

# Aboriginal Affairs and Northern Development Canada

## Quarterly Financial Report

### For the Quarter Ended June 30, 2011

#### 1. Introduction

##### 1.1. Authority, Mandate and Program Activities

Aboriginal Affairs and Northern Development Canada (AANDC) is one of the federal departments responsible for meeting the Government of Canada's obligations and commitments to First Nations, Inuit, and Métis, and for fulfilling the federal government's constitutional responsibilities in the North. AANDC's responsibilities are largely determined by numerous statutes, negotiated agreements and legal decisions. Most of the Department's programs representing most of its spending, are delivered through partnerships with Aboriginal communities and federal-provincial or federal-territorial agreements. AANDC also works with urban Aboriginal persons, Métis and Non-Status Indians (many of whom live in rural areas) through the Office of the Federal Interlocutor.

The quarterly financial 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. It should be read in conjunction with the Main Estimates and Supplementary Estimates. For purposes of both the Main and Supplementary Estimates, the Department is referred to as Indian Affairs and Northern Development.

Further details on AANDC's authority, mandate and program activities can be found in Part II of the Main Estimates under the following link: <http://www.tbs-sct.gc.ca/est-pre/20112012/me-bpd/docs/me-bpd-eng.pdf> and the Report on Plans and Priorities under the following link: <http://www.tbs-sct.gc.ca/rpp/2011-12/inst/ian/ian00-eng.asp>.

##### 1.2 Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes AANDC's spending authorities granted by Parliament and those used by the Department consistent with the Main Estimates for the 2011-12 fiscal year. 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.

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

The quarterly financial report has not been subject to an external audit or review.

**2. Highlights of Fiscal Quarter and Fiscal Year-to-Date (YTD) Results**

**2.1 Statement of Authorities (Table 1)**

The Quarterly Financial Report reflects the results of the current fiscal period in relation to the Main Estimates and Supplementary Estimates (A) for which full supply was received on June 27, 2011. As at June 30, 2011, the total authorities available for use were \$7,386M compared to \$7,485M for the same quarter of the prior year, representing a decrease of \$99M as reflected in the Statement of Authorities (Table 1).

The \$99M decrease in total authorities is attributed to a combination of new or enhanced programs and programs that expired at the end of the 2010-11 fiscal year. A listing of notable increases / (decreases) are presented below:

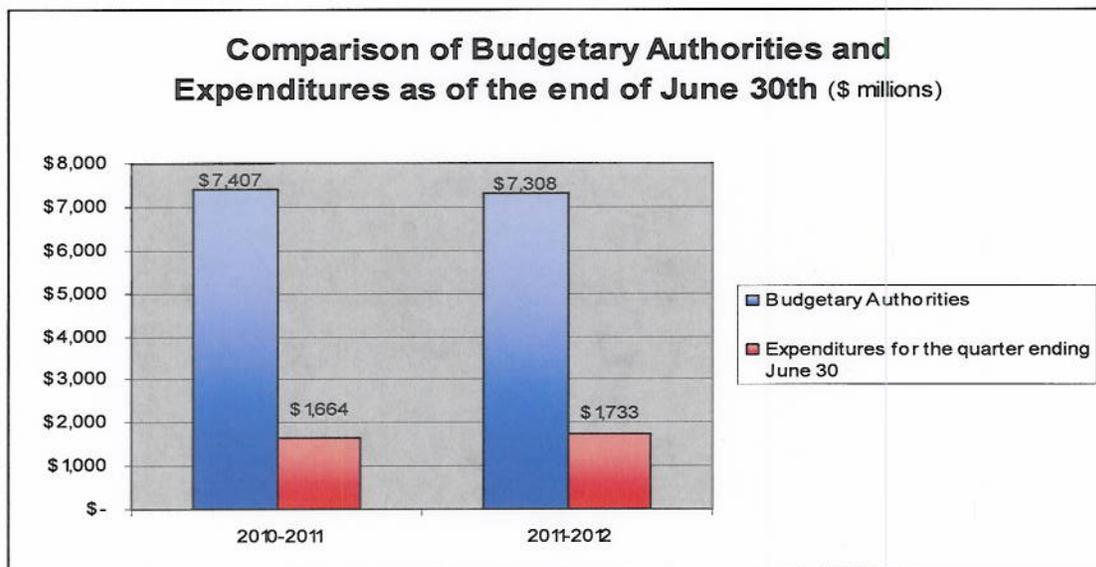
|    | Program  | Amount<br>(\$ millions) |
|----|--|-------------------------|
| a. | Implementation of the First Nations Water and Wastewater Action Plan   | 159                     |
| b. | Funding to support the Federal Government's Obligations resulting from the Indian Residential Schools Settlement Agreement                             | 155                     |
| c. | Funding to meet increase demand for ongoing Indian and Inuit programs providing access to basic services such as education and social support services | 97                      |
| d. | Funding for negotiation, settlement and implementation of specific and comprehensive claims  | 57                      |
| e. | Funding to support the First Nations Infrastructure Fund   | 36                      |
| f. | Funding to support the First Nations Child and Family Services Program in Manitoba   | 35                      |
| g. | Various other small programs   | 78                      |
| h. | Funding from Canada's Economic Action Plan to support investments in First Nations infrastructure  | (289)                   |
| i. | Funding to support the implementation of the new Arctic Research Station   | (52)                    |
| j. | Funding related to the assessment, management and remediation of contaminated sites  | (199)                   |
| k. | Funding for initiatives in support of Canada's clean air agenda  | (10)                    |
| l. | Decrease related to the dissolution of Parliament for an election and the resulting short period before recess ( <i>Note 1</i> )                       | (166)                   |
|    | <b>Total increase / (decrease) to Departmental Authorities</b>   | <b>(99)</b>             |

*Note 1: The dissolution of Parliament changed the structure of the Estimates process and only funding for urgently required grant authority increases was received during the first quarter of the fiscal year.*

**2.2 Statement of Departmental Budgetary Expenditures by Standard Object (Table 2)**

Departmental spending in the first quarter of 2011-12 was \$68M higher than the same period in 2010-11. This increase can be attributed mainly to an increase of \$46M in transfer payments (standard object 10) issued to support a Self-Government agreement in the amount of \$18M, a comprehensive land claim settlement for \$15M, and the Nutrition North Canada Program for \$13M, formerly the Food Mail Program.

Additional spending increases are partially related to other subsidies and payments (standard object 12) for payments issued pursuant to decisions rendered through the Department's Independent Assessment Process and Alternative Dispute Resolution in the amount of \$18M. Other increases account for the remaining balance of \$4M.



**3. Risks and Uncertainties**

**3.1 Risks and Uncertainties**

AANDC's operating environment is complex as it funds programs and services to diverse groups of people (First Nations, Inuit, Métis and Northerners) who have varied and distinct priorities and needs, and who live in a vast range of communities throughout the country, from remote settlements with extreme climates in metropolitan urban areas. Further complicating the operating environment is that most of these services are delivered through partnerships with Aboriginal communities, the provinces and the territories. Many are, in fact, delivered by independent community-base services providers with differing levels of capacity to deliver effectively.

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Supreme Court and other court rulings on Aboriginal and treaty rights continue to have a significant impact on the Department's mandate and the way it works to fulfill the Crown's legal obligations, as well as having the potential for significant financial liability. To address its legal risks, the Department has been engaged in a number of activities and initiatives throughout the quarter, including active participation in the Assistant Deputy Minister (ADM) level Interdepartmental Working Group on Legal Risk Management and Integrated Risk Management; negotiation of comprehensive land claims, specific claims and self-government agreements; and continuing its work related to the Federal Contaminated Sites Action Plan.

Unforeseen emergency situations significantly above what would normally be expected and at unprecedented costs, such as the recent forest fires and floods experienced in Alberta, Saskatchewan, Manitoba and Ontario, can be devastating to the health and safety of Aboriginal communities and have a significant impact on the manner in which the Department continues to fulfill its obligations and deliver on its mandate. AANDC has to ensure that it has timely pertinent information for decision making, is capable of responding to such emergency situations and that resources are sourced and properly aligned to support communities at risk while continuing to support the effective and efficient delivery of its mandate.

### **3.2 Risk Mitigating Strategies**

Risk mitigating strategies are to be more responsive to the diversity of circumstances among Aboriginal groups and regions. This includes, for example, using more tri-partite based approaches that strengthen Aboriginal and government relationships. Another strategy is the creation of a community development approach that takes into account the varying sizes, resources and levels of political evolution of First Nations.

Budget 2010 announced that departmental operating budgets would be frozen at their 2010-11 level for the fiscal years 2011-12 and 2012-13. In order to address resource alignment risks, the Department sets priorities for each fiscal year and monitors expenditures and emerging pressures through regularly reporting in an effort to realign resources as required in a manner that best meets the needs of communities and supports the Department's mandate.

## **4. Significant changes in relation to Operations, Personnel and Programs**

There were no significant changes in relation to Operations, Personnel and Programs during the first quarter of fiscal year 2011-12.

## **5. Approval by Senior Officials**

Approved, as required by the Treasury Board *Policy on Financial Resource Management, Information and Reporting*:

*Original signed by*

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Michael Wernick  
Deputy Minister

Gatineau, Canada  
August 22, 2011

*Original signed by*

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Susan MacGowan, CMA  
Chief Financial Officer

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Table 1

Statement of Authorities (unaudited)

| (in thousands of dollars)                                      | Fiscal year 2011-2012                                       |   |                                  | Fiscal year 2010-2011                                       |   |                                  |
|--|---|---|----------------------------------|---|---|----------------------------------|
|  | Total available for use for the year ending March 31, 2012* | Used during the quarter ended June 30, 2011 | Year to date used at quarter-end | Total available for use for the year ending March 31, 2011* | Used during the quarter ended June 30, 2010 | Year to date used at quarter-end |
| Vote 1 - Operating Expenditures                                | 1,042,799   | 211,000                                     | 211,000                          | 1,056,678   | 188,172                                     | 188,172                          |
| Vote 5 - Capital Expenditures                                  | 12,194  | 148   | 148                              | 6,431   | -   | -                                |
| Vote 10 - Transfer payments                                    | 6,067,689   | 1,464,692                                   | 1,464,692                        | 6,187,116   | 1,434,144                                   | 1,434,144                        |
| (S) Budgetary statutory authorities:<br>Operating Expenditures | 75,821  | 17,923                                      | 17,923                           | 69,622  | 18,427                                      | 18,427                           |
| (S) Budgetary statutory authorities:<br>Transfer Payments      | 109,803   | 39,328                                      | 39,328                           | 87,357  | 23,956                                      | 23,956                           |
| Total Budgetary authorities                                    | 7,308,306   | 1,733,091                                   | 1,733,091                        | 7,407,204   | 1,664,699                                   | 1,664,699                        |
| Non-budgetary authorities                                      | 77,803  | 3,655                                       | 3,655                            | 77,803  | 4,992                                       | 4,992                            |
| <b>Total authorities</b>                                       | <b>7,386,109</b>  | <b>1,736,746</b>                            | <b>1,736,746</b>                 | <b>7,485,007</b>  | <b>1,669,691</b>                            | <b>1,669,691</b>                 |

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

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Table 2

Statement of 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 June 30, 2011 | Year to date used at quarter-end | Planned expenditures for the year ending March 31, 2011 | Expended during the quarter ended June 30, 2010 | Year to date used at quarter-end |
| <i>(in thousands of dollars)</i>            |   |   |                                  |   |   |                                  |
| Expenditures:                               |   |   |                                  |   |   |                                  |
| 01 Personnel                                | 466,533   | 119,762   | 119,762                          | 461,367   | 116,480   | 116,480                          |
| 02 Transportation and communications        | 54,024  | 5,333   | 5,333                            | 57,501  | 8,396   | 8,396                            |
| 03 Information                              | 13,748  | 400   | 400                              | 22,364  | 741   | 741                              |
| 04 Professional and special services        | 257,155   | 14,227  | 14,227                           | 322,431   | 16,997  | 16,997                           |
| 05 Rentals                                  | 11,525  | 940   | 940                              | 12,338  | 1,036   | 1,036                            |
| 06 Repair and maintenance                   | 5,083   | 231   | 231                              | 6,539   | 507   | 507                              |
| 07 Utilities, materials and supplies        | 8,496   | 685   | 685                              | 8,980   | 663   | 663                              |
| 08 Acquisition of land, buildings and works | 12,194  | -   | -                                | 6,431   | -   | -                                |
| 09 Acquisition of machinery and equipment   | 20,000  | 798   | 798                              | 20,000  | 428   | 428                              |
| 10 Transfer payments                        | 6,177,492   | 1,504,019                                       | 1,504,019                        | 6,274,473   | 1,458,101                                       | 1,458,101                        |
| 12 Other subsidies and payments             | 282,056   | 86,696  | 86,696                           | 214,780   | 61,350  | 61,350                           |
| <b>Total budgetary expenditures</b>         | <b>7,308,306</b>  | <b>1,733,091</b>                                | <b>1,733,091</b>                 | <b>7,407,204</b>  | <b>1,664,699</b>                                | <b>1,664,699</b>                 |