

CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



Quarterly Financial Report

FOR THE QUARTER ENDED DECEMBER 31, 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](#), [Supplementary Estimates](#) and Quarterly Financial Reports as of [June 30, 2017](#) and [September 30, 2017](#). This report has not been subject to an external audit or review.

The purpose of the federal correctional system, as defined in 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). 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 \(B\)](#) for the 2017-2018 fiscal year, for which full supply was released on December 11, 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 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.

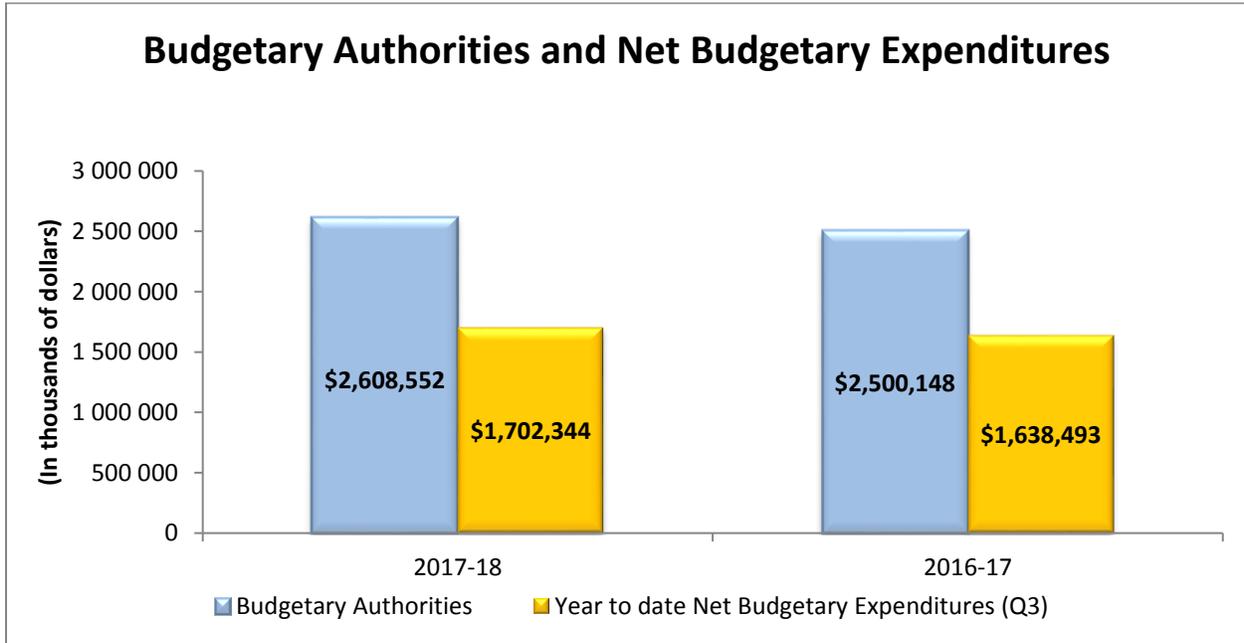
CSC uses the full accrual method of accounting to prepare and present its annual consolidated financial statements that are part of the departmental reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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. [2017-1544](#).

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

The following graph provides a comparison of the budgetary authorities and net budgetary expenditures as of December 31, 2017 and December 31, 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 December 31, 2017, CSC has seen an **increase** in total net authorities of **\$108.4 million or 4.3%** for the current fiscal year compared to the previous fiscal year.

Operating Vote

CSC's Operating Vote **increased by \$105.8 million or 5.2%** compared to the authorities at the end of December 2016, which is attributed to the net effect of the following items:

- An **increase of \$52.7 million** related to Collective Agreements;
- A **net increase of \$31.2 million** related to the Operating Budget Carry Forward compared to prior fiscal year;
- An **increase of \$12.0 million** related to Budget 2017: *Addressing the needs of vulnerable offenders in the federal correctional system*;
- A **net increase of \$10.4 million** related to Quasi-Statutory Requirements;
- An **increase of \$4.6 million** related to Paylist Requirements;
- An **increase of \$0.1 million** related to miscellaneous items;
- A **decrease of \$4.9 million** related to the 2016 Budget Reduction for Advertisement, Travel and Professional Services; and
- A **net decrease of \$0.3 million** related to 2017-2018 funding of Federal Contaminated Sites Action Plan (FCSAP – Phase III) compared to previous year.

Capital Vote

CSC's Capital Vote **increased by \$23.8 million or 10.3%** compared to the authorities at the end of December 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;
- An **increase of \$0.2 million** related to a transfer from the RCMP for the Shared Learning Facility Project; 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 \$21.2 million or 8.4%** 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 \$63.9 million or 3.9%** due to multiple factors:

- Personnel expenditures **increased by \$49.4 million** mainly due to the retroactive payments being processed during the third quarter of 2017-2018 following the signing of various collective agreements;
- Professional and special services **increased by \$13.4 million** mainly due to an increase in community-based residential services and other minor increases in various professional and special services expenditures;
- Other **increased by \$12.2 million** mainly due to reduced CORCAN revenues netted against expenditures, timing differences associated with the interdepartmental invoicing for administrative charges related to the Workers' Compensation, and an increase in inventory consumption by CORCAN;
- Acquisition of land, buildings and works expenditures **decreased by \$7.4 million** as a result of timing differences with interdepartmental invoicing for CSC's portion of various construction projects; and
- Utilities, materials and supplies **decreased by \$3.7 million** mainly due to timing differences in the purchase of medications for Hepatitis C drug treatments approved by Health Canada.

When compared to the same period in the previous fiscal year, total net budgetary expenditures in the third quarter ending December 31, 2017 have **increased by \$20.0 million or 3.5%**. The net increase is due to the **increase of \$10.2 million** in personnel related to the retroactive payments being processed during the third quarter of 2017-2018 following the signing of various collective agreements. Additionally, professional and special services **increased by \$21.2 million** as a result of timing differences with interdepartmental invoicing of legal services fees between CSC and Department of Justice and timing differences in the Exchange of Service Agreements (ESA) with the provinces and territories. Utilities, materials and supplies **decreased by \$14.4 million** mainly due to timing differences in the purchase of medications for Hepatitis C drug treatments approved by Health Canada.

(in millions of dollars)

Departmental Budgetary Expenditures	Year To Date	Quarter Over Quarter
Total Net Budgetary Expenditures 2016-2017	1,638.4	568.5
Total Net Budgetary Expenditures 2017-2018	1,702.3	588.5
Variance	63.9	20.0
Explanation of Variances by Standard Object		
• Personnel	49.4	10.2
• Professional and special services	13.4	21.2
• Utilities, materials and supplies	(3.7)	(14.4)
• Acquisition of land, buildings and works	(7.4)	1.4
• Other	12.2	1.6
Total	63.9	20.0

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 will freeze the overall federal operating budget. Consequently, CSC will have to fund the increases in salary resulting from collective agreements that take 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 potential loss of partners delivering critical services and providing resources for offenders, the ability to manage significant change related to transformation, legislative changes and fiscal constraints, 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 manage risk-related challenges, ensure operational sustainability and fulfill its mandate.

Significant Changes in Relation to Operations, Personnel and Programs

Significant changes in relation to Operations, Personnel and Programs during the third quarter of 2017-2018 include:

- Denis Bombardier was appointed to the position of Chief Financial Officer, Correctional Service Canada, effective October 16, 2017.
- Don Head announced on November 1, 2017 his decision to retire effective February 3, 2018.
- Anne Kelly has been appointed to the position of Interim Commissioner, effective February 5, 2018.

Approvals by Senior Officials

Approved by:

Original Signed By _____

Anne Kelly
Interim Commissioner

*Ottawa, Canada
February 23, 2018*

Original Signed By _____

Denis Bombardier, CPA, CGA
Chief Financial Officer

CORRECTIONAL SERVICE OF CANADA

QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED DECEMBER 31, 2017

Statement of Authorities (unaudited)

	Fiscal Year 2017-2018			Fiscal Year 2016-2017		
	Total available for use for the year ending March 31, 2018*	Used during the quarter ended December 31, 2017	Year to date used at quarter-end	Total available for use for the year ending March 31, 2017*	Used during the quarter ended December 31, 2016	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1 – Operating Expenditures	2,121,546	485,189	1,450,194	2,015,756	463,138	1,379,035
Vote 5 – Capital Expenditures	255,155	41,154	78,458	231,330	37,292	77,687
Budgetary Statutory Authorities						
CORCAN Gross Expenditures	120,292	22,788	62,792	92,605	20,727	56,104
CORCAN Gross Revenues	(120,292)	(18,040)	(61,239)	(92,605)	(15,549)	(63,013)
CORCAN Net Expenditures (Revenues)	-	4,748	1,553	-	5,178	(6,909)
Contributions to employee benefit plans	230,291	57,356	172,068	251,347	62,832	188,494
Refunds of previous years revenue	-	-	-	-	1	2
Spending of proceeds from the disposal of surplus Crown assets	1,560	47	71	1,715	47	184
Total Budgetary Authorities	2,608,552	588,494	1,702,344	2,500,148	568,488	1,638,493
Non-Budgetary Authorities	45	-	-	45	-	-
Total Authorities	2,608,597	588,494	1,702,344	2,500,193	568,488	1,638,493

More information is available on the following page.

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

CORRECTIONAL SERVICE OF CANADA

QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED DECEMBER 31, 2017

Organizational Budgetary Expenditures by Standard Object (unaudited)

	Fiscal Year 2017-2018			Fiscal Year 2016-2017		
	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended December 31, 2017	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended December 31, 2016	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	1,892,547	425,829	1,283,711	1,817,953	415,625	1,234,308
Transportation and communications	25,804	6,672	17,104	18,915	6,920	16,483
Information	610	154	368	544	220	425
Professional and special services	304,143	81,501	219,015	273,487	60,336	205,640
Rentals	16,946	7,371	16,549	16,059	5,366	14,002
Repair and maintenance	23,460	8,486	18,438	20,214	8,376	17,146
Utilities, materials and supplies	130,436	25,452	89,428	138,937	39,879	93,080
Acquisition of land, buildings and works*	178,411	26,756	46,778	180,788	25,346	54,178
Acquisition of machinery and equipment*	73,603	7,250	19,342	47,557	9,883	19,256
Transfer payments	120	531	1,583	4,820	55	1,692
Other subsidies and payments	82,763	16,532	51,267	73,479	12,031	45,296
Total Gross Budgetary Expenditures	2,728,843	606,534	1,763,583	2,592,753	584,037	1,701,506
Less Revenues Netted Against Expenditures						
CORCAN	(120,291)	(18,040)	(61,239)	(92,605)	(15,549)	(63,013)
Total Net Budgetary Expenditures	2,608,552	588,494	1,702,344	2,500,148	568,488	1,638,493

* These are mainly Vote 5 (Capital) expenditures