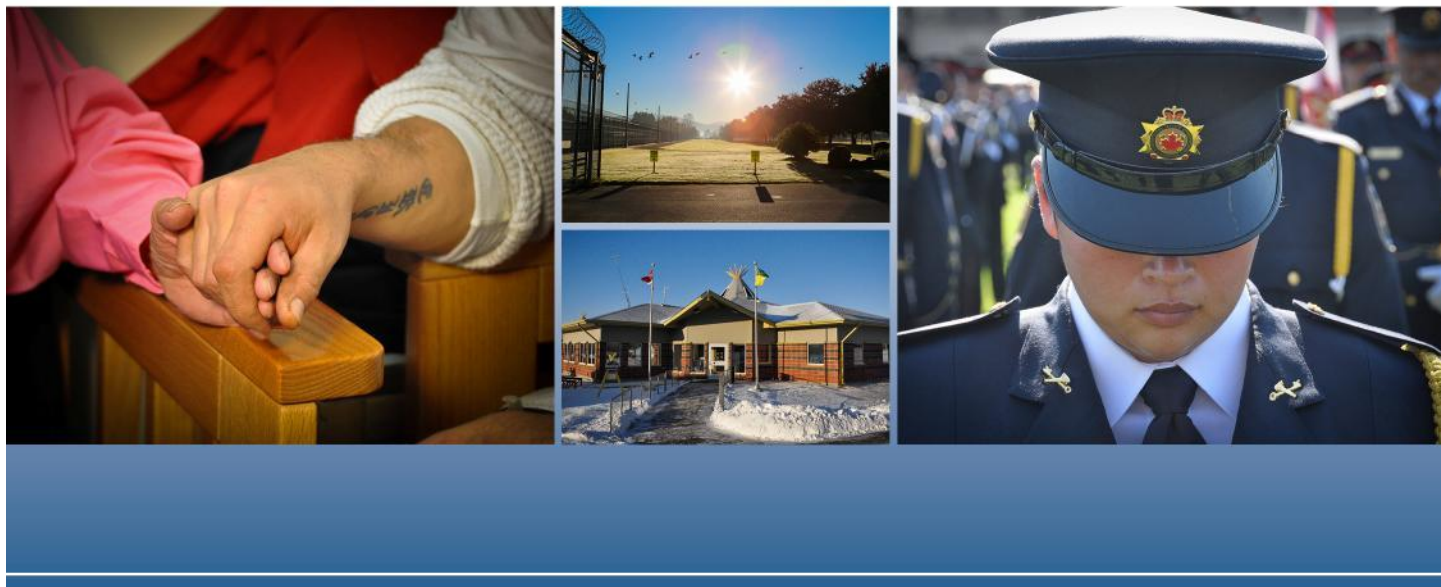


CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



Quarterly Financial Report

FOR THE QUARTER ENDED JUNE 30, 2022



Correctional Service
Canada

Service correctionnel
Canada

Canada

Table of Contents

Introduction.....	3
Basis of Presentation.....	3
Highlights of Fiscal Quarter and Fiscal Year to Date (YTD) Results	4
Significant Changes to Authorities	5
Explanation of Significant Variances from Previous Year Expenditures.....	6
Risks and Uncertainties	7
Significant Changes in Relation to Operations, Personnel and Programs	8
Statement of Authorities (unaudited).....	10
Organizational budgetary expenditures by Standard Object (unaudited)	11

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 2022-2023](#).

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 2022-2023 fiscal year for which the interim supply was released on March 31, 2022¹ and the full supply was released June 24, 2022². 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

¹ Released through Order in Council P.C. [2022-0319](#).

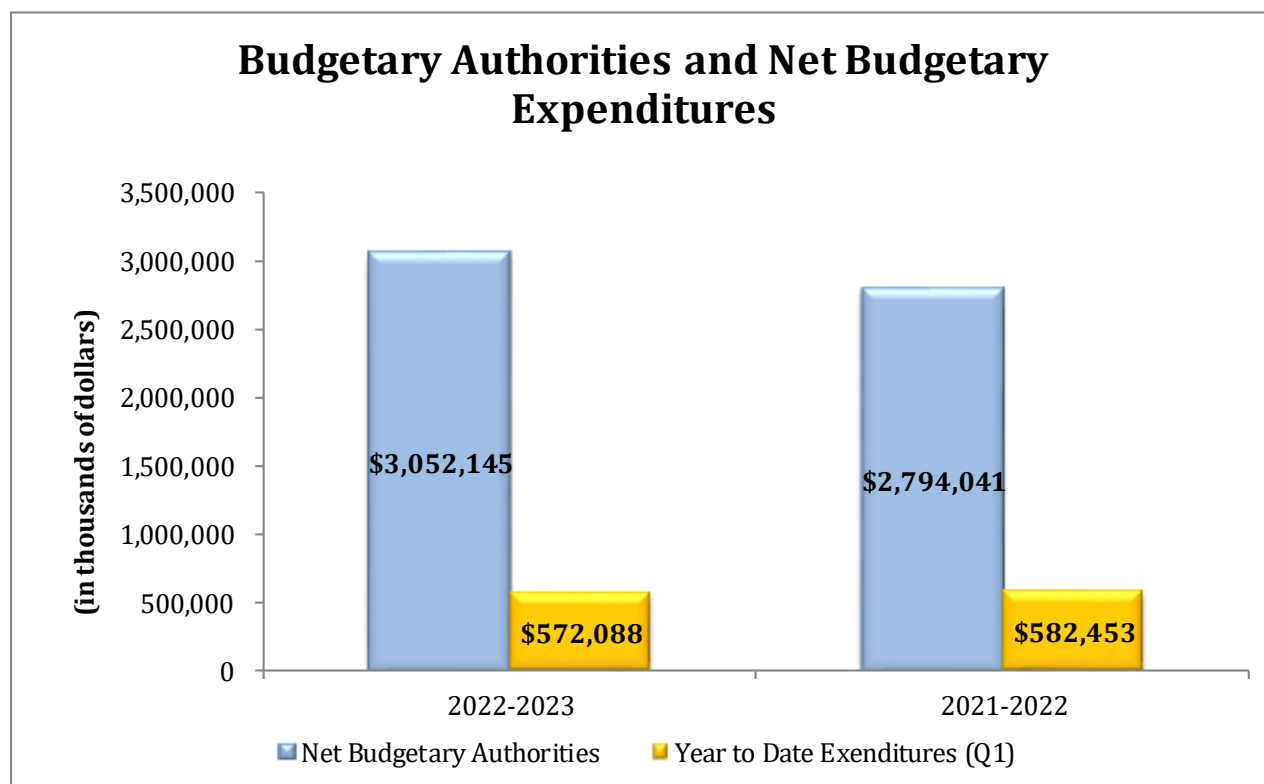
² Released through Order in Council P.C. [2022-0834](#).

of which is not to exceed \$20.0 million at any time. Through Supplementary Estimates (A), 2020–2021³, 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 2022-23 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, 2022 and June 30, 2021 for CSC's combined operating, capital and budgetary statutory authorities.



³ 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, 2022, CSC has seen an **increase** in total authorities of **\$258.1 million or 9.2%** for the current fiscal year compared to the previous fiscal year.

Operating Vote

CSC's Operating Vote **increased by \$219.5 million or 9.3%** compared to the authorities at the end of June 2021, which is attributed to the net effect of the following items:

- An **increase of \$141.6 million** related to funding for class action lawsuits;
- An **increase of \$48.6 million** related to compensation for the funded portion of collective agreement increases;
- An **increase of \$24.9 million** in funding related to *Transforming Federal Corrections* (Bill C-83);
- An **increase of \$13.8 million** related to funding approved for Support for the Correctional Service of Canada (Budget 2020);
- An **increase of \$8.1 million** in quasi statutory funding related to changes in prices and volume of goods and services being procured;
- An **increase of \$1.1 million** related to the reprofile of unused 2020-21 funding which was earmarked for the Innovative Solutions Canada initiative;
- An **increase of \$0.7 million** related to *Funding for Mental Health for Offenders and CORCAN Farms* (Budget 2018);
- A **decrease of \$11.8 million** in funding to support pressures related to COVID-19;
- A **decrease of \$3.6 million** for travel reductions (Budget 2021);
- A **decrease of \$3.1 million** to transfer funds to Shared Services Canada for Government IT Operations (Budget 2021);
- A **decrease of \$0.4 million** to transfer funds to the Royal Canadian Mounted Police for Law Enforcement Record Check Services;
- A **decrease of \$0.2 million** to transfer funds to Shared Services Canada for Administrative Service Review; and
- A **decrease of \$0.2 million** in funding for the *Federal Contaminated Sites Action Plan*.

Capital Vote

CSC's Capital Vote **increased by \$26.0 million or 13.8%** compared to the authorities at the end of June 2021, which is attributed to the net effect of the following items:

- An **increase of \$24.7 million** related to the reprofile of unused 2020-21 funding for the completion of capital projects; and
- An **increase of \$1.3 million** related to the Financial Management Transformation initiative.

Budgetary Statutory Authorities

CSC's budgetary statutory authorities **increased by \$12.6 million or 5.1%** compared to June 2021, which is related to:

- An **increase of \$14.0 million** for the department's allocation of the employer's share of the employee benefit plan;
- An **increase of \$1.1 million** of proceeds from the disposal of surplus Crown assets; and
- A **decrease of \$2.5 million** resulting from a reduction of the drawdown on the CORCAN revolving fund authority.

Explanation of Significant Variances from Previous Year Expenditures

Compared with the previous fiscal year, the total year to date net budgetary expenditures **decreased by \$10.4 million or 1.8%** mainly due to the following factors:

- Personnel expenditures **decreased by \$12.9 million** primarily due to:
 - A **decrease of \$8.3 million** in salary due to signing bonuses paid last year following the ratification of collective agreements in 2020-21;
 - A **decrease of \$5.0 million** in retroactive payments paid last year following the ratification of collective agreements in 2020-21;
 - A **decrease of \$0.3 million** in severance pay; and
 - An **increase of \$0.7 million** for the employer's contributions to the employee benefit plan. This will be adjusted at year-end based on total salary expenditures.
- Professional and special services **increased by \$3.8 million** primarily due to:
 - An **increase of \$3.1 million** in expenditures related to Community Residential Facilities, mainly in the actual bed day usage; and
 - An **increase of \$0.7 million** in Correctional and Training Fees.
- Rentals **increased by \$1.6 million** primarily in license and maintenance fees due to remote work requirements and for invoices being processed earlier this year than last year.
- Repair and maintenance **increased by \$2.6 million** in other equipment primarily due to the maintenance of fire safety equipment.
- Utilities, materials and supplies **increased by \$3.1 million** primarily due to:
 - An **increase of \$1.6 million** in the allowance for footwear, which is paid every second year; and
 - An **increase of \$1.5 million** in the purchasing of medications, mainly Hepatitis C medications, to ensure the maintenance of adequate inventory levels for operational needs.
- Acquisition of machinery and equipment **decreased by \$2.9 million** primarily due to:
 - A **decrease of \$2.1 million** for laptops and other IT equipment, mainly due to equipment ordered in 2020-21 but only received at beginning of 2021-22, to allow the organization to maintain operations during the pandemic; and
 - A **decrease of \$0.8 million** in other vehicles due to a timing difference in purchasing vehicles from one quarter to another.

- Transfer payments **increased by \$1.0 million** due to a new contribution agreement with a local non-profit organization signed in October 2021, qualified under CSC's National Infrastructure Contribution Program.
- Other subsidies and payments **decreased by \$4.5 million** primarily due to:
 - A **decrease of \$2.5 million** in out of court settlements court ordered payments; and
 - A **decrease of \$2.0 million** in court ordered payments.
- A **net increase of \$2.4 million** in CORCAN's revenues as the result of improved activities at the institutions as well as the gradual reopening of the economy in general.
- An **increase of \$0.2 million** in other standard objects.

(in millions of dollars)

Organizational Budgetary Expenditures	Year-to-Date Over Prior Year-to-Date
Total Net Budgetary Expenditures 2021-2022	582.5
Total Net Budgetary Expenditures 2022-2023	572.1
Variance	(10.4)
Explanation of Variances by Standard Object	
Personnel	(12.9)
Professional and special services	3.8
Rentals	1.6
Purchased repair and maintenance	2.6
Utilities, materials and supplies	3.1
Acquisition of machinery and equipment	(2.9)
Transfer payments	1.0
Other subsidies and payments	(4.5)
CORCAN revenues	(2.4)
Other standard objects	0.2
Total	(10.4)

Risks and Uncertainties

CSC's [Departmental Plan 2022-2023](#) identifies the current risk environment and CSC's key risk areas to the achievement of its strategic outcomes.

The Government of Canada lifted the proof of vaccination required for federal public servants and supplier personnel as of June 20, 2022. In line with the Government of Canada's decision, effective June 27, 2022, visitors are no longer required to show a proof of vaccination to enter CSC facilities. CSC's existing infection prevention and control efforts are ongoing and CSC will continue to follow public health guidance in adherence with national, provincial and local public health authorities. 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 2022-23 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 2022-2023](#), 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. Over 84% of the inmate population has had at least one dose of the vaccine, more than 81% are fully vaccinated and over 56% are fully vaccinated with an additional dose. Since the situation has stabilized, CSC is gradually resuming inmate visits with appropriate public health measures in place.

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 \$20.0 million 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.

The following changes were made to key senior personnel, effective June 2022:

- Jay Pyke: previously Regional Deputy Commissioner of the Atlantic Region has been appointed Assistant Commissioner of Human Resource Management Sector.

Approvals by Senior Officials

Approved by:

Original signed by
Anne Kelly,
Commissioner

Original signed by
Tony Matson,
Chief Financial Officer

Ottawa, Canada
August 21, 2022

Statement of Authorities (unaudited)

	Fiscal year 2022-2023			Fiscal year 2021-2022		
	Total available for use for the year ending March 31, 2023*	Used during the quarter ended June 30, 2022	Year to date used at quarter-end	Main Estimates for the year ending March 31, 2022*	Used during the quarter ended June 30, 2021	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1 – Operating expenditures						
Gross Operating expenditures	2,582,790	506,433	506,433	2,363,293	513,673	513,673
Vote-netted revenues	(3,943)	-	-	(3,943)	-	-
Net operating expenditures	2,578,847	506,433	506,433	2,359,350	513,673	513,673
Vote 5 – Capital expenditures	213,794	10,572	10,572	187,797	10,998	10,998
Budgetary statutory authorities						
CORCAN gross expenditures	109,527	20,153	20,153	108,388	21,036	21,036
CORCAN revenues	(109,731)	(26,728)	(26,728)	(106,106)	(24,316)	(24,316)
CORCAN net expenditures	(204)	(6,575)	(6,575)	2,282	(3,280)	
Spending of proceeds from disposal of surplus Crown assets	1,416	1	1	366	-	-
Contributions to employee benefits plans	258,292	61,657	61,657	244,246	61,062	61,062
	259,381	61,658	61,658	244,612	61,062	61,062
Total budgetary authorities	3,052,145	572,088	572,088	2,794,041	582,453	582,453
Non-budgetary authorities	45	-	-	45	-	-
Total authorities	3,052,190	572,088	572,088	2,794,086	582,453	582,453

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 2022 was \$20.0M, of which \$0.2M was used, leaving a residual balance available of \$19.8M. In comparison, at the end of June 2021, CORCAN's drawdown authority was \$20.0M, of which \$4.8M was utilized, and \$15.2M of funding was available.

Organizational budgetary expenditures by Standard Object (unaudited)

	<i>Fiscal year 2022-2023</i>			<i>Fiscal year 2021-2022</i>		
	Planned expenditures for the year ending March 31, 2023	Expended during the quarter ended June 30, 2022	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2022	Expended during the quarter ended June 30, 2021	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	2,036,908	471,616	471,616	1,951,323	484,508	484,508
Transportation and communications	25,674	3,398	3,398	13,546	2,435	2,435
Information	467	39	39	273	47	47
Professional and special services	506,537	63,418	63,418	369,586	59,628	59,628
Rentals	44,557	8,983	8,983	25,992	7,401	7,401
Purchased repair and maintenance	26,877	5,379	5,379	23,691	2,776	2,776
Utilities, materials and supplies	178,225	26,028	26,028	198,312	22,951	22,951
Acquisition of land, buildings and works*	117,897	4,262	4,262	67,605	4,913	4,913
Acquisition of machinery and equipment*	92,613	2,479	2,479	115,856	5,352	5,352
Transfer payments	720	1,000	1,000	120	-	-
Other subsidies and payments	135,344	12,214	12,214	137,786	16,758	16,758
Total gross budgetary expenditures	3,165,819	598,816	598,816	2,904,090	606,769	606,769
Less revenues netted against expenditures						
Vote Netted Revenue	(3,943)	-	-	(3,943)	-	-
CORCAN	(109,731)	(26,728)	(26,728)	(106,106)	(24,316)	(24,316)
Total revenues netted against expenditures	(113,674)	(26,728)	(26,728)	(110,049)	(24,316)	(24,316)
Total net budgetary expenditures	3,052,145	572,088	572,088	2,794,041	582,453	582,453

* These are mainly Vote 5 (Capital) expenditures.