

# **Indian and Northern Affairs Canada**

**Future-Oriented Statement of Operations  
For the year ending March 31, 2012**

## INDIAN AND NORTHERN AFFAIRS CANADA

### Statement of Management Responsibility

Responsibility for the compilation, content, and presentation of the accompanying future-oriented statement of operations for the year ending March 31, 2012 and the accompanying notes rests with the management of Indian and Northern Affairs Canada (INAC). The future-oriented statement of operations has been prepared by management in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. The future-oriented financial information is submitted in Part III of the Estimates (Report on Plans and Priorities) and will be used in the Departmental Performance Report to compare with actual results.

Management is responsible for the integrity and objectivity of the future-oriented financial information and for the underlying assumptions and estimates which are based on information available and known to management as at January 14, 2011, and assumes a continuation of current governmental priorities and consistency in INAC's mandate and strategic objectives. This future-oriented financial information is based on these assumptions, best estimates, and judgment and gives due consideration to materiality. At the time of preparation of this statement, management believes the estimates and assumptions to be fair and reasonable. However, as with all such estimates and assumptions, there is a measure of uncertainty.

Actual results for the fiscal years covered in the accompanying future-oriented financial information will vary from the information presented and these variations may be material.



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**Michael Wernick**  
Deputy Minister



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**Susan MacGowan, CMA**  
Chief Financial Officer

Gatineau, Canada  
January 14, 2011

## INDIAN AND NORTHERN AFFAIRS CANADA

### Future-Oriented Statement of Operations

For the year ending March 31

*(in thousands of dollars)*

	Estimated 2011	Forecast 2012
<b>Expenses</b>		
The People	3,721,956	3,696,684
The Government	1,747,093	1,627,693
The Land and Economy	1,646,301	1,511,835
The North	757,692	106,312
Internal Services	414,113	370,740
Office of the Federal Interlocutor	40,969	42,232
<b>Total Expenses</b>	<b>8,328,124</b>	<b>7,355,496</b>
<b>Revenues</b>		
The Government	7,320	7,320
The Land and Economy	2,009	2,009
The North	211,085	210,219
Internal Services	309	309
<b>Total Revenues</b>	<b>220,723</b>	<b>219,857</b>
<b>Net Cost of Operations</b>	<b>8,107,401</b>	<b>7,135,639</b>

The accompanying notes form an integral part of the future-oriented statement of operations.

# **INDIAN AND NORTHERN AFFAIRS CANADA**

## **Notes to the Future-Oriented Statement of Operations**

### **1. Authority and objectives**

Indian and Northern Affairs Canada (INAC) was established by the Government Organization Act, 1966 and has been continued in its current form by the Department of Indian Affairs and Northern Development Act (R.S., 1985, c. I-6). Effective June 1, 2008, pursuant to Order-in-Council P.C. 2008-805, Indian Residential Schools Resolution Canada was amalgamated and combined with INAC under the Minister of INAC. INAC is named as a department in Schedule I of the Financial Administration Act.

Additional information is provided in Section I of INAC's 2011-2012 Report on Plans and Priorities (RPP).

### **2. Significant assumptions**

The future-oriented statement of operations has been prepared on the basis of the government priorities and the plans of the department as described in the RPP.

The main assumptions are as follows:

- (a) The department's activities will remain substantially the same as the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- (c) INAC's new directive on funding approaches comes into force on April 1, 2011, the effects of which cannot be reasonably estimated and have therefore been excluded from the forecast.
- (d) Accruals for new contingent liabilities and new environmental liabilities cannot be reasonably foreseen or quantified and have therefore been excluded from the forecast.
- (e) Allowances for uncollectibility are based on historical experience. The general historical pattern is expected to continue.
- (f) Estimated year end information for 2010-11 is used as the opening position for the 2011-12 forecast.

These assumptions are adopted as of January 14, 2011.

## Notes to the Future-Oriented Statement of Operations

### 3. Variations and changes to the forecast financial information

While every attempt has been made to accurately forecast final results for the remainder of 2010-11 and for 2011-12, actual results achieved for both years will vary from the forecast information presented, and this variation may be material.

In preparing the statement of operations INAC has made estimates and assumptions concerning the future. These estimates and judgements may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented statement of operations and the historical statement of operations include:

- (a) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.
- (b) Economic conditions may affect the amount of revenue earned and the collectibility of loans receivable.
- (c) Interest rates in effect at the time of issue will affect the net present value of settled claims.
- (d) The timing and amounts of acquisitions and disposals of tangible capital assets may affect gains/losses and amortization expense.

Once the RPP is presented, INAC will not be updating its forecast for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

### 4. Summary of significant accounting policies

The future-oriented statement of operations has been prepared in accordance with the Treasury Board accounting policies stated below, which are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

**(a) Parliamentary appropriations** – INAC is financed by the Government of Canada through Parliamentary appropriations. The cash accounting basis is used to recognize transactions affecting parliamentary appropriations. The future-oriented statement of operations is based on accrual accounting. Consequently, items presented in the future-oriented statement of operations are not necessarily the same as those provided through appropriations from Parliament. Note 5 provides a reconciliation between the bases of reporting.

## Notes to the Future-Oriented Statement of Operations

**(b) Revenues** – Revenues from regulatory fees are recognized in the accounts based on the services provided in the year. Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

**(c) Expenses** – Expenses are presented on an accrual basis:

- Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.
- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, provided that the transfer is authorized and a reasonable estimate can be made.
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans and legal services are reported as operating expenses at their estimated cost.

**(d) Employee future benefits**

- *Pension benefits:* Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. INAC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the department to make contributions for any actuarial deficiencies of the Plan.
- *Severance benefits:* Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

**(e) Tangible capital assets** – All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. The department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, or assets located on Indian Reserves.

## Notes to the Future-Oriented Statement of Operations

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

<b><u>Asset Class</u></b>	<b><u>Amortization Period</u></b>
Buildings -	
Residential mobile	10 years
Administrative, institutional, recreational and residential	40 years
Works and infrastructure	30 years
Machinery and equipment -	
Communication equipment	5 years
Lab, scientific and testing equipment	10 years
Construction, excavating and clearing equipment	15 years
Generating equipment	20 years
Informatics hardware and software	3 years
Ships and boats	10 years
Motor vehicles -	
Passenger vehicles and light trucks less than 1 ton	5 years
Heavy trucks greater than 1 ton	10 years
Other vehicles	5 years
Leasehold improvements	Lesser of useful life or term of lease
Assets under construction	Once in service, in accordance with asset type

## Notes to the Future-Oriented Statement of Operations

### 5. Parliamentary appropriations

INAC receives most of its funding through expenditure authorities provided by Parliament. Items recognized in the statement of operations in one year may be funded through Parliamentary authorities in prior, current or future years.

Accordingly, INAC has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

#### (a) Authorities requested

	<b>Estimated 2011</b>	<b>Forecast 2012</b>
	<i>(in thousands of dollars)</i>	
Authorities requested		
Vote 1 – Operating expenditures	1,394,798	1,065,718
Vote 5 – Capital expenditures	1,840	12,194
Vote 10 – Grants and Contributions	6,592,438	6,075,334
Vote 15 – Payments to Canada Post Corporation	60,820	-
Vote 20 – Office of the Federal Interlocutor- Operating	9,700	-
Vote 25 – Office of the Federal Interlocutor- Contributions	29,939	-
Statutory amounts	165,393	187,304
<b>Forecast authorities available</b>	<b><u>8,254,928</u></b>	<b><u>7,340,550</u></b>

Forecast authorities requested for the year ending March 31, 2012 are the planned spending amounts presented in the 2011-12 RPP. Estimated authorities requested for the year ending March 31, 2011 include amounts presented in the 2010-11 Main Estimates and Supplementary Estimates (A) and (B), planned for presentation in Supplementary Estimates (C) and estimates of amounts to be allocated at year-end from Treasury Board central votes.



## Notes to the Future-Oriented Statement of Operations

### (b) Reconciliation of net cost of operations to requested authorities:

	<b>Estimated 2011</b>	<b>Forecast 2012</b>
	<i>(in thousands of dollars)</i>	
Net cost of operations	8,107,401	7,135,639
Adjustments for items affecting net cost of operations but not affecting authorities:		
Revenue not available for spending	220,723	219,857
Services provided without charge by OGD	(118,812)	(144,427)
Decrease (increase) in environmental liabilities	(342,550)	118,254
Refunds of previous years' expenditures	56,139	56,139
Decrease (increase) in liability for settled claims	79,751	(49,648)
Amortization of tangible capital assets	(8,509)	(7,420)
Decrease (increase) in liability for vacation pay and compensatory leave	(1,535)	(2,652)
Decrease (increase) in employee future benefits	(2,325)	(4,922)
Decrease (increase) in liability for claims and litigations	235,858	-
Other	(17,242)	-
	<u>8,208,899</u>	<u>7,320,820</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	42,189	17,730
Loan guarantee defaults	2,000	2,000
Land held for future claim settlements	1,840	-
	<u>46,029</u>	<u>19,730</u>
<b>Forecast authorities available</b>	<u><b>8,254,928</b></u>	<u><b>7,340,550</b></u>

## Notes to the Future-Oriented Statement of Operations

### 6. Employee benefits

#### *Pension benefits*

INAC's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The forecast expenses are \$51,818,000 in 2010-11 and \$55,146,000 in 2011-12, representing approximately 1.9 times the contributions of employees.

INAC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada as the Plan's sponsor.

#### *Severance benefits*

INAC provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	<b>Estimated 2011</b>	<b>Forecast 2012</b>
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation, beginning of year	74,320	76,645
Expense for the year	9,112	12,145
Benefits paid during the year	(6,787)	(7,223)
Accrued benefit obligation, end of year	<b>76,645</b>	<b>81,567</b>

### 7. Related party transactions

INAC is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. INAC enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, INAC received services which were obtained without charge from other Government departments as presented below.

## Notes to the Future-Oriented Statement of Operations

### Services provided without charge

INAC receives without charge from other departments, accommodation, the employer's contribution to the health and dental insurance plans, workman's compensation coverage, and legal services. These services without charge are recognized in INAC's statement of operations as follows:

	<b>Estimated 2011</b>	<b>Forecast 2012</b>
	<i>(in thousands of dollars)</i>	
Salary and associated expenditures for legal services provided by Justice Canada	41,895	60,409
Contributions covering employer's share of employees' insurance premiums and expenditures paid by TBS (excluding revolving funds)	39,730	45,012
Accommodation provided by Public Works and Government Services Canada (PWGSC)	36,721	38,566
Workers' compensation coverage provided by Human Resources Canada	466	440
Total	<b>118,812</b>	<b>144,427</b>

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in INAC's Statement of Operations.

## Notes to the Future-Oriented Statement of Operations

### 8. Segmented Information

Presentation by segment is based on INAC's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in Note 4. The following table presents the expenses incurred and revenues generated for each of INAC's strategic outcomes, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

<i>(in thousands of dollars)</i>	<b>Estimated 2011 Total</b>	<b>The Government</b>	<b>The People</b>	<b>The Land and Economy</b>	<b>The North</b>	<b>The Office of the Federal Interlocutor</b>	<b>Internal Services</b>	<b>Forecast 2012 Total</b>
<b>Transfer Payments</b>								
First Nations	5,681,934	1,383,437	2,621,607	1,280,319	18,148	25,227	-	5,328,738
Provincial/Territorial governments and institutions	830,339	107,021	508,912	52,049	65,211	1,243	-	734,436
Industry	89,957	102	36,770	30,331	44,625	210	-	112,038
Non-Profit organizations	50,364	430	21,686	7,409	8,652	3,058	-	41,235
Other	-	-	-	-	2,552	-	-	2,552
<b>Total Transfer Payments</b>	<b>6,652,594</b>	<b>1,490,990</b>	<b>3,188,975</b>	<b>1,370,108</b>	<b>139,188</b>	<b>29,738</b>	<b>-</b>	<b>6,218,999</b>
<b>Operating Expenses</b>								
Salaries and Employee Benefits	506,924	63,542	101,507	79,361	33,674	7,711	243,842	<b>529,637</b>
Professional and Special Services	408,497	42,838	131,181	36,250	41,866	3,129	56,642	<b>311,906</b>
Court Awards and other Settlements	452,013	21	198,119	1	-	-	38,209	<b>236,350</b>
Travel and Relocation	42,304	8,616	18,820	5,604	2,000	946	6,318	<b>42,304</b>
Accommodations	36,721	8,837	19,169	7,869	551	219	1,921	<b>38,566</b>
Information Services	28,803	592	16,434	411	253	83	1,031	<b>18,804</b>
Bad Debt Expense	17,242	10,038	-	7,742	-	-	217	<b>17,997</b>
Utilities, materials and supplies	17,238	273	6,894	1,355	657	81	1,975	<b>11,235</b>
Machinery & Equipment	16,401	434	3,601	956	438	123	5,446	<b>10,998</b>
Rentals of Buildings and Machinery	11,462	268	2,465	518	1,981	28	2,311	<b>7,571</b>
Amortization Expense	8,509	154	189	305	328	-	6,444	<b>7,420</b>
Transportation and Telecommunications	10,703	208	2,041	503	268	147	4,064	<b>7,231</b>
Other	6,874	672	285	348	3,213	8	147	<b>4,673</b>
Repair & Maintenance	5,147	210	7,004	504	149	19	2,173	<b>10,059</b>
Claims and Litigation	(235,858)	-	-	-	-	-	-	<b>-</b>
Environmental Liabilities	342,550	-	-	-	(118,254)	-	-	<b>(118,254)</b>
<b>Total Operating Expenses</b>	<b>1,675,530</b>	<b>136,703</b>	<b>507,709</b>	<b>141,727</b>	<b>(32,876)</b>	<b>12,494</b>	<b>370,740</b>	<b>1,136,497</b>
<b>Total Expenses</b>	<b>8,328,124</b>	<b>1,627,693</b>	<b>3,696,684</b>	<b>1,511,835</b>	<b>106,312</b>	<b>42,232</b>	<b>370,740</b>	<b>7,355,496</b>

## Notes to the Future-Oriented Statement of Operations

<i>(in thousands of dollars)</i>	Estimated 2011 Total	The Government	The People	The Land and Economy	The North	The Office of the Federal Interlocutor	Internal Services	Forecast 2012 Total
<b>Revenues</b>								
Resource royalties	121,515	-	-	-	116,354	-	-	<b>116,354</b>
Norman Wells project profits	83,487	-	-	-	87,782	-	-	<b>87,782</b>
Interest on loans	9,229	7,274	-	1,955	-	-	-	<b>9,229</b>
Leases and rentals	5,279	24	-	-	5,255	-	-	<b>5,279</b>
Miscellaneous	1,213	22	-	54	828	-	309	<b>1,213</b>
<b>Total Revenues</b>	<b>220,723</b>	<b>7,320</b>	<b>-</b>	<b>2,009</b>	<b>210,219</b>	<b>-</b>	<b>309</b>	<b>219,857</b>
<b>Net Cost of Operations</b>	<b>8,107,401</b>	<b>1,620,373</b>	<b>3,696,684</b>	<b>1,509,826</b>	<b>(103,907)</b>	<b>42,232</b>	<b>370,431</b>	<b>7,135,639</b>