

# **Variance Analysis Summary :**

*Aboriginal Affairs and Northern Development  
Canada (AANDC) Financial Statements (Unaudited)*

Fiscal Year 2014-2015

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Note: Some totals may not fully add up due to rounding.

**Part A – Statement of Financial Position**  
Fiscal Year 2014-2015

**FY 2014-2015 Variance Summary**  
**Statement of Financial Position (Unaudited)**  
**As at March 31**  
*(in thousands of dollars)*

	2015	2014	Year-Over-Year Variance		Explained %	Unexplained %	Reference
			\$	%			
<b>Liabilities</b>							
Accounts payable and accrued liabilities (note 4)	688,212	632,704	55,508	9%	7%	2%	A 1
Vacation pay and compensatory leave	15,194	16,242	(1,049)	-6%			
Other liabilities (note 5)	70,606	82,476	(11,870)	-14%	-14%	0%	A 2a, A2b
Trust accounts (note 6)	892,254	890,472	1,782	0%	-3%	0%	
Settled claims (note 7)	281,854	356,355	(74,501)	-21%	-21%	0%	A 3
Provision for claims and litigation (note 8)	10,635,848	9,755,837	880,011	9%	9%	0%	A 4
Environmental liabilities (note 8)	3,000,346	2,702,986	297,360	11%	11%	0%	A 5
Provision for loan guarantees (note 8)	1,405	410	995	243%	245%	-3%	A 6
Employee future benefits (note 9)	25,586	21,010	4,576	22%	22%	0%	A 7
<b>Total Liabilities</b>	<b>15,611,305</b>	<b>14,458,492</b>	<b>1,152,812</b>	<b>8%</b>			
<b>Financial Assets</b>							
Due from the Consolidated Revenue Fund	1,638,093	1,587,441	50,653	3%	3%	0%	A 8
Accounts receivable and advances (note 10)	69,321	68,661	660	1%			
Interest receivable (note 11)	1,462	1,759	(297)	-17%	-21%	4%	A 9
Loans receivable (note 12)	858,256	834,970	23,286	3%	3%	0%	A 10
<b>Total gross financial assets</b>	<b>2,567,132</b>	<b>2,492,831</b>	<b>74,302</b>	<b>3%</b>			
<b>Financial assets held on behalf of government</b>							
Interest receivable(note 11)	(1,462)	(1,759)					
Loans receivable (note 12)	(858,256)	(834,970)	(23,286)	3%			
<b>Total financial assets held on behalf of government</b>	<b>(859,718)</b>	<b>(836,729)</b>	<b>(22,989)</b>	<b>3%</b>			
<b>Total net financial assets</b>	<b>1,707,414</b>	<b>1,656,102</b>	<b>51,313</b>	<b>3%</b>			
<b>Departmental net debt</b>	<b>13,903,891</b>	<b>12,802,390</b>	<b>1,101,499</b>	<b>9%</b>			
<b>Non Financial Assets</b>							
Land held for future claims settlements	39,570	39,570	-	0%			
Tangible capital assets	92,958	67,662	25,296	37%	38%	-1%	A 11
<b>Total non financial assets</b>	<b>132,528</b>	<b>107,232</b>	<b>25,296</b>	<b>24%</b>			
<b>Departmental net financial position (note 15)</b>	<b>(13,771,363)</b>	<b>(12,695,158)</b>	<b>(1,076,203)</b>	<b>8%</b>			

## A 1 – Accounts Payable and Accrued Liabilities

(Financial Reporting Account 211XX, 216XX)  
(2014-2015 AANDC Financial Statements Note 4)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>688,212</b>
Fiscal Year 2013-2014	<b>632,704</b>
Variance (+Increase / -Decrease)	<b>55,508</b>
Percentage (+Increase / -Decrease)	<b>9%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<p><b>Payables At Year-End (PAYE) - Transfer Payments</b> The increase is explained by previous year balances of PAYE's remaining in the account at end of 2014-2015. PAYE balances were not released at the same rate compared to the previous year.</p>	51,297	8%
<p><b>Accrued Liabilities - Salary &amp; Wages</b> This variance is a result of a new salary payment schedule that was initiated in 2014-15. The new schedule delayed salary payment by 2 weeks and increased the salary accruals at year end by the equivalent pay for 2 weeks.</p>	10,424	2%
<p><b>Payables At Year-End - Regular Payments</b> This variance arises as a result of:</p> <p>1) a shorter "cut-off date" established by cost centers for the set-up of PAYE's which resulted in a net reduction in PAYE's year-over-year; and</p> <p>2) a decrease in claim request to the Resolution and Individual Affairs (RIA) sector from fiscal year 2013-14,</p>	-19,501	-3%
<b>Total Explained</b>	<b>42,220</b>	<b>7%</b>

<b>Total Unexplained</b>	<b>13,288</b>	<b>2%</b>
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## A 2a – Other Liabilities (Trust Accounts Related)

(Financial Reporting Account 23441, 23442)  
(2014-2015 AANDC Financial Statements Note 5)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>53,343</b>
Fiscal Year 2013-2014	<b>47,406</b>
Variance (+Increase / -Decrease)	<b>5,937</b>
Percentage (+Increase / -Decrease)	<b>13%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<p>The majority of the variance is mainly attributed to a balance increase in the Indian Moneys Suspense Account. During 2014-15, total receipts credited to the Indian Moneys Suspense Account exceeded total releases by \$5.91M.</p> <p>The Indian Moneys Suspense Account receives funds on a temporary basis on behalf of First Nations and their members pending resolution of specific conditions or uncertainties.</p> <p>Significant items include a new rental agreement at Indian Oil and Gas Canada (\$4.1M), and multiple agreements for an Alberta region band (\$1.68M).</p>	5,908	12%
<b>Total Explained</b>	<b>5,908</b>	<b>12%</b>

<b>Total Unexplained</b>	<b>29</b>	<b>0%</b>
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## A 2b – Other Liabilities (Guarantee Deposits)

(Financial Reporting Account 23211, 23213)  
(2014-2015 AANDC Financial Statements Note 5)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>17,262</b>
Fiscal Year 2013-2014	<b>35,070</b>
Variance (+Increase / -Decrease)	<b>-17,808</b>
Percentage (+Increase / -Decrease)	<b>-51%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
On April 1, 2014, the Government of the Northwest Territories (GNWT) became responsible for managing public land, water, and resources in the Northwest Territories (NWT).  The NWT Devolution process included the transfer of cash securities to the GNWT.	-16,264	-46%
<b>Total Explained</b>	<b>-16,264</b>	<b>-46%</b>

<b>Total Unexplained</b>	<b>-1,544</b>	<b>-4%</b>
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### A 3 – Settled Claims

(Financial Reporting Account 24114)

(2014-2015 AANDC Financial Statements Note 7)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>281,854</b>
Fiscal Year 2013-2014	<b>356,355</b>
Variance (+Increase / -Decrease)	<b>-74,501</b>
Percentage (+Increase / -Decrease)	<b>-21%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<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"> <li>- \$87.4M payments made in 2014-15 which reduced the total liability.</li> <li>- Offset by \$12.9M increase in present value.</li> </ul>	-74,501	-21%
<b>Total Explained</b>	<b>-74,501</b>	<b>-21%</b>

<b>Total Unexplained</b>	<b>0</b>	<b>0%</b>
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## A 4 – Provision for Claims and Litigation

(Financial Reporting Account 21433)

(2014-2015 AANDC Financial Note 6)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-15	<b>10,635,848</b>
Fiscal Year 2013-15	<b>9,755,837</b>
Variance (+Increase / -Decrease)	<b>880,011</b>
Percentage (+Increase / -Decrease)	<b>9%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<p><b>Specific Claims</b> (including claims filed at the Specific Claim Tribunal)            The increase in balance is explained by 44 new claims that were added to the inventory (\$290M) which was offset by settlements of 15 claims (\$36M) as well as the removal of 8 claims (\$70M) because they were withdrawn, invalid or did not demonstrate a lawful obligation. The remaining variance is explained by changes in valuation due to claims progressing through the process and changes in the Consumer Price Index (CPI) rates.</p>	193,096	2%
<p><b>Indian Residential School Claims</b>            The majority of this variance is due to a combination of the following:            - 6,020 claims were settled for a total of \$386M;            - A decrease in the total of claim estimate from 33,670 to 33,170;            - Revisions to the estimation of settlement amounts which impacts the estimated liability.</p>	-479,115	-5%
<p><b>Comprehensive Native Land Claims</b>            The increase in balance is attributed to the recognition of an additional five claims with a likely status; two claims were changed from inactive to Agreement-in-Principal Status and three British Columbia claims were added with a status of Agreement-in-Principal. In addition, inflationary changes (Final Domestic Demand Implicit Price Index) and population increases over the noted period further increased the amount.</p>	927,425	10%

<b>Litigation</b> The majority of this increase is due to the approval three negotiation mandates (\$245M). This was offset by seven settlements (-\$2M) and one discontinuance (-\$4M).	238,560	2%
<b>Non-Litigation</b> The increase is due to the addition of new claims in the Corporate Labour Relations Branch	45	0%
<b>Total Explained</b>	<b>880,011</b>	<b>9%</b>

<b>Total Unexplained</b>	<b>0</b>	<b>0%</b>
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## A 5 – Environmental Liabilities

(Financial Reporting Account 21433)  
(2014-2015 AANDC Financial Statement Note 8)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>3,000,346</b>
Fiscal Year 2013-2014	<b>2,702,986</b>
Variance (+Increase / -Decrease)	<b>297,360</b>
Percentage (+Increase / -Decrease)	<b>11%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<p>The total liability for Faro Mine (in the Northern region) increased in 2014-2015. The main reason is due to the costs for additional care and maintenance and program management activities for a 3-year delay in the commencement of remediation activities for the contaminated sites related to North Fork Rose Creek.</p> <p>The total liability for Giant Mine (in the Northern region) has increased due to the costs of additional care and maintenance and program management activities resulting from 26 additional measures included in the Environmental Assessment which will cause a 4-year delay in the project definition phase of the project.</p> <p>Furthermore, an increase in the Consumer Price Index (CPI) rate used in the calculation of the cost estimate for contaminated sites resulted in an increase of the liability.</p>	325,861	12%
<p>A decrease of liability in the Northern Region for Fuel related Practices resulted from a combination of the following:</p> <ul style="list-style-type: none"> <li>- Expenditures reducing liability to existing sites (-\$4M);</li> <li>- Site closures and more accurate data becoming available reducing liability (- \$27M).</li> </ul>	-31,803	-1%

A decrease of liability in the Northern Region for Others resulted from a combination of the following: - Expenditures reducing liability to existing sites (-\$2M); -Site closures and more accurate data becoming available reducing liability (- \$8M).	-10,003	0%
An increase of liability in the Southern region resulted from a combination of the following: - Expenditures reducing liability to existing sites (- \$18M); - More accurate data becoming available increasing liability (\$28M).	13,552	1%
<b>Total Explained</b>	<b>297,607</b>	<b>11%</b>

<b>Total Unexplained</b>	<b>-247</b>	<b>0%</b>
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## A 6 – Provision for Loan Guarantees

(2014-2015 AANDC Financial Statements Note 8)

<b>Financial Statement Data (In thousands of dollars)</b>	
Fiscal Year 2014-2015	<b>1,405</b>
Fiscal Year 2013-2014	<b>410</b>
Variance (+Increase / -Decrease)	<b>995</b>
Percentage (+Increase / -Decrease)	<b>243%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<b>Provision for Losses - On Reserve Housing Guarantees:</b> In 2014-15, AANDC changed the methodology to assess future recoveries on defaulted loans consistent with the Public Sector Accounting Board Handbook Section PS 3300.25-Contingent Liabilities. This resulted in an increase to the provision for losses of \$1 million. In addition, there was a new default in the amount of \$10,444 that further increased the estimate of the provision for losses.	1,006	245%
<b>Total Explained</b>	<b>1,006</b>	<b>245%</b>
<b>Total Unexplained</b>	<b>-11</b>	<b>-3%</b>

## A 7 – Employee Future Benefits

(Financial Reporting Account 21415)

(2014-2015 AANDC Financial Statements Note 9)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>25,586</b>
Fiscal Year 2013-2014	<b>21,010</b>
Variance (+Increase / -Decrease)	<b>4,576</b>
Percentage (+Increase / -Decrease)	<b>22%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<p>The Employee Severance Benefit Liability is based on a calculation promulgated by the Office of the Comptroller General of Canada.</p> <p>The increase in the liability is due to an increase in the Treasury Board of Canada Secretariat (TBS) Employee Severance Benefit Liability Rate by 2.04% from 5.84% to 7.88%.</p>	4,524	22%
<b>Total Explained</b>	<b>4,524</b>	<b>22%</b>

<b>Total Unexplained</b>	<b>52</b>	<b>0%</b>
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## A 8 – Due from the 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)

<b>Financial Statement Data (in thousands of dollars)</b>	
Fiscal Year 2014-2015	<b>1,638,094</b>
Fiscal Year 2013-2014	<b>1,587,441</b>
Variance (+Increase/ -Decrease)	<b>50,653</b>
Percentage (+Increase/ -Decrease)	<b>3%</b>

### **Explanation of Major Variances**

The increase in the account Due from the Consolidated Revenue Fund is attributed mainly to the overall increase Accounts payable and accrued liabilities. Here is the breakdown (details are available in the Statement of Financial Position Tab 1):

- 1- Increase of \$51,297M in Payables at Year-End for Transfer Payments;
- 2- Increase of \$10,424M in Accrued liabilities for Salary and wages;
- 3- Decrease of \$19,501M in Payables at Year- End for Regular suppliers.



## A 9 – Interest Receivable

(Financial Reporting Account 11234 , 11239)  
(2014-2015 AANDC Financial Statement Note 11)

<b>Financial Statement Data</b> (in thousands of dollars)	
Fiscal Year 2014-2015	<b>1,462</b>
Fiscal Year 2013-2014	<b>1,759</b>
Variance (+Increase / -Decrease)	<b>-297</b>
Percentage (+Increase / -Decrease)	<b>-17%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<b>Direct Loans</b> The interest receivable related to Direct Loans decreased because loan repayments are ongoing and the Principal amount is steadily decreasing. Hence, the portion related to accrued interest steadily decreases accordingly.	-190	-11%
<b>Guaranteed Loans - Defaulted Guaranteed Loans</b> Interest increased due to loans not being repaid and high interest rates accruing on outstanding balances.	1,741	99%
<b>Guaranteed Loans and Direct Loans - Allowance for Doubtful Account</b> The allowance related to doubtful interest receivable has increased with the addition of new doubtful accounts in Guaranteed Loans for Housing and Indian Economic Development Guarantees in the amount of \$2.2M. That increase was offset by a decrease in the allowance for interest related to Direct Loans in the amount of \$253,000.	-1,918	-109%
<b>Total Explained</b>	<b>-367</b>	<b>-21%</b>

<b>Total Unexplained</b>	<b>70</b>	<b>4%</b>
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## A 10 – Loans Receivable

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

(2014-2015 AANDC Financial Statement Note 12)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>858,256</b>
Fiscal Year 2013-2014	<b>834,970</b>
Variance (+Increase / -Decrease)	<b>23,286</b>
Percentage (+Increase / -Decrease)	<b>3%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<b>Direct Loans: British Columbia Treaty Commission - First Nations in British Columbia:</b> The number of loans to First Nations in British Columbia increased from 6,243 in 2013-2014 to 6,490 in 2014-2015 with the issuance of new loans of \$22M, offset by loan repayments of \$1.8M, resulting in a \$20.2M increase in outstanding loans balances.	20,186	2%
<b>Direct Loans: Native Claimants:</b> The number of loans to Native Claimants increased from 2,619 in 2014-2015 to 2,646 in 2013-2014 due to the issuance of new loans in the amount of \$16.5M, offset by loan repayments of \$11M. This resulted in a \$5.5M net increase in the outstanding loan balance.	5,448	1%
<b>Total Explained</b>	<b>25,634</b>	<b>3%</b>

<b>Total Unexplained</b>	<b>-2,348</b>	<b>0%</b>
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## A 11 – Tangible Capital Assets

(Financial Reporting Account 161XX, 163XX, and 514XX)

(2014-2015 AANDC Financial Statement Note 14)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>92,958</b>
Fiscal Year 2013-2014	<b>67,662</b>
Variance (+Increase / -Decrease)	<b>25,296</b>
Percentage (+Increase / -Decrease)	<b>37%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
The capitalization of Work in Progress (WIP) costs related to the Canadian High Arctic Research Station (CHARS) project account for \$26M of the increase in capital assets.	26,244	39%
This variance is attributed to the transfer of WIP costs incurred during the upgrade and betterment of purchased/developed informatics software. The effects of this WIP transfer are as follows: 1) Increase in computer purchased and developed software account to capitalize WIP software (\$9,031); 2) Increase in accumulated amortization on computer purchased and developed software account to recognized the accumulated amortization due to the transferred software (-\$5,646); 3) Decrease in work in progress for software account showing the transfer of the software from WIP to capital asset (-\$1,408).	1,977	3%
This variance is as a result of assets transferred to the Government of the North West Territories in relation to the NWT devolution. The resulting effects of this event are: 1) a decrease in the buildings account to remove the costs of the assets written off (-\$4,859); 2) a decrease in accumulated amortization to remove the accumulated amortization due to the assets written off (\$2,107).	-2,752	-4%
<b>Total Explained</b>	<b>25,469</b>	<b>38%</b>

<b>Total Unexplained</b>	<b>-173</b>	<b>-1%</b>
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## **Part B – Statement of Operations**

## B 1 – Statement of Operations – 2014-2015 versus 2013-2014

For the Year Ended March 31  
(in thousands of dollars)

	2015	2014	Year-Over-Year Variance	
			\$	%
<b>Expenses</b>				
People	3,786,451	3,389,603	396,848	12%
Land and Economy	1,623,181	1,417,535	205,646	15%
Government	2,400,738	1,336,544	1,064,194	80%
North	655,183	595,255	59,928	10%
Internal Services	324,718	402,579	(77,861)	-19%
Expenses incurred on behalf of Government	(5,883)	8,906	(14,789)	-166%
<b>Total expenses</b>	<b>8,784,388</b>	<b>7,150,422</b>	<b>1,633,966</b>	<b>23%</b>
<b>Revenues</b>				
Norman Wells project profits	74,779	83,503	(8,724)	-10%
Resource royalties	59,541	16,283	43,258	266%
Interest on loans	7,761	6,168	1,593	26%
Leases and rentals	1,670	2,665	(995)	-37%
Miscellaneous	2,005	5,021	(3,016)	-60%
Finance and administrative services	3,135	690	2,445	354%
Revenues earned on behalf of Government	(143,080)	(112,870)	(30,210)	27%
<b>Total revenues</b>	<b>5,811</b>	<b>1,460</b>	<b>4,351</b>	<b>298%</b>
<b>Net cost from continuing operations</b>	<b>8,778,577</b>	<b>7,148,962</b>	<b>1,629,625</b>	<b>23%</b>

## Highlights of Major Variances – Statement of Operations 2014-15 versus 2013-2014

### EXPENSES

There were no significant changes to the Department's strategic outcomes from 2013-2014 to 2014-2015. 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 increase is largely explained by the change in the provision for claims and litigation for litigation claims, non-litigation claims and Indian Residential Schools claims (See C9 on page 34).

- **Land and Economy**

The increase is mainly attributed to an increase of transfer payments as a result of increase funding for Infrastructure and Capacity in 2014-2015.

- **Government**

The increase is explained by an increase in the change in the provision for claims and litigation for specific claims and comprehensive claims (See C6 on page 31).

- **North**

The decrease is explained by the change in the provision for environmental liabilities in the Northern Region (See C4 on page 29 and C10 on page 35).

- **Internal Services**

The decrease primarily resulted from the combination of the following:

- decrease in court award and other settlements
- reduction of legal services payments
- expenditures were reallocated from expenses such as Professional Services to WIP (Work in Progress) or capital assets accounts for internally developed projects and the construction of the Canadian High Arctic Research Station (CHARS).

### REVENUE

Variance analysis for revenue is provided in Part D "Revenue – Note 19 Segmented Information".

## B 2 – Statement of Operations – Actual versus Planned

For the Year Ended March 31

(in thousands of dollars)

	2015	2015 Planned	Variance (Actual versus Planned)	
			\$	%
<b>Expenses</b>				
People	3,786,451	3,615,556	(170,895)	-5%
Land and Economy	1,623,181	1,456,886	(166,295)	10%
Government	2,400,738	1,811,253	(589,485)	-25%
North	655,182	86,256	(568,926)	-87%
Internal Services	324,718	273,305	(51,413)	-16%
Expenses incurred on behalf of Government	(5,883)	(4,612)	1,271	-22%
<b>Total expenses</b>	<b>8,784,387</b>	<b>7,238,644</b>	<b>(1,545,743)</b>	<b>-164%</b>
<b>Revenues</b>				
Resource royalties	59,541	49,629	38,727	65%
Norman Wells project	74,779	98,268	(25,150)	-34%
Interest on loans	7,761	5,955	(1,806)	-23%
Leases and rentals	1,670	724	2,107	126%
Miscellaneous	2,005	3,777	(1,281)	-64%
Finance and administrative services	3,135	710	(2,425)	-77%
Revenues earned on behalf of Government	(143,080)	(157,351)	(14,271)	10%
<b>Total revenues</b>	<b>5,811</b>	<b>1,712</b>	<b>(4,099)</b>	<b>-71%</b>
<b>Net cost from continuing operations</b>	<b>8,778,576</b>	<b>7,236,932</b>	<b>(1,541,644)</b>	<b>-18%</b>

## Highlights of Major Variances – Statement of Operations

### Actual versus Planned

#### 2015 Planned Results

The forecasted financial information for 2014-2015 only included amounts presented in the 2014-2015 Report on Plan and Priorities. The Supplementary Estimates C was not included in the 2014-2015 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

- **Land and Economy**

The variance between actual and planned for Land and Economy is due to an increase in transfer payment authorities made available through Supplementary Estimates, the majority of which were for the following programs: Urban Aboriginal Participation, Infrastructure and Capacity and Community Developments.

- **Government**

The variance between the actual and planned is explained by an increase in the actual provision for claims and litigation for specific claims and comprehensive claims (See C9 on page 34).

- **North**

The North presents the highest variance between actual and planned amounts. The variance is largely attributed to an increase in accrued environmental liabilities recorded for the northern regions (see C4 on page 29 and C10 on page 35) while a decrease was forecasted for remediation of existing contaminated sites.

- **Internal Services**

The variance is largely attributed to the variance between actual and forecasted refund of prior year expenses (\$45.7M). The actual refunds of prior year figures are higher than forecasted number using historical data.

### REVENUES

- **Resource Royalties**

The variance is explained by an increase in mining royalty revenue due to diamond mines exhausting the remaining of their deduction pools which in turn generates higher royalty payables to AANDC than usual (See D2 on page 49).



- **Norman Wells Project Profits**

The total amount of revenue for Norman Wells profit-sharing is lower than forecasted due to the decrease in average crude oil price, a pipeline leak and cleanup costs which were incurred in May 2011 but affecting AANDC revenues in 2014-2015 (See D1 on page 48).

- **Interest on Loans**

The interest accrued on defaulted Ministerial Loan Guarantees is higher than forecasted due to a system issue uncovered at year-end. The debt management module of AANDC's Grants and Contributions Information Management System (GCIMS) which calculates interest will be corrected in 2015-2016.

- **Leases and Rentals**

The actual lease and rental revenue is higher than forecasted because a significant portion was subject to transfer under the NWT devolution. The forecasted leases and rental revenue excluded revenue subject to the transfer.

- **Miscellaneous Revenue**

The variance between the planned and actual 2014-2015 actual revenue is due to an extraordinary, refund of revenue reducing 2014-2015 actuals (See D4 on page 51).

- **Finance and Administrative Services**

The variance between the planned and actual 2014-2015 actual revenue is explained by two new agreements signed with Health Canada and the Public Health Agency of Canada in 2014-15.

## Part C – Expenses – Note 19 – Segmented Information

As at March 31

(in thousands of dollars)

	2015	2014	Yr-Over-Yr Variance		Explained %	Unexplained %	Ref.
			\$	%			
<b>Transfer Payments</b>							
First Nations	5,323,039	5,511,630	(188,591)	-3%	-4%	1%	C 1
Industry	76,574	104,795	(28,221)	-27%	-26%	-1%	C 3
Non-Profit Organizations	65,386	41,473	23,913	58%	58%	0%	C 5
Other	646	547	99	18%			
Provincial/territorial governments and institutions	897,697	857,128	40,569	5%	5%	0%	C 2
Environmental liabilities	103,219	40,358	99,861	156%	155%	1%	C 4
Claims and litigation	1,120,521	(264,251)	1,384,772	524%	524%	0%	C 6
Refunds/adjustments on prior years expenditures	(49,954)	(53,895)	3,941	-7%			
<b>Total Transfer Payments</b>	<b>7,537,128</b>	<b>6,237,785</b>	<b>1,336,343</b>	<b>21%</b>			
<b>Operating Expenses</b>							
Accommodations	37,569	41,836	(4,267)	-10%			
Amortization expense	8,020	8,677	(657)	-8%			
Bad debt expense	11,310	2,479	8,831	356%	292%	65%	C 15
Claims and litigation	(240,511)	(694,837)	454,326	65%	65%	0%	C 9
Court awards and other settlements	385,431	517,872	(132,441)	-26%	-26%	0%	C 8
Information services	12,058	12,727	(669)	-5%			
Machinery and equipment	6,491	16,762	(10,271)	-61%	-60%	-1%	C 16
Other	13,848	8,971	4,877	54%	-53%	-2%	C 18
Professional and special services	229,534	204,785	24,749	12%	7%	5%	C 11
Legal services	84,307	117,880	(33,573)	-28%	-27%	-1%	C 12
Rentals of buildings and machinery	14,965	12,631	2,334	18%	18%	0%	C 14
Repair and maintenance	3,140	2,616	524	20%			
Transportation and telecommunications	2,460	2,790	(330)	-12%			
Travel and relocation	24,518	22,791	1,727	8%	8%	0%	C 13
Utilities, materials and supplies	4,036	5,134	(1,098)	-21%	-25%	4%	C 17
Refunds/adjustments to prior year expenditures	(17,595)	(18,991)	1,396	-7%			
Environmental liabilities	194,141	131,795	25,346	47%	48%	-1%	C 10
Salaries and employee future benefits	479,420	507,813	(28,393)	-6%	-6%	0%	C 7
Expenses incurred on behalf of government	(5,883)	8,906	(14,789)	-166%	0%	-166%	C 19
<b>Total Operating Expenses</b>	<b>1,247,260</b>	<b>912,637</b>	<b>297,622</b>	<b>33%</b>			
<b>Total Expenses</b>	<b>8,784,388</b>	<b>7,150,422</b>	<b>1,633,965</b>	<b>23%</b>			

## C 1 – First Nations (Transfer Payments)

### Variance Summary - First Nations (Transfer Payments)

(Financial Reporting Account 51171, 51118)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>5,323,039</b>
Fiscal Year 2013-2014	<b>5,511,630</b>
Variance (+Increase / -Decrease)	<b>-188,591</b>
Percentage (+Increase / -Decrease)	<b>-3%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
In fiscal year 2013-2014, a one-time settlement payment of \$124M to the Nipissing First Nation was made for a specific claim.	-124,504	-2%
In fiscal year 2013-2014, a one-time settlement payment of \$120M settlement payment to the Chippewas Thames First Nation was made for a specific claim.	-119,960	-2%
<b>Total Explained</b>	<b>-244,464</b>	<b>-4%</b>

<b>Total Unexplained</b>	<b>55,873</b>	<b>1%</b>
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## C 2 – Provincial/Territorial Governments and Institutions (Transfer Payments)

### Variance Summary - Provincial/Territorial Governments and Institutions (Transfer Payments)

(Financial Reporting Account 51139)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>897,697</b>
Fiscal Year 2013-2014	<b>857,128</b>
Variance (+Increase / -Decrease)	<b>40,569</b>
Percentage (+Increase / -Decrease)	<b>5%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<p>The variance is due to offsetting coding reclassifications, an increase in recurring funding agreements, as well as an increase in emergency response funding. More specific details are:</p> <ul style="list-style-type: none"> <li>- Reclassification between transfer payments to Industry (C 3) and to Provincial/Territorial Governments and Institutions (C 2);</li> <li>- The Government of Yukon agreements increased by \$12,297;</li> <li>- The Government of Ontario 1965 Welfare agreement funding increased by \$19,213;</li> <li>- Emergency response funding increased by \$7,645.</li> </ul>	40,569	5%
<b>Total Explained</b>	<b>40,569</b>	<b>5%</b>

<b>Total Unexplained</b>	<b>0</b>	<b>0%</b>
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## C 3 – Industry (Transfer Payments)

### Variance Summary - Industry (Transfer Payments)

(Financial Reporting Account 51171)

(2014-15 AANDC Financial Statements Note 8)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>76,574</b>
Fiscal Year 2013-2014	<b>104,795</b>
Variance (+Increase / -Decrease)	<b>-28,221</b>
Percentage (+Increase / -Decrease)	<b>-27%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
A company was hired as an alternate service provider to First Nations for Social Development programs. A reclassification of expenditures resulted in a year over year offsetting variances for transfer payments to Industry (C 3) and for Non-profit Organizations (C 5) in the amount of \$12M. The remaining \$2M variance is due to a decrease in activity volume as a third party manager.	-14,074	-13%
A single payment made to a consulting company in fiscal year 13-14 was not repeated in 14-15.	-9,415	-9%
A coding reclassification resulted in offsetting variances between transfer payments to Industry (C 3) and to Provincial/Territorial Governments and Institutions (C 2) in the amount of \$4M.	-4,090	-4%
<b>Total Explained</b>	<b>-27,578</b>	<b>-26%</b>
<b>Total Unexplained</b>	<b>-643</b>	<b>-1%</b>

## C 4 – Contaminated Sites (Transfer Payments)

### Variance Summary - Contaminated Sites (Transfer Payments) (Financial Reporting Account 51171)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	103,219
Fiscal Year 2013-2014	40,358
Variance (+Increase / -Decrease)	62,861
Percentage (+Increase / -Decrease)	156%

Explanation of Major Variances	Variance \$	Variance %
This represents the change in the Environmental Liability and corresponding expense that is allocated to transfer payment expense.		
<p><b>Southern Region:</b> There was an increase of \$14,533K Grants and Contributions (G&amp;C) transfer payment expense as a result of an increase in the liability in 2014-15. The majority of the increase in environmental liabilities is attributed to an increase in cost estimates by \$29M and additional liability of \$3.5M for 17 new sites, offset by actual expenditures reducing the liabilities by \$18M. In 2013-2014, there was a \$25M G&amp;C transfer payment expense decrease. Therefore, total G&amp;C transfer payment expense variance in the southern region from 2013-14 to 2014-15 was \$39.2M.</p>	39,225	97%
<p><b>Northern Region:</b> An expense in the amount of \$89M for G&amp;C transfer payment was recorded in the northern region in 14-15. The total environmental liability increased by \$284M, of which \$89M (31%) is recorded as a transfer payment expense based on the actual percentage of total remediation expenditure in 2014-2015. This increase can be broken by territory as follows:</p> <ul style="list-style-type: none"> <li>- Increase of \$55M in the Yukon</li> <li>- Increase \$43M in the North West Territories</li> <li>- Decrease of \$9.5M in Nunavut.</li> </ul> <p>The majority of the increase in environmental liabilities is attributed to an increase in estimates for Faro Mine and Giant Mine as well as additional liability resulting from the addition of two sites in the Nunavut and Yukon. This was partially offset by actual expenditures reducing the liability. In 2013-2014, the liability increase which was allocated to G&amp;C expense in the northern region was \$65M. Therefore, the total G&amp;C expense variance in the northern region from 2013-14 to 2014-15 is \$ 23.6M.</p>	23,636	59%
<b>Total Explained</b>	<b>62,861</b>	<b>156%</b>

<b>Total Unexplained</b>	<b>0</b>	<b>0%</b>
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## C 5 – Non-Profit Organization (Transfer Payments)

### Variance Summary - Non-Profit Organization (Transfer Payments)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>65,386</b>
Fiscal Year 2013-2014	<b>41,473</b>
Variance (+Increase / -Decrease)	<b>23,913</b>
Percentage (+Increase / -Decrease)	<b>58%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
CANADIAN RED CROSS - Funding increased in particular due to Emergency Response and Recovery activities.	4,309	10%
NORTHERN WATERWORKS - This variance is due to new agreements that increased funding by \$2M.	2,040	5%
BC SMITH&ASSOCIATES- This company was hired as an alternate service provider to First Nations for Social Development programs. An expenditure reclassification resulted in offsetting variances between transfer payments to Industry (C 3) and to Non-profit Organizations (C 5) in the amount of \$12M.	12,010	29%
NAV CANADA - This is funding to forest fire Non-Profit Organization due to extensive forest fires in Quebec.	5,585	13%
<b>Total Explained</b>	<b>23,945</b>	<b>58%</b>

<b>Total Unexplained</b>	<b>-32</b>	<b>0%</b>
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## C 6 – Claims and Litigation (Transfer Payments)

### Variance Summary - Claims and Litigation (Transfer Payments)

(Financial Reporting Account 51171)  
(2014-15 AANDC Financial Statements Note 8)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>1,120,521</b>
Fiscal Year 2013-2014	<b>-264,251</b>
Variance (+Increase / -Decrease)	<b>1,384,772</b>
Percentage (+Increase / -Decrease)	<b>524%</b>

#### **Explanation of Major Variances**

This expense represents the change in the Provision for Claims and Litigation for specific claims and comprehensive claims.

The provision for claims increased mainly due to an increase in the provision for Comprehensive Land Claims (+\$927M) which is due to the addition of five claims included in the provision with a likely status. In addition, inflationary changes and population increases also contributed to the increase. The Specific Claims provision increased by \$193M due to the addition of 44 new claims with a likely status that were added to the inventory (\$290M) which was partially offset by the settlement of 15 claims (\$36M) as well as the removal of 8 claims (\$70M).



## C 7 – Salary and Employee Future Benefits

### Variance Summary - Salary and Employee Future Benefits

(Financial Reporting Account 51311, 51312, 51846)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>479,420</b>
Fiscal Year 2013-2014	<b>507,813</b>
Variance (+Increase / -Decrease)	<b>-28,393</b>
Percentage (+Increase / -Decrease)	<b>-6%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
Moving from fiscal year 2013-2014 to 2014-2015 the overall Full Time Equivalentents (FTE) showed a reduction of 6.1%. This led to a similar reduction in the salaries and wages expense.	-28,043	-6%
<b>Total Explained</b>	<b>-28,043</b>	<b>-6%</b>
<b>Total Unexplained</b>	<b>-350</b>	<b>0%</b>

## C 8 – Court Awards and Other Settlement

### Variance Summary - Court Awards and Other Settlement

(Financial Reporting Account 51722)  
(2014-15 AANDC Financial Statements Note 8)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>385,431</b>
Fiscal Year 2013-2014	<b>517,872</b>
Variance (+Increase / -Decrease)	<b>-132,441</b>
Percentage (+Increase / -Decrease)	<b>-26%</b>

#### **Explanation of Major Variances**

These expenses are related to the settlement claims against the Crown, and court awards.

Decrease of \$132M in the 2014-15 expenses: The majority of the decrease is due to the settlement of a litigation claim in 2013-14: Slate Falls Nation v. The AG (Canada) and Ontario Power Generation Inc. (\$57.5M). In addition, expenses related to payments of settlements for Indian Residential Schools Claims decreased by \$74.92M due to a decrease in the average settlement payment.

## C 9 – Claims and Litigation (Operating Expenses)

### Variance Summary - Claims and Litigation (Operating Expenses)

(Financial Reporting Account 51722)  
(2014-15 AANDC Financial Statements Note 8)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>-240,511</b>
Fiscal Year 2013-2014	<b>-694,837</b>
Variance (+Increase / -Decrease)	<b>454,326</b>
Percentage (+Increase / -Decrease)	<b>65%</b>

#### **Explanation of Major Variances**

The expense under this line item represents the change in the Provision for Claims and Litigation. The provision includes litigation claims, non-litigation claims and Indian Residential Schools Claims.

The expense decreased by less in 2014-2015 as compared to the previous year as a result of less settlements for litigation and non-litigation (\$2M in 2014-2015 rather than \$69M 2013-2014). The expense due to settlements was partially offset by the addition of three new mandates for litigation claims which was greater than the new claims added in 2014-2015. The provision has decreased in the past two years due to the settlement of Indian Residential Schools Claims however the decrease for 2014-2015 was not significant compared to 2013-2014 due to a reduction in the average dollar payment amount per settlement. The combination of lower settlements and added negotiation mandates resulted in a lower expense for 2014-15 as compared to 2013-14.

## C 10 – Contaminated Sites (Operating Expenses)

**Variance Summary - Contaminated Sites (Operating Expenses)**  
**(Financial Reporting Account 51321)**  
**(2014-2015 AANDC Financial Statements Note 8)**

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>194,141</b>
Fiscal Year 2013-2014	<b>131,795</b>
Variance (+Increase / -Decrease)	<b>62,347</b>
Percentage (+Increase / -Decrease)	<b>47%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<p>This represents the change in the Environmental Liability balance and corresponding expense which is allocated to operating and maintenance (O&amp;M) expenses.</p> <p>The majority of the increase in O&amp;M operating expenses occurred in the northern region. The total liability increased by \$284M, of which \$195M (69%) is recorded as an operating expense based on the actual percentage of actual remediation expenditures in 2014-2015. This increase can be broken by territory as follows:</p> <ul style="list-style-type: none"> <li>- Increase of \$134M in the Yukon</li> <li>- Increase \$100M in the North West Territories</li> <li>- Decrease of \$21M in Nunavut.</li> </ul> <p>The majority of the increase in environmental liabilities is attributed to an increase in estimates for Faro Mine and Giant Mine as well as additional liability resulting from the addition of two sites in the Yukon and Nunavut. This was partially offset by actual expenditures which reduce the liability (-\$166M).</p> <p>The increase in the northern region was slightly offset by a decrease of \$933K resulting from actual expenditures reducing the liability in the southern region.</p> <p>In 2013-14, the liability increase which was allocated to O&amp;M expenses was \$132M therefore; the total variance for O&amp;M expenses in 2014-15 is \$62M.</p>	<b>62,347</b>	<b>47%</b>
<b>Total Explained</b>	<b>62,347</b>	<b>47%</b>
<b>Total Unexplained</b>	<b>0</b>	<b>0%</b>

## C 11 – Professional Services

### Variance Summary - Professional Services

(Financial Reporting Account 51321)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>229,534</b>
Fiscal Year 2013-2014	<b>204,785</b>
Variance (+Increase / -Decrease)	<b>24,749</b>
Percentage (+Increase / -Decrease)	<b>12%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
A reclassification from legal services (C 12) to professional services (C 11) resulted in offsetting variances.	23,584	12%
<b>Total Explained</b>	<b>23,584</b>	<b>12%</b>

<b>Total Unexplained</b>	<b>1,165</b>	<b>1%</b>
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## C 12 – Legal Services

### Variance Summary - Legal Services (Financial Reporting Account 51321)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>84,307</b>
Fiscal Year 2013-2014	<b>117,880</b>
Variance (+Increase / -Decrease)	<b>-33,573</b>
Percentage (+Increase / -Decrease)	<b>-28%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
A reclassification from legal services (C 12) to professional services (C 11) resulted in offsetting variances.	-23,584	-20%
There was a decrease in Legal Services for the Secretariat of the Adjudicator due to a reduction of the number of cases.	-2,617	-2%
There was a decrease in Services provided by other departments without charge.	-1,149	-1%
There was an overall decrease in legal service fees.	-4,970	-4%
<b>Total Explained</b>	<b>-32,320</b>	<b>-27%</b>
<b>Total Unexplained</b>	<b>-1,253</b>	<b>-1%</b>

## C 13 – Travel and Relocation

### Variance Summary - Travel and Relocation

(Financial Reporting Account 51321)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>24,518</b>
Fiscal Year 2013-2014	<b>22,791</b>
Variance (+Increase / -Decrease)	<b>1,727</b>
Percentage (+Increase / -Decrease)	<b>8%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<p>The overall departmental travel expenditures increased in 2014-15.</p> <p>The 2014-15 annual budget limit for expenses related to travel and hospitality was \$30.10M which is based on the 2013-14 actual spending on those activities. The actual amount spent totaled to \$24.52M, well below the budget limit.</p> <p>The total travel expenses increased year-over-year by \$1.73M of which \$1.63M was due to the travel costs for public servants and non-public servants and a \$0.1M was for employee relocation costs.</p>	1,727	8%
<b>Total Explained</b>	<b>1,727</b>	<b>8%</b>

<b>Total Unexplained</b>	<b>0</b>	<b>0%</b>
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## C 14 – Rental of Buildings and Machinery

### Variance Summary- Rental of Buildings and Machinery

(Financial Reporting Account 51321)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>14,965</b>
Fiscal Year 2013-2014	<b>12,631</b>
Variance (+Increase / -Decrease)	<b>2,334</b>
Percentage (+Increase / -Decrease)	<b>18%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
This variance represents an overall increase in expenses for license and maintenance fees for software that were related to Distributed Computing Environment (DCE).	3,572	28%
There is a reduction in spending on license and maintenance fees for application software as well as application development and delivery software. The majority of the decrease was due to reduced expenses for ORACLE financial systems, SAP transition expenses and other software.	-1,316	-10%
<b>Total Explained</b>	<b>2,256</b>	<b>18%</b>

<b>Total Unexplained</b>	<b>78</b>	<b>0%</b>
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## C 15 – Bad Debt Expenses

### Variance Summary - Bad Debt Expenses

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>11,310</b>
Fiscal Year 2013-2014	<b>2,479</b>
Variance (+Increase / -Decrease)	<b>8,831</b>
Percentage (+Increase / -Decrease)	<b>356%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
Allowance for doubtful accounts - Most of the increase is in Headquarters for the amount of \$5.8 million due to accounts receivable deemed uncollectable under the Aboriginal Business Canada program (ABC Program)	5,784	233%
Guaranteed loans - The increase in the allowance for doubtful accounts is mostly due to the interest on outstanding defaulted loan guarantees in Ontario for the amount of \$1.4 million.	1,445	58%
<b>Total Explained</b>	<b>7,229</b>	<b>292%</b>
<b>Total Unexplained</b>	<b>1,602</b>	<b>65%</b>

## C 16 – Machinery and Equipment

### Variance Summary - Machinery and Equipment (Financial Reporting Account 51321) (2014-15 AANDC Expense)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>6,491</b>
Fiscal Year 2013-2014	<b>16,762</b>
Variance (+Increase / -Decrease)	<b>-10,271</b>
Percentage (+Increase / -Decrease)	<b>-61%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
The total expenditure for machinery and equipment significantly declined in 2014-15. This is because the bulk of purchases of furniture and fixtures and computer equipment occurred in 2013-14.		
The expenses of furniture and fixtures decreased. There were significant purchases of furniture in the National Capital Region in 2013-14 due to the implementation of Workplace 2.0 projects.	-2,166	-13%
New desktop and laptop computers were purchased in 2013-2014.	-2,058	-12%
There were significant purchases of software licenses to support application development in fiscal year 2013-14.	-4,971	-30%
Multi-functional printers were purchased in 2013-14.	-839	-5%
<b>Total Explained</b>	<b>-10,034</b>	<b>-60%</b>

<b>Total Unexplained</b>	<b>-237</b>	<b>-1%</b>
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## C 17 – Utilities, materials and supplies

### Variance Summary - Utilities, materials and supplies

(Financial Reporting Account 51321)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>4,036</b>
Fiscal Year 2013-2014	<b>5,134</b>
Variance (+Increase / -Decrease)	<b>-1,098</b>
Percentage (+Increase / -Decrease)	<b>-21%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
The reduction of \$604,278 in the regions is mainly due to the Northwest Territories (NWT) Devolution. The expense of utilities, materials and supplies of NWT region was decreased by \$521,904, and that of Yukon region was decreased by \$71,232.	-604	-12%
The expense for utilities, materials and supplies in headquarters was reduced by \$686,596 in 2014-15.	-687	-13%
<b>Total Explained</b>	<b>-1,291</b>	<b>-25%</b>
<b>Total Unexplained</b>	<b>193</b>	<b>4%</b>

## C 18 – Operating Expenses - Other

### Variance Summary - Operating Expenses - Other

(Financial Reporting Account 51192, 51321, 51511, 51631, 51635, 51711, 51726, 51729, 51733)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>13,848</b>
Fiscal Year 2013-2014	<b>8,971</b>
Variance (+Increase / -Decrease)	<b>4,877</b>
Percentage (+Increase / -Decrease)	<b>-54%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<p><b>Econ 8295 - Other Payments</b> Disbursement of Earmarked Fund - The payments from Environmental Studies Research Fund was increased by \$2.3M compared to fiscal year 2013-14 as a result of the transfer of the surplus balance to GNWT subsequent to the NWT Devolution.</p>	2,313	-26%
<p><b>Econ 3469 - Charges to Other Liability Accounts</b> The variance under Econ 3469 is attributed to the provision for losses on Reserve Housing Guarantees. The provision for losses has increased due to a change in the forecasting methodology in 2014-15 for recoveries on defaulted loans which is used in the estimate of the provision for losses of \$1 million. The change of the methodology decreased the forecasted recoveries which increased the estimated provision for losses. Also, there was a new default for the amount of \$10,444 in On Reserve Housing program that further increased the estimated provision for losses. In total, the provision for losses was increased by \$0.995M.</p>	995	-11%
<p><b>Econ 3425 - Reallocation of Expenditures/Costs within a Department</b></p> <ul style="list-style-type: none"> <li>- A loss of \$2.6M on disposal of physical assets was incurred due to NWT devolution.</li> <li>- In 2013-14, corporate accounting undertook an asset validation exercise and made adjustments accordingly which resulted in a credit of \$1.4M in the Other Expense Account. This exercise was not repeated in 2014-15.</li> </ul>	3,978	-44%

<p><b>Econ 3259 - Miscellaneous Expenditures not Elsewhere Classified</b>  The total expense under Econ 3259 was reduced by \$2.57M, which is explained by the following:</p> <ol style="list-style-type: none"> <li>1. An expenditure of \$1.79M related to Indian Residential School claim settlement in 2013-14 was not repeated in 2014-15.</li> <li>2. An amount of -\$1.42M is due to the recovery from a crown corporation's instalments payable to a First Nation recipient.</li> <li>3. A clean-up in the amount of - \$0.71M was undertaken by corporate accounting in 2013-14 in order to prepare the conversion from Oracle to SAP. This activity was not repeated in 2014-15.</li> <li>4. The royalties distributed to First Nations increased by \$1.35M year-over-year due to the increase in mining and oil &amp; gas resource revenues.</li> </ol>	-2,571	29%
<b>Total Explained</b>	<b>4,715</b>	<b>-53%</b>

<b>Total Unexplained</b>	<b>162</b>	<b>-2%</b>
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## C 19 – Expenses incurred on behalf of Government

### Variance Summary - Expenses incurred on behalf of Government

(Financial Reporting Account 51732, 51171)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>-5,883</b>
Fiscal Year 2013-2014	<b>8,906</b>
Variance (+Increase / -Decrease)	<b>-14,789</b>
Percentage (+Increase / -Decrease)	<b>-166%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<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 the AANDC's bad debt expenses related to loans and interest receivable (assets held on 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 of the variance is related to Direct Loans - Native Claimants.</p>	-	-
<b>Total Explained</b>	<b>0</b>	<b>0%</b>

<b>Total Unexplained</b>	<b>-14,789</b>	<b>-166%</b>
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## Part D – Revenues – Note 19 – Segmented Information

**Revenue - Note 19 Segmented Information (Unaudited)**

**As at March 31**

*(in thousands of dollars)*

	2015	2014	Yr-Over-Yr Variance		Explained %	Unexplained %	Reference
			\$	%			
<b>Revenues</b>							
Norman Wells project profits	74,779	83,503	(8,724)	-10%	-18%	7%	REV 1
Resource royalties	59,541	16,283	43,258	266%	266%	-1%	REV 2
Interest on loans	7,761	6,168	1,593	26%	26%	0%	REV 3
Miscellaneous	2,005	5,021	(3,016)	-60%	-60%	0%	REV 4
Leases and rentals	1,670	2,665	(995)	-37%	-37%	0%	REV 5
Finance and administrative services	3,135	690	2,445	354%			
Revenues earned on behalf of Government	(143,080)	(112,870)	(30,210)	27%			NOTE
<b>Total Revenues</b>	<b>5,811</b>	<b>1,460</b>	<b>(4,351)</b>	<b>298%</b>			

**NOTE: Revenues earned on behalf of Government**

All revenues, except "Finance and administrative services" and "Gain on sale of crown assets", are included in Revenues earned on behalf of Government.



## D 1 – Norman Wells Project Profits

### Variance Summary - Norman Wells Project Profits

(Financial Reporting Account 42129)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>74,779</b>
Fiscal Year 2013-2014	<b>83,503</b>
Variance (+Increase / -Decrease)	<b>-8,724</b>
Percentage (+Increase / -Decrease)	<b>-10%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
<p>The total amount of revenue for Norman Wells profit sharing has decreased by \$8.7M due to the following reasons:</p> <ol style="list-style-type: none"> <li>1. A decrease in average crude oil price.</li> <li>2. A pipeline leak and cleanup costs incurred in May 2011 but charged in 2014.</li> <li>3. A decrease in gas sales and a refund of \$1M to the Town of Norman Wells as per the Gas Supply Termination Agreement.</li> <li>4. A pipeline surcharge to a petroleum company for exceeding a maximum monthly volume stipulated in an Inducement Agreement for production years 2010-2014 for \$0.95M.</li> </ol>	-8,724	-10%
<b>Total Explained</b>	<b>-8,724</b>	<b>-10%</b>

<b>Total Unexplained</b>	<b>0</b>	<b>0%</b>
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## D 2 – Resource Royalties

### Variance Summary - Resource Royalties (Financial Reporting Account 42311)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2014-2015	59,541
Fiscal Year 2013-2014	16,283
Variance (+Increase / -Decrease)	43,258
Percentage (+Increase / -Decrease)	266%

Explanation of Major Variances	Variance \$	Variance %
<p><b>Mining Royalties</b> - The amount collected in royalty revenues for 2014-15 increased from the previous year by \$54M. This is due to a credit issued in 2013-14 to a diamond mine in the amount of \$20M related to royalties earned in 2008 after a re-statement was received. In addition, three months of royalties due from 2014 were received by AANDC for diamonds related to the sale of the mine. Two diamond mines have exhausted the remainder of their deduction pools which in turn generated higher royalty revenue for AANDC than in previous years. Furthermore, the increase price of diamond in 2014-2015 has increased the royalty revenue.</p>	52,973	325%
<p><b>Oil and Gas</b> – The resource royalty decreased by \$8.3M in oil and gas as a result of the NWT devolution. As of April 2014, the collection of oil and gas royalty from the production fields in NWT falls in GNWT’s jurisdiction. As a result of the devolution, five per cent in annual royalties on two thirds of oil production from the Norman Wells Proven Area is now paid to NWT. Further contributing to the decrease was a one-time payment resulting from an oil dispute in the amount of \$1.5M.</p>	-9,589	-59%
<b>Total Explained</b>	<b>43,383</b>	<b>266%</b>

<b>Total Unexplained</b>	<b>-125</b>	<b>-1%</b>
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### D 3 – Interest on Loans

#### Variance Summary - Interest on Loans

(Financial Reporting Account 42129)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2014-2015	7,761
Fiscal Year 2013-2014	6,168
Variance (+Increase / -Decrease)	1,594
Percentage (+Increase / -Decrease)	26%

Explanation of Major Variances	Variance \$	Variance %
Community and infrastructure - This higher interest revenue is due to low repayment rate, which results in high balances owed on defaulted ministerial guaranteed loans.	2,116	34%
Aboriginal rights and interests - Variance due to repayment of settled claims. Reduced principal leads to less interest over time which is the case here. Yearly variance is expected to go down yearly as repayments flow in until full repayment.	-899	-15%
Management and implementation - Variance due to increased interest accrued on settled claims.	388	6%
Community development - Not a significant variance, yearly variance due to interest rates.	-11	0%
<b>Total Explained</b>	<b>1,594</b>	<b>26%</b>

<b>Total Unexplained</b>	<b>0</b>	<b>0%</b>
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## D 4 – Miscellaneous Revenue

### Variance Summary - Miscellaneous Revenue

(Financial Reporting Account 42314, 42315, 42319, 42411, 42412, 42541, 42631, 42635, 42719, 42733)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2014-2015	2,005
Fiscal Year 2013-2014	5,021
Variance (+Increase / -Decrease)	-3,016
Percentage (+Increase / -Decrease)	-60%

Explanation of Major Variances	Variance \$	Variance %
<b>Enviro Studies and Other:</b> The decrease is due to the differences in projects managed by the Environmental Studies Research Fund Secretariat which has decreased by \$2.2M as a result of the transfer of the surplus balance to GNWT subsequent to the NWT Devolution. Further, there was additional revenue refund made for other miscellaneous revenue in the amount of \$3.3M.	-5,518	-110%
<b>Crown Assets:</b> There was an increase of \$2M in revenue from the sale of Non-Capital Assets to Outside Parties. Further, there was an increase of interest revenue from overdue account receivable in the amount of \$0.5M.	2,516	50%
<b>Total Explained</b>	<b>-3,002</b>	<b>-60%</b>
<b>Total Unexplained</b>	<b>-14</b>	<b>0%</b>

## D 5 – Lease and Rentals

### Variance Summary - Lease and Rental (Financial Reporting Account 42312)

<b>Financial Statement Data (in thousands of dollars)</b>	
Fiscal Year 2014-2015	<b>1,670</b>
Fiscal Year 2013-2014	<b>2,665</b>
Variance (+Increase / -Decrease)	<b>-995</b>
Percentage (+Increase / -Decrease)	<b>-37%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
The decrease in 2015 for Lease and Rental Revenue is due to NWT devolution in 2014-15. Certain leases and rentals were transferred to the Government of the Northwest Territories. The land leases have decreased by \$467k and Rental of Unimproved land has decreased by \$515k.	-981	-37%
<b>Total Explained</b>	<b>-981</b>	<b>-37%</b>
<b>Total Unexplained</b>	<b>-13</b>	<b>0%</b>

## D 6 – Finance and Administrative Services

### Variance Summary - Finance and administrative services (Financial Reporting Account 42320)

<b>Financial Statement Data</b> <i>(in thousands of dollars)</i>	
Fiscal Year 2014-2015	<b>3,135</b>
Fiscal Year 2013-2014	<b>690</b>
Variance (+Increase / -Decrease)	<b>2,445</b>
Percentage (+Increase / -Decrease)	<b>354%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
The variance is explained by two new agreements signed with Health Canada and the Public Health Agency of Canada in 2014-15, which are for project costs related to AANDC's Grants and Contributions Information Management System (GCIMS).	2,465	357%
<b>Total Explained</b>	<b>2,465</b>	<b>357%</b>
<b>Total Unexplained</b>	<b>-20</b>	<b>-3%</b>

## Part E - Other

## E 1 – Parliamentary Authorities – Budgetary Authorities Provided and Used

(2014-2015 AANDC Financial Statement Note 3b)

<b>Financial Statement Data (in thousands of dollars)</b>	
Fiscal Year 2014-2015 Authorities Provided	<b>8,730,597</b>
Fiscal Year 2014-2015 Authorities Used	<b>7,691,653</b>
Authorities Available for Future Years	<b>34,689</b>
Variance (+Increase/ -Decrease)	<b>1,004,255</b>
Percentage (+Increase/ -Decrease)	<b>12%</b>

<b>Explanation of Major Variances</b>	<b>Variance \$</b>	<b>Variance %</b>
Funds deferred from 2014-2015 to future years for various initiatives to be used for the same intended purposes (note some are still in the approval process). Major items include: <ul style="list-style-type: none"> <li>- Specific Claims Settlement Fund (\$664M)</li> <li>- Indian Residential Schools Settlement Agreement (\$164M)</li> <li>- Various other initiatives totaling \$101M (e.g. Operation Return Home, Federal Contaminated Sites Action Plan, Income Assistance Reform)</li> </ul>	928,997	10.6%
Budget carryforwards <ul style="list-style-type: none"> <li>- Operating budget carryforward \$18M</li> <li>- Capital budget carryforward \$2M</li> </ul>	20,406	0.2%
Remaining Balance <ul style="list-style-type: none"> <li>- The remaining balance of \$40M is related to funding set aside for a variety of uses, most notably to meet the statutory funding requirements under the Territorial Formula Financing as stipulated in the Northwest Territories Lands and Resources Devolution Agreement (\$33M).</li> </ul>	40,012	0.5%
<b>Subtotal</b>	<b>989,415</b>	<b>11.3%</b>
<b>Net Lapse</b>	<b>14,840</b>	<b>0.2%</b>

### Notes:

The above information is as of January 11, 2016. It is subject to change as the re-profile requests have not all been approved by the Department of Finance at this time. Should some of these requests be refused, the result will be a corresponding increase in the net lapse.

The net lapse is a result of the implementation of saving measures from Budget 2012 as well as a delay in certain activities and projects. Furthermore, more cautious spending with regards to staffing, departmental travel, hospitality, and professional services has resulted in efficiencies.