal Year 2015-2016</i>		
	Total available for use for the year ending March 31, 2017*	Used during the quarter ended June 30, 2016	Year to date used at quarter-end	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
<i>(in thousands of dollars)</i>						
Vote 1 – Operating Expenditures	1,925,556	406,032	406,032	1,928,747	432,159	432,159
Vote 5 – Capital Expenditures	185,712	11,670	11,670	185,794	12,259	12,259
Budgetary Statutory Authorities						
CORCAN Gross Expenditures	92,605	15,430	15,430	79,462	16,350	16,350
CORCAN Gross Revenues	(92,605)	(15,371)	(15,371)	(79,462)	(16,379)	(16,379)
CORCAN Net Expenditures (Revenues)	-	59	59	-	(29)	(29)
Contributions to employee benefit plans	251,324	63,674	63,674	244,798	61,199	61,199
Spending of proceeds from the disposal of surplus Crown assets	852	6	6	532	-	-
Total Budgetary Authorities	2,363,444	481,441	481,441	2,359,871	505,588	505,588
Non-Budgetary Authorities	45	-	-	45	-	-
Total Authorities	2,363,489	481,441	481,441	2,359,916	505,588	505,588

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>Fiscal Year 2016-2017</i>			<i>Fiscal Year 2015-2016</i>		
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended June 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended June 30, 2015	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	1,759,208	405,032	405,032	1,740,664	421,870	421,870
Transportation and communications	18,915	3,786	3,786	25,486	2,977	2,977
Information	545	34	34	615	77	77
Professional and special services	259,200	44,126	44,126	284,716	45,408	45,408
Rentals	16,059	3,528	3,528	21,011	1,796	1,796
Repair and maintenance	20,214	2,372	2,372	17,286	1,204	1,204
Utilities, materials and supplies	123,073	20,194	20,194	117,694	23,295	23,295
Acquisition of land, buildings and works*	135,170	7,631	7,631	149,069	9,602	9,602
Acquisition of machinery and equipment*	46,694	2,483	2,483	37,258	1,950	1,950
Transfer payments	4,820	675	675	5,962	121	121
Other subsidies and payments	72,151	6,951	6,951	39,572	13,667	13,667
Total Gross Budgetary Expenditures	2,456,049	496,812	496,812	2,439,333	521,967	521,967
Less Revenues Netted Against Expenditures						
CORCAN	(92,605)	(15,371)	(15,371)	(79,462)	(16,379)	(16,379)
Total Net Budgetary Expenditures	2,363,444	481,441	481,441	2,359,871	505,588	505,588

* These are mainly Vote 5 (Capital) expenditures