

CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



Quarterly Financial Report

FOR THE QUARTER ENDED DECEMBER 31, 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](#), [Supplementary Estimates](#) and Quarterly Financial Reports as of [June 30, 2016](#) and [September 30, 2016](#). 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](#), [Supplementary Estimates \(A\)](#) for the 2016-2017 fiscal year, for which full supply was released on June 23, 2016¹ and [Supplementary Estimates \(B\)](#), for which full supply was released on December 16, 2016². 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.

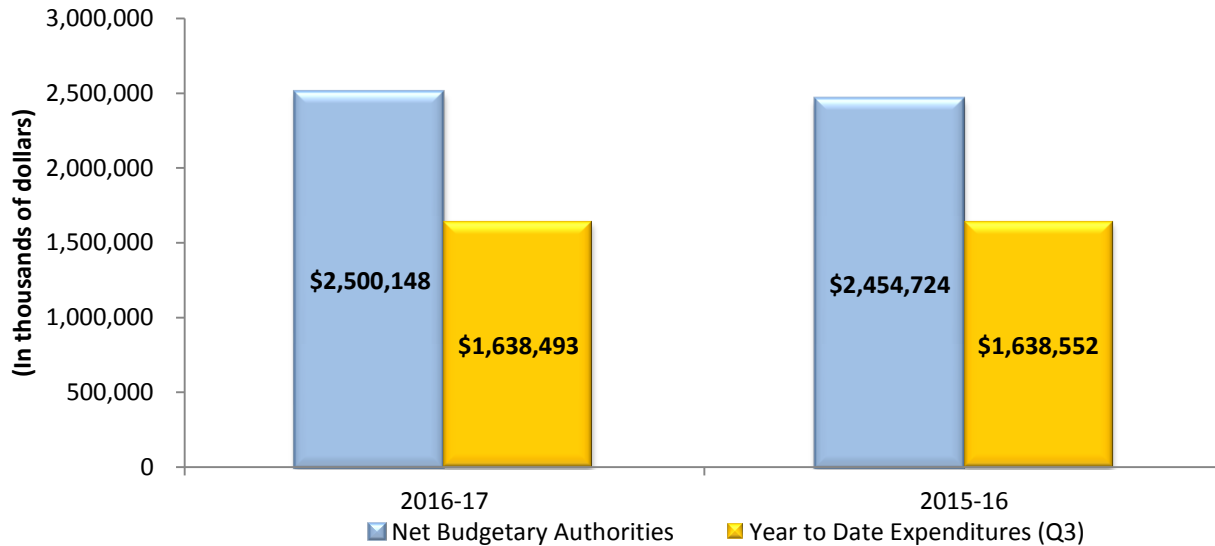
¹ Released through Orders in Council P.C. [2016-0652](#) and P.C. [2016-0653](#).

² Released through Orders in Council P.C. [2016-1180](#)

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, 2016 and December 31, 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 December 31, 2016, CSC has seen an **increase** in total net authorities of **\$45.4 million or 1.9%** for the current fiscal year compared to the previous fiscal year.

Operating Vote

CSC's Operating Vote **increased by \$44.4 million or 2.3%** compared to the authorities at the end of December 2015, which is attributed to the net effect of the following items:

- An **increase of \$30.6 million** related to funding for the 2016-17 Quasi-Statutory Requirements through [Supplementary Estimates \(B\)](#);
- A **net increase of \$8.2 million** for the Operating Budget Carry Forward compared to prior fiscal year;
- An **increase of \$7.8 million** for the reimbursement of Paylist requirements (Vote 30);
- An **increase of \$1.1 million** related to the implementation of the *Canadian Victims Bill of Rights*;
- An **increase of \$0.3 million** related to 2016 Federal Infrastructure Initiative;

- 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 National Infrastructure Contribution Program;
- A **net decrease of \$0.3 million** related to the Federal Contaminated Sites Action Plan; 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 December 2015, which is attributed to the net effect of the following items:

- A **decrease of \$8.9 million** related to the 2014 Federal Infrastructure Initiative which was received in the 2015-2016 [Supplementary Estimates \(A\)](#);
- A **net decrease of \$6.0 million** for the Capital Budget Carry Forward compared to prior fiscal year;
- 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 from previous years ; and
- An **increase of \$4.3 million** from the Accelerated Infrastructure Program.

Budgetary Statutory Authorities

CSC's Budgetary Statutory Authorities **increased by \$7.1 million or 2.9%** mainly due to the net increase to the allocation of the employer's share of the Employee Benefit Plan (EBP) costs associated with the change in personnel costs and the proceeds from the disposal of surplus Crown assets.

Explanation of Significant Variances from Previous Year Expenditures

The total year to date net budgetary expenditures remained consistent with those of the previous year (**net decrease of \$0.1 million**). Individual variances contributing to the overall variance can be explained by the factors below:

- Professional and special services **increased by \$13.9 million** 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 transfer of funds associated with CSC's Vocational and Community Employment Coordinators to CORCAN, as well as a modification in the Correctional and Training fee³ invoicing process between CSC and CORCAN that resulted in a difference in the timing of

³ 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.

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expenditures. Furthermore, this contributed to a **net increase of \$8.3 million** in CORCAN's revenues netted against expenditures as compared to the same period last year;

- Utilities, materials and supplies **increased by \$8.1 million** mainly due to increases in the purchase of medications for new Hepatitis C drug treatments approved by Health Canada; and
- Acquisition of land, buildings and works expenditures **decreased by \$14.2 million** as a result of a timing difference with interdepartmental invoicing for CSC's portion of various construction projects.

When compared to the same period in the previous fiscal year, total net budgetary expenditures in the third quarter ending December 31, 2016 have **increased by \$13.2 million or 2.4%**. The net increase is mainly a result of a timing difference associated with the interdepartmental invoicing for CSC's portion of the Federal Worker's Compensation expenditure affecting personnel expenditures. Additionally, personnel expenditures increased compared to the same period in the previous fiscal year due in part to higher overtime usages. Furthermore, utilities, materials and supplies increased due to increases in the purchase of medications for new Hepatitis C drug treatments approved by Health Canada. Professional and special services decreased slightly as a result of timing differences for the advance payments made to Community Residential Facilities.

(in millions of dollars)

Departmental Budgetary Expenditures	Year To Date	Quarter Over Quarter
Total Net Budgetary Expenditures 2015-2016	1,638.6	555.3
Total Net Budgetary Expenditures 2016-2017	1,638.5	568.5
Variance	(0.1)	13.2
Explanation of Variances by Standard Object		
• Personnel	(2.4)	12.8
• Professional and special services	13.9	(4.6)
• Utilities, materials and supplies	8.1	11.4
• Acquisition of land, buildings and works	(14.2)	(4.1)
• Revenues netted against expenditures	(8.3)	1.7
• Other	2.8	(4.0)
Total	(0.1)	13.2

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 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 manage risk-related challenges, ensure operational sustainability and fulfill its mandate.

Significant Changes in Relation to Operations, Personnel and Programs

During the third 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
Denis Bombardier, CPA, CGA
A/Chief Financial Officer

*Ottawa, Canada
February 16, 2017*

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Statement of Authorities (unaudited)

	Fiscal Year 2016-2017			Fiscal Year 2015-2016		
	Total available for use for the year ending March 31, 2017*	Used during the quarter ended December 31, 2016	Year to date used at quarter-end	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
<i>(in thousands of dollars)</i>						
Vote 1 – Operating Expenditures	2,015,756	463,138	1,379,035	1,971,315	449,986	1,363,714
Vote 5 – Capital Expenditures	231,330	37,292	77,687	237,465	40,305	89,395
Budgetary Statutory Authorities						
CORCAN Gross Expenditures	92,605	20,727	56,104	79,462	20,941	56,548
CORCAN Gross Revenues	(92,605)	(15,549)	(63,013)	(79,462)	(17,219)	(54,761)
CORCAN Net Expenditures (Revenues)	-	5,178	(6,909)	-	3,722	1,787
Contributions to employee benefit plans	251,347	62,832	188,494	244,798	61,199	183,598
Refunds of previous years revenue	-	1	2	-	1	1
Spending of proceeds from the disposal of surplus Crown assets	1,715	47	184	1,146	51	57
Total Budgetary Authorities	2,500,148	568,488	1,638,493	2,454,724	555,264	1,638,552
Non-Budgetary Authorities	45	-	-	45	-	1
Total Authorities	2,500,193	568,488	1,638,493	2,454,769	555,264	1,638,553

More information is available on the following page.

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

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Organizational Budgetary Expenditures by Standard Object (unaudited)

	Fiscal Year 2016-2017			Fiscal Year 2015-2016		
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended December 31, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended December 31, 2015	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	1,817,953	415,625	1,234,308	1,783,233	402,825	1,236,752
Transportation and communications	18,915	6,920	16,483	25,486	5,274	13,718
Information	544	220	425	615	171	386
Professional and special services	273,487	60,336	205,640	284,716	64,975	191,767
Rentals	16,059	5,366	14,002	21,011	9,393	13,687
Repair and maintenance	20,214	8,376	17,146	17,286	9,643	16,376
Utilities, materials and supplies	138,937	39,879	93,080	117,694	28,473	84,976
Acquisition of land, buildings and works*	180,788	25,346	54,178	200,739	29,486	68,386
Acquisition of machinery and equipment*	47,557	9,883	19,256	37,872	8,412	16,048
Transfer payments	4,820	55	1,692	5,962	3,504	5,807
Other subsidies and payments	73,479	12,031	45,296	39,572	10,327	45,410
Total Gross Budgetary Expenditures	2,592,753	584,037	1,701,506	2,534,186	572,483	1,693,313
Less Revenues Netted Against Expenditures						
CORCAN	(92,605)	(15,549)	(63,013)	(79,462)	(17,219)	(54,761)
Total Net Budgetary Expenditures	2,500,148	568,488	1,638,493	2,454,724	555,264	1,638,552

* These are mainly Vote 5 (Capital) expenditures