

# CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



## Quarterly Financial Report

FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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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](#) 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, 2016<sup>1</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 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.

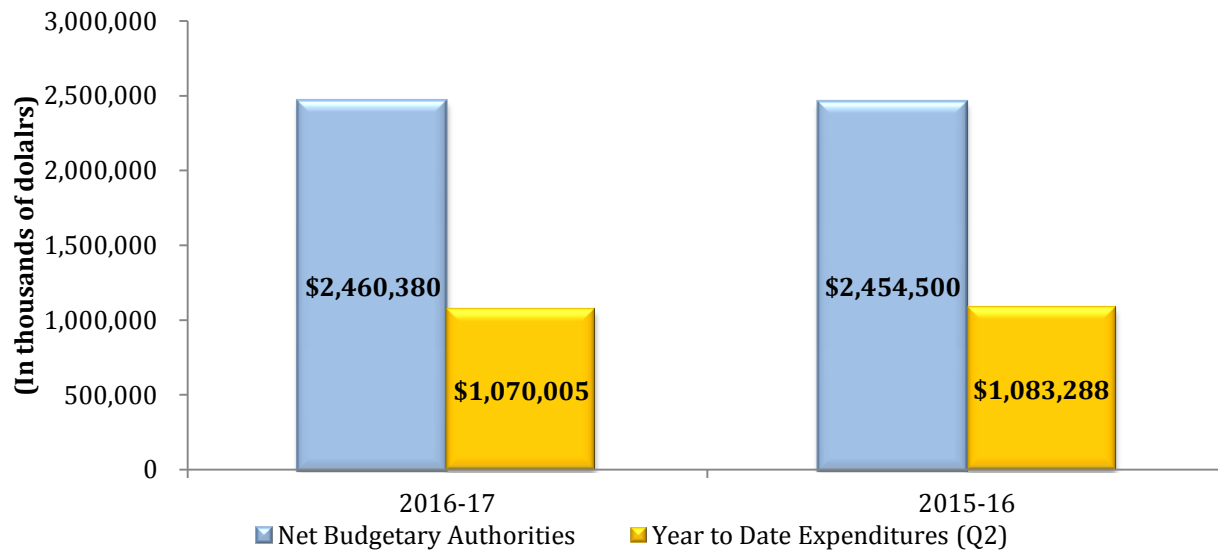
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<sup>1</sup> Released through Orders in Council P.C. [2016-0652](#) and P.C. [2016-0653](#).

## 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 September 30, 2016 and September 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 September 30, 2016, CSC has seen an **increase** in total net authorities of **\$5.9 million or 0.24%** for the current fiscal year compared to the previous fiscal year.

### Operating Vote

CSC's Operating Vote **increased by \$5.0 million or 0.3%** compared to the authorities at the end of September 2015, which is attributed to the net effect of the following items:

- A **net increase of \$8.2 million** for the Operating Budget Carry Forward compared to prior fiscal year;
- An **increase of \$1.1 million** related to the implementation of the *Canadian Victims Bill of Rights*;
- 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; and
- A **net decrease of \$0.2 million** related to miscellaneous adjustments.

### Capital Vote

CSC's Capital Vote **decreased by \$6.1 million or 2.6%** compared to the authorities at the end of September 2015 which is attributed to the 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;
- A **net decrease of \$6.0 million** for the Capital Budget Carry Forward compared to prior fiscal year;
- 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 \$7.0 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 previous year, the total year to date net budgetary expenditures **decreased by \$13.3 million or 1.2%** due to multiple factors:

- Professional and special services increased mainly due to the requirement to record advance payments to the Department of Justice following the implementation of a new funding and billing model for legal services effective April 1, 2016. This variance can further be explained by the budget transfer of CSC's Vocational and Community Employment Coordinators to CORCAN, as well as a modification in the Correctional and Training fee<sup>2</sup> invoicing process between CSC and CORCAN that resulted in a difference in the timing of expenditures. Furthermore, this explains a net increase of \$9.9 million in CORCAN's revenues netted against expenditures as compared to the same period last year;
- Personnel expenditures decreased 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 expenditures decreased as a result of timing differences with interdepartmental invoicing for CSC's portion of various construction projects.

When compared to the same period in the previous fiscal year, the total net budgetary expenditures in the second quarter ending September 30, 2016 has **increased by \$10.9 million or 1.8%**. The net increase is mainly due to the implementation of a new funding and billing model for legal services with the Department of Justice, a modification in the Correctional and Training fee<sup>2</sup> invoicing process between CSC and CORCAN which resulted in a net increase in CORCAN's revenues netted against expenditures.

(in millions of dollars)

Departmental Budgetary Expenditures	Year To Date	Quarter Over Quarter
Total Net Budgetary Expenditures 2015-2016	1,083.3	577.7
Total Net Budgetary Expenditures 2016-2017	1,070.0	588.6
<b>Variance</b>	<b>(13.3)</b>	<b>10.9</b>
Explanation of Variances by Standard Object		
• Professional and special services <sup>3</sup>	18.5	19.8
• Personnel <sup>3</sup>	(15.2)	1.6
• Acquisition of land, buildings and works <sup>4</sup>	(10.1)	(8.1)
• Revenues netted against expenditures	(9.9)	(10.9)
• Other	3.4	8.5
<b>Total</b>	<b>(13.3)</b>	<b>10.9</b>

<sup>2</sup> The Correctional and Training fee's purpose is to offset salary and operating costs as well as employment and employability programs that cannot be recovered by CORCAN through the sale of goods and services due to the correctional environment in which it operates.

<sup>3</sup> The variances mainly explain the increase 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.

## ***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.

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

Effective September 2, 2016, our Assistant Commissioner, Corporate Services and Chief Financial Officer (CFO), Liette Dumas-Sluyter retired. Denis Bombardier, Deputy Chief Financial Officer, was appointed to act in this position.

During the second quarter of 2016-2017, there have been no other significant changes in relation to operations, personnel and programs.

## Approvals by Senior Officials

Approved by:

Original signed by \_\_\_\_\_  
Don Head, Commissioner

*Ottawa, Canada  
November 17, 2016*

Original signed by \_\_\_\_\_  
Denis Bombardier, CPA, CGA  
A/Chief Financial Officer



## 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 September 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 September 30, 2015	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
<b>Vote 1 – Operating Expenditures</b>	<b>1,976,338</b>	<b>509,865</b>	<b>915,897</b>	<b>1,971,315</b>	<b>481,569</b>	<b>913,728</b>
<b>Vote 5 – Capital Expenditures</b>	<b>231,330</b>	<b>28,725</b>	<b>40,395</b>	<b>237,465</b>	<b>36,831</b>	<b>49,090</b>
<b>Budgetary Statutory Authorities</b>						
CORCAN Gross Expenditures	92,605	19,947	35,377	79,462	19,257	35,607
CORCAN Gross Revenues	(92,605)	(32,093)	(47,464)	(79,462)	(21,163)	(37,542)
<b>CORCAN Net Expenditures (Revenues)</b>	<b>-</b>	<b>(12,146)</b>	<b>(12,087)</b>	<b>-</b>	<b>(1,906)</b>	<b>(1,935)</b>
Contributions to employee benefit plans	251,324	61,988	125,662	244,798	61,200	122,399
Refunds of previous years revenue	-	1	1	-	-	-
Spending of proceeds from the disposal of surplus Crown assets	1,387	131	137	922	6	6
<b>Total Budgetary Authorities</b>	<b>2,460,379</b>	<b>588,564</b>	<b>1,070,005</b>	<b>2,454,500</b>	<b>577,700</b>	<b>1,083,288</b>
Non-Budgetary Authorities	45	-	-	45	1	1
<b>Total Authorities</b>	<b>2,460,424</b>	<b>588,564</b>	<b>1,070,005</b>	<b>2,454,545</b>	<b>577,701</b>	<b>1,083,289</b>

More information is available on the following page.

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

## Organizational 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 September 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended September 30, 2015	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
<b>Expenditures</b>						
Personnel	1,809,991	413,651	818,683	1,783,233	412,057	833,927
Transportation and communications	18,915	5,777	9,563	25,486	5,467	8,444
Information	544	171	205	615	138	215
Professional and special services	259,200	101,178	145,304	284,716	81,384	126,792
Rentals	16,059	5,108	8,636	21,011	2,498	4,294
Repair and maintenance	20,214	6,398	8,770	17,286	5,529	6,733
Utilities, materials and supplies	123,073	33,007	53,201	117,694	33,208	56,503
Acquisition of land, buildings and works*	180,788	21,201	28,832	200,739	29,298	38,900
Acquisition of machinery and equipment*	47,229	6,890	9,373	37,648	5,686	7,636
Transfer payments	4,820	962	1,637	5,962	2,182	2,303
Other subsidies and payments	72,151	26,314	33,265	39,572	21,416	35,083
<b>Total Gross Budgetary Expenditures</b>	<b>2,552,984</b>	<b>620,657</b>	<b>1,117,469</b>	<b>2,533,962</b>	<b>598,863</b>	<b>1,120,830</b>
<b>Less Revenues Netted Against Expenditures</b>						
CORCAN	(92,605)	(32,093)	(47,464)	(79,462)	(21,163)	(37,542)
<b>Total Net Budgetary Expenditures</b>	<b>2,460,379</b>	<b>588,564</b>	<b>1,070,005</b>	<b>2,454,500</b>	<b>577,700</b>	<b>1,083,288</b>

\* These are mainly Vote 5 (Capital) expenditures