

Variance Analysis Summary:

*Indigenous and Northern Affairs Canada (INAC)
Financial Statements (Unaudited)*

Fiscal Year 2015-2016

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

Part A – Statement of Financial Position
Fiscal Year 2015-2016

FY 2015-2016 Variance Summary
Statement of Financial Position (Unaudited)
As at March 31
(in thousands of dollars)

	2016	2015	Year-Over-Year Variance		Explained %	Unexplained %	Reference
			\$	%			
Liabilities							
Accounts payable and accrued liabilities (note 4)	754,863	688,339	66,524	10%	11%	-1%	A 1
Vacation pay and compensatory leave	15,157	15,194	(37)	0%			
Other liabilities (note 5)	60,458	70,606	(10,148)	-14%	-14%	0%	A2a, A2b
Trust accounts (note 6)	766,810	892,254	(125,444)	-14%	-14%	0%	A 3
Settled claims (note 7)	228,117	281,854	(53,737)	-19%	-19%	0%	A 4
Provision for claims and litigation (note 8)	11,549,179	10,635,848	913,331	8%	8%	0%	A 5
Environmental liabilities (note 9)	3,765,010	3,000,346	764,664	25%	25%	0%	A 6
Provision for loan guarantees (note 8)	1,565	1,405	160	11%	11%	0%	A 7
Employee future benefits (note 10)	23,956	25,586	(1,630)	-6%	-7%	1%	A 8
Total Liabilities	17,165,115	15,611,432	1,553,683	10%			
Financial Assets							
Due from the Consolidated Revenue Fund	1,555,701	1,638,093	(82,392)	-5%	-5%	0%	A 9
Accounts receivable and advances (note 11)	84,861	69,321	15,540	22%			
Interest receivable (note 12)	691	1,462	(771)	-53%	-54%	1%	A10
Loans receivable (note 13)	873,583	858,256	15,327	2%	2%	0%	A11
Total gross financial assets	2,514,836	2,567,132	(52,296)	-2%			
Financial assets held on behalf of government							
Interest receivable(note 12)	(691)	(1,462)	771	-53%			
Loans receivable (note 13)	(873,583)	(858,256)	(15,327)	2%			
Total financial assets held on behalf of government	(874,274)	(859,718)	(14,556)	2%			
Total net financial assets	1,640,562	1,707,414	(66,852)	-4%			
Departmental net debt	15,524,553	13,904,018	1,620,535	12%			
Non Financial Assets							
Land held for future claims settlements (Note 14)	38,847	39,546	(699)	-2%			
Prepaid expenses	67	151	(84)	-56%			
Tangible capital assets (Note 15)	137,589	92,958	44,631	48%	48%	0%	A12
Total non financial assets	176,503	132,655	43,848	33%			
Departmental net financial position (note 16)	(15,348,050)	(13,771,363)	(1,576,687)	11%			

A 1 – Accounts Payable and Accrued Liabilities

(Financial Reporting Account 211XX, 216XX)

(2015-2016 INAC Financial Statements Note 4)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2015-2016	754,863
Fiscal Year 2014-2015	688,339
Variance (+Increase / -Decrease)	66,524
Percentage (+Increase / -Decrease)	10%

Explanation of Major Variances	Variance \$	Variance %
A breakdown of the increase in Accounts Payable is provided below:		
•\$19.9M for the Minister of Finance of British Columbia for its social development program - Child and family Services;	19,900	3%
•\$23.9M increase in the amount payable to the Province Of Ontario – Ministry of Community and Social Services for social development programs in accordance with the Memorandum of Agreement Respecting Welfare Programs for Indians agreement;	23,888	4%
•\$18.9M payable to The Government of Nunavut for the Nunavut land claim agreement and;	18,885	3%
•\$16.3M payable for a claim settled just prior to year-end.	16,276	2%
The increase in Accounts Payable and Accrued Liabilities is offset by:		
•A decrease of \$15.7M in Payables at Year-End related to the Indian Residential School settlement.	-15,683	-2%
•A general decrease of \$6.8M in Payables at Year-End related to Transfer Payments as a result of more clean-up of old Payables at Year-End.	-6,834	-1%
New workforce adjustment provisions of \$14.3M related to the ending of the Indian Residential Schools Settlement Agreement program.	14,314	2%
Total Explained	70,746	11%
Total Unexplained	-4,222	-1%

A 2a – Other Liabilities (Trust Accounts Related)

(Financial Reporting Account 23441, 23442)

(2015-2016 INAC Financial Statements Note 5)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	43,461
Fiscal Year 2014-2015	53,343
Variance (+Increase / -Decrease)	-9,882
Percentage (+Increase / -Decrease)	-19%

Explanation of Major Variances	Variance \$	Variance %
<p>The variance is mainly attributed to the decrease in the Indian Moneys Suspense Account. In 2015-2016, the disbursements exceeded the receipts by \$9.9M.</p> <p>An amount of -\$5.4M to a band in Alberta and an amount of -\$4.1M from an agreement between an oil and gas company and a band in Alberta constitute the two significant disbursement items.</p> <p>Although there was no residual effect on the closing balance, there was significant in-year activity within the account which bears noting. An amount of \$275M was received from the Government of Alberta on behalf of a band in Alberta which flowed through the Indian Moneys Suspense Account and was disbursed to the band's outside trust. Please see A3 for further details.</p>	-9,865	-19%
Total Explained	-9,865	-19%

Total Unexplained	-17	0%
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A 2b – Other Liabilities (Guarantee Deposits)

(Financial Reporting Account 23211, 23213)

(2015-2016 INAC Financial Statements Note 5)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	16,997
Fiscal Year 2014-2015	17,263
Variance (+Increase / -Decrease)	-266
Percentage (+Increase / -Decrease)	-2%

Explanation of Major Variances	Variance \$	Variance %
During 2015-2016, the overall payments and other charges of guarantee deposits exceed receipts and other credits by \$265K		
There was one significant transaction: Prospect permits for oil and gas mining in the Nunavut region that were returned.	-251	-2%
Total Explained	-251	-2%

Total Unexplained	-15	0%
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A 3 – Trust Accounts

(Financial Reporting Account 23221, 23222, 23223, 23225)

(2015-2016 INAC Financial Statements Note 6)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2015-2016	766,810
Fiscal Year 2014-2015	892,254
Variance (+Increase / -Decrease)	-125,444
Percentage (+Increase / -Decrease)	-14%

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 the balances result from total receipts credited to the accounts minus total disbursements made during the year.		
Two bands transferred their capital funds to outside trusts under par. 64.1(k) of the Indian Act. <ul style="list-style-type: none"> • A band in Alberta \$278.9M offset by a receipt of \$275.0M from the Government of Alberta (please see A2a for further details); • A band in Saskatchewan \$44.3M. 	-48,117	-5%
The Indian Band Funds account further decreased in 2015-2016 by \$76.3M in Alberta and Saskatchewan due to disbursements from the Band Funds account that exceeded the receipts of funds. The reduction in receipts is due in large part to a significant downturn in the oil and gas industry in 2015.	-76,286	-9%
The Indian Savings Account decreased in 2015-2016 by \$2.0M due to two large disbursements in Alberta and Saskatchewan.	-1,959	0%
Total Explained	-126,362	-14%

Total Unexplained	918	0%
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A 4 – Settled Claims

(Financial Reporting Account 24114)
(2015-2016 INAC Financial Statements Note 7)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	228,117
Fiscal Year 2014-2015	281,854
Variance (+Increase / -Decrease)	-53,737
Percentage (+Increase / -Decrease)	-19%

Explanation of Major Variances	Variance \$	Variance %
<p>Payments for settled claims are 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"> • During the year, total payments related to settled claims amounted to \$56.9M while there were no new liabilities added for settled claims. • The decrease of \$3.7M is due to discounting as payments are made over several years. 	-53,735	-19%
Total Explained	-53,735	-19%
Total Unexplained	-2	0%

A 5 – Provision for Claims and Litigation

(Financial Reporting Account 21433)
(2015-2016 INAC Financial Statements Note 8)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2015-2016	11,549,179
Fiscal Year 2014-2015	10,635,848
Variance (+Increase / -Decrease)	913,331
Percentage (+Increase / -Decrease)	8%

Explanation of Major Variances	Variance \$	Variance %
<p>Specific Claims (including claims filed at Specific Claim Tribunal): The increase in balance can be explained by:</p> <ul style="list-style-type: none"> • 78 claims that were either added to the inventory or whose liability was increased for a total of \$1,297M • Offset by settlements of 11 claims costing \$29M • The removal of 28 claims for \$277M because they were withdrawn, invalid or did not demonstrate a lawful obligation. • The remaining variance can be explained by changes in valuation due to claims progressing through the process and changes in Consumer Price Index (CPI) rates. 	1,073,568	10%
<p>Indian Residential School: The majority of the total variance is due to a combination of the followings:</p> <ul style="list-style-type: none"> • 2,997 claims were settled for an amount of \$222M; • A higher percentage of zero dollar awards, from 17.55% to 24.40%, reduced the estimation of contingent liability; • A revised methodology to calculate the estimation of settlement average payment which reduces the estimated contingent liability. 	-384,784	-3%
<p>Special Claims: The decrease is related to the transfer from INAC to the Department of National Defense's (DND) of the contingent liability associated with the clean-up of a property associated with a special claim.</p>	-230,000	-2%
<p>Comprehensive Native Land Claims: The increase in balance is attributed to:</p> <ul style="list-style-type: none"> • Three new approved mandates were added with a status of Agreement-in-Principle; • Five mandates where Canada's portion between Provincial Government and Federal Government has been increased; • In addition, inflationary changes (Final Domestic Demand Implicit Price Index) and population increases over the noted period further increased the amount. 	318,015	3%
<p>Litigation: The majority of this increase is due to:</p> <ul style="list-style-type: none"> • New legal risk assessment received for a total increase of \$295M • Seven new likely claims of \$171M added to the inventory • However, this was offset by eleven settlements for \$330M. 	136,573	1%

Non-Litigation: The decrease in Non-Litigation during the year for the amount of \$40K is due to three claims settled.	-40	0%
Total Explained	913,332	8%

Total Unexplained	-1	0%
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A 6 – Environmental Liabilities

(Financial Reporting Account 21433)
(2015-2016 INAC Financial Statement Note 9)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	3,765,010
Fiscal Year 2014-2015	3,000,346
Variance (+Increase / -Decrease)	764,664
Percentage (+Increase / -Decrease)	25%

Explanation of Major Variances	Variance \$	Variance %
<p>Increase of liability in the Northern regions of \$517.3M resulted from a combination of the following:</p> <ul style="list-style-type: none"> • In accordance with the Devolution Transfer Agreement in the Yukon and NWT, two sites were reverted to the federal government for remediation activities. The estimate for the new sites increased the liability by \$149.8M; • Increase of \$104.5M for existing sites due to an increase in cost estimates; • Increase of \$408.4M is attributed to the variance in inflation and net present value rates used in March 2016 as compared to March 2015; and • An offset by actual expenditures reducing the liabilities of \$145.4M. 	517,268	17%
<p>Increase of liability in the Southern region resulted from a combination of the following:</p> <ul style="list-style-type: none"> • A statistical model was developed to estimate the liability for unassessed sites based on historical costs incurred for contaminated sites with similar functions. As a result, a liability estimate of \$218M has been recorded prospectively for 570 unassessed sites in 2015-2016. Also, there are 6 unassessed sites where estimates have been calculated based on extrapolation and a liability estimate of \$2M has been estimated. • In addition, \$21M increase in environmental liabilities is attributed to an increase in cost estimates by \$12.5M and additional liability of \$25M for 37 new sites, offset by actual expenditures reducing the liabilities of \$16.5M. 	240,880	8%
Total Explained	758,148	25%
Total Unexplained	6,516	0%

A 7 – Provision for Loan Guarantees

(2015-2016 INAC Financial Statements Note 8)

Financial Statement Data <i>(In thousands of dollars)</i>	
Fiscal Year 2015-2016	1,565
Fiscal Year 2014-2015	1,405
Variance (+Increase / -Decrease)	160
Percentage (+Increase / -Decrease)	11%

Explanation of Major Variances	Variance \$	Variance %
Provision for Losses		
<ul style="list-style-type: none"> a) a) The Weighted Average percentage of Loss on contingent liability increased from 0.08 to 0.09, which increased expected losses, estimated defaults on Ministerial Loan Guarantees by \$198,000. b) Expected Recoveries, which are payments recovered by the department on these defaults, increase by \$38,000. 	160	11%
Total Explained	160	11%

Total Unexplained	0	0%
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A 8 – Employee Future Benefits

(Financial Reporting Account 21415)

(2015-2016 INAC Financial Statements Note 10)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2015-2016	23,956
Fiscal Year 2014-2015	25,586
Variance (+Increase / -Decrease)	-1,630
Percentage (+Increase / -Decrease)	-6%

Explanation of Major Variances	Variance \$	Variance %
<p>Employee Severance Benefit Liability is based on a calculation promulgated by the Office of the Comptroller General of Canada.</p> <p>The decrease in the liability is due to a combination of the following:</p> <ul style="list-style-type: none"> • A decrease in annual gross payroll for employees where the accumulation of severance benefits ceased and employee election has been submitted on or prior to March 31, 2016. • A decrease of the severance rate used in the calculation of the severance benefit allowance which was slightly lower compared to 2014-2015 (7.51% compared to 7.88%). 	-1,779	-7%
Total Explained	-1,779	-7%

Total Unexplained	149	1%
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A 9 – 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)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	1,555,701
Fiscal Year 2014-2015	1,638,093
Variance (+Increase / -Decrease)	-82,392
Percentage (+Increase / -Decrease)	-5%

Explanation of Major Variances
<p>The decrease in the account Due from Consolidated Revenue Fund can be attributed mainly to the changes in the following accounts:</p> <ul style="list-style-type: none">• Increase of \$78.9M in ongoing Accounts Payable arising from unpaid grants and contributions (transfer payment) and settlement claims as at March 31st 2016 ;• Decrease of \$15.7M in Accrued Liabilities due to the winding down of a program. Less settlement payment were made in 2015-2016;• Decrease of \$125.0M in Indian monies held in trust due to:<ul style="list-style-type: none">a) Two transfers to outside trusts decreased the liability by the amounts of \$278.0M and \$44.0M;b) Compensation for sale of surrendered land for First Nation's increased the liability by \$275M;c) The rest of the decrease is due to significant downturn in the oil and gas industry in 2015. Most of the Indian monies in trust are generated from the oil and gas royalties, consequently the drop in oil and gas pricing impact directly the Indian monies in trust account (less royalties).

A 10 – Interest Receivable

(Financial Reporting Account 11234, 11239)

(2015-2016 INAC Financial Statement Note 12)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2015-2016	691
Fiscal Year 2014-2015	1,462
Variance (+Increase / -Decrease)	-771
Percentage (+Increase / -Decrease)	-53%

Explanation of Major Variances	Variance \$	Variance %
Direct Loans: The Direct Loans interest receivable decreased because of the ongoing loan repayment resulting in a steady reduction of the Principal amount. Consequently, the accrued interest portion also steadily decreased.	-335	-23%
Guaranteed Loans - Defaulted Guaranteed Loans: Accrued Interest increased due to unrepaid loans for both Guaranteed Loans programs, Housing and Indian Economic Development, and high interest rate accruing over outstanding balances.	1,239	85%
Guaranteed Loans and Direct Loans - Allowance for Doubtful Accounts: New doubtful accounts were identified related to Guaranteed Loans for Housing as well as Indian Economic Development. Therefore, the interest receivable was transferred to bad debt.	-1,699	-116%
Total Explained	-795	-54%
Total Unexplained	-24	1%

A 11 – Loans Receivable

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

(2015-2016 INAC Financial Statement Note 13)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	873,583
Fiscal Year 2014-2015	858,256
Variance (+Increase / -Decrease)	15,327
Percentage (+Increase / -Decrease)	2%

Explanation of Major Variances	Variance \$	Variance %
<p>Direct Loans Portfolio: As more First Nations are in negotiation stages rather than repayment stages, loan issues outnumber loan repayments. Normal activity levels were registered for both British Columbia and Native Claimants programs.</p>	18,306	2%
<p>Defaulted Guaranteed Loans Portfolio: A slight increase in Defaulted Guaranteed Loans occurred this year of about \$2.1M, mainly for two First Nation's groups. INAC re-evaluated its bad debt as part of its quarterly Asset Valuation Exercise throughout the year, and about \$5.0M in defaulted loans now meets the criteria for doubtful account and therefore were registered as such. The net effect of this was a \$3.0M decrease in the portfolio's value.</p>	-2,980	0%
Total Explained	15,326	2%

Total Unexplained	1	0%
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A 12 – Tangible Capital Assets

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

(2015-2016 INAC Financial Statement Note 15)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	137,589
Fiscal Year 2014-2015	92,958
Variance (+Increase / -Decrease)	44,631
Percentage (+Increase / -Decrease)	48%

Explanation of Major Variances	Variance \$	Variance %
<p>The variance is attributed to the transfer of Work in progress (WIP) costs incurred during the construction of Canadian High Arctic Research Station (CHARS) and the upgrade/betterment of informatics software. The effects of this WIP transfer are as below:</p> <ul style="list-style-type: none"> • Increase of \$53.9M in the Assets Under Construction (AuC) account as a result of WIP costs capitalization, of which \$52.1M is related to CHARS project and \$1.8M is for informatics software upgrade/betterment; • Decrease of \$8.9M in AuC account is mainly due to a transfer out to capitalized informatics software Grants & Contributions Information Management System (GCIMS) of \$6.8M. 	44,974	48%
Total Explained	44,974	48%
Total Unexplained	-343	0%

Part B – Statement of Operations

B 1 – Statement of Operations – 2015-2016 versus 2014-2015

For the Year Ended March 31

(in thousands of dollars)

	2016	2015	Year-Over-Year Variance	
			\$	%
Expenses				
People	3,672,644	3,786,451	(113,807)	-3%
Government	2,781,954	2,400,738	381,216	23%
Land and Economy	1,961,920	1,623,181	338,739	14%
North	866,819	650,002	216,817	33%
Internal Services	308,854	324,718	(15,864)	-5%
Expenses incurred on behalf of Government	(15,877)	(5,883)	(9,994)	170%
Total expenses	9,576,314	8,779,207	797,107	9%
Revenues				
Resource royalties	17,821	59,541	(41,720)	-70%
Norman Wells project profits	10,471	74,779	(64,308)	-86%
Interest on loans	3,829	7,761	(3,932)	-51%
Miscellaneous	2,968	2,005	963	48%
Finance and administrative services	2,448	3,135	(687)	-22%
Leases and rentals	1,445	1,670	(225)	-13%
Revenues earned on behalf of Government	(35,681)	(143,080)	107,399	-75%
Total revenues	3,301	5,811	(2,510)	-43%
Net cost from continuing operations	9,573,013	8,773,396	799,617	9%

Highlights of Major Variances – Statement of Operations 2015-2016 versus 2014-2015

EXPENSES

There were no significant changes to the Department's strategic outcomes from 2014-2015 to 2015-2016. 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**

This variance is primarily explained by the decrease in the total number of settlements for Indian Residential Schools Claims and the average claims settlement payment (see C8 - Court Awards and Other Settlement (Operating Expenses) on page 32).

- **Land and Economy**

The increase is largely attributed to the introduction of a new statistical model used to estimate the cost of unassessed site liability in the Southern Region (see C4 - Contaminated Sites (Transfer Payments) on page 28).

- **Government**

The increase is explained by the increase in Court Awards and Other Settlement expense specifically for the settlements of litigation claims (see C8 - Court Awards and Other Settlement (Operating Expenses) on page 32).

- **North**

The increase is explained by the change in the provision for environmental liabilities in the Northern Region (see C4 - Contaminated Sites (Transfer Payments) on page 28 and C10 - Contaminated Sites (Operating Expenses) on page 34).

- **Internal Services**

The decrease primarily resulted from the combination of the following:

- Decrease in court award and other settlements
- Reduction of legal services payments
- Decrease in salary expenses including employee future benefits

REVENUE

Variance analysis for revenue is provided in Part D "Revenue – Note 21 Segmented Information".

B 2 – Statement of Operations – Actual versus Planned

For the Year Ended March 31

(in thousands of dollars)

	2016	2016 Planned	Variance (Actual versus Planned)	
			\$	%
Expenses				
People	3,672,644	3,679,735	(7,091)	0%
Government	2,781,954	1,243,093	1,538,861	55%
Land and Economy	1,961,920	1,584,873	377,047	19%
North	866,819	207,960	658,859	76%
Internal Services	308,854	267,088	41,766	14%
Expenses incurred on behalf of Government	(15,877)	6,249	(22,126)	139%
Total expenses	9,576,314	6,988,998	2,587,316	27%
Revenues				
Resource royalties	17,821	19,500	(1,679)	-9%
Norman Wells project	10,471	68,500	(58,029)	-554%
Interest on loans	3,829	5,099	(1,270)	-33%
Miscellaneous	2,968	3,063	(95)	-3%
Finance and administrative services	2,448	710	1,738	71%
Leases and rentals	1,445	2,747	(1,302)	-90%
Revenues earned on behalf of Government	(35,681)	(97,427)	61,746	-173%
Total revenues	3,301	2,192	1,109	34%
Net cost from continuing operations	9,573,013	6,986,806	2,586,207	27%

Highlights of Major Variances – Statement of Operations

Actual versus Planned

2016 Planned Results

The forecasted financial information for 2015-2016 only included amounts presented in the 2015-2016 Reports on Plans and Priorities. 2015-2016 Supplementary Estimates C were not included in the 2015-2016 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 can be explained by the increase in 2015-2016 for the Grant and Contribution (G&C) transfer payment expense as a result of the new statistical model used to estimate the cost of unassessed contaminated site in the southern regions (see C4 - Contaminated Sites (Transfer Payments) on page 28).

- **Government**

The variance between the actual and planned is due to the fact that the program was expecting a decrease in the provision for claims and litigation for specific claims and comprehensive claims but ended up remaining the same.

- **North**

The variance is largely attributed to an increase in accrued environmental liabilities recorded for the northern regions while a decrease was forecasted for remediation of existing contaminated sites (see C4 - Contaminated Sites (Transfer Payments) on page 28 and C10 - Contaminated Sites (Operating Expenses) on page 34).

- **Internal Services**

The variance is largely attributed to the variance between actual and forecasted Operating expenditures (Other Operating Costs) (\$32.8M). Other operating cost actuals were higher than the forecasted amount that was based on the main estimates.

REVENUE

- **Resource Royalties**

The variance is largely attributed to the decrease in mining royalties as a result of the Northwest Territories (NWT) devolution (see D1 - Resource Royalties on page 47).

- **Norman Wells Project Profits**

The variance is largely attributed to Norman Wells profit-sharing being lower than forecasted due to a significant decrease both in crude oil price and abandonment trust surplus (see D2 - Norman Wells Project Profits on page 48).

- **Interest on Loans**

The variance is largely as a result of adjustments made during the year to correct the miscalculation of interest accruals in 2014-2015 for defaulted Ministerial Loan Guarantees.

- **Finances and administrative services**

The variance between the planned and actual 2015-2016 revenue is explained by two service agreements signed with Health Canada and the Public Health Agency of Canada in 2014-2015.

- **Lease and rentals**

The variance between the planned and actual 2015-2016 Lease and rentals revenue is largely as a result of the Northwest Territories devolution.

Part C – Expenses – Note 21 – Segmented Information

As at March 31

(in thousands of dollars)

	2016	2015	Yr-Over-Yr Variance		Explained %	Unexplained %	Ref.
			\$	%			
Transfer Payments							
Indigenous peoples	5,413,818	5,322,599	91,219	2%	2%	0%	C 1
Industry	76,507	76,574	(67)	0%	0%	0%	C 3
Non-Profit Organizations	55,881	65,206	(9,325)	-15%	-15%	0%	C 5
Other	660	646	14	2%			
Provincial/territorial governments and institutions	980,821	897,116	83,705	9%	10%	-1%	C 2
Environmental liabilities	398,200	103,219	294,981	286%	286%	0%	C 4
Claims and litigation	1,161,582	1,120,521	41,061	4%	4%	0%	C 6
Refunds/adjustments on prior years expenditures	(39,524)	(49,953)	10,429	-21%	-20%	-1%	C17a
Total Transfer Payments	8,047,945	7,535,928	512,017	7%			
Operating Expenses							
Accommodations	36,217	37,570	(1,353)	-4%			
Amortization	10,129	8,016	2,113	26%	26%	0%	C14
Bad debt	7,510	11,310	(3,800)	-34%	-39%	5%	C15
Claims and litigation	(248,251)	(240,510)	(7,741)	3%	3%	0%	C 9
Court awards and other settlements	552,206	385,430	166,776	43%	43%	0%	C 8
Information services	9,306	12,058	(2,752)	-23%	-18%	-5%	C13
Machinery and equipment	3,912	6,491	(2,579)	-40%	-42%	2%	C16
Other	9,875	13,848	(3,973)	-29%	-29%	0%	C18
Professional and special services	212,789	229,534	(16,745)	-7%	-7%	0%	C11
Legal services	77,713	84,307	(6,594)	-8%	-7%	-1%	C12
Rentals of buildings and machinery	16,498	14,965	1,533	10%			
Repair and maintenance	4,386	3,140	1,246	40%			
Transportation and telecommunications	2,357	2,460	(103)	-4%			
Travel and relocation	24,877	22,174	2,703	12%			
Utilities, materials and supplies	3,340	4,036	(696)	-17%			
Refunds/adjustments to prior year expenditures	(14,528)	(17,596)	3,068	-17%	-19%	2%	C17b
Environmental liabilities	366,463	194,141	172,322	89%	89%	0%	C10
Salaries and employee future benefits	469,447	477,789	(8,342)	-3%	-3%	0%	C 7
Expenses incurred on behalf of government	(15,877)	(5,883)	(9,994)	170%	170%	0%	C19
Total Operating Expenses	1,528,369	1,243,280	285,089	23%			
Total Expenses	9,576,314	8,779,208	797,106	9%			

C 1 – Indigenous People

(Financial Reporting Account 51171, 51118)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2015-2016	5,413,818
Fiscal Year 2014-2015	5,322,599
Variance (+Increase / -Decrease)	91,219
Percentage (+Increase / -Decrease)	2%

Explanation of Major Variances	Variance \$	Variance %
<p>This variance represents the fund for Operation Return Home - Manitoba Floods 2011 - First Nations Recovery Needs Assessment. The expenditures incurred in the first year (2014-2015) of the initiative were related to the planning and design costs for projects that were approved as part of the submission. The other main contributors to increased expenditures were:</p> <ul style="list-style-type: none"> • Completion of several designs so construction could commence • The Province and First Nations had come to an agreement on several projects during 2014-2015 so construction could proceed in 2015-2016. 	41,918	1%
<p>In 2015-2016, following the Nunavut Land Claims Agreement, a litigation settlement agreement was signed. This included core increases to all five boards and the Government of Nunavut, as well as funding for Article 23 for the Government of Nunavut. This funding (contributions to support the negotiation and implementation of Treaties, Claims and self-government agreements or initiatives) was scheduled to be provided to recipients in 2013-2014, however due to the negotiations conclusion schedule of the Settlement Agreement, the funds could not be transferred until 2015-2016 which include a retroactive payment for the two previous years. All 2015-2016 subsequent funding will be established as per the initial allocation base.</p>	32,769	1%
<p>In 2015-2016, the increase of \$21M is due to INAC's modification of their funding approach by entering into a multi-year agreement with the National Aboriginal Capital Corporations Association (NACCA) to ensure full delivery of their previous year activities as well as the partnership program including the 14 Aboriginal Financial Institutions. In comparison, in 2014-2015 regions emit 14 single agreements with the Financial Institutions for the development program of partnerships.</p>	22,413	0%
<p>The variance represents the adjustment to the Settled Claims liability. This adjustment is for expenses for claims and pending or threatened litigation not being charged to appropriations at the same time. The settled claim liability represents the present value of the future scheduled claim payments of all outstanding settled claims. \$53.7M payments made in 2015-2016 compare of \$74.5M in 2014-2015, and the variance is \$20.8M.</p>	20,765	0%

<p>The variance represents the Statutory Vote for Grants to Aboriginal organizations designated to receive claim settlement payments pursuant to the Comprehensive Land Claim Settlement Act. The total decrease is attributed to:</p> <ul style="list-style-type: none"> • A decrease of \$20.9M due to the final payment done in 2014-2015; • A coding adjustment for a settlement of 8.9M. 	-29,902	0%
Total Explained	87,963	2%
Total Unexplained	3,256	0%

C 2 – Provincial/Territorial Governments and Institutions (Financial Reporting Account 51139)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	980,821
Fiscal Year 2014-2015	897,116
Variance (+Increase / -Decrease)	83,705
Percentage (+Increase / -Decrease)	9%

Explanation of Major Variances	Variance \$	Variance %
<p>Ministère des Finances Québec: Variance of \$23.9M due to 2 agreements for the construction of school and housing units.</p>	23,763	3%
<p>Province of Saskatchewan: Increase of in emergency management cost; drought condition led to massive forest fires in June and July 2015 which resulted in several properties lost and 13,000 evacuees. A First Nation was particularly hit hard. Initially the costs are covered by the province and the department reimburses 100% of emergency management cost incurred on reserved lands.</p>	14,113	2%
<p>Province of British Columbia: In 2014-2015, the payment to the Province of British Columbia was incorrectly coded in the amount of \$11.7M. After correction, the GL variance between the two fiscal years is \$1.8M which is due to an increase of volume and price (increase in both the student enrollment and in the Provincial Tuition block rates).</p>	13,599	2%
<p>Province of Newfoundland Labrador Child and Family Services: Province of Newfoundland & Labrador received 9.4M\$ in 2014-2015 under the same coding as 2015-2016. It is not showing up on the report used.</p> <p>Overall increase of \$1.3M in operation costs. Their operations budget remained the same for multiple years and they incurred large deficit. The department reviewed their expenses for eligibility to top up the operation but which resulted in an additional funding of \$1.3M for their operation budget.</p> <p>Maintenance is based on actual eligible expenses. This amount fluctuates year to year. End of year expenses on maintenance for 2015-2016 have not yet been finalized.</p>	10,800	1%
<p>Ministry of Community and Social Services of Ontario: This is one of the region major recipients. Since prices and volumes increase every year, the cost of community and social services are higher, which results in a higher recipient agreement yearly.</p>	10,730	1%
<p>Minister of Finance of Alberta: The amount of funding for Response and recovery Emergency Management Assistance Program (EMAP) varies year to year dependent upon the disaster. In 2015-2016 funding was provided for fire suppression and prevention costs compare to 2014-2015</p>	5,453	1%

disaster recovery activities.		
Minister of Finance of Alberta:		
Increase in price and volume for the Admin Reform Agreement with the government of Alberta.	4,347	0%
Total Explained	82,805	9%
Total Unexplained	900	0%

C 3 – Industry

(Financial Reporting Account 51171)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	76,507
Fiscal Year 2014-2015	76,574
Variance (+Increase / -Decrease)	-67
Percentage (+Increase / -Decrease)	0%

Explanation of Major Variances	Variance \$	Variance %
<p>The overall variance analysis is detailed by fund rather than by activity or by recipient in order to provide a better explanation. The variance can be explained by:</p> <ul style="list-style-type: none"> • A decrease in Contribution of \$2.3M to provide income support to on-reserve residents in majority in Saskatchewan region. • An increase in Contribution of \$3.0M to support access to healthy foods in isolated northern communities. • A total decrease of \$900K in contribution to Société de protection des forêts contre le feu for \$809K, and Canadian Red Cross Society for \$91K for emergency management assistance for activities on reserves in Quebec Region. • An increase of \$94K in Contributions provided to Building Urban Industries for Local Development to support the Improved Urban Aboriginal Strategy in Manitoba Region. 	-67	0%
Total Explained	-67	0%

Total Unexplained	0	0%
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C 4 – Environmental Liabilities (Transfer payments)
(Financial Reporting Account 51171)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	398,200
Fiscal Year 2014-2015	103,219
Variance (+Increase / -Decrease)	294,981
Percentage (+Increase / -Decrease)	286%

Explanation of Major Variances	Variance \$	Variance %
The variance represents the change in the environmental liability and corresponding expense that is allocated to transfer payment expense.		
<p>Southern Region: In 2015-2016, a statistical model was developed to estimate the liability for unassessed sites based on historical costs of contaminated sites with similar functions. As a result, a liability estimate of \$217M has been recorded prospectively for 570 unassessed sites. Additionally, there are 6 unassessed sites where estimates have been calculated based on extrapolation and a liability estimate of \$2M has been estimated.</p> <p>In addition, a net increase of \$21M of the environmental liability is due to:</p> <ul style="list-style-type: none"> • An increase of cost estimate of \$12.5M; • \$25M in additional liability for 37 new sites; and • A decrease of \$16.5M for actual expenses incurred. <p>In 2014-2015, the G&C transfer payment expense was \$14M. Therefore, the total variance between 2014-15 and 2015-16 is \$226M.</p>	226,396	220%
<p>Northern Region: In 2015-2016, the environmental liability increased by \$517M, of which \$157M (30.4%) is recorded as a G&C transfer payment expense based on the actual percentage of total remediation expenditure.</p> <p>The increase to the liability is due to increases to cost estimates and an increase for higher inflation rates in March 2016. In 2014-2015, an amount of \$89M was allocated to G&C expenses. Thus, the total variance between 2014-15 and 2015-16 is \$69M.</p>	68,585	66%
Total Explained	294,981	286%
Total Unexplained	0	0%

C 5 – Non-Profit Organization

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	55,881
Fiscal Year 2014-2015	65,206
Variance (+Increase / -Decrease)	-9,325
Percentage (+Increase / -Decrease)	-15%

Explanation of Major Variances	Variance \$	Variance %
In 2015-2016, a First Nation discontinued their flow through third parties and now receives funding directly. Therefore, expenditures decreased in 2015-2016. There were also additional enhanced program initiatives funded in 2014-2015 that significantly increased expenditures in that year.	-6,320	-9%
In 2014-2015, TAG had a one-year agreement for promoting the safe use, development, conservation and protection of the North's natural resources and promoting scientific development for \$3.2M for which it was not renewed and explains the decrease. In 2015-2016, a new 5 year agreement to support the negotiation and implementation of Treaties, Claims and self-government agreements or initiatives was issued but is coded to transfers to Aboriginal Peoples.	-3,156	-5%
Nav Canada runs a government owned facility in Cornwall which is operating on a cost recovery basis. The facility is used to house individuals during emergency evacuations (for example during a flood). In 2015-2016 there was significantly less flooding than in the previous fiscal year which lead to the decrease in cost.	-2,497	-4%
The reduction in funding caused by the disappearance of the unified rate for host families in investments has led to significant losses. The enhancement of funding in 2014-2015, 2015-2016 as well as 2016-2017 to provide women, children and families ordinarily resident on-reserve with protection and prevention services in order to meet the costs of operation and higher costs of investments.	2,117	3%
Total Explained	-9,856	-15%
Total Unexplained	531	0%

C 6 – Claims and Litigation

(Financial Reporting Account 51171)
(2015-16 INAC Financial Statements Note 8)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	1,161,582
Fiscal Year 2014-2015	1,120,521
Variance (+Increase / -Decrease)	41,061
Percentage (+Increase / -Decrease)	4%

Explanation of Major Variances
<p>This expense represents the change in the Provision for Claims and Litigation for specific claims, special claims and comprehensive claims. The annual expense for 2015-2016 has slightly increased in comparison with annual expense for 2014-2015.</p> <p>The provision for claims increased mainly due to an increase in the provision for Comprehensive Land Claims by \$318M which is due to the addition of three new mandates included in the provision with a likely status.</p> <p>In addition, inflationary changes and population increases as well as an increase of the federal share for five mandates also contributed to the increase.</p> <p>The Specific Claims provision increased by \$1,074M due to addition of 78 new claims with a likely status that were added to the inventory for the amount of \$1,297M which was partially offset by the settlement of 11 claims for \$29M as well as the removal of 28 claims for \$277M.</p> <p>In addition, the Special Claims provision decreased by \$230M due to the removal of Department of National Defense's environmental clean-up liability.</p>

C 7 – Salary and Employee Future Benefits

(Financial Reporting Account 51311, 51312, 51846)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	469,447
Fiscal Year 2014-2015	477,789
Variance (+Increase / -Decrease)	-8,342
Percentage (+Increase / -Decrease)	-2%

Explanation of Major Variances	Variance \$	Variance %
<p>The reduction of Full Time Equivalents in the last two years, 2015-2016 and 2014-2015, have led to a decrease in the salary and wage expenses.</p> <ul style="list-style-type: none"> • NAO HQ employees transferred to Polar Knowledge Canada (POLAR); vacant positions not filled in; • Closing of Contaminants program in Yukon; and • Nunavut high rate of turnover. 	-11,970	-3%
Salary and wage expenditures as well as employer contribution decreased by \$4.5M.	-4,507	-1%
In 2015-2016, the Workforce Adjustment Liability forecast has been established as \$14.3M for future year's payments. This adjustment is not recorded in our financial system but used for information purpose in the Financial Statement. It is a contingent liability following the winding down of a program.	14,651	3%
For the last 2 years, 2015-2016 and 2014-2015, the elimination of severance pay benefits for most of INAC groups resulted in a decrease of the Employee Future Benefits Liability and corresponding expenses by \$7.8M.	-7,800	-2%
Effective June 1, 2015, INAC transferred responsibility for the Arctic Science and Technology program to Polar Knowledge Canada in accordance with Order in Council P.C 2015-058. Accordingly, the amount of \$1,6M for salary and employee future benefits has been transferred to Polar Knowledge Canada.	1,632	0%
Total Explained	-7,994	-2%
Total Unexplained	-348	0%

C 8 – Court Awards and Other Settlement

(Financial Reporting Account 51722)
(2015-16 INAC Financial Statements Note 8)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	552,206
Fiscal Year 2014-2015	385,430
Variance (+Increase / -Decrease)	166,776
Percentage (+Increase / -Decrease)	43%

Explanation of Major Variances
<p>The 2015-2016 net increase of Claims against the Crown and Court Awards for \$167M is due to the following:</p> <ul style="list-style-type: none">• Increase of \$327M of Settlements of Litigation Claims;• Decrease of \$155,736M due to the total number of settlements for Indian Residential Schools Claims and the average claims settlement payments; and• A decrease \$5M of Out of Courts Awards litigation claims payments.

C 9 – Claims and Litigation

(Financial Reporting Account 51722)
(2015-16 INAC Financial Statements Note 8)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	-248,251
Fiscal Year 2014-2015	-240,510
Variance (+Increase / -Decrease)	-7,741
Percentage (+Increase / -Decrease)	3%

Explanation of Major Variances
<p>The expense represents the change in the Provision for Claims and Litigation. The provision includes litigation claims, non-litigation claims and Indian Residential Schools Claims. The annual expense for 2015-2016 is slightly decreased more as compared to the annual expense for 2014-2015.</p> <p>The provision for litigation claims increased by \$137M mainly due to new legal risk assessment and seven new likely claims included in the inventory which was partially offset by the settlement of 11 claims.</p> <p>However, the provision for Indian Residential Schools Claims (IRS) has decreased by \$384M in 2015-2016 due to a combination of 2,997 settlements and a lower estimation for contingent liability by changing the methodology to calculate IRS's contingent liability.</p>

C 10 – Environmental Liabilities

Operating expenses
(Financial Reporting Account 51321)
(2015-2016 INAC Financial Statements Note 9)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	366,463
Fiscal Year 2014-2015	194,141
Variance (+Increase / -Decrease)	172,322
Percentage (+Increase / -Decrease)	89%

Explanation of Major Variances	Variance \$	Variance %
<p>This represents the change in the environmental liability balance and corresponding expense which is allocated to O&M operating expenses.</p> <p>The increase in O&M operating expenses occurred in the northern region. The total environmental liability of the North region increased by \$517M, of which \$360M (69.6%) is recorded as an operating expense based on the percentage of actual remediation expenditures in 2015-2016. The increase of \$360M in the O&M operating expense was offset by expected recovery of \$13M which leads to a net increase of \$347M.</p> <p>In addition, an estimate liability of \$20M has been recorded for 12 unassessed sites by using extrapolation.</p>	172,322	89%
Total Explained	172,322	89%
Total Unexplained	0	0%

C 11 – Professional and Special Services
(Financial Reporting Account 51321)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	212,789
Fiscal Year 2014-2015	229,534
Variance (+Increase / -Decrease)	-16,745
Percentage (+Increase / -Decrease)	-7%

Explanation of Major Variances	Variance \$	Variance %
The decrease is due to a reduction in the Independent Assessment Process (IAP), which results in a reduction of Adjudicators Services expenditure.	-7,614	-3%
Approximately \$6.6M of this variance is a result of coding errors. Expenditures were coded to Program Management instead of remediation activities for three mines of Alberta and Northwest territories.	-6,841	-3%
The overall decrease of Engineering and Architectural Services expenditure is related to the Nunavut region reduction of \$12.0M for on-site remediation activities and an increase of \$6.9M in Northwest Territories region for contaminated sites care and maintenance expenses.	-5,148	-2%
The Reduction of Information Services is related to IT Applications and Development, and Consultant fees. The majority of this reduction is due to less system development requirements for the Education Information System for the amount of \$3.4M and Financial Management Committee- Acquisition of Health Canada SAP System for the amount of \$5.2M combined with an increase of \$5.4M for application development expenditure for Grants and Contributions Management System Project 2.	-3,195	-1%
Capitalization of professional services to work in progress.	5,686	2%
Total Explained	-17,113	-7%

Total Unexplained	368	0%
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C 12 – Legal Services

(Financial Reporting Account 51321)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	77,713
Fiscal Year 2014-2015	84,307
Variance (+Increase / -Decrease)	-6,594
Percentage (+Increase / -Decrease)	-8%

Explanation of Major Variances	Variance \$	Variance %
The decrease is mainly attributed to the Resolution and Individual Affairs sector legal advisory services requirements for the current fiscal year.	-5,679	-7%
The decrease of payment fees expenditure is the consequence of reduced involvement by the National Administration Committee and the Court Counsel in the Indian Residential Schools Settlement Agreement process.	-452	0%
The legal fees are dependent on requests for direction and other legal actions that occur as a result of complaints against the Independent Assessment Process or by parties within this process. Therefore it is very hard to forecast costs. There was a reduction in what was originally forecasted as a result of fewer Requests for Direction, court dates, and delays in establishing contracts in place.	-604	-1%
There was an increase in Services provided without charge by departments.	793	1%
Total Explained	-5,943	-7%
Total Unexplained	-651	-1%

C 13 – Information Services

(Financial Reporting Account 51321)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	9,306
Fiscal Year 2014-2015	12,058
Variance (+Increase / -Decrease)	-2,752
Percentage (+Increase / -Decrease)	-23%

Explanation of Major Variances	Variance \$	Variance %
The overall Information Services Expenditures decreased in 2015-2016.		
The variance is associated to the Indian Residential School reduction of settlements commitment, considering that the majority of the claims have been resolved in prior years. Most of the settlements agreements payments were made to crisis line counselors.	-2,273	-19%
The variance of \$79K is due to the increase in audio-visual services expenditures.	79	1%
Total Explained	-2,194	-18%

Total Unexplained	-558	-5%
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C 14 – Amortization

(Financial Reporting Account 51401, 51412, 51421, 51422, 51423, 51429, 51431, 51433, 51439)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	10,129
Fiscal Year 2014-2015	8,016
Variance (+Increase / -Decrease)	2,113
Percentage (+Increase / -Decrease)	26%

Explanation of Major Variances	Variance \$	Variance %
Amortization Expenses - Computer Purchased and Developed Software: The Amortization of these assets led to the increase of \$8.9M worth of assets under construction that have been transferred to Informatics Software.	2,114	26%
Total Explained	2,114	26%

Total Unexplained	-1	0%
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C 15 – Bad Debt Expenses

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	7,510
Fiscal Year 2014-2015	11,310
Variance (+Increase / -Decrease)	-3,800
Percentage (+Increase / -Decrease)	-34%

Explanation of Major Variances	Variance \$	Variance %
Account Receivable: In 2014-2015 INAC deemed \$5.8M Accounts Receivable under LED program as uncollectible compared to only \$300K this year.	-5,654	-50%
Guaranteed loans - Allowance for doubtful accounts: The most significant change was the accruing of interest of outstanding loans in Ontario in the amount of \$1.2M interest as doubtful.	1,234	11%
Total Explained	-4,419	-39%

Total Unexplained	619	5%
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C 16 – Machinery and Equipment
(Financial Reporting Account 51321)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	3,912
Fiscal Year 2014-2015	6,491
Variance (+Increase / -Decrease)	-2,579
Percentage (+Increase / -Decrease)	-40%

Explanation of Major Variances	Variance \$	Variance %
A significant reduction of overall expenditure for Machinery and Equipment occurred in 2015-2016. The last considerable purchase of machinery occurred in 2013-2014; afterward the purchases decreased 61% in 2014-2015 and 40% in 2015-2016.		
The computer equipment expenditures related to distributed computing environment (DCE) have significantly decreased by \$1.2M. It is in the Internal Services that the reduction was reflected the most; in particular a decrease in equipment expenses such as desktop, personal and portable computers with all related parts and peripherals.	-1,201	-19%
A large decrease in furniture and furnishing expenses occurred mainly for accommodation activities. In 2014-2015, \$725K was paid to Correctional Service Canada that did not reoccurred in 2015-2016	-995	-15%
Variance due to decrease of needs of other equipment and parts in the internal services.	-551	-8%
Total Explained	-2,747	-42%
Total Unexplained	168	2%

C 17a – Refunds/Adjustments to Prior Years' Expenditures (Transfer Payments)
(Financial Reporting Account 51118, 51119, 51139, 51159, 51171, 51179)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	39,524
Fiscal Year 2014-2015	49,953
Variance (+Increase / -Decrease)	-10,429
Percentage (+Increase / -Decrease)	-21%

Explanation of Major Variances	Variance \$	Variance %
In 2014-2015, the Loan Loss Reserves program ended. At the end of the loan program, the recipients returned \$8.7M to the department.	-8,738	-18%
Following a social compliance review, an adjustment of \$1.1M was made.	-1,125	-2%
Total Explained	-9,863	-20%

Total Unexplained	-566	-1%
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C 17b – Refunds/Adjustments to Prior Years' Expenditures (Operating Expenses)
(FRA 51311, 51321)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	14,528
Fiscal Year 2014-2015	17,596
Variance (+Increase / -Decrease)	-3,068
Percentage (+Increase / -Decrease)	-17%

Explanation of Major Variances	Variance \$	Variance %
Following a review of the prior year's Payable at Year-End, an adjustment of Payable at Year-End set up for funds no longer required was made.	-3,286	-19%
Total Explained	-3,286	-19%

Total Unexplained	218	2%
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C 18 – Other (Operating Expenses)

(FRA 51192, 51321, 51511, 51631, 51635, 51711, 51726, 51729, 51733)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2015-2016	9,875
Fiscal Year 2014-2015	13,848
Variance (+Increase / -Decrease)	-3,973
Percentage (+Increase / -Decrease)	-29%

Explanation of Major Variances	Variance \$	Variance %
The amount decreased by \$3.0M. In 2014-2015, \$3.5M was distributed to the First Nations as royalties. However, in 2015-2016, a reimbursement of \$508K was recorded: this amount was in regards to the 2009 Audit Royalty adjustment where a mining company was reimbursed an amount of \$397K. This mine was also paid \$111K in interest arrears. There were no royalties shared in 2015-2016.	1,470	11%
Reallocation of Expenditures/Costs Within a Department: The expenses decreased by \$2.4M, which can mainly be explained by the following: In 2014-2015, there was a big loss of \$2.6M due to the write off of capital assets that occurred during Northwest Territories devolution which did not reoccur this fiscal year. The main portion of it, \$2.4M, came from cost center A0021 - Regional common services. The assets concerned were: residential buildings (mainly), ships, boats and land.	-2,436	-18%
Charges to Other Liability Accounts: This variance is attributable to provision for losses on Reserve Housing guarantees. A large portion of the 2014-2015 amount of \$995K was due to a change in the methodology to account for recoveries, which caused a \$1M increase in the Allowance for Loss at the time. In 2015-2016, the total of provisions recorded for losses on Reserve Housing was \$160K. Also, there were less contingent liabilities in 2015-2016 than in 2014-2015.	-835	-6%
Other Payments: Variance due to the Environmental Studies Research Fund decreases funding of 2.2M. The annual project priority selection process explains the fluctuation of expenses cost yearly. The decrease is due to project expenses cost reduction the Environmental Studies Research Fund selected projects.	-2,233	-16%
Total Explained	-4,034	-29%
Total Unexplained	61	0%

C 19 – Expenses incurred on behalf of Government

(Financial Reporting Account 51732, 51171; Authority F152)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	-15,877
Fiscal Year 2014-2015	-5,883
Variance (+Increase / -Decrease)	-9,994
Percentage (+Increase / -Decrease)	170%

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. INAC 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 INAC'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>Direct Loans - A review of the collectability of Direct Loans resulted in various loan accounts now meeting criteria for bad debt and were therefore registered as such. The Asset Valuation Exercise was completed in depth during the last fiscal year in order to realistically demonstrate what our true bad debt was with the new Accounts Receivable unit being set-up.</p>	-7,318	124%
<p>Guaranteed Loans - A review of the collectability of Defaulted Loan guarantees resulted in various loan accounts now meeting criteria for bad debt and were therefore registered as such. The Asset Valuation Exercise was completed in depth during the last fiscal year in order to realistically demonstrate what our true bad debt was with the new Accounts Receivable unit being set-up.</p>	-2,677	46%
Total Explained	-9,995	170%

Total Unexplained	-1	0%
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Part D – Revenues – Note 21 – Segmented Information

Revenue - Note 21 Segmented Information (Unaudited)

As at March 31

(in thousands of dollars)

	2016	2015	Yr-Over-Yr Variance		Explained %	Unexplained %	Reference
			\$	%			
Revenues							
Resource royalties	17,821	59,541	(41,720)	-70%	-72%	2%	D1
Norman Wells project profits	10,471	74,779	(64,308)	-86%	-86%	0%	D2
Interest on loans	3,829	7,761	(3,932)	-51%	-51%	0%	D3
Miscellaneous	2,968	2,005	963	48%			
Leases and rentals	1,445	1,670	(225)	-13%			
Finance and administrative services	2,448	3,135	(687)	-22%	-22%	0%	D4
Revenues earned on behalf of Government	(35,681)	(143,080)	107,399	-75%	-75%	0%	D5
Total Revenues	3,301	5,811	(2,510)	-43%			

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 – Resource Royalties

(Financial Reporting Account 42311)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	17,821
Fiscal Year 2014-2015	59,541
Variance (+Increase / -Decrease)	-41,720
Percentage (+Increase / -Decrease)	-70%

Explanation of Major Variances	Variance \$	Variance %
As part of the devolution agreement, the Government of Northwest Territories collected in April 2015 on behalf of INAC royalties for January, February, and March 2014. Those amounts will be sent subsequently to the departments in April 2016.	-42,612	-72%
Going forward this amount should be \$0, unless adjustments are made as part of our audits up to 2014.		
Total Explained	-42,612	-72%

Total Unexplained	892	2%
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D 2 – Norman Wells Project Profits
(Financial Reporting Account 42129)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	10,471
Fiscal Year 2014-2015	74,779
Variance (+Increase / -Decrease)	-64,308
Percentage (+Increase / -Decrease)	-86%

Explanation of Major Variances	Variance \$	Variance %
The decrease in Norman Wells Project revenue is mainly caused by a significant drop in crude oil prices. The oil price fell 49.48% in 2015. As a result, the Crown share of the Norman Wells profits dropped by \$47.9M.	-47,924	-64%
The Norman Wells' abandonment trust surplus decreased by \$17M, which was offset by a \$283K management fee. The Abandonment Trust is setup to hold funds, as a reserve for the Crown, to fund and secure the Abandonment Obligations of the Crown in respect of the Proven Area.	-16,748	-22%
Total Explained	-64,672	-86%

Total Unexplained	364	0%
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D 3 – Interest on Loans

(Financial Reporting Account 42129)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2015-2016	3,829
Fiscal Year 2014-2015	7,761
Variance (+Increase / -Decrease)	-3,932
Percentage (+Increase / -Decrease)	-51%

Explanation of Major Variances	Variance \$	Variance %
INAC's interest revenue is obtained from direct loans and defaulted guaranteed loans. The variance analysis is broken down into these two types of loan portfolios.		
<p>Defaulted guaranteed loans: Defaulted guaranteed loans are tracked in the GCIMS financial system. There was a problem in accrual interest calculations 2014-2015 that was fixed and adjusted in 2015-2016. For defaulted guaranteed loans, there was a decrease in interest revenue due to the fact that accrual interest was overstated for two fiscal years and an adjustment was made to reduce interest accruals by \$3.4M.</p>	-3,399	-44%
<p>Direct Loans: The Native claimants interest on loans decreases by \$425K because of the ongoing settled claims repayment resulting in a steady reduction of the Principal amount. Consequently, the interest charged on these loans decreases accordingly.</p> <p>In addition, the interest on loans issued to support First Nations participating in the British Columbia Treaty Commission dropped by \$108K. This is mainly due to a decrease of annual interest rate, from 1.0883% to 0.6594%.</p>	-533	-7%
Total Explained	-3,932	-51%
Total Unexplained	0	0%

D 4 – Finance and administrative services

(Financial Reporting Account 42320)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	2,448
Fiscal Year 2014-2015	3,135
Variance (+Increase / -Decrease)	-687
Percentage (+Increase / -Decrease)	-22%

Explanation of Major Variances	Variance \$	Variance %
<p>Information technology services: The decrease in revenue mainly resulted from the combination of the following effects:</p> <ul style="list-style-type: none"> • A decrease of revenues from Health Canada by \$752K for GCIMS maintenance fees. • An increase of revenues from the Public Health Agency of Canada by \$138K for GCIMS maintenance fees. 	-614	-20%
<p>Human resources and financial management services: A reduction of human resources service of \$160K combined with an increase of financial services provided to Canadian Northern Economic Development Agency (CANNOR) account for the variance.</p>	-48	-2%
Total Explained	-662	-22%
Total Unexplained	-25	0%

D 5 – Revenues earned on behalf of Government

(Financial Reporting Account 42129, 42312, 42314, 42315, 42319, 42541, 42631, 42711, 42719, 42733, 42129, 42311, 42312, 42314, 42541, 42719, 42311)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2015-2016	35,681
Fiscal Year 2014-2015	143,080
Variance (+Increase / -Decrease)	-107,399
Percentage (+Increase / -Decrease)	-75%

Explanation of Major Variances	Variance \$	Variance %
<p>Revenues earned on behalf of Government are a line item within the Statement of Operations as per the government reporting standards. Though maintaining accounting control, INAC has no authority regarding their disposition.</p> <p>Revenues earned on behalf of Government are an offset to the gross revenues and are reported only for presentation purposes.</p> <p>The majority of the variance related to Resource royalties and Norman Wells project profits.</p>		
<p>Norman Wells project profits</p> <p>The decrease is mainly caused by a significant drop in crude oil price and a reduction in its abandonment trust surplus.</p>	-64,308	-45%
<p>Resource royalties</p> <p>As part of the devolution agreement, in April 2015, the Government of Northwest collected on behalf of INAC royalties for January, February, and March 2014. Those amounts will be sent subsequently to the department in April 2016.</p> <p>Going forward this amount should be \$0, unless adjustments are made as part of our audits up to 2014.</p>	-43,034	-30%
Total Explained	-107,342	-75%
Total Unexplained	-57	0%

Part E – Other

E 1 – Related Party Transactions – Legal Services

(2015-2016 INAC Financial Statement Note 18a)

Financial Statement Data <i>(in thousands of dollars)</i>	
Fiscal Year 2015-2016	11,734
Fiscal Year 2014-2015	10,942
Variance (+Increase / -Decrease)	792
Percentage (+Increase / -Decrease)	7%

Explanation of Major Variances	Variance \$	Variance %
The majority of the increase is attributable to the increase in corporate overhead costs. Internal factors to the Department of Justice had reduced the internal services expenditures in 2014-2015 which was then re-allocated out to departments. In 2015-2016, Department of Justice's internal services expenditures have increased so they distributed the increase to departments. The year over year variance of the direct services provided without charge to INAC is immaterial.	792	7%
Total Explained	792	7%

Total Unexplained	0	0%
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E 2 – Parliamentary Authorities – Budgetary Authorities Provided and Used
(2015-2016 INAC Financial Statement Note 3b)

Financial Statement Data (in thousands of dollars)	
Current Year Authorities Provided	8,890,901
Current Year Authorities Used	7,955,295
Authorities Available for Future Years	33,344
Gross Lapsed Amount	902,262
Percentage Gross Lapsed	10%

Explanation of Lapsed Amount	Lapsed \$	Lapsed %
Funds deferred from 2015-2016 to future years for various initiatives will be used for the same intended purposes (note some are still in the approval process). Major items include: <ul style="list-style-type: none"> • Specific Claims Settlement Fund \$669.5M; • Indian Residential Schools Settlement Agreement \$177.6M; • Various other initiatives totaling \$23.7M (e.g. Federal Contaminated Sites Action Plan and Out-of-Court Settlement). 	870,790	10%
Budget Carryforwards: Major items include: <ul style="list-style-type: none"> • Operating budget carryforward \$20.7M; • Capital budget carryforward \$300K. 	21,015	0%
Remaining Balance: <ul style="list-style-type: none"> • Unused funds for targeted initiatives (\$5.3M); • Funds set aside for specific initiatives totaling \$4.3M (e.g. Back Office Transformation and 2016 Census of Population). 	9,593	0%
Subtotal	901,398	10%

Net Lapse *	864	0%
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Notes:

* The above information is as of October 17th, 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 could be a corresponding increase in the net lapse.