

# CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



## Quarterly Financial Report

FOR THE QUARTER ENDED JUNE 30, 2021

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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](#). 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](#) and the [Departmental Plan 2021-2022](#).

### ***Basis of Presentation***

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying [Statement of Authorities](#) includes CSC's spending authorities granted by Parliament and those used by the organization, consistent with the [Main Estimates](#) for the 2021-2022 fiscal year for which the interim supply was released on March 31, 2021<sup>1</sup> and the full supply was released June 24, 2021<sup>2</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 Department. 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 results reporting process. However, the spending authorities voted by Parliament remain on a cash expenditure basis.

CSC has an active Revolving Fund (CORCAN) that 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, 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

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<sup>1</sup> Released through Order in Council P.C. [2021-0244](#).

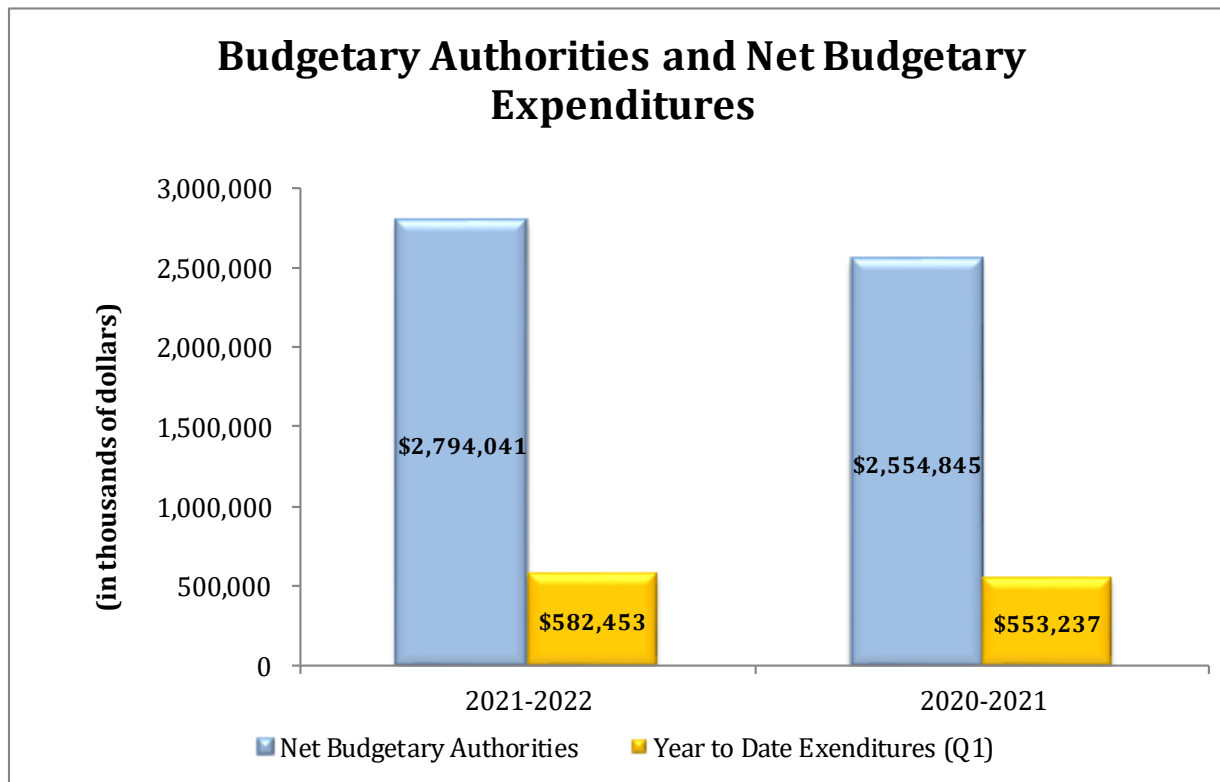
<sup>2</sup> Released through Order in Council P.C. [2021-0629](#).

of which is not to exceed \$20.0 million at any time. Through Supplementary Estimates (A), 2020–2021<sup>3</sup>, this limit was increased from a previous amount of \$5.0 million. This increase was requested as a consequence of reduced sales and operations resulting from the COVID-19 pandemic. The limit will gradually decrease until fiscal year 2025-26, at which point it will return to the original \$5.0 million threshold.

CSC also has a Vote Netted Revenue (VNR) authority in place, currently only being utilised for transactions with the Parole Board of Canada (PBC). The total VNR authority for 2021-22 is \$3.9 million, which allows CSC to bill PBC for information management and information technology services on a full incremental cost recovery basis. Throughout this report, the VNR authorities are netted with CSC's vote 1 operating authorities.

### 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, 2021 and June 30, 2020 for CSC's combined operating, capital and budgetary statutory authorities.



<sup>3</sup> Released through Order in Council P.C. [2020-510](#) on June 26, 2020.

### ***Significant Changes to Authorities***

As reflected in the [Statement of Authorities](#) for the period ending June 30, 2021, CSC has seen an **increase** in total authorities of **\$239.2 million or 9.4%** for the current fiscal year compared to the previous fiscal year.

### **Operating Vote**

CSC's Operating Vote **increased by \$213.6 million or 10.0%** compared to the authorities at the end of June 2020, which is attributed to the net effect of the following items:

- An **increase of \$140.1 million** related to funding approved for Support for the Correctional Service of Canada (Budget 2020);
- An **increase of \$35.3 million** related to compensation for the funded portion of collective agreement increases;
- An **increase of \$22.1 million** in funding related to *Transforming Federal Corrections* (Bill C-83);
- An **increase of \$11.8 million** for critical operating requirements related to COVID-19;
- An **increase of \$8.8 million** in quasi-statutory funding related to changes in prices and volume of goods and services being procured;
- An **increase of \$0.7 million** related to *Funding for Mental Health for Offenders and CORCAN Farms* (Budget 2018);
- A **decrease of \$2.5 million** related to funding for *Addressing the Needs of Vulnerable Offenders* (Budget 2017);
- A **decrease of \$2.2 million** to transfer funds to the Parole Board of Canada due to the establishment of an alternative cost recovery mechanism in Correctional Services Canada for the provision of Information Technology and Information Management Services;
- A **decrease of \$0.3 million** related to the *Program and Administrative Services (PA) Modernization* initiative; and
- A **decrease of \$0.2 million** in funding for the *Federal Contaminated Sites Action Plan*;

### **Capital Vote**

CSC's Capital Vote was **unchanged** from the authorities at the end of June 2020.

### **Budgetary Statutory Authorities**

CSC's budgetary statutory authorities **increased by \$25.6 million or 11.5%** compared to June 2020, which is related to:

- An **increase of \$23.9 million** for the department's allocation of the employer's share of the employee benefit plan;
- An **increase of \$2.3 million** resulting from a drawdown on the CORCAN revolving fund authority; and
- A **decrease of \$0.6 million** of proceeds from the disposal of surplus Crown assets.

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

Compared with the previous fiscal year, the total year to date net budgetary expenditures **increased by \$29.3 million or 5.3%** mainly due to the following factors:

- Personnel expenditures **increased by \$35.0 million** primarily due to:
  - An **increase of \$24.1 million** in salary consisting of the following:
    - An **increase of \$14.5 million** due to the increase of rates of pay resulting from the implementation of various collective agreements ratified after the first quarter of 2020-21;
    - An **increase of \$8.1 million** due to signing bonuses following the ratification of collective agreements;
    - An **increase of \$1.5 million** to adapt to the impacts of COVID-19;
  - An **increase of \$6.0 million** for the employer's contributions to the employee benefit plan. This will be adjusted at year-end based on total salary expenditures;
  - An **increase of \$4.9 million** in retroactive payments following the ratification of collective agreements;
  - An **increase of \$1.3 million** in overtime expenses mainly related to the COVID-19 response;
  - A **decrease of \$0.7 million** in severance pay; and
  - A **decrease of \$0.6 million** for other supplementary personnel costs mainly caused by staff departures and transfers between departments.
- Transportation and communications expenditures **increased by \$0.6 million** primarily due to the COVID-19 restrictions in effect during the first quarter of 2020-21 compared to the first quarter of 2021-22, where restrictions have declined and resulted in an increase in relocation and travel:
  - An **increase of \$0.4 million** in relocation costs; and
  - An **increase of \$0.2 million** in public servant travel mainly due to the recruitment of Correctional Officers.
- Professional and special services **increased by \$13.4 million** primarily due to:
  - An **increase of \$9.2 million** caused by a delay last fiscal year in the intra-departmental billing between CORCAN and CSC for the Correctional and Training Fee;
  - An **increase of \$3.5 million** due to COVID-19, as many activities were stopped or delayed during last year's first quarter and have resumed to a certain degree this year:
    - An **increase of \$1.4 million** in health care services/specialists due to last year's stopped work orders;
    - An **increase of \$1.4 million** in other consultant fees, excluding the information technology and telecommunication consultants;
    - An **increase of \$0.5 million** in information technology and telecommunications consultants; and
    - An **increase of \$0.2 million** in inmate training; and

- An **increase of \$0.7 million** in information technology and telecommunications consultants for various projects not related to COVID-19.
- Rentals **increased by \$4.6 million** primarily due to:
  - An **increase of \$4.0 million** in license and maintenance fees mainly due to invoices processed earlier in 2021-22 than last year and an amount of \$1.7 million due to the COVID-19 response, to maintain CSC's ongoing operational activities;
  - An **increase of \$0.4 million** in rental of office buildings and industrial and commercial buildings; and
  - An **increase of \$0.2 million** in other rentals.
- Utilities, materials and supplies **decreased by \$14.7 million** primarily due to:
  - An **increase of \$0.7 million** in utilities caused by a timing difference in recording this expenditure from one quarter to another;
  - A **decrease of \$13.9 million**, as, last year, CSC purchased higher levels of supplies to ensure sufficient inventory to support its operational activities during the early period of the COVID-19 pandemic. This approach was not required this fiscal year. The variance is made up of the following categories:
    - An **increase of \$0.2 million** in utilities due to electricity expenditures;
    - A **decrease of \$11.9 million** in medical supplies, including personal protective equipment (PPE) purchases;
    - A **decrease of \$1.4 million** in food inventory and in the methods of delivery of meals to inmates; and
    - A **decrease of \$0.8 million** in cleaning products;
  - A **decrease of \$1.5 million** in allowance for footwear, which is paid every second year.
- Acquisition of land, buildings and works **increased by \$3.0 million**, due to the construction projects that were stopped or delayed last fiscal year, in response to COVID-19.
- Acquisition of machinery and equipment **increased by \$1.4 million** primarily due to:
  - An **increase of \$1.6 million** for laptops and other IT equipment, required to allow the organization to maintain operations during the pandemic, which were ordered last year but only delivered in 2021-22; and
  - A **decrease of \$0.2 million** in other equipment and parts.
- Other subsidies and payments **decreased by \$10.1 million** primarily due to:
  - A **decrease of \$10.0 million** of court ordered payments; and
  - A **decrease of \$0.1 million** in miscellaneous expenditures.
- A **net increase of \$4.4 million** in CORCAN's revenues due to the activities at the institutions returning gradually to normal and the recognition of Correctional and Training revenue in April 2021, as last year the payment from CSC was received in May 2020.
- An **increased of \$0.5 million** in other standard objects.

(in millions of dollars)

<b>Organizational Budgetary Expenditures</b>	<b>Year-to-Date Over Prior Year-to-Date</b>
Total Net Budgetary Expenditures 2020-2021	553.2
Total Net Budgetary Expenditures 2021-2022	582.5
<b>Variance</b>	<b>29.3</b>
<b>Explanation of Variances by Standard Object</b>	
Personnel	35.0
Transportation and communications	0.6
Professional and special services	13.4
Rentals	4.6
Utilities, materials and supplies	(14.7)
Acquisition of land, buildings and works	3.0
Acquisition of machinery and equipment	1.4
Other subsidies and payments	(10.1)
CORCAN revenues	(4.4)
Other standard objects	0.5
<b>Total</b>	<b>29.3</b>

## Risks and Uncertainties

CSC's [Departmental Plan 2021-2022](#) identifies the current risk environment and CSC's key risk areas to the achievement of its strategic outcomes.

CSC secured permanent integrity funding in 2019-20 to maintain operations after completing its Comprehensive Review. In the short term, CSC is focused on maintaining operations during and in the aftermath of the COVID-19 pandemic. CSC will address existing financial challenges, and will continue working on a modernization plan over the three-year planning period. During 2020-21, CSC stabilized its existing Departmental Financial Management System (DFMS) using an Oracle technical upgrade, and in 2021-22 will continue to advance plans for the future modernization of the DFMS through a SAP hosting solution.

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 CSC's [Departmental Plan 2021-2022](#), are the increasingly complex and diverse profile of the offender population, the maintenance of required levels of operational safety and security in institutions and the community, the inability to implement its mandate and ensure the



financial sustainability and modernization of the organization, the potential loss of support of partners delivering critical services and providing resources for offenders, the maintenance of public confidence in the federal correctional system, and the maintenance of a safe, secure, healthy, respectful, and collaborative working environment as established by its legal and policy obligations, mission, and values statement.

CSC has put in place risk mitigation strategies to address the stated risks. The integrated approach allows CSC to handle risk-related challenges, ensure operational sustainability to fulfill its mandate.

## **Significant Changes in Relation to Operations, Personnel and Programs**

Since the beginning of the pandemic, Correctional Service Canada (CSC) has implemented rigorous infection prevention and control measures at its sites. By the end of the first quarter of 2021-2022, there were no new cases of COVID-19 among the inmate population in any of CSC's institutions. Over 76% of the inmate population has had at least one dose of the vaccine and more than 68% are fully vaccinated. Since the situation has stabilized, CSC is gradually resuming inmate visits with appropriate public health measures in place.

Having seen no new COVID-19 cases during this first quarter of 2021-22 and a successful vaccination campaign within correctional facilities, working groups have been put in place and are developing plans to resume activities at CSC. These plans will ensure we make evidence-based decisions, put in place the proper safeguards, and determine exactly how any return to a new normal will roll-out.

Furthermore, CSC will adopt a phased and gradual restoration of interventions, programs and services approach, ensuring there are appropriate measures in place to limit health and safety risks, while supporting public safety efforts. CSC will adjust restrictions in adherence with national, provincial and local public health authorities

CSC's Special Operating Agency (SOA), CORCAN, operates a revolving fund with authority to spend its revenues. Due to the resulting measures around COVID-19, CORCAN could not operate under normal conditions. Consequently, CORCAN's drawdown limit increased to \$20.0M following Treasury Board approval. This limit will gradually decrease until fiscal year 2025-26, at which point it will return to the original \$5.0 million threshold.

CSC received significant investments via the Fall Economic Statement (2018) to enhance mental health services for offenders, and support amendments to transform federal corrections, specifically in support of Bill C-83. Bill C-83 *"An Act to amend the Corrections and Conditional Release Act and another Act"* received Royal Assent on June 21, 2019. The amendments eliminate administrative and disciplinary segregation, and introduce a new correctional model including the use of structured intervention units (SIUs) for inmates who cannot be managed safely within a mainstream inmate population. CSC has started and is continuing the process of making the necessary infrastructure changes, developing policies, and hiring and training staff to operate the SIUs. Funding for these initiatives gradually increases over a period of five years and stabilizes in fiscal year 2024-2025.

There have been no changes to key senior personnel in the first quarter of 2021-2022.

## Approvals by Senior Officials

Approved by:

\_\_\_\_\_  
Original signed by  
Anne Kelly,  
Commissioner

\_\_\_\_\_  
Original signed by  
Tony Matson,  
Chief Financial Officer

*Ottawa, Canada*  
August 25<sup>th</sup>, 2021

## Statement of Authorities (unaudited)

<i>(in thousands of dollars)</i>	<i>Fiscal year 2021-2022</i>			<i>Fiscal year 2020-2021</i>		
	Main Estimates for the year ending March 31, 2022*	Used during the quarter ended June 30, 2021	Year to date used at quarter-end	Total available for use for the year ending March 31, 2021*	Used during the quarter ended June 30, 2020	Year to date used at quarter-end
<b>Vote 1– Net operating expenditures</b>	<b>2,359,350</b>	<b>513,673</b>	<b>513,673</b>	<b>2,145,689</b>	<b>492,881</b>	<b>492,881</b>
<b>Vote 5 – Capital expenditures</b>	<b>187,797</b>	<b>10,998</b>	<b>10,998</b>	<b>187,797</b>	<b>7,185</b>	<b>7,185</b>
<b>Budgetary statutory authorities</b>						
CORCAN gross expenditures	108,388	21,036	21,036	124,334	17,953	17,953
CORCAN revenues	(106,106)	(24,316)	(24,316)	(124,334)	(19,870)	(19,870)
CORCAN net expenditures	2,282	(3,280)	(3,280)	-	(1,917)	(1,917)
Spending of proceeds from disposal of surplus Crown assets	366	-	-	1,006	-	-
Contributions to employee benefits plans	244,246	61,062	61,062	220,353	55,088	55,088
	244,612	61,062	61,062	221,359	55,088	55,088
<b>Total budgetary authorities</b>	<b>2,794,041</b>	<b>582,453</b>	<b>582,453</b>	<b>2,554,845</b>	<b>553,237</b>	<b>553,237</b>
<b>Non-budgetary authorities</b>	45			45	(1)	(1)
<b>Total authorities</b>	<b>2,794,086</b>	<b>582,453</b>	<b>582,453</b>	<b>2,554,890</b>	<b>553,236</b>	<b>553,236</b>

More information is available on the following page.

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

Note: CORCAN's available drawdown authority at the end of June 2021 was \$20.0M, of which \$4.8M was used, leaving a residual balance available of \$15.2M. In comparison, at the end of June 2020, CORCAN's drawdown authority was \$20.0M, of which \$9.2M was utilized, and \$10.8M of funding was available.

## Organizational budgetary expenditures by Standard Object (unaudited)

	<i>Fiscal year 2021-2022</i>			<i>Fiscal year 2020-2021</i>		
	Planned expenditures for the year ending March 31, 2022	Expended during the quarter ended June 30, 2021	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2021	Expended during the quarter ended June 30, 2020	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
<b>Expenditures</b>						
Personnel	1,951,323	484,508	484,508	1,767,134	449,500	449,500
Transportation and communications	13,546	2,435	2,435	29,374	1,818	1,818
Information	273	47	47	835	27	27
Professional and special services	369,586	59,628	59,628	389,894	46,252	46,252
Rentals	25,992	7,401	7,401	23,665	2,796	2,796
Purchased repair and maintenance	23,691	2,776	2,776	29,727	2,284	2,284
Utilities, materials and supplies	198,312	22,951	22,951	155,823	37,614	37,614
Acquisition of land, buildings and works*	67,605	4,913	4,913	147,798	1,926	1,926
Acquisition of machinery and equipment*	115,856	5,352	5,352	36,305	3,950	3,950
Transfer payments	120	-	-	120	-	-
Other subsidies and payments	137,786	16,758	16,758	98,504	26,940	26,940
<b>Total gross budgetary expenditures</b>	<b>2,904,090</b>	<b>606,769</b>	<b>606,769</b>	<b>2,679,179</b>	<b>573,107</b>	<b>573,107</b>
<b>Less revenues netted against expenditures</b>						
Vote Netted Revenue	(3,943)	-	-	-	-	-
CORCAN	(106,106)	(24,316)	(24,316)	(124,334)	(19,870)	(19,870)
<b>Total revenues netted against expenditures</b>	<b>(110,049)</b>	<b>(24,316)</b>	<b>(24,316)</b>	<b>(124,334)</b>	<b>(19,870)</b>	<b>(19,870)</b>
<b>Total net budgetary expenditures</b>	<b>2,794,041</b>	<b>582,453</b>	<b>582,453</b>	<b>2,554,845</b>	<b>553,237</b>	<b>553,237</b>

\* These are mainly Vote 5 (Capital) expenditures.