

VARIANCE ANALYSIS SUMMARY:
AANDC Financial Statements (Unaudited)
FY 2012-2013

*Totals may not add up due to rounding

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**Part I – Statement of Financial Position
Fiscal Year 2012-2013**

FY 2012-2013 Variance Summary

Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)

	2013	2012	Year-over-Year Variance		Explained %	Unexplained %	Reference
			\$	%			
Liabilities							
Accounts payable and accrued liabilities (note 4)	672,255	727,689	(55,434)	-8%	-7%	-1%	SFP 1
Vacation pay and compensatory leave	16,815	17,488	(673)	-4%			
Other liabilities (note 5)	69,958	76,058	(6,100)	-18%			
Trust Accounts (note 6)	920,104	939,080	(18,976)	-2%	-2%	0%	SFP 2
Settled claims (note 7)	432,926	519,626	(86,700)	-17%	-17%	0%	SFP 3
Provision for claims and litigation (note 8)	10,714,925	10,964,626	(249,701)	-2%	-2%	0%	SFP 4
Environmental liabilities (note 8)	2,530,833	2,370,969	159,864	7%	8%	-1%	SFP 5
Provision for loan guarantees (note 8)	380	1,465	(1,085)	74%	-83%	9%	SFP 6
Employee future benefits (note 9)	30,603	44,001	(13,398)	-30%	-30%	0%	SFP 7
Total liabilities	15 388 799	15,661,002	(272,203)	-2%			
Financial Assets							
Due from the Consolidated Revenue Fund	1,645,275	1,706,281	(61,006)	-4%	-4%	0%	SFP 8
Accounts receivable and advances (note 10)	80,626	59,503	21,123	35%	34%	0%	SFP 9
Interest receivable(note 11)	1,999	2,008	(9)	0%			
Loans receivable (note 12)	811,554	790,044	21,510	3%	3%	0%	SFP 10
Total Financial Assets	2,539,454	2,557,836	(18,382)	-1%			
Financial Assets held on behalf of Government							
Interest receivable (note 11)	(1,999)	(2,008)	9	0%			
Loans receivable (note 12)	(811,554)	(790,044)	(21,510)	3%			
Total Financial Assets held on behalf of government	(813,553)	(792,052)	(21,501)	3%			
Total net Financial Assets	1,725,901	1,765,784	(39,883)	-2%			
Departmental Net Debt	13,662,898	13,895,218	(232,320)	-2%			
Non Financial Assets							
Land held for future claims settlements (note 13)	31,635	26,270	5,365	20%			
Tangible capital assets (note 14)	65,738	52,580	13,158	25%			
Total Non Financial Assets	97,373	78,850	18,523	23%			
Departmental Net Financial Position (note 15)	(13,565,525)	(13,816,368)	250,843	-2%			

SFP 1 - Accounts Payable and Accrued Liabilities

(FRA 211XX, 218XX)
(2012-2013 AANDC Financial Statements Note 4)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	672,255
Fiscal Year 2011-2012	727,689
Variance (+increase/-decrease)	-55,434
Percentage (+increase/-decrease)	-8%

Explanation of Major Variances	Variance \$	Variance %
<p>Regular A/P External This represents a decrease in regular accounts payable. The decrease can be largely attributed to an ongoing collective effort by all regions to process payments on timely basis and increased efficiency due to creation of accounting operation hubs. Due to the centralization, the regions have been given an earlier deadline at year end to process old year invoices.</p>	-112,128	-15%
<p>Workforce Adjustment: In 2012-13, an obligation for termination benefits in the amount of \$4.4M was accrued to reflect estimated workforce adjustment costs. The amount accrued in 2011-12 was \$20.9M.</p>	-16,598	-2%
<p>PAYE - G&C External: The increase is primarily due to new PAYEs set up for transfer payments at the end of 2012-13.</p> <p>To offset the increase, there was more than \$25M reduction of outstanding old year PAYEs (dated prior to 2010-11) as a result of the continuous effort to implement the Policy on Payables at Year End and quarterly PAYE review by the Corporate Accounting and Reporting Directorate.</p>	69,831	10%
<p>PAYE - O&M External: The increase is primarily due to a \$7.2M PAYE set up for Justice Canada at the end of 2012-13. The PAYE was set up for legal services provided for 2012-13, but not invoiced at the year end.</p>	6,979	1%
Total explained	-51,916	-7%
Total unexplained	-3,518	0%

SFP 2 –Trust Accounts Related

(FRA 23221, 23222, 23223, 23225)
(2012-2013 AANDC Financial Statements Note 6)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	920,104
Fiscal Year 2011-2012	939,080
Variance (+increase/-decrease)	-18,976

Percentage (+increase/-decrease)	-2%
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Explanation of Major Variances	Variance \$	Variance %
The balances of the Indian Band Funds, Indian Savings Accounts and Indian Estates Accounts comprise the Indian Moneys Trust Accounts. Changes in balances result from total receipts credited to the accounts minus total disbursements made during the year.		
In 2012-2013 Indian Band Funds disbursements exceeded receipts by \$22.2M. The decrease in the balance of the Indian Band Funds balance during the year is primarily due to several significant disbursements from Band Fund accounts in Alberta and Saskatchewan.	-22,196	-2%
In 2012-2013 Indian Estates Accounts receipts exceeded disbursements by \$3.5M. The increase in the balance of the Indian Estates Accounts during the year is mainly due to a large receipt credited to a new estate account in British Columbia.	3,491	0%
Total explained	-18,705	-2%
Total unexplained	-271	0%

SFP 3 – Settled Claims

(FRA 24114)
(2012-2013 AANDC Financial Statements Note 7)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	432,926
Fiscal Year 2011-2012	519,626
Variance (+increase/-decrease)	-86,700
Percentage (+increase/-decrease)	-17%

Explanation of Major Variances	Variance \$	Variance %
<p>Payments for settled claims are generally made over a number of years. The settled claim liability represents the present value of the future scheduled claim payments of all outstanding settled claims. The total decrease in the liability is due to a combination of the following:</p> <ul style="list-style-type: none"> - \$97M payments made in 2012-13 which reduced the total liability. - Offset by \$10M increase in present value due to decrease in interest rate by an average of 0.47% per year. 	-86,700	-17%
Total explained	-86,700	-17%
Total unexplained	0	0%

SFP 4 – Provision for Claims and Litigation

(FRA 21433)
(2012-2013 AANDC Financial Statements Note 8)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	10,714,925
Fiscal Year 2011-2012	10,964,626
Variance (+increase/-decrease)	-249,701
Percentage (+increase/-decrease)	-2%

Explanation of Major Variances	Variance \$	Variance %
<p>Specific Claims (including claims filed at Specific Claim Tribunal) \$557M of the net decrease in balance can be explained by the settlement of 16 claims.</p> <p>\$148M of the remaining decrease is primarily attributed to the change in valuation when more precise estimates become available as claims progressed through the specific claims process.</p>	-705,464	-6%
<p>Comprehensive Native Land Claims - The net increase in balance is largely attributable to 7 new mandates approved for Agreements-in-Principle (AIP) Mandates in the BC region and revised negotiating mandates approved for Quebec region.</p>	267,091	2%
<p>Indian Residential School- The majority of the total variance is due to a combination of the following:</p> <ul style="list-style-type: none"> - An increase of liability of \$589M as a result of an addition of 7,941 Independent Assessment Process (IAP) claims; this was discussed and agreed to by the OAG. - Offset by a decrease in liability of \$472M from the settlement of more than 5,000 claims. 	135,575	1%
<p>Special Claims - A new Special Claim was reported during 2012-2013.</p>	34,600	0%
<p>Litigation - the majority of this increase is due to new Department Estimates for 6 cases.</p>	23,425	0%
Total explained	-268,198	-2%
Total unexplained	18,497	0%

SPF 5a – Environmental Liabilities

(FRA 24141)
(2012-2013 AANDC Financial Statements Note 8)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	2,530,833
Fiscal Year 2011-2012	2,370,969
Variance (+increase/-decrease)	159,864
Percentage (+increase/-decrease)	7%

Explanation of Major Variances	Variance \$	Variance %
The total liability for Faro Mine (in the Northern region) has increased by 34% from \$692M (2011-12) to \$926M (2012-13). The main reason for the increase is that the construction period has been extended. This has resulted in a 24 year pre-remediation and remediation period for 2012-13 compared to a 17 year period for 2011-12. Therefore, all the estimated costs have shown significant increase.	234,465	10%
Decrease in the liability for Giant Mine (in the Northern region) is primarily due to a decrease in projected remediation costs resulting from updated cost estimates and the 2012-13 expenditures that reduced total liability.	-55,567	-2%
Decrease of liability in the Southern region resulted from a combination of the following: <ul style="list-style-type: none"> - Expenditures reducing liability to existing sites (- \$20M); - Updates made to the Contaminated Sites Management Program's (CSMP) cost model (+ \$5M); - New liabilities related to 5 sites that were assessed (+ \$9M). 	-6,196	0%
Total explained	172,702	7%
Total unexplained	-12,838	-1%

SPF 5b – Contingent Liability: Environmental Liabilities

(2012-2013 AANDC Financial Statements Note 8)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	13,524
Fiscal Year 2011-2012	21,838
Variance (+increase/-decrease)	-8,314
Percentage (+increase/-decrease)	-38%

Explanation of Major Variances	Variance \$	Variance %
<p>This represents the decrease in contingent liability of contaminated sites (in the Southern region). The decrease resulted from the combination of the following:</p> <ul style="list-style-type: none"> - A reduction of contingent liability for previously reported sites of approx. \$16M. Further review was conducted and it was concluded that currently Canada has no responsibility for the remediation of these sites. - Offset by an addition of \$8M contingent liability for new sites. 	-8,314	-38%
Total explained	-8,314	-38%
Total unexplained	0	0%

SPF 6 – Provision for Loan Guarantees

(FRA 21432)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	380
Fiscal Year 2011-2012	1,465
Variance (+increase/-decrease)	-1,085
Percentage (+increase/-decrease)	-74%

Explanation of Major Variances	Variance \$	Variance %
During the year the methodology used to calculate the provision for losses on loan guarantees was revised to better comply with Public Sector Accounting Standard 3310 - Loan Guarantees by taking into account an estimate of amounts recoverable from the borrower.	-1,215	-83%
Total explained	-1,215	-83%
Total unexplained	130	9%

SFP 7 – Employee Future Benefits

(FRA 21415)
(2012-2013 AANDC Financial Statements Note 9)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	30,603
Fiscal Year 2011-2012	44,001
Variance (+increase/-decrease)	-13,398
Percentage (+increase/-decrease)	-30%

Explanation of Major Variances	Variance \$	Variance %
Employee Severance Benefit Liability is based on a calculation promulgated by the Office of the Comptroller General of Canada.		
Decrease of the liability is largely due to the fact that in 2012-13, more employee groups accepted the elimination of severance benefits for voluntary separation, therefore, lower future severance benefit liabilities have been accrued for these groups.	-13,398	-30%
Total explained	-13,398	-30%
Total unexplained	0	0%

SFP 8 – Due from the Consolidated Revenue Fund

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

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	1,645,275
Fiscal Year 2011-2012	1,706,281
Variance (+increase/-decrease)	-61,006
Percentage (+increase/-decrease)	-4%

Explanation of Major Variances
The decrease in Due from the Consolidated Revenue Fund can be attributed to the following: <ul style="list-style-type: none">- Decrease in regular accounts payable (- \$112M) (see SFP 1 on page 5).- Decrease in Indian Band Funds (- \$22M) (see SFP 2 on page 6).- Offset by an increase in PAYE - G&C External (+ \$70M) (see SFP 1 on page 5).

SFP 9 – Accounts Receivable and Advances

(FRA 111XX, 11221, 11229, 11233, 11242, 11244, 11245, 13314, 13315, 13391, 13392)
(2012-2013 AANDC Financial Statements Note 10)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	80,626
Fiscal Year 2011-2012	59,503
Variance (+increase/-decrease)	21,123
Percentage (+increase/-decrease)	35%

Explanation of Major Variances	Variance \$	Variance %
During the year, the process to record royalty revenue was changed to better comply with Treasury Boards directive on Receivables Management. An Accounts Receivable (A/R) was created for royalty revenue once the debt to the Crown was recognized before the payment was received. The \$20M increase represents an A/R set up in 2012-13 for royalty revenue receivable from a mining company.	20,451	34%
Total explained	20,451	34%
Total unexplained	672	1%

SFP 10 – Loans Receivable

(FRA 211XX, 218XX)
(2012-2013 AANDC Financial Statements Note 12)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	811,554
Fiscal Year 2011-2012	790,044
Variance (+increase/-decrease)	21,510
Percentage (+increase/-decrease)	3%

Explanation of Major Variances	Variance \$	Variance %
<p>BCTC - First Nations in British Columbia: The number of loans to First Nations in British Columbia increased from 5,705 in 2011-2012 to 5,977 in 2012-2013 with issuance of new loans of \$24M, offset by loan repayments of \$2M, resulting in a \$22M increase in outstanding loans balances.</p>	21,873	3%
<p>Native Claimants: The number of loans to Native Claimants decreased from 2,669 in 2011-2012 to 2,659 in 2012-2013 with issuance of new loans of \$20M, offset by loan repayments of \$29M. This resulted in a \$9M net decrease in outstanding loans balances.</p>	-9,179	-1%
<p>Direct Loans - Allowance for Doubtful Accounts: During 2012-2013, the allowance for doubtful loans decreased by approximately \$7M. This was due to:</p> <ul style="list-style-type: none"> -A decrease of \$8M in the total outstanding loans for specific claims, which are fully recorded as an allowance at the same time the receivable is created. - Slightly offset by an increase of \$1M in the doubtful loans for comprehensive claims. 	7,238	1%
Total explained	19,932	3%
Total unexplained	1,578	0%

Part II – Statement of Operations

Statement of Operations – 2011-2012 vs. 2012-2013

For the year ended March 31
(in thousands of dollars)

	2013	2012	Year-Over-Year Variance	
			\$	%
Expenses				
People	4,208,786	3,465,466	743 320	21%
Land and Economy Government	1,415,570	1,523,260	(170 690)	-7%
North	1,376,299	1,050,344	325 955	31%
Internal Services	290,664	688,438	(197 774)	-29%
Office of the Federal Interlocutor	347,919	391,713	(43 794)	-11%
Expenses incurred on behalf of government	73,781	38,767	35 015	90%
	6,960	(11,333)	18 293	-161%
Total expenses	7,919,979	7,146,655	773 324	11%
Revenues				
Norman Wells project profits	108,884	97,176	11 708	12%
Resource royalties	68,321	143,738	(75 417)	-52%
Interest on loans	5,970	7,000	(1 030)	-15%
Miscellaneous	4,835	28,310	(23 475)	-83%
Leases and rentals	3,874	4,862	(988)	-20%
Finance and administrative services	744	644	100	16%
Revenues earned on behalf of government	(190,205)	(281,086)	90 881	-32%
Total revenues	2,423	644	1 779	276%
Net cost from continuing operations	7 917 556	7,146,011	771,545	11%

Highlights of Major Variances – Statement of Operations

2011-12 vs. 2012-2013

Expenses

There were no significant changes to the Department's strategic outcomes from 2011-12 to 2012-13. 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.

- **People**

The increase can be largely explained by the change in the Provision for Claims and Litigation for litigation claims, non-litigation claims and Indian Residential Schools claims (See EXP 8 on page 30).

- **Land and Economy**

The decrease is mainly attributed to a reduction in on-reserve costs incurred by First Nations and other emergency management organizations as required under the Emergency Management Assistance Program, reflecting reduced funding requirements (See EXP 1 on page 23 and EXP 2 on page 24).

- **Government**

The increase can be explained by increase in actual payments related to the settlement of Specific Claims or orders of the Specific Claims Tribunal (See EXP 1 on page 23) and the change in the Provision for Claims and Litigation for specific claims and comprehensive claims (See EXP 6 on page 28).

- **North**

The decrease can be explained by the change in the provision for environmental liabilities in the Northern Region (See EXP 3 on page 25 and EXP 11 on page 33).

- **Internal Services**

The decrease primarily resulted from the combination of the following:

- decrease in salary expenses, including less accrual for workforce adjustments.
- reduction of legal services payments.
- more expenditures were reallocated from expenses to WIP (Work in Progress) or capital assets accounts for internally developed projects.
- overall decrease in travel and professional services spending.

- **Office of the Federal Interlocutor**

The increase is due to a transfer of three programs under Urban Aboriginal Strategy, a community-based initiative, from Canadian Heritage to AANDC effective April 1, 2012.

Revenues

Variance analysis for revenue is provided in Part IV "Revenue - Note 18 Segmented Information".

Statement of Operations – Actuals vs. Planned

For the year ended March 31
(in thousands of dollars)

	2013	2013 Planned Results	Variance (Actual vs. Planned)	
			\$	%
Expenses				
People	4,208,786	3,359,320	849 466	25%
Land and Economy	1,415,570	1,350,348	65 222	5%
Government	1,376,299	1,768,062	(391 763)	-2%
North	290,664	225,407	265 257	118%
Internal Services	347,919	315,378	32 541	10%
Office of the Federal Interlocutor	73,781	29,933	43 848	146%
Expenses incurred on behalf of government	6,960	(10,490)	17 450	-166%
Total expenses	7,919,979	7,037,958	882 021	13%
Revenues				
Norman Wells project profits	108,884	86,100	22 784	26%
Resource royalties	68,321	115,086	(46 765)	-41%
Interest on loans	5,970	6,868	(898)	-13%
Miscellaneous	4,835	1,319	3 516	276%
Leases and rentals	3,874	4,321	(447)	-10%
Finance and administrative services	744	700	44	6%
Revenues earned on behalf of government	(190,205)	(213,694)	23 489	-11%
Total revenues	2,423	700	1 723	246%
Net cost of continuing operations	7,048,962	7,037,258	880,298	13%

Highlights of Major Variances – Statement of Operations

Actual vs. Planned

- **2013 planed results**

The forecasted financial information for 2012-13 only included amounts presented in the 2012-13 Reports on Plans and Priorities. 2012-13 Supplementary Estimates were not included in the 2012-13 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

- **People**

People presents the highest variance between actual and planned. The majority of the variance is due to an increase in the actual Provision for Claims and Litigation for litigation claims, non-litigation claims and Indian Residential Schools claims (See EXP Tab 8 on page 30) while only a decrease in liability for IRS settled claims was forecasted.

- **Government**

The decrease between the actual and planned can be explained by a decrease in the actual Provision for Claims and Litigation for specific claims and comprehensive claims (see EXP Tab 6 on page 28) while no change was forecasted.

- **North**

The variance is largely attributed to an increase in accrued environmental liabilities recorded for the northern regions (see EXP Tab 3 on page 25 and EXP Tab 11 on page 33) while a decrease was forecasted for remediation of existing contaminated sites.

- **Office of the Federal Interlocutor**

The increase is due to a budget transfer of \$39.5M from Canadian Heritage effective April 1, 2012. This transfer falls under the Program Activity "Urban Aboriginal Strategy".

Revenues

- **Resource Royalties**

The variance can be explained by a decrease in mining royalty revenue due to decrease in diamond prices, decrease in production and increase in expenses.

- **Norman Wells Project Profits**

The forecasted amount was from 2012-13 Reports on Plans and Priorities. The variance was mainly due to an increase in oil production in the Norman Wells field than forecast.

- **Miscellaneous Revenue**

Some revenue items were not forecasted as they were considered extraordinary items, i.e.. forfeiture revenue and gain on disposal of non-capital and capital assets etc. These amounts were included in 2012-13 actual but not included in the planned amount.

Part III – Expenses – Note 19, Segmented Information

Expenses – Note 19 Segmented Information (Unaudited)

As at March 31

(in thousands of dollars)

	2013	2012	Year-Over-Year Variance		Explained	Unexplained	Reference
			\$	%	%	%	
Transfer Payments							
First Nations	5,687,349	5,464,924	222 425	4%	4%	0%	EXP 1
Provincial/ territorial governments and institutions	809,617	787,830	32 898	3%	3%	0%	EXP 2
Industry	97,064	91,110	5 954	7%			
Contaminated sites (note 8)	43,622	101,416	(57 791)	-57%	-57%	0%	EXP 3
Non-profit organizations	41,418	41,966	(548)	-1%			
Other	333	2,423	(2 090)	-86%	-86%	0%	EXP 4
Refunds/adjustments of prior years' expenditures	(60,777)	(52,173)	8 604	16%	22%	-6%	EXP 5
Claims and litigation (note 8)	(403,774)	(543,584)	139 810	26%	26%	0%	EXP 6
Total Transfer Payments	6 214 852	5,893,909	320,943	5%			
Operating Expenses							
Salaries and employee future benefits	532,144	561,451	(29 307)	-5%	-5%	0%	EXP 7
Court awards and other settlements	473,836	458,540	15 296	3%			
Claims and litigation (note 8)	154,073	(480,550)	634 623	132%	132%	0%	EXP 8
Professional and special services	185,094	203,073	(17 979)	-9%	-10%	1%	EXP 9
Legal services	117,141	123,344	(6 203)	-5%	-6%	1%	EXP 11
Contaminated sites (note 8)	116,242	354,083	(137 841)	-54%	-54%	0%	EXP 11
Accommodations	44,109	40,752	3 357	8%			
Travel and relocation	28,221	31,704	(3 483)	-11%	-11%	0%	EXP 12
Information services	14,451	17,583	(3 132)	-18%			
Rentals of building and machinery	13,675	10,446	3 229	31%	32%	-1%	EXP 13
Machinery and equipment	9,102	11,108	(2 006)	-18%			
Expenses incurred on behalf of government	6,960	(11,333)	(18 293)	-161%	-146%	-15%	EXP 14
Utilities, materials and supplies	6,254	7,243	(989)	-14%			
Amortization	4,483	5,540	(1 057)	-19%			
Bad debt	3,599	3,178	421	13%			
Transportation and telecommunication	2,916	4,051	(1 135)	-28%			
Repairs and maintenance	2,702	2,715	(13)	0%			
Other	(4,711)	16,313	(21 024)	-129%	-134%	5%	EXP 15
Refunds/adjustments of prior years' expenditures	(5,164)	(6,495)	1 331	-20%			
Total Operating Expenses	1,705,127	1,252,746	452,381	36%			
Total Expenses	7 919 979	7,146,655	773,324	11%			

EXP 1 – Transfer Payments – First Nations

(FRA 51171, 51118)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	5,687,349
Fiscal Year 2011-2012	5,464,924
Variance (+increase/-decrease)	222,425
Percentage (+increase/-decrease)	4%

Explanation of Major Variances	Variance \$	Variance %
The increase in expenses related to the settlement of Specific Claims or orders of the Specific Claims Tribunal. The total increase is largely due to the fact that TAG HQ processed payments of \$557M for 16 claims as compared to \$302M for 10 claims in 2011-12.	254,303	5%
This reflects additional funding and incremental ongoing funding in 2012-13 for various First Nations' education programs and services in most regions, mainly BC, Manitoba, Alberta, and Atlantic. The rate of increase of expenditures is approx. 2% to 6%.	41,727	1%
This represents the increase in Urban Aboriginal Strategy, a community-based initiative. The increase is due to a transfer of three programs under this initiative from Canadian Heritage to AANDC in 2012-13.	36,727	1%
This reflects a reduction in on-reserve costs incurred by First Nations and other emergency management organizations as required under the Emergency Management Assistance Program, reflecting reduced funding requirements. \$69M of the total decrease occurred in Manitoba region as the flooding in 2012-13 was not as severe or widespread as 2011-12.	-84,785	-2%
Total explained	247,972	5%
Total unexplained	-25,547	0%

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

(FRA 51139)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	809,617
Fiscal Year 2011-2012	787,830
Variance (+increase/-decrease)	21,787
Percentage (+increase/-decrease)	3%

Explanation of Major Variances	Variance \$	Variance %
Increase of expenditures resulted from an increase of obligation stemming from James Bay and Northern Quebec Agreement and The Northeastern Quebec Agreement. The amounts AANDC reimbursed to the Quebec government depended on the nature of the projects that were approved by the Quebec government and the actual costs incurred by the beneficiaries of the Treaties for education and infrastructures.	11,750	1%
This represents an increase in Alberta in social maintenance and support services which includes: - \$5.6M increase in Assured Income for the Severely Handicapped program (AISH) resulted from a rate increase effective April 1, 2012. - \$3.4M increase in Child and Family Services largely due to the increase of the number of children in care.	9,866	1%
The increase in First Nation Education Funding (mainly in Alberta, Manitoba and Saskatchewan) was due to the year over year increases in the basic tuition funding rate and the increase in tuition rate and the number of students.	9,045	1%
This relates to payments made to the Government of Yukon for the care and Maintenance, remediation and management of the closure of contaminated sites. The variance is a direct result of a significant increase in activity at the Faro Mine site.	9,594	1%
This reflects a reduction of costs incurred by provincial/territorial emergency management organizations in Ontario and Alberta as required under the Emergency Management Assistance Program as less flood or fire etc emergency events occurred in these regions in 2012-13.	-20,539	-3%
Total explained	19,719	3%
Total unexplained	2,071	0%

EXP 3 – Transfer Payments – Contaminated Sites

(FRA 51171)
(2012-2013 AANDC Financial Statements note 8)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	43,622
Fiscal Year 2011-2012	101,413
Variance (+increase/-decrease)	-57,791
Percentage (+increase/-decrease)	-57%

Explanation of Major Variances	Variance \$	Variance %
This represents the change in the Environmental Liability balance and corresponding expenses that is allocated to transfer payment expenses.		
<p>Southern Region: Decrease of \$6M in 2012-13 liability was due to a combination of the factors shown in SFP 5 "Variance Summary - Environmental Liabilities" on page 7 .</p> <p>Decrease of \$7M in 2011-12 liability resulted from a reduction of liability by 2011-12 actual expenditures(-\$10M) and decrease of cost estimates (-\$30M), offset by additional liabilities from new sites assessed (+\$33M).</p>	1,284	1%
<p>Northern Region: Increase of \$50M in 2012-13 liability was mainly due to an increase in estimated remediation costs. See SFP 5 "Variance Summary - Environmental Liabilities" on page 7 for more details.</p> <p>Increase of \$109M in 2011-12 liability was a result of increased environmental liabilities for several sites and additional liabilities resulting from the identification of new sites.</p>	-59,075	-58%
Total explained	-57,791	-57%
Total unexplained	0	0%

EXP 4 – Transfer Payments – Other

(FRA 21119)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	333
Fiscal Year 2011-2012	2,423
Variance (+increase/-decrease)	-2,090
Percentage (+increase/-decrease)	-86%

Explanation of Major Variances	Variance \$	Variance %
In 2011-12, \$2M was incurred for the "International Polar Year" program. The initiative ended in March 2011-12.	-2,080	-86%
Total explained	-2,080	-86%

Total unexplained	-10	0%
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EXP 5 – Transfer Payments – Refunds/adjustments to Prior Years’ Expenditures

(FRA 51118, 51119, 51139, 51159, 51171, 51179)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	-60,777
Fiscal Year 2011-2012	-52,173
Variance (+increase/-decrease)	8,604
Percentage (+increase/-decrease)	16%

Explanation of Major Variances	Variance \$	Variance %
<p>The total variance can be explained by a \$11.9M increase in adjustments to payables at year end (PAYE).</p> <p>Since 2009-10, a departmental effort has been undertaken to evaluate existing balances of PAYE in conjunction with the implementation of the policy on PAYE. Regions were asked to remove any outstanding balances that did not meet the requirements outlined in the policy and to provide justification for any remaining balances. In 2012-13, approx. 30% of the outstanding old year PAYEs for transfer payments (setup in and prior to 2010-11) have been closed.</p>	11,933	23%
Total explained	11,933	23%
Total unexplained	-3,329	-6%

EXP 6 – Transfer Payments – Claims and Litigation

(FRA 51171)
(2012-2013 AANDC Financial Statements note 8)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	-403,774
Fiscal Year 2011-2012	-543,584
Variance (+increase/-decrease)	139,810
Percentage (+increase/-decrease)	26%

Explanation of Major Variances
<p>This expense represents the change in the Provision for Claims and Litigation for specific claims and comprehensive claims.</p> <p>Decrease of \$403M in the 2012-13 liability: The decrease can be explained by the settlement and change in valuation of specific claims (-\$705M), offset by an increase in comprehensive land claims due to new and revised mandates in the BC and Quebec regions (+\$267M) and an addition of a special claim (+\$35M). (See SFP 4 "Variance Summary - Provision for Claims and Litigation" on page 8 for details)</p> <p>Decrease of \$543M in the 2011-12 liability: This decrease was mainly due to settlement and change in valuation of specific claims (-\$329M) and reduction of mandated amounts for AIP mandates in the BC region (-\$214M).</p>

EXP 7 – Salaries and Employee Future Benefits

(FRA 51311, 51312, 51846)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	532,144
Fiscal Year 2011-2012	561,451
Variance (+increase/-decrease)	-29,307
Percentage (+increase/-decrease)	-5%

Explanation of Major Variances	Variance \$	Variance %
The variance is attributed to a decrease in one time payments of severance cash outs from new collective agreements, with payments of \$9M in 2012-13 compared to \$42M in 2011-12.	-33,185	-6%
This reflects a decrease in expenses accrued for workforce adjustments. In 2012-13, an obligation for termination benefits in the amount of \$4.4M was accrued to reflect estimated workforce adjustment costs. The amount accrued in 2011-12 was \$20.9M.	-16,598	-3%
This represents the change in the Employee Future Benefits Liability balance and corresponding expenses. There was a decrease of \$13M in 2012-13 in the balance of employee future benefits and a decrease of \$35M in 2011-12. The decrease of the liabilities reflects the elimination of severance benefits for most AANDC employee groups over the two years.	22,105	4%
Total explained	-27,678	-5%
Total unexplained	-1,630	0%

EXP 8 – Operations - Claims and Litigation

(FRA 51722)
(2012-2013 AANDC Financial Statements note 8)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	154,073
Fiscal Year 2011-2012	-480,550
Variance (+increase/-decrease)	634,623
Percentage (+increase/-decrease)	132%

Explanation of Major Variances
<p>This expense represents the change in the Provision for Claims and Litigation for litigation claims, non-litigation claims and Indian Residential Schools claims.</p> <p>Increase of \$154M in the 2012-13 liability: The majority of the variance is due to an increase in liability of \$589M for Indian Residential School claims, as a result of an addition of 7,941 Independent Assessment Process (IAP) claims, offset by a decrease in liability of \$472M from the settlement of more than 5,000 claims. (See SFP 4 "Variance Summary - Provision for Claims and Litigation" on page 6 for details)</p> <p>Decrease of \$480M in the 2011-12 liability: This is mainly due to the reduction of liability for Indian Residential School claims, which is primarily attributed to the settlement of more than 4,200 claims during the year.</p>

EXP 9 – Professional Services

(FRA 51321)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	185,094
Fiscal Year 2011-2012	203,073
Variance (+increase/-decrease)	-17,979
Percentage (+increase/-decrease)	-9%

Explanation of Major Variances	Variance \$	Variance %
This represents an overall decrease in expenses for services related to the assessment, remediation and management of contaminated sites and environmental consultants in the NWT region as more remediation and assessment work took place in 2011-12.	-11,523	-6%
This represents an overall reduction of spending on management consulting services seen in most regions. Included in the total decrease, \$1.1M of expenses were incurred for a one year project in 2011-12.	-5,230	-3%
This represents a reduction of spending on temporary help. The majority of the decrease occurred in HQ region. \$1.5M out of the total decrease was associated with a new program being implemented in 2011-12 which required a higher number of temporary assist with program start-up.	-2,781	-1%
Total explained	-19,534	-10%
Total unexplained	1,555	1%

EXP 10 – Legal Services

(FRA 51321)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	117,141
Fiscal Year 2011-2012	123,344
Variance (+increase/-decrease)	-6,203
Percentage (+increase/-decrease)	-5%

Explanation of Major Variances	Variance \$	Variance %
The decrease is explained by lower Department of Justice billings in 2012-13 due to a reduction in activity level performed on AANDC litigation files.	-7,043	-6%
Total explained	-7,043	-6%

Total unexplained	840	1%
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EXP 11 – Operations – Contaminated Sites

(FRA 51321)
(2012-2013 AANDC Financial Statements note 8)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	116,242
Fiscal Year 2011-2012	254,083
Variance (+increase/-decrease)	-137,841
Percentage (+increase/-decrease)	-54%

Explanation of Major Variances
<p>This represents the change in the Environmental Liability balance and corresponding expenses (Northern region) that is allocated to operating expenses.</p> <p>Increase of \$116M in 2012-13 liability was mainly due to an increase in estimated remediation costs. See SFP Tab 5 "Variance Summary - Environmental Liabilities" on page 9 for more details.</p> <p>Increase of \$254M in 2011-12 liability was a result of increased environmental liabilities for several sites and additional liabilities resulting from the identification of new sites.</p>

EXP 12 –Travel and Relocation

(FRA 51321)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	28,221
Fiscal Year 2011-2012	31,704
Variance (+increase/-decrease)	-3,483
Percentage (+increase/-decrease)	-11%

Explanation of Major Variances	Variance \$	Variance %
<p>The trend of reducing overall departmental travel expenditures continued for 2012-13.</p> <p>The 2012-13 annual budget for cap-related expenses (including travel, hospitality, conference and seminars) was \$31.2M, which was based on the 2011-12 actual spending on those activities. The actual cap-related expenses were \$28.2M, well below the cap.</p> <p>Compared to 2011-12, the total travel expenses decreased by \$3.5M. Of which, a \$3.1M reduction was from the travel costs for public servants and non-public servants.</p>	-3,483	-11%
Total explained	-3,483	-11%
Total unexplained	0	0%

EXP 13 – Rental of Buildings and Machinery

(FRA 51321)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	13,675
Fiscal Year 2011-2012	10,446
Variance (+increase/-decrease)	3,229
Percentage (+increase/-decrease)	31%

Explanation of Major Variances	Variance \$	Variance %
The \$3.3M increase represents the 2012-13 payments for license fees for IT application software which are reported as Rental of Building and Machinery as a result of a coding change to Government wide chart of accounts effective April 1, 2012. The 2011-12 payments were reported as Machinery and Equipment.	3,355	32%
Total explained	3,355	32%
Total unexplained	-126	-1%

EXP 14 – Expenses Incurred on behalf of Government

(FRA 51732, 51171)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	6,960
Fiscal Year 2011-2012	-11,333
Variance (+increase/-decrease)	-18,293
Percentage (+increase/-decrease)	-161%

Explanation of Major Variances	Variance \$	Variance %
Expenses incurred on behalf of government represent the bad debt expense related to loans receivable (assets held on behalf of government). The majority variance relates to Direct Loans - Native Claimants.		
<p>Direct Loans- Native Claimants</p> <p>During 2012-13 the allowance for doubtful loans and corresponding bad debt expense decreased by approximately \$7M primarily due to a decrease in the total outstanding loans for specific claims which are fully recorded as an allowance at the same time the receivable is created. (See SFP Tab 10 "Variance Summary- Loans Receivable" under "Direct loans - Allowance for Doubtful Accounts" on page 15)</p> <p>During 2011-12, there was an increase of \$9M to the allowance and corresponding bad debt expense due to an increase in the total number of Specific Claims outstanding.</p>	-16,531	-146%
Total explained	-16,531	-146%
Total unexplained	-1,762	-15%

EXP 15 – Other

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

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	-4,711
Fiscal Year 2011-2012	16,313
Variance (+increase/-decrease)	-21,024
Percentage (+increase/-decrease)	-129%

Explanation of Major Variances	Variance \$	Variance %
Costs of internally developed projects are charged to various expense accounts according to the nature of expenditures and reallocated to WIP (Work in Progress) and capital assets accounts at year end. In 2012-13, \$12M more in expenditures were reallocated. The adjustment for reallocation of expenditures is processed in Other Expense account.	-12,405	-76%
This represents a decrease in resource revenue sharing with Aboriginal groups due to lower mining and oil royalty revenue collected in 2012-13 compared to 2011-12.	-4,109	-25%
The \$5.5M represents one time payments made in 2011-12 to the Province of British Columbia when the Maa-Nulth Treaty came into effect.	-5,463	-33%
Total explained	-21,977	-135%
Total unexplained	953	6%

Part IV – Revenue – Note 19, Segmented Information

Revenue – Note 19 Segmented Information (Unaudited)

As at March 31

(in thousands of dollars)

	2013	2012 Adjusted	Year-Over Year Variance		Explained %	Unexplain ed %	Reference
			\$	%			
Revenues							
Norman Wells project profits	108,884	97,176	11,708	12%	12%	0%	REV 1
Resource royalties	68,321	143,738	(75,417)	-52%	-52%	1%	REV 2
Interest on loans	5,970	7,000	(1,030)	-15%	-11%	-4%	REV 3
Miscellaneous	4,835	28,310	(23,475)	-83%	-83%	0%	REV 4
Leases and rentals	3,874	4,862	(988)	-20%			
Finance and administrative services	744	644	100	16%			
Revenues earned on behalf of government	(190,205)	(281,086)	90,881	-32%			Note
Total Revenues	2,423	644	1,779	276%			

Note: Revenues earned on behalf of government

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

REV 1 – Norman Wells Project Profits

(FRA 42129)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	108,884
Fiscal Year 2011-2012	97,176
Variance (+increase/-decrease)	11,708
Percentage (+increase/-decrease)	12%

Explanation of Major Variances	Variance \$	Variance %
The increase in revenue is attributed to an increase in oil production in 2012-13. This increase was mainly due to field production returning to normal operations after operating at reduced capacity in 2011-12.	11,708	12%
Total explained	11,708	12%
Total unexplained	0	0%

REV 2 – Resource Royalties

(FRA 42311)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	68,321
Fiscal Year 2011-2012	143,738
Variance (+increase/-decrease)	-75,417
Percentage (+increase/-decrease)	-52%

Explanation of Major Variances	Variance \$	Variance %
Mining Royalties: The decrease of \$73M in Canadian mining royalties is primarily due to decrease in diamond prices, decrease in production and an increase in expenses.	-72,623	-51%
Oil Royalties: The decrease is attributed to falling oil prices despite an increase in actual oil production.	-1,405	-1%
Total explained	-74,028	-52%
Total unexplained	-1,389	1%

REV 3 – Interest on Loans

(FRA 42129)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	5,970
Fiscal Year 2011-2012	7,000
Variance (+increase/-decrease)	-1,030
Percentage (+increase/-decrease)	-15%

Explanation of Major Variances	Variance \$	Variance %
BCTC - First Nations in British Columbia: The principal of settled comprehensive claims has decreased by \$1.5M (from \$16.4M in 2011-2012 to \$14.9M in 2012-2013); therefore interest revenue has decreased.	-86	-1%
Native Claimants - CYFN/Elder Loans: During 2012-2013, \$12.6M of principal was repaid; this decrease in outstanding principal balance resulted in lower interest revenue.	-712	-10%
Total explained	-798	-11%
Total unexplained	-232	3%

REV 4 – Miscellaneous Revenue

(FRA 42314, 42315, 42319, 42411, 42412, 42541, 42631, 42635, 42719, 42733)

Financial Statement Data (in thousands of dollars)	
Fiscal Year 2012-2013	4,835
Fiscal Year 2011-2012	28,310
Variance (+increase/-decrease)	-23,475
Percentage (+increase/-decrease)	-83%

Explanation of Major Variances	Variance \$	Variance %
Forfeiture revenue decreased by \$20.6M from \$21.3M (2011-12) to \$0.7M (2012-13). The large amount of forfeiture revenue in 2011-12 was primarily due to two reasons: failure to drill a well before the end of period 1 and the suspension/expiry of many exploration licenses.	-20,645	-73%
The \$2.6M represents the amounts received in 2011-12 when the Bowater Environmental Remediation Fund was established pursuant to a decision of the Commercial Division of the Superior Court in the Province of Quebec. The balance in the account is to be used to finance the remediation of environmental damage.	-2,597	-9%
Total explained	-23,242	-82%
Total unexplained	-233	-1%

Part V – Other

Note 3b – Parliamentary Authorities – Authorities Provided and Used
Explanation of Lapsed Amount
(2012-2013 AANDC Financial Statements Note 3b)

Financial Statement Data (in thousands of dollars)	
Current Year Authorities Provided	8,499,216
Current Year Authorities Used	8,095,142
Authorities Available for Future Years	34,183
Lapsed Amount	369,891
Percentage Lapsed	4%

Explanation of Major Variances	Variance \$	Variance %
Late reprofiling requests from 2012-13 to 2013-14 or future years for which the Department is seeking TBS/DOF approval. Major items include: - Specific Claims Settlement Fund \$167M (already approved by DOF) - SPA- Indian Residential Schools Allotment \$91M - Indian Residential Schools Settlement Agreement (Delivery Funding) \$23M	297,322	4%
Budget carryforward for which AANDC is seeking TBS approval: - Operating budget carryforward \$36M - Capital budget carryforward \$3M	39,028	0%
Frozen Allotment - largely made up of ARLU Reprofiling from 2012-13	12,270	0%
Reduced requirements: - Treaty Related Measures	8,367	0%
Late reprofiling requests from 2012-13 to 2013-14 or future years for which the Department is seeking TBS/DOF approval. Major items include: - Specific Claims Settlement Fund \$167M (already approved by DOF) - SPA- Indian Residential Schools Allotment \$91M - Indian Residential Schools Settlement Agreement (Delivery Funding) \$23M	297,322	4%
Total explained	356,987	4%
Total unexplained	12,904	0%

** The net lapse is a result of implementation of saving measures from Canada's Economic Action Plan 2012 as well as delay in some activities and projects. Furthermore, a more cautious spending with regards to staffing, departmental travel, hospitality and professional services has resulted in efficiencies.*

Note: The above information is as of August 28, 2013. It is subject to change as the reprofile 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.