



SAFETY, RESPECT
AND DIGNITY
FOR ALL

LA SÉCURITÉ,
LA DIGNITÉ
ET LE RESPECT
POUR TOUS

Quarterly Financial Report

*For the Quarter ended
December 31, 2011*

Table of Contents

<i>Introduction</i>	3
Basis of Presentation	3
<i>Highlights of Fiscal Quarter End and Fiscal Year to Date (YTD) Results</i>	4
Authorities Analysis	4
Quarterly Expenditures Analysis.....	6
<i>Risks and Uncertainties</i>	7
<i>Significant Changes in Relation to Operations, Personnel and Programs</i>	8
<i>Statement of Authorities (unaudited)</i>	9
<i>Departmental Budgetary Expenditures by Standard Object (unaudited)</i>	10

Introduction

This quarterly report has been prepared by management 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 the [Quarterly Financial Reports](#) as of [June 30, 2011](#) and [September 30, 2011](#). This report has not been subjected to an external audit or review.

Correctional Service Canada (CSC), as part of the criminal justice system and respecting the rule of law, contributes to public safety by actively encouraging and assisting offenders to become law-abiding citizens, while exercising reasonable, safe, secure and humane control. It delivers its mandate under four major program activities. A summary description of CSC's program activities can be found in [Part II of the Main Estimates](#).

CSC contributes to public safety by administering court-imposed sentences for offenders sentenced to two years or more. This involves managing institutions of various security levels and supervising offenders on different forms of conditional release, while assisting them to become law-abiding citizens. CSC also administers post-sentence supervision of offenders with Long Term Supervision Orders for up to ten years.

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 department, consistent with the Main Estimates and Supplementary Estimates A for the 2011-2012 fiscal year, for which full supply was released on June 27, 2011¹, and Supplementary Estimates B, for which full supply was released on December 19, 2011². 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.

When Parliament is dissolved for the purposes of a general election, section 30 of the [Financial Administration Act](#) authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

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.

¹ Released through Orders in Council P.C. [2011-0792](#) and P.C. [2011-0793](#).

² Released through Order in Council P.C. [2011-1705](#).

CSC has an active Revolving Fund (CORCAN) that is included in the budgetary 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.

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

Authorities Analysis

As reflected in the attached [Statement of Authorities](#), as of December 31, 2011, CSC has seen an increase in total authorities of \$648.9 million (25.6%) for the current fiscal year compared to the previous fiscal year.

The following table summarizes the variances:

(in millions of dollars)

Authorities	Variances	Total
Vote 25 – Operating Expenditures		370.1
<i>Truth in Sentencing Act</i>	234.9	
National Capital, Accommodation and Operations Plan	33.7	
<i>Tackling Violent Crime Act</i>	19.6	
Operating Budget Carry-forward	12.0	
Paylist Requirement (September 2011)	8.3	
Paylist Requirement (December 2011)	67.9	
Collective Agreements	(8.5)	
Supplementary Estimates B	0.4	
Other	1.8	
Vote 30 – Capital Expenditures		234.7
<i>Truth in Sentencing Act</i>	223.1	
2009 Strategic Review Reallocation	(15.4)	
Reprofiling to future years	(27.3)	
Capital Budget Carry-forward	54.5	
Other	(0.2)	
Budgetary Statutory Authorities		44.1
Employee Benefit Plan (EBP)	43.6	
Disposal of Crown Assets	0.5	
Total		648.9

Of the \$648.9 million overall increase, \$588.8 million was reflected in the second quarterly report of 2011-2012. The additional items since September 2011 have been highlighted in the table above.

Of the net increase in total authorities reflected in the Statement of Authorities, \$458.0 million (\$234.9 million in operating funding and \$223.1 million in capital funding) was received in relation to the implementation of the [Truth in Sentencing Act](#), and \$19.6 million for the [Tackling Violent Crime Act](#), which will increase both individual sentence length and the numbers of federal offenders. These changes will result in CSC accommodating and supervising an increase to the current offender population.

The year-to-date Budgetary Statutory Authority increase of \$44.1 million is due to an increase in the Employee Benefit Plan of \$43.6 million and an increase in proceeds from the Disposal of Crown Assets of \$0.5 million. The \$0.3 million increase over the \$43.8 million reported last quarter is due to the increase in the proceeds from the Disposal of Crown Assets in the same quarter last year.

CSC received an increase of \$33.7 million for the National Capital, Accommodation & Operations Plan. The increase is related to offender programs and specific accommodation measures, which are based on funding formulae driven by variations in population levels both incarcerated and in the community, as well as changes to the types of offenders.

Funding for capital expenditures was reduced by \$15.4 million as a result of the 2009 Strategic Review. There was a \$27.3 million decrease in CSC's capital vote reference levels due to reprofiling of capital funds to future years.

The other increases in the second quarter included the Operating Budget Carry-forward, the Capital Budget Carry-forward, and adjustments related to personnel costs identified as Paylist Requirements.

In September 2011, CSC received notification that the requested Operating Budget Carry-forward of \$49.7 million had been approved. This represented an increase of \$12.0 million over the Operating Budget Carry-forward received last year. The Operating Budget Carry-forward included \$17.2 million of personnel related expenses such as severance pay and parental benefits that were cash-managed by CSC when Parliament was prorogued and for which Treasury Board subsequently provided funding.

CSC also received a Capital Budget Carry-forward of \$54.5 million. No Capital Budget Carry-forward was requested last year.

CSC received \$8.3 million in the second quarter and \$89.8 million in the third quarter of 2011-2012 for Paylist Requirements. The latter represents a \$67.9 million increase over the same period last year. The majority of this funding relates to the voluntary liquidation of severance pay as negotiated by Treasury Board during the collective bargaining process.

In the third quarter of 2010-2011, CSC received \$8.7 million for Collective Agreement renewals prior to the [Expenditure Restraint Act](#). In 2011-2012, CSC received \$0.2 million, an \$8.5 million decrease from the previous year.

CSC had a net increase of \$0.4 million in funding authorities from Supplementary Estimates B over the same period last year. In 2010-2011, CSC's total authorities decreased by \$0.4 million; in 2011-2012, there was no increase to CSC's total authorities through Supplementary Estimates B.

Finally, it is important to note that \$67.3 million of funding related to the National Capital, Accommodation & Operations Plan was frozen by Treasury Board in October 2011. Frozen allotments

are used to prohibit the spending of funds previously appropriated by Parliament; while it does not reduce the department's approved authorities. This overfunding is the cumulative result of a number of fiscal years, whereby CSC through its National Capital, Accommodation and Operations Plan and the Annual Reference Level Updates, had over accumulated funds for accommodation measures which were delayed and/or cancelled.

Subsequently, CSC was granted the authority to access \$2.7 million of the frozen allotments for the National Victims Services Program and \$1.2 million for the assessment, management and remediation of federal contaminated sites.

Quarterly Expenditures Analysis

Compared to the third quarter of the previous fiscal year, total net budgetary expenditures have increased by \$112.6 million (20.0%), resulting in a total year-to-date increase of \$246.8 million. The implementation of the [*Truth in Sentencing Act*](#) and the [*Tackling Violent Crime Act*](#) resulted in an increase of \$134.1 million in the first two quarters of 2011-2012 over the same period in 2010-2011, primarily due to increased expenditures in personnel and acquisition of land, buildings and works. This trend continued in the third quarter of 2011-2012.

Operating expenditures in the third quarter have increased by \$74.8 million over the same period last year. Salaries and overtime expenditures increased by \$62.0 million³ and is mainly the result of the increased staffing relating to the implementation of the legislation.

The \$6.9 million increase in the year to date expenditures in other subsidies and payments is primarily due to a growth in CORCAN inventories to respond to an increased demand for CORCAN products.

Capital expenditures increased by \$29.9 million, which is mainly attributable to improvements to and construction of infrastructure (\$29.7 million in the acquisition of land, buildings and works) to support the increase in the offender population.

The Budgetary Statutory Authority increase is primarily related to the Employee Benefit Plan (EBP) (\$10.8 million³). This expenditure is charged monthly by the Treasury Board Secretariat based on an annual projection of personnel expenditures.

³ The variances in salaries and overtime (\$62.0M) and in EBP (\$10.8M) represent the total variation in personnel expenditures (\$72.8M).

Risks and Uncertainties

As a result of legislative changes, the number of inmates in CSC's custody has grown and is expected to continue to increase over the next few years. However, the inmate population increases anticipated from the implementation of both the [Truth in Sentencing Act](#) and the [Tackling Violent Crime Act](#) have not materialized as originally predicted. CSC is working with central agencies to determine the financial impact; and as a result, funding may be returned or frozen within its existing reference levels. Furthermore, CSC hires staff based on actual inmate population and will not hire any new staff beyond what is required to effectively manage realized population growth while ensuring public safety results for all Canadians. As noted in the previous quarterly report, CSC has established an Infrastructure Renewal Team. This team is working with operational sites, regions, and sectors at National Headquarters to ensure appropriate levels of staff, accommodation space, and other operational resources are available to allow for effective case management, program delivery, and community supervision as the population increases.

Separate from the increased funding noted under the Authorities Analysis section, Budget 2010 stipulated that the operating budgets of departments would remain frozen at their 2010-2011 levels for fiscal years 2011-2012 and 2012-2013.

It should be noted that the collective agreement with the Union of Canadian Correctional Officers expired on May 31, 2010. This group represent 41% of CSC's workforce, and therefore, a new collective agreement could result in a significant financial pressure for CSC.

As a result of the [Expenditure Restraint Act](#), in 2011-2012 CSC has absorbed \$7.6 million related to salary increases.

In the last two years, CSC has and is continuing to implement measures to address these budgetary constraints, including:

- introducing new staff deployment standards for Correctional Officers and computerized roster systems to ensure efficient staffing levels in federal institutions, resulting in a significant reduction in overtime expenditures;
- improving integrated human resource and business planning methods to improve the accuracy of forecasts for future staffing, recruitment, and essential training needs;
- implementing a more focused approach to reducing travel and hospitality expenditures; and,
- piloting an innovative Integrated Correctional Program Model that will reduce redundancies and overlap between some of the programs offered to offenders, leading to efficiencies in program delivery.

Significant Changes in Relation to Operations, Personnel and Programs

Although CSC has received additional funding due to legislation changes, there have been no significant changes in relation to mandated operations, personnel, and programs over the same period last year.

On November 15, 2011, through Orders-in-Council, Shared Services Canada (SSC) assumed responsibility for providing email, network and data centre services to 44 federal organizations across the federal government, including CSC.

As part of the reallocation of resources for services transferred to SSC, CSC is transferring \$20.8M (\$16.4 million in Operating funding and \$4.4 million in Capital funding) for 2011-2012. In addition to CSC personnel moving to SSC, starting next fiscal year, \$43.3M in operating and capital funding will be permanently transferred to SSC.

Approvals by Senior Officials

Signed by _____
Don Head, Commissioner
Ottawa, Canada
February 16, 2012

Signed by _____
Liette Dumas-Sluyter, CMA, CIA
Chief Financial Officer

Statement of Authorities (unaudited)

Authorities ¹	Fiscal Year 2011-2012		Fiscal Year 2010-2011		
	Total available for use for the year ending March 31, 2012**	Used during the quarter ended December 31, 2011	Total available for use for the year ending March 31, 2011*	Used during the quarter ended December 31, 2010	Year to date used at quarter-end
(in thousands of dollars)					
Vote 25 (30) – Operating Expenditures	2 356 032	530 394	1 985 891	455 612	1 346 134
Vote 30 (35) – Capital Expenditures	571 981	77 969	337 311	48 114	83 442
Budgetary Statutory Authorities					
CORCAN Gross Expenditures	80 460	25 633	91 362	19 878	53 410
CORCAN Gross Revenues	(80 460)	(22 709)	(91 362)	(14 023)	(55 362)
CORCAN Net Expenditures (Revenues)	–	2 924	–	5 855	(1 952)
Other Budgetary Statutory Authorities	258 513	64 130	214 405	53 211	159 666
Total Budgetary Authorities	3 186 526	675 417	2 537 607	562 792	1 587 290
Non-Budgetary Authorities	49	1	48	–	–
Total Authorities	3 186 575	675 418	2 537 655	562 792	1 587 290

Note 1: Pursuant to s. 31.1 of the Financial Administration Act and Order-in-Council P.C. 2011-1297 effective November 15, 2011, \$16.4 million is deemed to have been appropriated to Shared Services Canada (SSC) Operating Expenditures and \$4.4 million is deemed to have been appropriated to SSC Capital Expenditures, which results in a reduction for the same amounts in CSC, Vote 25 (Operating Expenditures) and Vote 30 (Capital Expenditures), Appropriation Act No.1, 2011-2012. To date, sufficient financial details are not known to publish the exact amount of expenditures that have been incurred on behalf of SSC by CSC.

More information is available on the following page.

* Includes only Authorities that were available for use and granted by Parliament as of December 31, 2010.

** Includes only Authorities that were available for use and granted by Parliament as of December 31, 2011.

Departmental Budgetary Expenditures by Standard Object (unaudited)

	Fiscal Year 2011-2012			Fiscal Year 2010-2011		
	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended December 31, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended December 31, 2010	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	1 821 139	464 924	1 333 670	1 533 179	392 082	1 168 939
Transportation and communications	74 757	15 334	37 422	70 480	13 229	34 095
Information	2 509	471	868	2 437	308	729
Professional and special services	452 685	81 804	200 476	360 743	67 621	198 607
Rentals	15 307	2 654	8 647	12 095	4 271	9 211
Repair and maintenance	62 138	8 410	24 991	62 615	9 485	24 164
Utilities, materials and supplies	174 620	31 930	81 762	160 046	31 954	81 565
Acquisition of land, buildings and works	371 276	65 422	119 388	220 463	35 684	55 748
Acquisition of machinery and equipment	202 826	13 866	27 722	118 412	10 869	24 486
Transfer payments	1 573	514	951	1 573	383	432
Other subsidies and payments	88 156	12 797	51 615	86 926	10 929	44 676
Total Gross Budgetary Expenditures	3 266 986	698 126	1 887 512	2 628 969	576 815	1 642 652
Less Revenues Netted Against Expenditures						
CORCAN	(80 460)	(22 709)	(53 442)	(91 362)	(14 023)	(55 362)
Total Net Budgetary Expenditures	3 186 526	675 417	1 834 070	2 537 607	562 792	1 587 290