

# CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



## Quarterly Financial Report

FOR THE QUARTER ENDED JUNE 30, 2017

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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, 2017<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 money 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.

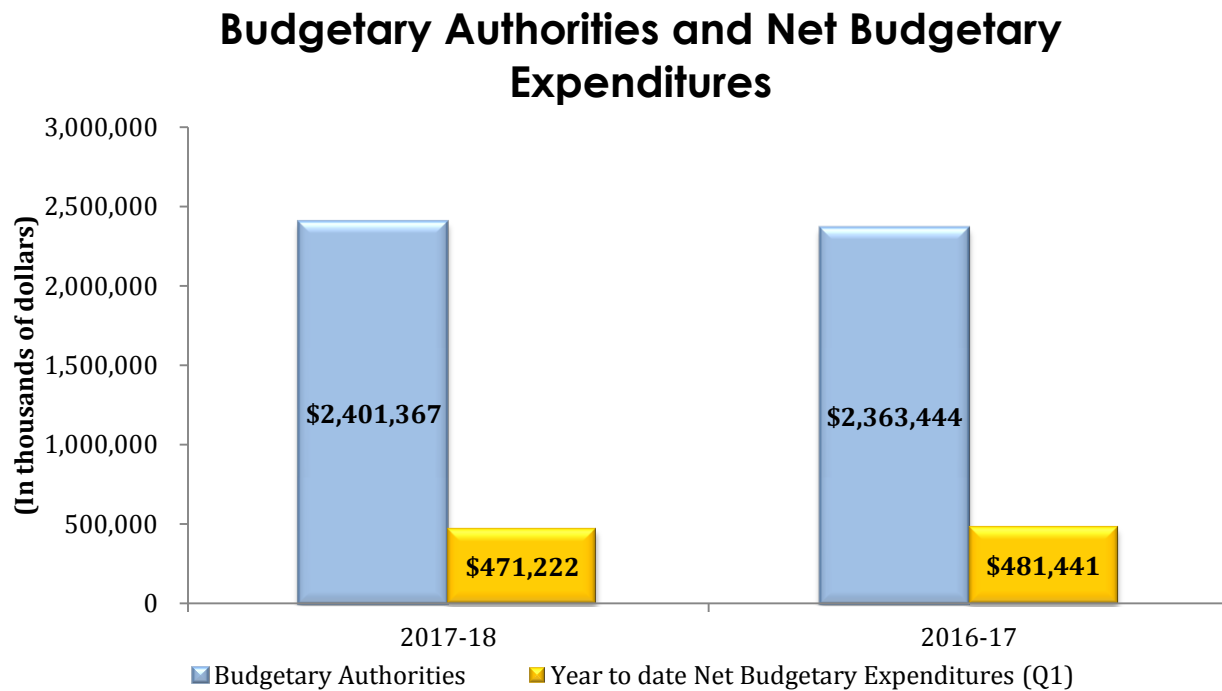
CSC has an active Revolving Fund (CORCAN) which is included in the statutory authorities of the enclosed Statement of Authorities. CORCAN's purpose is to aid in the safe reintegration of offenders into Canadian society by providing employment and training opportunities to offenders incarcerated in federal 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. [2017-0971](#) and P.C. [2017-0972](#).

## Highlights of Fiscal Quarter and Fiscal Year to Date (YTD) Results

The following graph provides a comparison of the total budgetary authorities and net budgetary expenditures as of June 30, 2017 and June 30, 2016 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 June 30, 2017, CSC has seen an **increase** in total authorities of **\$37.9 million or 1.6%** for the current fiscal year compared to the previous fiscal year.

### Operating Vote

CSC's Operating Vote **increased by \$36.8 million or 1.9%** compared to the authorities at the end of June 2016, which is attributed to the net effect of the following items:

- An **increase of \$40.9 million** related to the 2017-18 quasi statutory requirements;
- An **increase of \$0.5 million** related to 2017-18 funding of Federal Contaminated Sites Action Plan (FCSAP – Phase III);
- An **increase of \$0.3 million** related to Federal Infrastructure Initiative; and
- A **decrease of \$4.9 million** related to the Budget 2016 reduction for professional services, travel and advertising.

### Capital Vote

CSC's Capital Vote **increased by \$23.2 million or 12.5%** compared to the authorities at the end of June 2016 which is attributed to the net effect of the following items:

- An **increase of \$27.5 million** in capital investments mainly due to reprofiling of funds from previous years; and
- A **decrease of \$4.3 million** due to the Accelerated Infrastructure Program ceased funding in 2017-18.

### Budgetary Statutory Authorities

CSC's budgetary statutory authorities **decreased by \$22.1 million or 8.8%** mainly due to a decrease in the organization's allocation of the employer's share of the Employee Benefit Plan.

### **Explanation of Significant Variances from Previous Year Expenditures**

Compared with the first quarter of the previous fiscal year, total net budgetary expenditures **decreased by \$10.2 million or 2.1%** due to multiple factors:

- An **increase of \$9.4 million** in utilities, materials and supplies mainly due to timing differences in the purchase of medications for Hepatitis C drug treatments approved by Health Canada; and
- A **net increase of \$16.0 million** in CORCAN's revenues netted against expenditures mainly due to timing differences in the invoicing of the Correctional and Training fee between CSC and CORCAN.

*(in millions of dollars)*

<b>Organizational Budgetary Expenditures</b>	<b>Quarter Over Quarter</b>
Total Net Budgetary Expenditures 2016-2017	481.4
Total Net Budgetary Expenditures 2017-2018	471.2
<b>Variance</b>	<b>(10.2)</b>
Explanation of Variances by Standard Object	
• Utilities, Materials and supplies	9.4
• Revenues netted against expenditures	(16.0)
• Other	(3.6)
• Total	<b>(10.2)</b>

## Risks and Uncertainties

CSC's [Departmental Plan \(DP\)](#) 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 would freeze the overall federal operating budget. Consequently, CSC would have to fund the increases in salary resulting from collective agreements that took 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 [DP of 2017-2018](#), 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 2017-2018, there have been no significant changes in relation to operations, personnel and programs.

## Approvals by Senior Officials

Approved by:

Original Signed by  
Anne Kelly, A/Commissioner

Original Signed by  
Denis Bombardier, CPA, CGA  
A/Chief Financial Officer

*Ottawa, Canada  
August 25, 2017*



## Statement of Authorities (unaudited)

	<b>Fiscal Year 2017-2018</b>			<b>Fiscal Year 2016-2017</b>		
	Total available for use for the year ending March 31, 2018*	Used during the quarter ended June 30, 2017	Year to date used at quarter-end	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
<i>(in thousands of dollars)</i>						
<b>Vote 1 – Operating Expenditures</b>	<b>1,962,343</b>	<b>419,021</b>	<b>419,021</b>	<b>1,925,556</b>	<b>406,032</b>	<b>406,032</b>
<b>Vote 5 – Capital Expenditures</b>	<b>208,942</b>	<b>9,888</b>	<b>9,888</b>	<b>185,712</b>	<b>11,670</b>	<b>11,670</b>
<b>Budgetary Statutory Authorities</b>						
CORCAN Gross Expenditures	120,292	16,261	16,261	92,605	15,430	15,430
CORCAN Gross Revenues	(120,292)	(31,336)	(31,336)	(92,605)	(15,371)	(15,371)
<b>CORCAN Net Expenditures (Revenues)</b>	<b>-</b>	<b>(15,075)</b>	<b>(15,075)</b>	<b>-</b>	<b>59</b>	<b>59</b>
Contributions to employee benefit plans	229,424	57,388	57,388	251,324	63,674	63,674
Spending of proceeds from the disposal of surplus Crown assets	658	-	-	852	6	6
<b>Total Budgetary Authorities</b>	<b>2,401,367</b>	<b>471,222</b>	<b>471,222</b>	<b>2,363,444</b>	<b>481,441</b>	<b>481,441</b>
Non-Budgetary Authorities	45	-	-	45	-	-
<b>Total Authorities</b>	<b>2,401,412</b>	<b>471,222</b>	<b>471,222</b>	<b>2,363,489</b>	<b>481,441</b>	<b>481,441</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 2017-2018</i>			<i>Fiscal Year 2016-2017</i>		
	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended June 30, 2017	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended June 30, 2016	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
<b>Expenditures</b>						
Personnel	1,740,183	405,987	405,987	1,759,208	405,032	405,032
Transportation and communications	25,465	4,196	4,196	18,915	3,786	3,786
Information	610	64	64	545	34	34
Professional and special services	298,072	43,040	43,040	259,200	44,126	44,126
Rentals	16,726	2,317	2,317	16,059	3,528	3,528
Repair and maintenance	23,460	2,332	2,332	20,214	2,372	2,372
Utilities, materials and supplies	129,360	29,578	29,578	123,073	20,194	20,194
Acquisition of land, buildings and works*	132,198	4,760	4,760	135,170	7,631	7,631
Acquisition of machinery and equipment*	72,702	3,129	3,129	46,694	2,483	2,483
Transfer payments	120	30	30	4,820	675	675
Other subsidies and payments	82,763	7,125	7,125	72,151	6,951	6,951
<b>Total Gross Budgetary Expenditures</b>	<b>2,521,659</b>	<b>502,558</b>	<b>502,558</b>	<b>2,456,049</b>	<b>496,812</b>	<b>496,812</b>
<b>Less Revenues Netted Against Expenditures</b>						
CORCAN	(120,292)	(31,336)	(31,336)	(92,605)	(15,371)	(15,371)
<b>Total Net Budgetary Expenditures</b>	<b>2,401,367</b>	<b>471,222</b>	<b>471,222</b>	<b>2,363,444</b>	<b>481,441</b>	<b>481,441</b>

\* These are mainly Vote 5 (Capital) expenditures