

Variance Analysis Summary :

AANDC Financial Statements (Unaudited)

Fiscal Year 2013-2014

*Totals may not add up due to rounding

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Part A – Statement of Financial Position
Fiscal Year 2013-2014

FY 2013-2014 Variance Summary
Statement of Financial Position (Unaudited)
As at March 31
(in thousands of dollars)

	2014	2013	Year-Over-Year Variance		Explained %	Unexplained %	Reference
			\$	%			
Liabilities							
Accounts payable and accrued liabilities (note 4)	632,704	672,255	(39,551)	-6%	-6%	0%	A 1
Vacation pay and compensatory leave	16,242	16,815	(573)	-3%			
Other Liabilities (note 5)	82,476	69,958	12,518	18%	16%	2%	A 2a, A 2b
Trust accounts (note 6)	890,472	920,104	(29,632)	-3%	-3%	0%	A 3
Settled claims (note 7)	356,355	432,926	(76,571)	-18%	-18%	0%	A 4
Provision for claims and Litigation (note 8)	9,755,837	10,714,925	(959,088)	-9%	-9%	0%	A 5
Environmental Liabilities (note 8)	2,702,986	2,530,833	172,153	7%	7%	0%	A 6a, A 6b
Provision for loan guarantees (note 8)	410	380	30	8%			
Employee Future Benefits (note 9)	21,010	30,603	(9,593)	-31%	-34%	3%	A 7
Total Liabilities	14,458,492	15,388,799	(930,307)	-6%			
Financial Assets							
Due from Consolidated Revenue Fund	1,587,441	1,645,275	(57,834)	-4%	-4%	0%	A 8
Accounts receivable and advances (note 10)	68,661	80,626	(11,965)	-15%	-18%	3%	A 9
Interest Receivable (note 11)	1,759	1,999	(240)	-12%			
Loans Receivable (note 12)	834,970	811,554	23,416	3%	3%	0%	A 10
Total gross financial assets	2,492,831	2,539,454	(46,623)	-2%			
Financial assets held on behalf of government							
Interest receivable(note 11)	(1,759)	(1,999)	240	-12%			
Loans receivable (note 12)	(834,970)	(811,554)	(23,416)	3%			
Total Financial Assets held on behalf of government	(836,729)	(813,553)	(23,145)	3%			
Total net financial assets	1,656,102	1,725,901	(69,799)	-4%			
Departmental Net Debt	12,802,390	13,662,898	(860,508)	-6%			
Non Financial Assets							
Land held for future claims settlements	39,570	31,635	7,935	25%			
Tangible Capital assets	67,662	65,738	1,924	3%			
Total Non Financial Assets	107,232	97,373	9,859	10%			
Departmental Net Financial Position (Note 15)	(12,695,158)	(13,565,525)					

A 1 – Accounts Payable and Accrued Liabilities

(Financial Reporting Account 211XX, 216XX)
(2013-2014 AANDC Financial Statements Note 4)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	632,704
Fiscal Year 2012-2013	672,255
Variance (+Increase / -Decrease)	-39,551
Percentage (+Increase / -Decrease)	-6%

Explanation of Major Variances	Variance \$	Variance %
Regular Accounts Payable: The overall decrease of \$14.5M can be largely attributed to an ongoing collective effort by all operating hubs to process payments on timely basis and increased efficiency due to the systems conversion (Oasis-SAP)	-14,496	-2%
Payable at year End G&C- External (British Columbia): This variance can be contributed to a reduction of a payable at year end (PAYE) under the Education strategic outcome. Due to system issues, the PAYE was setup in 2012-2013 for an amount owing to the Province using an estimated student count which resulted in an overestimated ending balance. In addition, efforts in reducing holdbacks for low risk recipient have also contributed to the reduction of the PAYE balance.	-18,135	-3%
Payable at year End O&M - External: Ongoing efforts to implement the Policy on Payables at Year End (PAYE) have also contributed to the reduction of this line item.	-4,804	-1%
Total Explained	-37,435	-6%
Total Unexplained	-2,116	0%

A 2a – Other Liabilities – Other Specified Purpose Accounts
(Financial Reporting Account 23441, 23442)
(2013-2014 AANDC Financial Statements Note 5)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	47,406
Fiscal Year 2012-2013	51,144
Variance (+Increase/ -Decrease)	-3,738
Percentage (+Increase/ -Decrease)	-7%

Explanation of Major Variances	Variance \$	Variance %
During 2013-2014, the total amount released from the Indian Moneys Suspense Accounts exceeded total receipts by \$4.8M. This can be attributed to a specific mandate to reduce the balance in the accounts through the resolution of outstanding issues, primarily in British Columbia region and Indian Oil and Gas Canada.	-4,279	-8%
Total Explained	-4,279	-8%

Total Unexplained	541	1%
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A 2b – Other Liabilities - Guarantee Deposits

(Financial Reporting Account 23211, 23213)
(2013-2014 AANDC Financial Statements Note 5)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	35,070
Fiscal Year 2012-2013	18,814
Variance (+Increase/ -Decrease)	16,256
Percentage (+Increase/ -Decrease)	86%

Explanation of Major Variances	Variance \$	Variance %
For fiscal year 2013-2014, the variance analysis for guarantee deposits is based on cash transactions only. This is due to the removal of non-negotiable Letters of Credit from the security deposit accounts.		
During 2013-2014, total cash receipts credited to Guarantee Deposit Account exceeded total cash disbursements by \$16.3M. Five significant cash receipts, totaled \$19.3M, were received in Northwest Territories and Nunavut regions:		
- In Northwest Territories, \$12.2M of cash deposits were for Land Use Permits.	19,309	102%
- In Nunavut, Letters of Credit valued at \$6.6M were cashed in 2013-2014. An organization failed to fulfill its duties under Nunavut Waters and Surface Rights Tribunal Act.		
Total Explained	19,309	102%
Total Unexplained	-3,053	-16%

A 3 – Trust Accounts

(Financial Reporting Account 23211, 23213)
(2013-2014 AANDC Financial Statements Note 6)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	890,472
Fiscal Year 2012-2013	920,104
Variance (+Increase/ -Decrease)	-29,632
Percentage (+Increase/ -Decrease)	-3%

Explanation of Major Variances	Variance \$	Variance %
The balances of the Indian Band Funds, Indian Savings Accounts and Indian Estates Accounts comprise the Indian Moneys Trust Accounts. Changes in balances result from total receipts credited to the accounts minus total disbursements made during the year.		
In 2013-2014, in Indian Band Funds alone, disbursements exceeded receipts by \$26.7M, which explains almost the total decrease in trust accounts of \$29.6M. The decrease in the balance of the Indian Band Funds balance during the year is primarily due to several significant disbursements from Band Fund accounts in Alberta, Saskatchewan and British Columbia.	-26,652	-3%
In 2013-2014, Indian Savings Account disbursements exceeded receipts by \$1.8M. The decrease in the balance of the Indian Savings Account during the year is mainly due to two large disbursements in Alberta and Saskatchewan.	-1,796	0%
Total Explained	-28,448	-3%
Total Unexplained	-1,184	0%

A 4 – Settled Claims

(Financial Reporting Account 24114)
(2013-2014 AANDC Financial Note 7)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	356,355
Fiscal Year 2012-2013	432,926
Variance (+Increase/ -Decrease)	-76,571
Percentage (+Increase/ -Decrease)	-18%

Explanation of Major Variances	Variance \$	Variance %
<p>Payments for settled claims are generally made over a number of years. The settled claim liability represents the present value of the future scheduled claim payments of all outstanding settled claims. The total decrease in the liability is due to a combination of the following:</p> <ul style="list-style-type: none"> - \$86M payments made in 2013-2014 which reduced the total liability - An addition of one settlement for Yale First Nation of \$3M which increases the total liability - Offset by a \$6.4M increase in present value 	-76,600	-18%
Total Explained	-76,600	-18%
Total Unexplained	29	0%

A 5 – Provision for Claims and Litigation

(Financial Reporting Account (21433)

(2013-2014 AANDC Financial Statement Note 8)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	9,755,837
Fiscal Year 2012-2013	10,714,925
Variance (+Increase/ -Decrease)	-959,088
Percentage (+Increase/ -Decrease)	-9%

Explanation of Major Variances	Variance \$	Variance %
The settlement of Specific or Comprehensive Claims flow through transfer payments to First Nations and which are explained in C1, C5 and C8. The payments for payments flow through operating expenses for court awards and other settlements as seen on C7.		
Specific Claims - The majority of the decrease in liability recorded can be explained by the settlement of 15 claims for a total of \$369.3M. Another \$130M decrease is due to one claim being removed from the inventory of Specific Claims and now reported as a Special Claim. The remainder of the decrease is primarily attributed to the change in valuation when more precise estimates become available as claims progress through the specific claims process, including an adjustment of \$33M resulting from the removal of claims following an opinion from the Department of Justice.	-563,548	-5%
Comprehensive Native Land Claims - The net increase in balance is attributable to inflationary changes (Final Domestic Demand Implicit Price Index) and population increases over the noted period. During this period there has been no new mandates or changes to the existing mandates.	87,220	1%
Special Claims - one claim was removed from Specific Claim inventory and reported now under Special Claim.	130,000	1%
Specific Claim at Tribunal - the net increase is only due of the changes in the estimation.	82,077	1%
Indian Residential School- The majority of the total variance is due to a combination of the following: - A decrease of liability of \$461M from the settlement of more than 5,000 claims. - A decrease in the total of claim estimate from 34,251 to 33,670. Note that the deadline to apply to the Independent Assessment Process was September, 2012, resulting in no new claims during 2013-14.	-671,381	-6%
Total Explained	-935,632	-9%
Total Unexplained	-23,456	0%

A 6a – Environmental Liabilities

(Financial Reporting Account 24141)
(2013-2014 AANDC Financial Statements Note 8)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	2,702,986
Fiscal Year 2012-2013	2,530,833
Variance (+Increase/ -Decrease)	172,153
Percentage (+Increase/ -Decrease)	7%

Explanation of Major Variances	Variance \$	Variance %
The total liability for one mine has increased by 14% from \$926M (2012-2013) to \$1,056M (2013-2014). The main reason for the increase in costs is that the estimate is now based on the Medium Term Plan rather than the 2013-2014 year end balances. The estimate from the Medium Term Plan more accurately reflects future project management requirements and includes costs to provide project management support by third party consultants. Further, an increase in the Consumer Price Index (CPI) rate used in the calculation of the cost estimate for contaminated sites resulted in the increase of the liabilities.	172,153	7%
Total Explained	172,153	7%
Total Unexplained	0	0%

A 6b – Contingent Liability: Environmental Liabilities

(2013-2014 AANDC Financial Statements Note 8)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	722
Fiscal Year 2012-2013	13,524
Variance (+Increase/ -Decrease)	-12,802
Percentage (+Increase/ -Decrease)	-95%

Explanation of Major Variances	Variance \$	Variance %
<p>This represents the decrease in contingent liability of contaminated sites (in the Southern Region). The decrease resulted by a reduction of contingent liability for previously reported sites of approx. \$12.8M. The reduction in liability is due to AANDC South of 60's implementation of the stricter Public Sector Accounting Board Standard 3260 and guidance provided by the Office of the Comptroller General on contingent liability recognition. By implementing the stricter standard and guidance, South of 60° reduced the total number of sites reporting a contingent liability from 23 to 2. Of the \$13.5 million in contingent liability reported in the previous year, \$9.1 million was determined to meet the criteria of a liability; \$3.4 million was determined to not meet the criteria of a contingent liability and the sites were closed; and 1 site had its contingent liability zeroed out while it undergoes further assessment to better determine the extent and responsibility of the contamination.</p>	-12,802	-95%
Total Explained	-12,802	-95%
Total Unexplained	0	0%

A 7 – Employee Future Benefits

(Financial Reporting Account 21415)

(2013-2014 AANDC Financial Statement Note 9)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	21,010
Fiscal Year 2012-2013	30,603
Variance (+Increase/ -Decrease)	-9,593
Percentage (+Increase/ -Decrease)	-31%

Explanation of Major Variances	Variance \$	Variance %
Employee Severance Benefit Liability is based on a calculation promulgated by the Office of the Comptroller General of Canada. Decrease of the liability is largely due to the fact that in 2013-2014, more employee groups accepted the elimination of severance benefits for voluntary separation, therefore, lower future severance benefit liabilities have been accrued for these groups.	-10,602	-34%
Total Explained	-10,602	-34%

Total Unexplained	1,009	3%
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A 8 – Due from Consolidated Revenue Fund

(Financial Reporting Account 11242, 13314, 13315, 13392, 21111, 21112, 21113, 21119, 21128, 21132, 21134, 21151, 21613, 23211, 23213, 23214, 23221, 23222, 23223, 23225, 23441, 23442)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	1,587,441
Fiscal Year 2012-2013	1,645,275
Variance (+Increase/ -Decrease)	-57,834
Percentage (+Increase/ -Decrease)	-4%

Explanation of Major Variances

Amounts included in the Due from the Consolidated Revenue Fund are the result of timing differences at year end between when a transaction affects authorities and when it is processed through the Consolidated Revenue Fund. Amounts due from the Consolidated Revenue Fund represent the net amount of cash AANDC is entitled to draw from the fund without further authorities to discharge its liabilities.

The decrease in Due from the Consolidated Revenue Fund can be attributed to the following:

- Decrease in External Payables at Year End (- \$24M) (see A 1 on page 5).
- Decrease in Regular Accounts Payable (- \$14.5M) (see A 1 on page 5).
- Offset by an increase Accounts Receivable (+ \$5.7M) (see A 9 on page 15).

A 9 – Accounts Receivable and Advances

(Financial Reporting Account 111XX, 112XX, 133XX)
(2013-2014 AANDC Financial Statement Note 10)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	68,661
Fiscal Year 2012-2013	80,626
Variance (+Increase/ -Decrease)	-11,965
Percentage (+Increase/ -Decrease)	-15%

Explanation of Major Variances	Variance \$	Variance %
Accounts Receivable (Other Revenue): Receivables were adjusted by \$20M. The correction was related to 2008 revenues and was required after the production of an audit report and was processed during 2013-2014.	-24,568	-30%
Accounts Receivable (Other Government Departments): The variance can be explained by 2 events. A receivable was set-up to recover an electronic billing payment that was overpaid by AANDC for the amount totaling \$3.4M. Also, higher interest rates generated by Band's fund, attribute to the increase.	5,500	7%
Accounts Receivable (Overpayments to be Recovered): The majority of this variance can be attributed to 3 accounts receivables that were set up in the 2013-2014 year. The receivables are in relation to the Emergency Response items related to a flood in 2011.	4,248	5%
Total Explained	-14,820	-18%
Total Unexplained	2,855	3%

A 10 – Loans Receivable

(Financial Reporting Account 11234, 11239, 1333X, 1337X, 1338X, 13399, 13439)

(2013-2014 AANDC Financial Statement Note 12)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	834,970
Fiscal Year 2012-2013	811,554
Variance (+Increase/ -Decrease)	23,416
Percentage (+Increase/ -Decrease)	3%

Explanation of Major Variances	Variance \$	Variance %
British Columbia Treaty Commission - First Nations in British Columbia: The number of loans to First Nations in British Columbia increased from 5,977 in 2012-2013 to 6,243 in 2013-2014 with issuance of new loans of \$24M, offset by loan repayments of \$1.7M, resulting in a \$21M increase in outstanding loan balances.	20,766	3%
Total Explained	20,766	3%
Total Unexplained	2,650	0%

Part B – Statement of Operations

B 1 – Statement of Operations – 2013-2014 versus 2012-2013

For the Year Ended March 31

(in thousands of dollars)

	2014	2013	Year-Over-Year Variance	
			\$	%
Expenses				
People	3,389,603	4,208,786	(819,183)	-19%
Land and Economy	1,417,535	1,467,186	(49,651)	-3%
Government	1,336,544	1,396,871	(60,327)	-4%
North	595,255	490,664	104,591	21%
Internal Services	402,579	349,512	53,067	15%
Expenses incurred on behalf of Government	8,906	6,960	1,946	28%
Total expenses	7,150,422	7,919,979	(769,557)	-10%
Revenues				
Norman Wells project profits	83,503	108,884	(25,381)	-23%
Resource royalties	16,283	68,321	(52,038)	-76%
Interest on loans	6,168	5,970	198	3%
Miscellaneous	5,021	4,835	186	4%
Leases and rentals	2,665	3,874	(1,209)	-31%
Finance and administrative services	690	744	(54)	-7%
Revenues earned on behalf of Government	(112,870)	(190,205)	77,335	-41%
Total revenues	1,460	2,423	(963)	-40%
Net cost from continuing operations	7,148,962	7,917,556	(768,594)	-10%

Highlights of Major Variances – Statement of Operations 2013-14 versus 2012-2013

EXPENSES

There were no significant changes to the Department's strategic outcomes from 2012-2013 to 2013-2014. Additionally, no material adjustments were made to the strategic outcomes during the year. The explanation of individual variances grouped by strategic outcomes can be found in the expense variance summaries in part C.

- **People**

The decrease can be largely explained by the change in the provision for claims and litigation for litigation claims, non-litigation claims and Indian Residential Schools claims (See C 8 – Operating Expenses, Claims and Litigation on page 32)

- **Land and Economy**

The decrease is mainly attributed to a reduction of contaminated sites liability, decrease of cost estimates and offset by additional liabilities from new sites assessed.

- **Government**

The decrease is largely explained by the variance of specific claims in First Nations. Negotiating a claim depends on when claims are submitted by First Nations, the nature of claims, their values and the progress of negotiations, which is different from one claim to another. (See C 1 – Transfer Payments, First Nations on page 25).

- **North**

The increase can be explained by the implementation of the Site Stabilisation Plan and the Consumer Price Index rate increase. This Site Stabilisation plan focuses on the remediation of high risk items at the site that could not wait for the environmental assessment process to be complete. (See C 9 – Professional and Special Services on page 33). Further, an increase in the Consumer Price Index rate used in the calculation of the cost estimate for contaminated sites resulted in the increase of the liabilities.

- **Internal Services**

The increase can be explained by the variance of Court Awards and Other Settlements. These expenditures are related to the settlement of damage, other claims against the crown and court awards. The majority of the variance is due to a settlement for this claim (Litigation file): Slate Falls Nation v. The Attorney General (Canada) and Ontario Power Generation Inc. (See C 7 – Court Awards and other Settlements on page 31)

REVENUE

Variance analysis for revenue is provided in Part D “Revenue – Note 18 Segmented Information”.

B 2 – Statement of Operations – Actual versus Planned

For the Year Ended March 31

(in thousands of dollars)

	2014	2014 Planned	Variance (Actual versus Planned)	
			\$	%
Expenses				
People	3,389,603	3,570,137	(180,534)	-5%
Land and Economy	1,417,535	1,537,896	(120,361)	-8%
Government	1,336,544	1,487,532	(150,988)	-10%
North	595,255	250,041	345,214	138%
Internal Services	402,579	275,248	127,331	46%
Expenses incurred on behalf of Government	8,906	(7,627)	16,533	-217%
Total expenses	7,150,422	7,113,227	37,195	0%
Revenues				
Norman Wells project profits	83,503	91,183	(7,680)	-8%
Resource royalties	16,283	64,733	(48,450)	-75%
Interest on loans	6,168	6,943	(775)	-11%
Miscellaneous	5,021	2,438	2,583	106%
Leases and rentals	2,665	1,873	792	42%
Finance and administrative services	690	750	(60)	-8%
Revenues earned on behalf of Government	(112,870)	(167,170)	54,300	-32%
Total revenues	1,460	750	710	95%
Net cost from continuing operations	7,148,962	7,112,477	36,485	0%

Highlights of Major Variances – Statement of Operations

Actual versus Planned Planned Results

The forecasted financial information for 2013-2014 only included amounts presented in the 2013-2014 Report on Plan and Priorities.

The 2013-2014 Supplementary Estimates were not included in the 2013-2014 forecasts.

Accruals for new contingent liabilities for claims and litigations and new environmental liabilities were excluded from the forecast as they could not be reasonably foreseen or quantified.

EXPENSES

- **North**

North presents the highest variance between actual and planned. The variance is mainly due to a higher CPI rate used in the actual cost estimate. The variance can also be attributed to an increase in accrued environmental liabilities recorded for the northern regions (C 10 – Operating Expenses, Contaminated Sites on page 34) while a decrease was forecasted for remediation of existing contaminated sites.

- **Internal Services**

The increase can be explained by the variance of Court Awards and Other Settlements and the related Legal Services. These expenses are related to the settlement of damage, other claims against the crown and court awards. The majority of variance is due of a settlement for the litigation file (See C 7 – Court Awards and Other Settlements on page 31)

REVENUES

- **Resource Royalties**

The variance is due to an adjustment to prior year revenues and lower than anticipated diamond and petroleum prices (See A 9 - Accounts Receivable and Advances on page 15).

- **Miscellaneous Revenue**

Some revenue items were not forecasted as they were considered extraordinary items, i.e. forfeiture revenue and gain on disposal of non-capital and capital assets etc. These amounts were included in 2013-2014 actual but not included in the planned.

Part C – Expenses - Note 18, Segmented Information

Expenses – Note 18 Segmented Information (Unaudited)

As at March 31

(in thousands of dollars)

	2014	2013	Year-Over-Year Variance		Explained %	Unexplained %	Reference
			\$	%			
Transfer Payments							
First Nations	5,511,630	5,687,349	(175,719)	-3%	-3%	0%	C 1
Provincial/ Territorial governments and institutions	857,128	809,617	47,511	6%	6%	0%	C 2
Industry	104,795	97,064	7,731	8%			
Contaminated Sites (note 8)	40,358	43,622	(3,264)	-7%			
Non-profit organizations	41,473	41,418	55	0%			
Other	547	333	214	64%	66%	-2%	C 3
Refunds/ Adjustments on prior years expenditures	(53,895)	(60,777)	6,822	-11%	-9%	-2%	C 4
Claims and Litigations (Note 8)	(264,251)	(403,774)	139,523	-35%	-35%	0%	C 5
Total Transfer Payments	6,237,785	6,214,852	22,933	0%			
Operating Expenses							
Salaries and employee future benefits	507,837	532,144	(24,307)	-5%	-5%	0%	C 6
Court awards and other settlements	517,872	473,836	44,036	9%	9%	0%	C 7
Claims and litigation (note 8)	(694,837)	154,073	(848,910)	-551%	-551%	0%	C 8
Professional and special services	217,513	185,094	32,419	18%	17%	1%	C 9
Legal services	117,880	117,141	739	1%			
Contaminated sites (note 8)	131,795	116,242	15,553	13%	13%	0%	C 10
Accommodations	41,836	44,109	(2,273)	-5%			
Travel and relocation	23,074	28,221	(5,147)	-18%	-18%	0%	C 11
Information services	12,785	14,451	(1,666)	-12%			
Rentals of buildings and machinery	12,837	13,675	(838)	-6%			
Machinery and Equipment	16,830	9,102	7,728	85%	89%	-4%	C 12
Expenses incurred on behalf of government	8,906	6,960	1,946	28%	23%	5%	C 13
Utilities, materials and supplies	5,173	6,254	(1,081)	-17%			
Amortization	8,677	4,483	4,194	94%	100%	-6%	C 14
Bad debt	2,479	3,599	(1,120)	-31%			
Transportation and telecommunications	2,790	2,916	(126)	-4%			
Repairs and maintenance	2,631	2,702	(71)	-3%			
Other	(4,450)	(4,711)	261	-6%			
Refunds/ Adjustments of prior years expenditures	(18,991)	(5,164)	(13,827)	268%	280%	-12%	C 15
Total Operating Expenses	912,637	1,705,127	(792,490)	-46%			
Total Expenses	7,150,422	7,919,979	(769,557)	-10%			

C 1 – Transfer Payments – First Nations

(Financial Reporting Account 51171, 51118)

(2013-2014 AANDC Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	5,511,630
Fiscal Year 2012-2013	5,687,349
Variance (+Increase/ -Decrease)	-175,719
Percentage (+Increase/ -Decrease)	-3%

Explanation of Major Variances	Variance \$	Variance %
Transfer payments to First Nations include a variety of programs, but also include transfers related to the settlement of specific claims as well as comprehensive claims. The number of settlements and their values differ during the fiscal year for every year thereby having no correlation between years or from one year to the next. The variance is due to the nature of negotiating specific claims. Negotiating a claim depends on when claims are submitted by First Nations, the nature of the claims, their values and the progress of negotiations, which is different from one claim to another. The Specific Claim Settlement is managed quarterly and readjusted constantly. The variance is reported on a quarterly basis.	-173,912	-3%
Total Explained	-173,912	-3%
Total Unexplained	-1,807	0%

C 2 – Transfer Payments – Provincial/ Territorial Governments and Institutions

(Financial Reporting Account 51139)
(2013-2014 AANDC Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	857,128
Fiscal Year 2012-2013	809,617
Variance (+Increase/ -Decrease)	47,511
Percentage (+Increase/ -Decrease)	6%

Explanation of Major Variances	Variance \$	Variance %
Increase in expenditures for certain contaminated sites: some of the increase is attributable to repair efforts to mitigate against flood event damage to a channel, the maintenance, design and procurement of a portion of a new water treatment plant.	6,331	1%
Increase in emergency funding due to the following: in 2013-14, Ontario Region had six short term emergencies and four long term emergencies compared to four short term emergencies in 2012-13. As well, there was an increase in emergency payments to the Province of Saskatchewan for 2013-14.	11,516	1%
In addition to price and volume increases for annual provincial education funding, this increase is due to the transfer of funding directly to Frontier School Division for education services. Prior to 13/14, provincial education funding was provided directly to the First Nations (resulting in a decrease in transfer payments to First Nations).	15,113	2%
Increases related to education funding: Increase in Ontario Region of \$6.3M for payments to the Government of Ontario for obligations pursuant to the 1965 Indian Welfare Services Agreement. An additional increase of \$1.8M was related to the Admin Reform Agreement with the Province of Alberta, which is a reimbursed for services provided to First Nations on Reserve.	8,940	1%
This is a new annual payment that began in 2013-2014 and will continue for the next 10 years related to a land claims agreement.	6,904	1%
Total Explained	48,804	6%
Total Unexplained	-1,293	0%

C 3 – Transfer Payments - Other

(Financial Reporting Account 51119)

(2013-2014 AANDC Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	547
Fiscal Year 2012-2013	333
Variance (+Increase/ -Decrease)	214
Percentage (+Increase/ -Decrease)	64%

Explanation of Major Variances	Variance \$	Variance %
In 2013-2014, more proposals received by the Indian Residential School Adjudication Secretariat is the reason for the increase of \$221K compared with 2012-2013.	221	66%
Total Explained	221	66%

Total Unexplained	-7	-2%
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C 4 – Transfer Payments – Refunds/ Adjustments to Prior Years’ Expenditures

(Financial Reporting Account 51118, 51119, 51139, 51159, 51171, 51179)
(2013-2014 AANDC Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	-53,895
Fiscal Year 2012-2013	-60,777
Variance (+Increase/ -Decrease)	6,882
Percentage (+Increase/ -Decrease)	-11%

Explanation of Major Variances	Variance \$	Variance %
By January 31, 2012-2013 there was an over \$25M reduction of outstanding old year payables (dated prior to 2010-2011) as a result of the continuous effort to implement the Policy on Payables at Year End and the quarterly Payables at Year End review by the Corporate Accounting and Reporting Directorate.	14,282	-23%
Receipt of funds returned for emergency funding related to floods that was not required	-4,484	7%
Receipt of funds returned in relation of Loan Loss Reserve program for funds not used.	-4,170	7%
Total Explained	5,628	-9%
Total Unexplained	1,254	-2%

C 5 – Transfer Payments – Claims and Litigation
(Financial Reporting Account 51171)
(2013-2014 AANDC Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	-264,251
Fiscal Year 2012-2013	-403,774
Variance (+Increase/ -Decrease)	139,523
Percentage (+Increase/ -Decrease)	-35%

Explanation of Major Variances
<p>This expense represents the change in the Provision for Claims and Litigation for specific claims, comprehensive claims and specific claim.</p> <p>Decrease of \$264M in the 2013-2014 liability: This decrease was mainly due to change in the liabilities for specific claims (-\$563M as shown in A 5), which can be mostly explained by the settlement of 15 claims and one claim now reclassified to special claims, as well as the change in valuation.</p> <p>An additional decrease of \$33M as the result of a subsequent removal of several specific claims following the results of an opinion from the Department of Justice.</p> <p>Decrease of \$403M in the 2012-2013 liability: The decrease can be explained by the settlement and change in valuation of specific claims (-\$705M), offset by an increase in comprehensive land claims due to new and revised mandates in the British Columbia and Quebec regions (+\$267M) and an addition of a special claim (+\$35M). (See A 5 - Provision for Claims and Litigation on page 10 for details)</p> <p>Decrease of \$543M in the 2011-2012 liability: This decrease was mainly due to settlement and change in valuation of specific claims (-\$329M) and reduction of mandated amounts for Agreement in Principle mandates in the British Columbia region (-\$214M).</p> <p>The settlements of specific and comprehensive claims flow through Transfer Payments to First Nations as shown in C1.</p>

C 6 – Operating Expenses - Salaries and Employee Future Benefits
(Financial Reporting Account 51311, 51312, 51846)
(2013-2014 AANDC Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	507,837
Fiscal Year 2012-2013	532,144
Variance (+Increase/ -Decrease)	-24,307
Percentage (+Increase/ -Decrease)	-5%

Explanation of Major Variances	Variance \$	Variance %
Moving from fiscal year 2012-2013 to 2013-2014 the overall Full Time Equivalentents showed a reduction of 5.0% which resulted in a reduction in the salary expense.	-15,182	-3%
Workforce Adjustment totals were: 2012-2013: \$15.0 Million 2013-2014: \$2.7 Million	-12,300	-2%
Total Explained	-27,482	-5%

Total Unexplained	3,175	0%
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C 7 – Operating Expenses - Court Awards and Other Settlements
(Financial Reporting Account 51722)
(2013-2014 AANDC Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	517,872
Fiscal Year 2012-2013	473,836
Variance (+Increase/ -Decrease)	44,036
Percentage (+Increase/ -Decrease)	9%

Explanation of Major Variances
<p>These line items are related to the settlement of damage, other claims against the Crown, and court awards.</p> <p>The majority of the variance is due to a settlement of a litigation file.</p> <p>These items are provided for in the provision for claims and litigation on A 5 which is adjusted as claims are settled. The impact of the adjustment to the provision for claims and litigation on the Statement of Operations is shown on C8.</p>

C 8 – Operating Expenses – Claims and Litigation
(Financial Reporting Account 51722)
(2013-2014 AANDC Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	-694,837
Fiscal Year 2012-2013	154,073
Variance (+Increase/ -Decrease)	-848,910
Percentage (+Increase/ -Decrease)	-551%

Explanation of Major Variances
<p>This line item represents the change in the Provision for Claims and Litigation for litigation claims, non-litigation claims and Indian Residential Schools claims.</p> <p>Decrease of \$695 in the 2013-14 liability, resulting in a credit in the line item: This is mainly due to the reduction of liability of \$671M for Indian Residential School Claims, which is primarily attributed to the settlement of more than 5,000 claims during the year, and by the settlement for litigation and non-litigation (-\$69M) and the addition of new department estimate for litigation claim (+\$48M). Note that the deadline to apply to the Independent Assessment Process was September 19, 2012. As a result, there were no new claims during 2013-2014, compared to an increase in claims in 2012-2013 compared to 2011-2012 to apply before the deadline.</p> <p>The settlements related to these items appear within the variance explanation of C7.</p>

C 9 – Operating Expenses - Professional and Special Services
(Financial Reporting Account 51321)
(2013-2014 AANDC Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	217,513
Fiscal Year 2012-2013	185,094
Variance (+Increase/ -Decrease)	32,419
Percentage (+Increase/ -Decrease)	18%

Explanation of Major Variances	Variance \$	Variance %
The variance between 2013-2014 and 2012-2013 is due to the implementation of the Site Stabilization Plan. This plan focuses on the remediation of high risk items at the site.	31,083	17%
Total Explained	31,083	17%

Total Unexplained	1,336	1%
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C 10 – Operating Expenses – Contaminated Sites
(Financial Reporting Account 51321)
(2013-2014 AANDC Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	131,795
Fiscal Year 2012-2013	116,242
Variance (+Increase/ -Decrease)	15,553
Percentage (+Increase/ -Decrease)	13%

Explanation of Major Variances
<p>This represents the change in the Environmental Liability balance and corresponding expenses (Northern region) that is allocated to operating expenses.</p> <p>The increase of \$16M in the 2013-2014 liabilities and corresponding expenses was mainly due to an increase in Consumer Price Index rate used to calculate the cost estimated for contaminated sites. This increase was slightly offset by a decrease in the liability due to spending in site remediation during the year.</p> <p>See A 6a - Environmental Liabilities on page 11 for more details.</p>

C 11 – Operating Expenses - Travel and Relocation
(Financial Reporting Account 51321)
(2013-2014 AANDC Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	23,074
Fiscal Year 2012-2013	28,221
Variance (+Increase/ -Decrease)	-5,147
Percentage (+Increase/ -Decrease)	-18%

Explanation of Major Variances	Variance \$	Variance %
<p>The trend of overall reducing departmental travel expenditures continued for 2013-2014.</p> <p>The 2013-2014 annual budget limit for expenses related to travel and hospitality was \$30.10M¹, which is based on the 2012-2013 actual spending on those activities. The actual amount spent amounted to \$23.07M¹, well below the budget cap.</p> <p>Compared to 2012-2013, the total travel expenses decreased by \$5.15M. Of which, a \$5.29M reduction was from the travel costs for public servants and non-public servants and a \$0.14M increase was from the employee relocation costs in and outside of Canada.</p>	-5,147	-18%
Total Explained	-5,147	-18%

Total Unexplained	0	0%
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Note 1: The budgeted amount of cap-related expenses is from 2013-2014 Year End Analysis (Presentation to the Financial Management Committee), page 26.

C 12 – Operating Expenses - Machinery and Equipment
(Financial Reporting Account 51321)
(2013-2014 Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	16,830
Fiscal Year 2012-2013	9,102
Variance (+Increase/ -Decrease)	7,728
Percentage (+Increase/ -Decrease)	85%

Explanation of Major Variances	Variance \$	Variance %
There were significant purchases of furniture in the National Capital Region over the year (as well as for regional projects), including retrofits that did not qualify as leasehold improvements. This is due to the implementation of Workplace 2.0 projects in various phases throughout the year.	2,189	24%
New desktop and laptop computers were purchased for 2013-2014.	1,901	21%
There were significant purchases of software licenses to support application development.	3,977	44%
Total Explained	8,067	89%
Total Unexplained	-339	-4%

C 13 – Operating Expenses - Expenses incurred on Behalf of Government
(Financial Reporting Account 51732, 51171)
(2013-2014 Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	8,906
Fiscal Year 2012-2013	6,960
Variance (+Increase/ -Decrease)	-1,946
Percentage (+Increase/ -Decrease)	-28%

Explanation of Major Variances	Variance \$	Variance %
<p>Expenses incurred on behalf of government are a line item within the Statement of Operations as per the government reporting standards. AANDC does not hold the account within its financial reporting system and it is reported only for presentation purposes.</p> <p>Expenses incurred on behalf of government are an offset to the gross expenses and are calculated from to AANDC's bad debt expenses related to loans and interest receivable (assets held of behalf of government).</p> <p>When bad debt expenses increase the expenses incurred on behalf of government decrease. If the bad debt expenses decrease, the expenses incurred on behalf of government increase.</p> <p>The majority variance relates to Direct Loans - Native Claimants.</p>		
<p>Direct Loans- Native Claimants During 2013-14 the allowance for doubtful loans and corresponding bad debt expense decreased by \$4.1M.</p> <p>Due to the significance of the bad debt expense decrease, the effect on the expenses held on behalf of government was an increase.</p>	-4,059	-58%
Total Explained	-4,059	-58%
Total Unexplained	2,113	29%

C 14 – Operating Expenses - Amortization

(Financial Reporting Account 51321)

(2013-2014 AANDC Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	8,677
Fiscal Year 2012-2013	4,483
Variance (+Increase/ -Decrease)	4,194
Percentage (+Increase/ -Decrease)	94%

Explanation of Major Variances	Variance \$	Variance %
The variance is due to the amortization of informatics software following finalized systems under development at the end of the year.	4,497	100%
Total Explained	4,497	100%

Total Unexplained	-303	-7%
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C 15 – Operating Expenses - Refunds/ Adjustments of Prior Years' Expenditures

(Financial Reporting Account 51311, 51321)
(2013-2014 AANDC Expenses)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	-18,991
Fiscal Year 2012-2013	-5,164
Variance (+Increase/ -Decrease)	-13,827
Percentage (+Increase/ -Decrease)	268%

Explanation of Major Variances	Variance \$	Variance %
<p>One entry of \$2.3M was done to clear old year amounts from old systems (Departmental Accounting System, Oasis 11.03) coded to the generic suspense account. After analysis, a lot of the transactions were credited to the suspense account instead to affect the proper appropriation or Consolidated Revenue Fund.</p> <p>One journal entry of \$1.6M was created to reverse journal entry from 2001-2002. These vouchers were to create the accounting in the General Ledger for credit memos but they were already completed within the accounts receivable module. So those corrections where in the system twice.</p>	-3,948	76%
An account receivable of \$2.8M was set up for reimbursement of fees for court monitoring as per the Indian Residential School Settlement Agreement.	-2,783	54%
This variance is related to cover the cancellation of payables at year end that was made in Resolution and Individual Affairs. At that time, there were over \$10M in funding payables at year end while only \$3M were required for the payment of outstanding cases. All this was done within a year of review of the payables at year end, as required by Departmental policy	-7,742	150%
Total Explained	-14,473	280%
Total Unexplained	646	-13%

Part D - Revenues - Note 18, Segmented Information

Revenues – Note 18 Segmented Information (Unaudited)

As at March 31

(in thousands of dollars)

	2014	2013	Year-Over-Year Variance		Explained %	Unexplained %	Reference
			\$	%			
Revenues							
Norman Wells project profits	83,503	108,884	(25,381)	-23%	-23%	0%	D 1
Resource royalties	16,283	68,321	(52,038)	-76%	-74%	-2%	D 2
Interest on loans	6,168	5,970	198	3%			
Miscellaneous	5,021	4,835	186	4%	33%	-29%	D 3
Leases and rentals	2,665	3,874	(1,209)	-31%	-33%	1%	D 4
Finance and administrative services	690	744	(54)	-7%			
Revenues earned on behalf of government	(112,870)	(190,205)	77,335	-41%			
Total Revenues	1,460	2,423	(963)	-40%			

D 1 – Norman Wells Project Profits

(Financial Reporting Account 42129)

(2013-2014 AANDC Revenues)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	83,503
Fiscal Year 2012-2013	108,884
Variance (+Increase/ -Decrease)	-25,381
Percentage (+Increase/ -Decrease)	-23%

Explanation of Major Variances	Variance \$	Variance %
The decrease in revenue for Norman Wells is due to a decrease in oil production in 2013, compared to 2012 levels.	-25,381	-23%
Total Explained	-25,381	-23%

Total Unexplained	0	0%
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D 2 – Resource Royalties

(Financial Reporting Account 42311)

(2013-2014 AANDC Revenues)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	16,283
Fiscal Year 2012-2013	68,321
Variance (+Increase/ -Decrease)	-52,038
Percentage (+Increase/ -Decrease)	-76%

Explanation of Major Variances	Variance \$	Variance %
MINING ROYALTIES - The amount collected in royalties for 2013-2014 decreased from the previous year. This is due to an increase in capital costs incurred by mining companies as well as lower market prices for diamonds. Both these factors affect the amount of royalties paid by mining companies operating in the North.	-30,672	-45%
REFUND OF REVENUE - There was an overstatement of prior year revenues related to resource royalties which resulting in an adjustment during 2013-14 and caused a variance of \$20M.	-20,000	-29%
Total Explained	-50,672	-74%
Total Unexplained	-1,366	-2%

D 3 – Miscellaneous

(Financial Reporting Account 42314, 42315, 42319, 42411, 42412, 42541)

(2013-2014 AANDC Revenues)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	5,021
Fiscal Year 2012-2013	4,834
Variance (+Increase/ -Decrease)	187
Percentage (+Increase/ -Decrease)	4%

Explanation of Major Variances	Variance \$	Variance %
Environmental Studies: The year to year differences are due to the differences in projects managed by the Environmental Studies Research Fund. There was a levy of \$785K in 2013 for research projects that did not end up being fully spent in the year.	2,313	48%
Oil & Gas: The variance can be attributed to the portion of oil and gas companies who have had their exploration license revoked for not meeting their work commitment programs (a 9 year limit to license). In addition, following April 1, 2014, considerable amounts of onshore licenses are now under the administration and control of the Government of the Northwest Territories.	-715	-15%
Total Explained	1,598	33%
Total Unexplained	-1,411	-29%

D 4 – Leases and Rentals

(Financial Reporting Account 42312)

(2013-2014 AANDC Revenues)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	2,665
Fiscal Year 2012-2013	3,874
Variance (+Increase/ -Decrease)	-1,209
Percentage (+Increase/ -Decrease)	-31%

Explanation of Major Variances	Variance \$	Variance %
There was a significant reduction to Lease and Rental Revenue for the Northwest Territories Region in 2013-14 as revenue was collected during this year which was subject to transfer under Northwest Territories Devolution. Lease and Rental Revenue is collected annually upon due date, therefore as the fiscal year progressed then the Revenue for the Government of Northwest Territories was collected in the total of \$1.3M. This was payable upon April 1, 2014.	-1,262	-33%
Total Explained	-1,262	-33%
Total Unexplained	53	1%

Part E - Other

E 1 – Parliamentary Authorities – Budgetary Authorities Provided and Used

(2013-2014 AANDC Financial Statement Note 3b)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014 Authorities Provided	8,778,368
Fiscal Year 2013-2014 Authorities Used	8,039,492
Authorities Available for Future Years	33,261
Variance (+Increase/ -Decrease)	738,876
Percentage (+Increase/ -Decrease)	9%

Explanation of Major Variances	Variance \$	Variance %
Late reprofiling requests from 2013-2014 to 2014-2015 or future years for which the Department is seeking Treasury Board Secretariat / Department of Finance approval. Major items include: - Specific Claims Settlement Fund \$496M - Specified Purpose Accounts- Indian Residential Schools Allotment \$99M - Indian Residential Schools Settlement Agreement (Delivery Funding) \$13M	611,681	8%
Budget carryforward for which AANDC is seeking Treasury Board Secretariat approval: - Operating budget carryforward \$43M - Capital budget carryforward \$3M	46,046	1%
Frozen Allotment - largely made up of Annual Reference Level Update Reprofiling from 2012-2013	22,912	0%
Reduced requirements: - Treaty Related Measures	5,000	0%
Total Explained	685,639	9%
Total Unexplained	53,237	0%

Notes:

- *The above information is as of August 5, 2014 and is subject to change. For example, the reprofile requests have not been approved by the Treasury Board Secretariat and the Department of Finance at this time. Should some of these requests be refused, the result will be a corresponding increase in net lapse.*
- *The net lapse is mainly a result of the saving measures from Canada's Economic Action Plan 2012 as well as delay, reduction and cancellations in some activities and projects. Furthermore, more cautious spending with regards to departmental travel, hospitality and professional services has resulted in efficiencies.*

E 2 – Related Party Transactions – Expenses – Other Government Departments and Agencies

(2013-2014 AANDC Financial Statements Note 17b)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2013-2014	279,770
Fiscal Year 2012-2013	250,113
Variance (+Increase/ -Decrease)	29,657
Percentage (+Increase/ -Decrease)	12%

Explanation of Major Variances	Variance \$	Variance %
The variance between 2013-2014 and 2012-2013 is due to implementation of the Site Stabilization Plan. This plan focuses on the remediation of high risk items at the site that couldn't wait for the environmental assessment process to be complete (See C 9 - Professional and Special Services on page 33).	31,083	12%
Total Explained	31,083	12%
Total Unexplained	-1,426	-1%