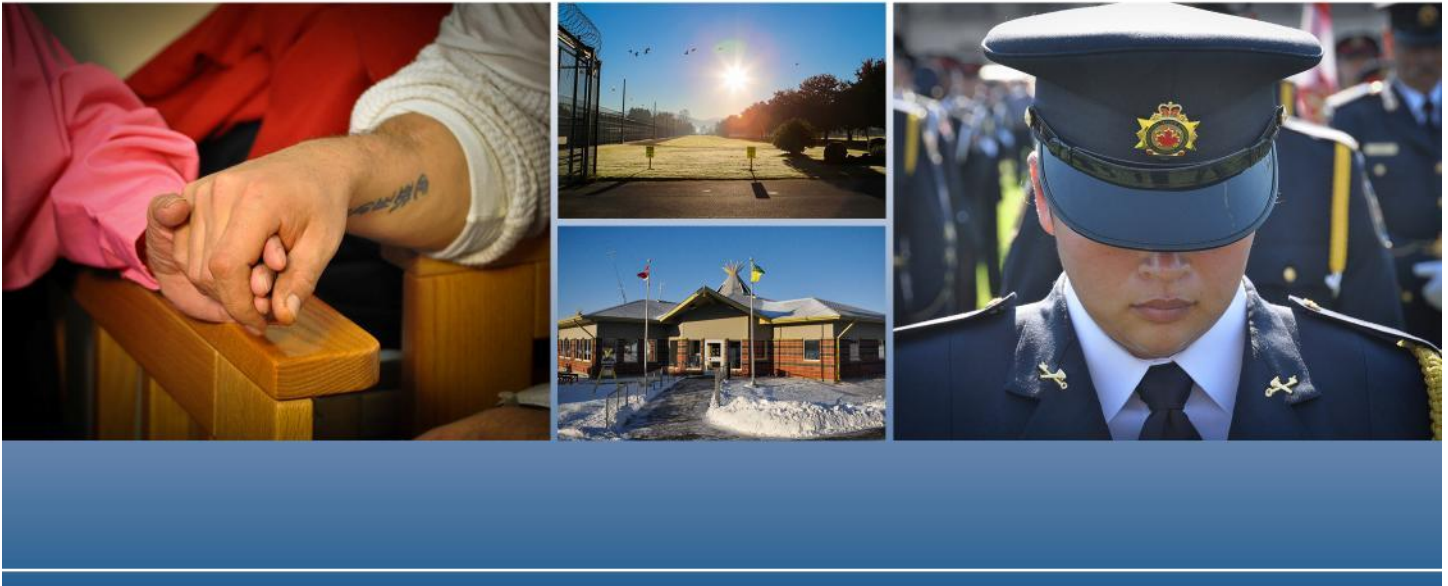


CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



Quarterly Financial Report

FOR THE QUARTER ENDED SEPTEMBER 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, 2017¹. 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.

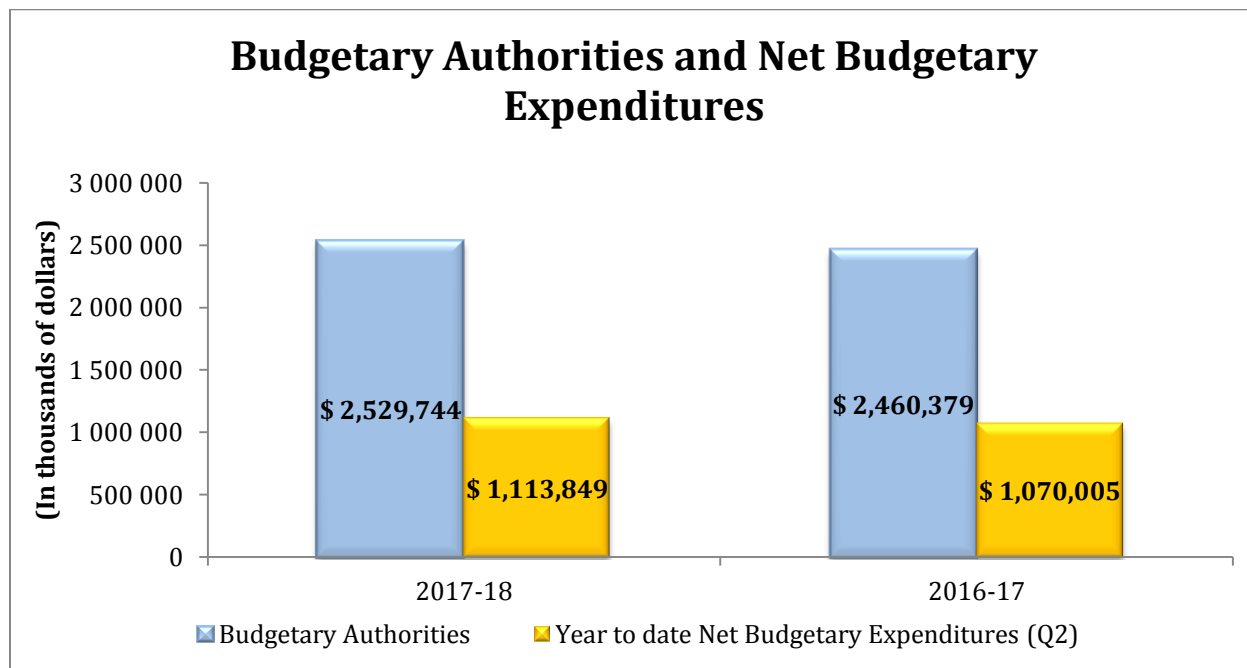
CSC uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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.

¹ 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 September 30, 2017 and September 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 September 30, 2017, CSC has seen an **increase** in total authorities of **\$69.4 million or 2.8%** for the current fiscal year compared to the previous fiscal year.

Operating Vote

CSC's Operating Vote **increased by \$68.0 million or 3.4%** compared to the authorities at the end of September 2016, which is attributed to the net effect of the following items:

- An **increase of \$40.9 million** related to the 2017-2018 quasi statutory requirements;
- A **net increase of \$31.2 million** related to the Operating Budget Carry Forward compared to prior fiscal year;
- An **increase of \$0.5 million** related to 2017-2018 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 \$23.6 million or 10.2%** compared to the authorities at the end of September 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;
- A **net increase of \$0.4 million** related to the Capital Budget Carry Forward compared to prior fiscal year; and
- A **decrease of \$4.3 million** due to the Accelerated Infrastructure Program ceased funding in 2017-2018.

Budgetary Statutory Authorities

CSC's budgetary statutory authorities **decreased by \$22.2 million or 8.8%** mainly due to a decrease in the organization's allocation of the employer's share of the Employee Benefit Plan and the proceeds from the disposal of surplus of Crown assets.

Explanation of Significant Variances from Previous Year Expenditures

Compared with the previous year, the total year to date net budgetary expenditures **increased by \$43.9 million or 4.1%** due to multiple factors:

- Personnel expenditures **increased by \$39.2 million** mainly due to the retroactive payments being processed during the second quarter of 2017-2018 following the signing of various collective agreements;
- Utilities, materials and supplies **increased by \$10.8 million** mainly due to timing differences in the purchase of medications for Hepatitis C drug treatments approved by Health Canada;
- Acquisition of land, buildings and works expenditures **decreased by \$8.8 million** as a result of timing differences with interdepartmental invoicing for CSC's portion of various construction projects; and
- Professional and special services **decreased by \$7.8 million** as a result of timing differences with interdepartmental invoicing of legal services fees between CSC and Department of Justice.

When compared to the same period in the previous fiscal year, total net budgetary expenditures in the second quarter ending September 30, 2017 have **increased by \$54.0 million or 9.2%**. The net increase is mainly due to the retroactive payments being processed during the second quarter of 2017-2018 following the signing of various collective agreements affecting personnel expenditures. Additionally, revenues netted against expenditures decreased as a result of timing differences in the invoicing of the Correctional and Training fee between CSC and CORCAN.

(in millions of dollars)

Departmental Budgetary Expenditures	Year To Date	Quarter Over Quarter
Total Net Budgetary Expenditures 2016-2017	1,070.0	588.6
Total Net Budgetary Expenditures 2017-2018	1,113.9	642.6
Variance	43.9	54.0
Explanation of Variances by Standard Object		
• Personnel	39.2	38.2
• Utilities, materials and supplies	10.8	1.4
• Acquisition of land, buildings and works	(8.8)	(5.9)
• Professional and special services	(7.8)	(6.7)
• Revenues netted against expenditures	4.3	20.2
• Other	6.2	6.8
Total	43.9	54.0

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 continues to experience ongoing issues related to the Phoenix Pay System. Given the complexity of our workforce coupled with the operational nature of our organization, CSC has experienced a significantly high number of pay related issues. CSC is continuously working internally and with external stakeholders to resolve these issues.

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 second 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

Don Head, Commissioner

Ottawa, Canada
November 20, 2017

Original Signed by

Denis Bombardier, CPA, CGA
Chief Financial Officer

Statement of Authorities (unaudited)

	<i>Fiscal Year 2017-2018</i>			<i>Fiscal Year 2016-2017</i>		
	Total available for use for the year ending March 31, 2018*	Used during the quarter ended September 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 September 30, 2016	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1 – Operating Expenditures	2,044,307	545,983	965,004	1,976,338	509,865	915,897
Vote 5 – Capital Expenditures	254,942	27,417	37,305	231,330	28,725	40,395
Budgetary Statutory Authorities						
CORCAN Gross Expenditures	120,292	23,743	40,004	92,605	19,947	35,377
CORCAN Gross Revenues	(120,292)	(11,862)	(43,199)	(92,605)	(32,093)	(47,464)
CORCAN Net Expenditures (Revenues)	-	11,881	(3,195)	-	(12,146)	(12,087)
Contributions to employee benefit plans	229,424	57,324	114,712	251,324	61,988	125,662
Refunds of previous years revenue	-	-	-	-	1	1
Spending of proceeds from the disposal of surplus Crown assets	1,071	24	24	1,387	131	137
Total Budgetary Authorities	2,529,744	642,629	1,113,850	2,460,379	588,564	1,070,005
Non-Budgetary Authorities	44	-	-	45	-	-
Total Authorities	2,529,788	642,629	1,113,850	2,460,424	588,564	1,070,005

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 September 30, 2017	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended September 30, 2016	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	1,822,147	451,895	857,882	1,809,991	413,651	818,683
Transportation and communications	25,465	6,236	10,432	18,915	5,777	9,563
Information	610	150	214	544	171	205
Professional and special services	298,072	94,475	137,514	259,200	101,178	145,304
Rentals	16,726	6,861	9,178	16,059	5,108	8,636
Repair and maintenance	23,460	7,620	9,952	20,214	6,398	8,770
Utilities, materials and supplies	129,360	34,398	63,976	123,073	33,007	53,201
Acquisition of land, buildings and works*	178,198	15,261	20,022	180,788	21,201	28,832
Acquisition of machinery and equipment*	73,115	8,963	12,092	47,229	6,890	9,373
Transfer payments	120	1,022	1,052	4,820	962	1,637
Other subsidies and payments	82,763	27,610	34,735	72,151	26,314	33,265
Total Gross Budgetary Expenditures	2,650,036	654,491	1,157,049	2,552,984	620,657	1,117,469
Less Revenues Netted Against Expenditures						
CORCAN	(120,292)	(11,862)	(43,199)	(92,605)	(32,093)	(47,464)
Total Net Budgetary Expenditures	2,529,744	642,629	1,113,850	2,460,379	588,564	1,070,005

* These are mainly Vote 5 (Capital) expenditures.