

STATEMENT OF MANAGEMENT RESPONSIBILITY

CORRECTIONAL SERVICE OF CANADA

Departmental management is responsible for the Consolidated Future-Oriented Statement of Operations, including responsibility for the appropriateness of the assumptions on which the statement is prepared. The statement is based on the best information available and assumptions adopted as at January 14, 2016 and reflect the plans described in the Report on Plans and Priorities.

Correctional Service Canada has a Departmental Audit Committee which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the Consolidated Future-Oriented Statement of Operations to the Commissioner.

Original signed by

Original signed by

Don Head
Commissioner
Ottawa, Canada
February 1, 2016

Liette Dumas-Sluyter, CPA, CMA
Chief Financial Officer

CONSOLIDATED FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

CORRECTIONAL SERVICE OF CANADA

For the Year Ended March 31
(in thousands of dollars)

| | Estimated Results 2016 | Planned Results 2017 |
|---|------------------------------|----------------------------|
| Expenses | | |
| Custody | 1,581,123 | 1,575,343 |
| Correctional Interventions | 487,295 | 497,642 |
| Community Supervision | 150,646 | 148,805 |
| Internal Services | 356,025 | 332,324 |
| <i>Total expenses</i> | 2,575,089 | 2,554,114 |
| Revenues | | |
| Sales of goods and services | 48,233 | 62,916 |
| Others | 3,486 | 3,504 |
| Revenues earned on behalf of Government | (3,486) | (3,504) |
| <i>Total revenues</i> | 48,233 | 62,916 |
| Net cost of operations | 2,526,856 | 2,491,198 |

The accompanying notes form an integral part of the Consolidated Future-Oriented Statement of Operations.

Original signed by

Don Head
Commissioner
Ottawa, Canada
February 1, 2016

Original signed by

Liette Dumas-Sluyter, CPA, CMA
Chief Financial Officer

NOTES TO THE CONSOLIDATED FUTURE-ORIENTED STATEMENT OF OPERATIONS *(unaudited)*

CORRECTIONAL SERVICE OF CANADA

For the Year Ended March 31

1. Authority and Objectives

The constitutional and legislative framework that guides the Correctional Service of Canada (CSC) is set out by the *Constitution Act 1982* and the *Corrections and Conditional Release Act (CCRA)*.

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 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*). It delivers its mandate under four major programs:

Custody: This program contributes to public safety by providing for the day-to-day needs of offenders, including health and safety, food, clothing, accommodation, mental health services, and physical health care. It also includes security measures within institutions such as drug interdiction, and appropriate control practices to prevent incidents;

Correctional Interventions: This program contributes to public safety through assessment activities and program interventions for federal offenders that are designed to assist their rehabilitation and facilitate their successful reintegration into the community as law-abiding citizens. The program engages Canadian citizens as partners in CSC's correctional mandate, and provides outreach to victims of crime;

Community Supervision: This program contributes to public safety through the administration of community operations, including the provision of accommodation options, establishment of community partnerships and provision of community health services as necessary. Community supervision provides the structure to assist offenders to safely and successfully reintegrate into society; and

Internal Services: Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal services include only those activities and resources that apply across an organization, and not those provided to a specific program. The groups of activities are Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

NOTES TO THE CONSOLIDATED FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

CORRECTIONAL SERVICE OF CANADA

For the Year Ended March 31

2. Methodology and significant assumptions

The Consolidated Future-Oriented Statement of Operations (CFOSO) has been prepared on the basis of the Government priorities and the plans of the department as described in the Report on Plans and Priorities.

The information in the estimated results for fiscal year 2015-16 is based on actual results as at December 31, 2015 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2016-17 fiscal year.

The main assumptions are as follows:

- (a) CSC's activities will remain substantially the same as for the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the Government, are based on a combination of historical experience and future planned spending.
- (c) Estimated year end information for 2015-16 is used as the opening position for the 2016-17 planned results.

These assumptions are adopted as at January 14, 2016.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2015-16 and for 2016-17, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these CFOSO, CSC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the CFOSO and the historical consolidated statement of operations include:

- (a) The timing and amounts of acquisitions and disposals of tangible capital assets may affect gains/losses and amortization expense;
- (b) Implementation of new collective agreements;
- (c) Economic conditions may affect both the amount of revenue earned and the collectability of accounts and loan receivables; and
- (d) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Upon publication of the Report on Plans and Priorities, CSC will not update forecasted information for any changes in financial resources made in ensuing supplementary estimates. Variances as a result of in-year adjustments will be explained in the ensuing Departmental Performance Report.

NOTES TO THE CONSOLIDATED FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

CORRECTIONAL SERVICE OF CANADA

For the Year Ended March 31

4. Summary of Significant Accounting Policies

The CFOSO has been prepared using Government's accounting policies that came into effect for the 2015-2016 fiscal year which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Consolidation

The CFOSO includes the accounts of the CORCAN revolving fund sub-entity that have been consolidated with those of CSC. All inter-organizational transactions have been eliminated.

(b) Expenses

Expenses are recorded on an accrual basis:

Expenses for CSC operations are recorded when goods are received or services are rendered including services provided without charges for accommodation, employee contributions to health and dental insurance plans, legal services and worker's compensation which are recorded as expenses at their estimated cost.

Vacation pay and compensatory leave as well as severance benefits are accrued and expenses are recorded as the benefits are earned by employees under their respective terms of employment.

Transfer payments are recorded as expenses when the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the consolidated financial statements. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.

Expenses also include provisions to reflect changes in the value of assets, including provisions for bad debt on accounts receivable, provision for valuation on loans, investments and advances and inventory obsolescence or liabilities, including contingent liabilities and environmental liabilities to the extent the future event is likely to occur and a reasonable estimate can be made.

Expenses also include amortization of tangible capital assets which are capitalized at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset.

NOTES TO THE CONSOLIDATED FUTURE-ORIENTED STATEMENT OF OPERATIONS *(unaudited)*

CORRECTIONAL SERVICE OF CANADA

For the Year Ended March 31

4. Summary of Significant Accounting Policies (continued)

(c) Revenues

Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the services are rendered or goods are sold;

Revenues from regulatory fees are recognized in the accounts based on the services provided in the year;

Funds that have been received are recorded as deferred revenue, provided CSC has an obligation to other parties for the provision of goods, services or the use of assets in the future; and

Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Revenues that are non-responsible are not available to discharge CSC's liabilities. While the Commissioner is expected to maintain accounting control, he or she has no authority regarding the disposition of non-responsible revenues. As a result, non-responsible revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues.

NOTES TO THE CONSOLIDATED FUTURE-ORIENTED STATEMENT OF OPERATIONS *(unaudited)*

CORRECTIONAL SERVICE OF CANADA

For the Year Ended March 31

5. Parliamentary Authorities

CSC is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to CSC do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Items recognized in the CFOSO in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, CSC has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to requested authorities:

| (in thousands of dollars) | Estimated 2016 | Planned 2017 |
|---|-------------------|------------------|
| Net cost of operations | 2,526,856 | 2,491,198 |
| <i>Adjustments for items affecting net cost of operations but not affecting authorities:</i> | | |
| Amortization of tangible capital assets | (140,991) | (166,424) |
| Services provided without charge by other Government departments | (152,404) | (153,277) |
| Decrease in vacation pay and compensatory leave | 3,059 | 886 |
| Decrease (increase) in employee future benefits | 1,345 | (2,214) |
| Decrease in obligation for termination benefits | 847 | 2,583 |
| Refund of prior years' expenditures | 3,883 | 4,099 |
| | (284,261) | (314,347) |
| <i>Adjustments for items not affecting net cost of operations but affecting appropriations:</i> | | |
| Acquisitions of tangible capital assets | 229,025 | 185,712 |
| Increase (decrease) in inventory | (1,796) | 29 |
| Increase (decrease) in prepaid expenses | (1) | - |
| Transition Payment – Pay in arrears | 394 | - |
| | 227,622 | 185,741 |
| Forecast authorities available | 2,470,217 | 2,362,592 |

(b) Authorities requested

| (in thousands of dollars) | Estimated 2016 | Planned 2017 |
|---------------------------------------|-------------------|------------------|
| Authorities requested | | |
| Vote 1 – Operating expenditures | 1,996,394 | 1,925,556 |
| Vote 5 – Capital expenditures | 229,025 | 185,712 |
| Statutory amounts | 244,798 | 251,324 |
| Forecast authorities available | 2,470,217 | 2,362,592 |