

**CROWN-INDIGENOUS RELATIONS AND NORTHERN AFFAIRS CANADA**  
**Financial Statements for the Year Ended March 31, 2018 (Unaudited)**

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2018, and all information contained in these statements rests with the management of Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of CIRNAC's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in CIRNAC's *Departmental Plan* is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout CIRNAC; and through conducting an annual risk-based assessment of the effectiveness of the system of internal control over financial reporting.

The system of internal control over financial reporting is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

Management recognizes that there is an increased risk in financial reporting due to the creation of two departments; Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada. However, management is confident that the system of internal control over financial reporting is sufficient to provide reasonable assurance that the financial information in these statements is reliable.

A risk-based assessment of the system of internal control over financial reporting for the year ended March 31, 2018 was completed in accordance with the Treasury Board *Policy on Financial Management* and the results and action plans are summarized in the annex.

The effectiveness and adequacy of CIRNAC's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of CIRNAC's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Minister.

The financial statements of CIRNAC have not been audited.

Original signed by H el ene Laurendeau

**On behalf of H el ene Laurendeau,  
Diane Lafleur  
Acting Deputy Minister**

Gatineau, Canada  
August 30, 2018

Original signed by Alex Lakroni

**Alex Lakroni  
Chief Finances, Results and  
Delivery Officer**

**CROWN-INDIGENOUS RELATIONS AND NORTHERN AFFAIRS CANADA**

**Statement of Financial Position (Unaudited)**

**As at March 31**

(in thousands of dollars)

	<b>2018</b>	<b>2017</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	582,563	762,879
Vacation pay and compensatory leave	13,444	18,954
Settled claims (note 5)	141,673	203,950
Contingent liabilities (note 6)	20,835,914	15,065,865
Environmental liabilities (note 7)	3,320,101	3,394,399
Employee future benefits (note 8)	12,521	18,042
Other liabilities (note 9)	9,640	62,049
Trust accounts (note 10)	-	701,209
<b>Total liabilities</b>	<b>24,915,856</b>	<b>20,227,347</b>
<b>Financial assets</b>		
Due from the Consolidated Revenue Fund	578,015	1,501,826
Accounts receivable and advances (note 11)	17,654	67,357
Loans and interest receivable (note 12)	776,895	799,916
<b>Total gross financial assets</b>	<b>1,372,564</b>	<b>2,369,099</b>
<b>Financial assets held on behalf of Government</b>		
Loans and interest receivable (note 12)	(776,895)	(799,916)
<b>Total financial assets held on behalf of Government</b>	<b>(776,895)</b>	<b>(799,916)</b>
<b>Total net financial assets</b>	<b>595,669</b>	<b>1,569,183</b>
<b>Departmental net debt</b>	<b>24,320,187</b>	<b>18,658,164</b>
<b>Non-financial assets</b>		
Land held for future claims settlements (note 13)	44,120	38,847
Prepaid expenses	1,210	161
Tangible capital assets (note 14)	174,132	173,787
<b>Total non-financial assets</b>	<b>219,462</b>	<b>212,795</b>
<b>Departmental net financial position (note 15)</b>	<b>(24,100,725)</b>	<b>(18,445,369)</b>

Contractual obligations (note 16)

The accompanying notes form an integral part of these financial statements.

Original signed by H  l  ne Laurendeau

Original signed by Alex Lakroni

**On behalf of H  l  ne Laurendeau,  
Diane Lafleur  
Acting Deputy Minister**

**Alex Lakroni  
Chief Finances, Results and Delivery  
Officer**

Gatineau, Canada

August 30, 2018

**CROWN-INDIGENOUS RELATIONS AND NORTHERN AFFAIRS CANADA**  
**Statement of Operations and Departmental Net Financial Position (Unaudited)**  
**For the Year Ended March 31**  
*(in thousands of dollars)*

	2018 Planned Results	2018	2017
<b>Expenses</b>			
Government	464,256	5,832,037	3,026,988
People	4,917,344	2,840,410	2,287,825
Land and Economy	2,656,247	458,205	284,828
North	276,491	345,406	73,308
Internal Services	260,977	287,767	277,881
Expenses incurred on behalf of Government	6,626	(38,828)	(91,241)
<b>Total expenses</b>	<b>8,581,941</b>	<b>9,724,997</b>	<b>5,859,589</b>
<b>Revenues</b>			
Resource royalties	10,000	1,556	852
Interest on loans	4,486	1,355	2,147
Miscellaneous	3,475	1,427	5,306
Finance and administrative services	2,392	2,370	2,264
Leases and rentals	996	811	978
Norman Wells project profits	10,300	-	-
Revenues earned on behalf of Government	(27,648)	(3,900)	(7,394)
<b>Total revenues</b>	<b>4,001</b>	<b>3,619</b>	<b>4,153</b>
<b>Net cost from continuing operations</b>	<b>8,577,940</b>	<b>9,721,378</b>	<b>5,855,436</b>
<b>Transferred operations</b>			
Expenses		3,935,624	6,392,059
Revenues		(1)	(33)
<b>Net Cost of Transferred Operations</b>		<b>3,935,623</b>	<b>6,392,026</b>
<b>Net cost of operations before government funding and transfers</b>		<b>13,657,001</b>	<b>12,247,462</b>
<b>Government funding and transfers</b>			
Net cash provided by Government		9,829,511	9,123,809
Change in due from Consolidated Revenue Fund		(923,811)	(53,875)
Services provided without charge by other government departments (note 17a)		62,585	81,528
Transfer of assets and liabilities to Indigenous Services Canada (note 18a)		(966,470)	-
Transfer of assets and liabilities to Polar Knowledge Canada (note 18b)		(202)	(1,293)
Transfer of assets and liabilities from Other government departments and agencies		32	(26)
<b>Net cost of operations after government funding and transfers</b>		<b>5,655,356</b>	<b>3,097,319</b>
<b>Departmental net financial position – Beginning of year</b>		<b>(18,445,369)</b>	<b>(15,348,050)</b>
<b>Departmental net financial position – End of year</b>		<b>(24,100,725)</b>	<b>(18,445,369)</b>

Segmented Information (note 19)

The accompanying notes form an integral part of these financial statements.

**CROWN-INDIGENOUS RELATIONS AND NORTHERN AFFAIRS CANADA**  
**Statement of Change in Departmental Net Debt (Unaudited)**  
**For the Year Ended March 31**  
*(in thousands of dollars)*

	2018	2017
<b>Net cost of operations after government funding and transfers</b>	<b>5,655,356</b>	<b>3,097,319</b>
<b>Change due to tangible capital assets</b>		
Acquisition of tangible capital assets (note 14)	30,322	47,979
Amortization of tangible capital assets (note 14)	(9,877)	(10,436)
Proceeds from disposal of tangible capital assets	(1,251)	(1,922)
Gain (loss) on disposal of tangible capital assets	1,248	1,896
Transfer of tangible capital assets to Indigenous Services Canada (Note 18a)	(19,944)	-
Transfer of tangible capital assets to Polar Knowledge Canada (note 18b)	(202)	(1,293)
Transfer of tangible capital assets to other government departments and agencies	49	(26)
<b>Total change due to tangible capital assets</b>	<b>345</b>	<b>36,198</b>
<b>Change due to land held for future claims settlements (note 13)</b>	<b>5,273</b>	<b>-</b>
<b>Change due to prepaid expenses</b>	<b>1,049</b>	<b>94</b>
<b>Net increase in departmental net debt</b>	<b>5,662,023</b>	<b>3,133,611</b>
<b>Departmental net debt – Beginning of year</b>	<b>18,658,164</b>	<b>15,524,553</b>
<b>Departmental net debt – End of year</b>	<b>24,320,187</b>	<b>18,658,164</b>

The accompanying notes form an integral part of these financial statements.

**CROWN-INDIGENOUS RELATIONS AND NORTHERN AFFAIRS CANADA****Statement of Cash Flow (Unaudited)****For the Year Ended March 31***(in thousands of dollars)*

	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
<b>Net cost of operations before government funding and transfers</b>	<b>13,657,001</b>	<b>12,247,462</b>
<b>Non-cash items:</b>		
Amortization of tangible capital assets (note 14)	(9,877)	(10,436)
Gain on disposal of tangible capital assets	1,248	1,896
Services provided without charge by other government departments (note 17a)	(62,585)	(81,528)
<b>Variations in Statement of Financial Position:</b>		
Decrease in accounts receivable and advances	(49,703)	(17,504)
Increase in land held for future claims settlements	5,273	-
Increase in prepaid expenses	1,049	94
Increase in liabilities	(4,688,509)	(3,062,232)
Transfer of assets and liabilities to Indigenous Service Canada (note 18a)	946,526	-
Transfer of assets and liabilities to Other government departments and agencies	17	-
<b>Cash used in operating activities</b>	<b>9,800,440</b>	<b>9,077,752</b>
<b>Capital investing activities</b>		
Acquisitions of tangible capital assets (note 14)	30,322	47,979
Proceeds from disposal of tangible capital assets	(1,251)	(1,922)
<b>Cash used in capital investing activities</b>	<b>29,071</b>	<b>46,057</b>
<b>Net cash provided by Government of Canada</b>	<b>9,829,511</b>	<b>9,123,809</b>

The accompanying notes form an integral part of these financial statements.

## Notes to the Financial Statements (*Unaudited*)

### CROWN-INDIGENOUS RELATIONS AND NORTHERN AFFAIRS CANADA

#### Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

#### 1. Authority and objectives

In August 2017, the Prime Minister announced plans for the dissolution of Indigenous and Northern Affairs Canada (INAC) and the creation of two new departments: Indigenous Services Canada (ISC) and Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC). On November 30, 2017, the Education and Social Development Programs and Partnership Sector and Regional Operations Sector were transferred from INAC to Indigenous Services Canada, pursuant to Order-in-Council P.C. 2017-1465. Indigenous and Northern Affairs Canada's applied title subsequently became Crown-Indigenous Relations and Northern Affairs Canada.

CIRNAC supports Indigenous peoples (First Nations, Inuit and Métis) and Northerners in their efforts to:

- improve social well-being and economic prosperity;
- develop healthier, more sustainable communities; and
- participate more fully in Canada's political, social and economic development – to the benefit of all Canadians.

Priorities and reporting are aligned under the following strategic outcomes:

- a) **People** - Individual, family and community well-being for First Nations and Inuit.
- b) **Land and Economy** - Full participation of First Nations, Métis, Non-Status Indians and Inuit individuals and communities in the economy.
- c) **Government** - Support good governance, rights and interests of Indigenous peoples.
- d) **North** - Self-reliance, prosperity and well-being for the people and communities of the North

#### 2. Summary of significant accounting policies

These financial statements have been prepared using the department's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

##### a) *Parliamentary authorities*

CIRNAC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to CIRNAC do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides reconciliation between the bases of reporting.

## **Notes to the Financial Statements (*Unaudited*)**

The planned results amounts in the “Expenses” and “Revenues” sections of the Statement of Operations and Departmental Net Financial Position are consistent with the amounts reported in the Future-Oriented Statement of Operations included in the 2017-2018 Departmental Plan. These planned results include the amounts for operations transferred to Indigenous Services Canada as they were published prior to the announcement of creation of the new department. Planned results are not presented in the “Government funding and transfers” section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2017-2018 Departmental Plan.

### ***b) Net cash provided by Government***

CIRNAC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by CIRNAC is deposited to the CRF and all cash disbursements made by CIRNAC are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

### ***c) Amounts due from/to the Consolidated Revenue Fund (CRF)***

Amounts due from/to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that CIRNAC is entitled to draw from the CRF without further authorities to discharge its liabilities.

### ***d) Revenues***

Revenues are recorded on the accrual basis:

- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- Other revenues are recognized in the period the event giving rise to the revenues accrued.
- Revenues that are non-respendable are not available to discharge CIRNAC’s liabilities. While the Deputy Head is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of CIRNAC’s gross revenues.

### ***e) Expenses***

Expenses are recorded on the accrual basis:

- Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment

## Notes to the Financial Statements (*Unaudited*)

receives parliamentary approval prior to the completion of the financial statements. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.

- Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, employer contribution to the health and dental insurance plans, legal services, and workers' compensation are recorded as operating expenses at their carrying value.

### ***f) Employee future benefits***

- Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. CIRNAC's contributions to the plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The department's responsibility with regard to the Plan is limited to its contribution. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
- Severance benefits: The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

### ***g) Accounts and loans receivable***

Accounts and loans receivable are stated at the lower of cost and net recoverable value.

When necessary, an allowance for valuation is recorded to reduce the carrying value of accounts and loans receivable to amounts that approximate their net recoverable value.

The amount of allowance on loans receivable is determined on an assessment of collectability of each loan on an annual basis using a standard set of criteria to assess the default risk. Interest on loans receivable is calculated in accordance with the terms and conditions of each individual program.

If loans and interest receivables cannot be used to discharge CIRNAC's liabilities or to issue new loans, they are considered to be held on behalf of government and are therefore presented as an offsetting amount to CIRNAC's financial position.

### ***h) Contingent liabilities***

Contingent liabilities, including the provision for loans guarantees, are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

## **Notes to the Financial Statements (*Unaudited*)**

For loans guarantees, an allowance is recorded when it is determined that a loss is likely and the amount of the allowance is estimated taking into consideration the nature of the guarantee, loss experience and current conditions. The allowance is reviewed on an ongoing basis and changes in the allowance are recorded as expenses in the year they become known.

### **i) Contingent assets**

Contingent assets are possible assets which may become actual assets when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, the contingent asset is disclosed in the notes to the financial statements.

### **j) Environmental liabilities**

An environmental liability for remediation of contaminated sites is recognized when all of the following criteria are satisfied:

- an environmental standard exists,
- contamination exceeds the environmental standard,
- CIRNAC is directly responsible or accepts responsibility,
- it is expected that future economic benefits will be given up, and
- a reasonable estimate of the amount can be made.

The liability reflects CIRNAC's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination. When the cash flows required to settle or otherwise extinguish a liability are estimable, predictable and expected to occur over extended future periods, a present value technique is used. The discount rates used reflect the Government's cost of borrowing associated with the estimated number of years to complete remediation. The recorded liabilities are adjusted each year, for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred. If the likelihood of the CIRNAC's responsibility is not determinable, a contingent liability is disclosed in the notes to the consolidated statements.

### **k) 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. CIRNAC does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

Capital assets include lands held for future claim settlements which are to be transferred to First Nations upon settlements.

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

## Notes to the Financial Statements (*Unaudited*)

<b>Asset Class</b>	<b>Amortization Period</b>
Buildings	20 to 40 years
Works and Infrastructure	25 to 30 years
Machinery and Equipment	3 to 15 years
Informatics Hardware and Software	3 to 10 years
Ships and Boats	10 years
Motor Vehicles	4 to 10 years
Other Vehicles	5 to 10 years
Leasehold Improvements	Over the useful life of the improvement or the lease term, whichever is shorter

Assets under construction are recorded in the applicable capital asset class in the year they are put into service and are not amortized until they are put into service.

### ***1) Measurement uncertainty***

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are contingent liabilities, environmental liabilities, the liability for employee future benefits, the allowance for doubtful accounts and the useful life of tangible capital assets. Actual results could differ significantly from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

Environmental liabilities is subject to measurement uncertainty as discussed in Note 7 due to the evolving technologies used in the estimation of the costs for remediation of contaminated sites, the use of discounted present value of future estimated costs, and the fact that not all sites have had a complete assessment of the extent and nature of remediation. Changes to underlying assumptions, the timing of the expenditures, the technology employed, or the revisions to environmental standards or changes in regulatory requirements could result in significant changes to the environmental liabilities recorded.

## Notes to the Financial Statements (*Unaudited*)

### m) Related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.
- Certain services received on a without charge basis are recorded for departmental financial statement purposes at the carrying amount.

### 3. Parliamentary authorities

CIRNAC receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, CIRNAC 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:

**Notes to the Financial Statements (Unaudited)**

**a) Reconciliation of net cost of operations to current year authorities used**

	<b>2018</b>	<b>2017</b>
	(in thousands of dollars)	
<b>Net cost of operations before government funding and transfers</b>	<b>13,657,002</b>	<b>12,247,462</b>
<b>Adjustments for items affecting net cost of operations but not affecting authorities:</b>		
Amortization of tangible capital assets	(9,877)	(10,436)
Gain on disposal of tangible capital assets	1,248	1,896
Transfer of land held for future claims settlements	4,274	-
Services provided without charge by other government departments	(62,585)	(81,528)
Bad debt expense (not incurred on behalf of government)	18	(1,720)
Decrease in vacation pay and compensatory leave	(560)	(3,797)
Increase (decrease) in settled claims	(62,277)	24,167
Increase in provision for contingent liabilities	(5,662,718)	(3,515,116)
Decrease in environmental liabilities	74,298	370,611
Decrease in employee future benefits	1,778	5,914
Decrease in accrued liabilities not charged to authorities	2,852	1,993
Increase in prepaid expenses	1,049	94
Refunds/adjustments to prior years' expenditures	49,931	36,527
Others	3,672	7,293
<b>Total items affecting net cost of operations but not affecting authorities</b>	<b>(5,658,897)</b>	<b>(3,164,102)</b>
<b>Adjustments for items not affecting net cost of operations but affecting authorities:</b>		
Acquisition of tangible capital assets	30,322	47,979
Acquisition of land for future settlements	995	-
Refunds of previous year revenues	-	1,166
<b>Total items not affecting net cost of operations but affecting authorities</b>	<b>31,317</b>	<b>49,145</b>
<b>Current year authorities used</b>	<b>8,029,422</b>	<b>9,132,505</b>

## Notes to the Financial Statements (*Unaudited*)

### b) Authorities provided and used

	<b>2018</b>	<b>2017</b>
	(in thousands of dollars)	
<b>Authorities provided:</b>		
Vote 1 – Operating expenditures	952,087	996,549
Vote 5 – Capital expenditures	52,015	55,426
Vote 7 – Debt forgiveness	526	-
Vote 9 – Debt write-off	100	-
Vote 10 – Grants and contributions	7,271,848	8,260,275
Statutory amounts	161,155	202,496
<b>Total authorities provided</b>	<b>8,437,731</b>	<b>9,514,746</b>
<b>Less:</b>		
Authorities available for future years	(1,251)	(34,412)
<b>Authorities lapsed:</b>		
Vote 1 – Operating expenditures	(194,690)	(124,800)
Vote 5 – Capital expenditures	(23,232)	(7,750)
Vote 7 – Debt forgiveness	(3)	-
Vote 10 – Grants and contributions	(187,558)	(214,836)
Statutory amounts	(1,575)	(443)
<b>Total authorities lapsed</b>	<b>(407,058)</b>	<b>(347,829)</b>
<b>Total authorities lapsed and available for future years</b>	<b>(408,309)</b>	<b>(382,241)</b>
<b>Current year authorities used</b>	<b>8,029,422</b>	<b>9,132,505</b>

In addition to the amount for authorities available for future years presented above, most of the other lapsed amounts may become available to CIRNAC in the 2019 fiscal year and in future years, but due to the timing of parliamentary approvals, these amounts had not been approved at March 31, 2018. Additional information on the use of authorities, including explanation of variances and lapsed amounts, can be found in CIRNAC's *Departmental Result Report*.

## Notes to the Financial Statements (*Unaudited*)

### 4. Accounts payable and accrued liabilities

The following table presents details of CIRNAC's accounts payable and accrued liabilities:

	<u>2018</u>	<u>2017</u>
	(in thousands of dollars)	
Accounts payable – Other government departments and agencies	32,949	28,423
Accounts payable – External parties	405,523	215,435
<b>Total accounts payable</b>	<b>438,472</b>	<b>243,858</b>
Accrued liabilities	144,091	519,021
<b>Total accounts payable and accrued liabilities</b>	<b>582,563</b>	<b>762,879</b>

### 5. Settled claims

The liability for settled claims represents CIRNAC's financial obligation pursuant to agreements related to comprehensive land claims which CIRNAC has settled with the First Nations.

Comprehensive land claims are negotiated in areas where Aboriginal title has not been dealt with by treaty or by other legal methods. In such cases, the claim is based on an Aboriginal group's traditional use and occupancy of that land. Comprehensive land claim settlements result in agreement on special rights Aboriginal peoples will have in the future with respect to lands and resources.

An act of Parliament, based on a negotiated agreement, establishes the authority for CIRNAC to make claim payments. The interest rate attached to these claim payments is set out in the act, along with a claim payment schedule. Claim payments are generally made over a number of years.

At March 31, 2018, there are 8 outstanding settled claims (10 in 2017). Settlement payments made during 2018 totalled \$62 Million (\$56 Million in 2017).

The present value of the liability for outstanding settled claims, calculated using the appropriate zero-coupon yield curve for Government of Canada bonds published by the Bank of Canada, at March 31, 2018 is \$142 Million (\$204 Million in 2017). Future scheduled claim payments (on a cash basis) are as follows:

## Notes to the Financial Statements (*Unaudited*)

(in thousands of dollars)

	2019	2020	2021	2022	2023	2024 and thereafter	Total
Scheduled payments	55,000	52,000	20,000	4,000	4,000	13,000	<b>148,000</b>

### 6. Contingent liabilities and contingent assets

#### a) Contingent liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into three categories: claims and pending and threatened litigation, loan guarantees and environmental liabilities for contaminated sites.

##### Claims and pending and threatened litigation

Claims and pending and threatened litigation cases outstanding against CIRNAC are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded in the financial statements.

Contingent liabilities are estimates of future liabilities for accounting purposes and are not necessarily equivalent to mandating values which are used to determine funding requirements. Given the recent judicial decisions, it is not unreasonable to assume that future mandating values could exceed estimated contingent liabilities.

CIRNAC has recorded a provision of \$20,836 Million (\$15,064 Million in 2017) for claims and pending and threatened litigations where it is likely that there will be a future payment and a reasonable estimation of the loss can be made.

For claims where the estimate of loss is based on a range of possible outcomes the amount accrued within the range is management's best estimate of the potential loss which may be at an amount lesser than the maximum of the range. The exposure to a liability in excess of the amount accrued is estimated at a minimum of \$891 Million (\$916 Million in 2017).

Claims and litigation for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$4,762 Million (\$4,559 Million in 2017). This amount is not recorded in the financial statements.

## Notes to the Financial Statements (*Unaudited*)

There are five significant types of claims faced by CIRNAC: comprehensive land claims, specific claims, claims for pending and threatened litigations, claims arising from the legacy of Indian residential schools, and special claims<sup>1</sup>.

### *Comprehensive Land Claims*

Comprehensive land claims arise in areas of the country where Aboriginal rights and title have not been resolved by treaty or by other legal means. There are currently 73 (70 in 2017) comprehensive land claims under negotiation, accepted for negotiation or under review.

### *Specific Claims*

Specific claims deal with the past grievances of First Nations related to Canada's obligations under historic treaties or the way it managed First Nations' funds or other assets. The Government of Canada will pursue a settlement agreement with the First Nation when a claim demonstrates an outstanding lawful obligation. There are currently 545 (528 in 2017) specific claims under negotiation, accepted for negotiation or under review.

### *Pending and Threatened Litigations*

There are legal proceedings for 593 (615 in 2017) general litigation claims being pursued through the courts still pending at March 31, 2018.

### *Indian Residential Schools*

There are thousands of claims being managed through CIRNAC with respect to the legacy of Indian residential schools, including class action claims, as well as claims submitted under the Alternative Dispute Resolution Process and the Independent Assessment Process.

### *Special Claims*

Special claims are the claims that do not fit with the parameters of existing Comprehensive Land Claims Policy or Specific Claims Policy and these claims are not being considered under any other mechanism such as being pursued through courts. These are currently 4 (4 in 2017) special claims under negotiation, accepted for negotiation or under review.

### Loan guarantees

(in thousands of dollars)

	Authorized Limit*	Loan Guarantees*		Provision for Losses*	
		2018	2017	2018	2017
On-Reserve Housing Guarantee program	2,200,000	-	1,735,537	-	1,500
Indian Economic Development Guarantee program	60,000	-	864	-	70
<b>Total</b>	<b>2,260,000</b>	<b>-</b>	<b>1,736,401</b>	<b>-</b>	<b>1,570</b>

\*Effective November 30, 2017, INAC transferred the Loan Guarantee program to ISC. Refer to note 17 for further details on the transfer.

<sup>1</sup> Depending on its type, a claim may be resolved with a transfer payment or an operating expenditure. As a result, the year-over-year change in the provision is allocated between transfer payment expenses and operating expenses, as shown in note 19 – Segmented information.

## Notes to the Financial Statements (*Unaudited*)

Due to the security restrictions in the *Indian Act* which prevent the mortgage and seizure of property located on reserves, CIRNAC issues loan guarantees under two programs: On-Reserve Housing Guarantee program and Indian Economic Development Guarantee program.

### *On-Reserve Housing Guarantee Program*

This program authorizes the department to guarantee loans to individuals and Indian bands to assist in the purchase of housing on reserve. These loan guarantees enable status Indians residing on reserve, Band councils, or their delegated authorities, to secure housing loans without giving the lending institution rights to the property. The authorized limit is \$2.2 Billion.

### *Indian Economic Development Guarantee Program*

This program authorizes the department to guarantee loans for non-incorporated Indian businesses on a risk-sharing basis with commercial lenders. Guarantees are provided for various types of borrowers whose activities contribute to the economic development of First Nations and enable them to develop long-term credit relationships with mainstream financial institutions. The authorized limit is \$60 Million.

### *Provision for losses*

A provision for losses on loan guarantees were recorded when it is likely that a payment will be made in the future to honour a guarantee and when the amount of the loss can be reasonably estimated. The provision was determined by applying the weighted average historical percentage of default to total outstanding loan guarantees, less expected recoveries. The provision was reviewed on a quarterly basis with any changes being charged or credited to current year expenses. In 2018, the provision is recorded in Indigenous Services Canada.

Following the creation of the new department of Indigenous Services Canada on November 30, 2017, these two loan guarantee programs are administered and reported by Indigenous Services Canada.

### *Environmental liabilities*

CIRNAC has estimated a contingent liability in the amount of \$8 Million for 4 sites (\$9 Million in 2017 for 4 sites) where the department has determined that it is not directly responsible, nor does it accept responsibility; however, there is legal uncertainty as to the department's position.

### ***b) Contingent assets***

Contingent assets arise in the normal course of the operation and their ultimate disposition is unknown. CIRNAC has made claims against external parties for which recovery or gain is likely to materialize, however a reasonable estimate cannot be made. Contingent assets are not recognized in the financial statements.

## Notes to the Financial Statements (*Unaudited*)

### 7. Environmental Liabilities

Environmental liabilities include:

*(in thousands of dollars)*

	2018	2017
Estimated Liability	3,343,532	3,421,840
Less: Estimated Recoveries	(23,431)	(27,441)
<b>Net remediation liability for contaminated sites</b>	<b>3,320,101</b>	<b>3,394,399</b>

#### Remediation of contaminated sites

The Government's "Federal Approach to Contaminated Sites" set out a framework for management of contaminated sites using a risk-based approach. Under this approach the Government has inventoried the contaminated sites identified on federal lands allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aides in the identification of the high risk sites in order to allocate limited resources to those sites which pose the highest risk to the human health and the environment.

CIRNAC has identified a total of 2,124 sites (2,138 sites in 2017) where contamination may exist and assessment, remediation and/or monitoring may be required. Of these, CIRNAC has identified 843 sites (785 sites in 2017) where action is required and for which a gross liability of \$3,184 Million (\$3,275 Million in 2017) has been recorded. This liability estimate has been determined based on sites assessments performed by environmental experts.

In addition, a statistical model based upon a projection of the number of sites that will proceed to remediation and upon which current and historical costs are applied is used to estimate the liability for a group of unassessed sites. As a result, there are 1,225 unassessed sites (1,195 sites in 2017) where a liability estimate of \$139 Million (\$126 Million in 2017) has been recorded using this model. Furthermore, there are 12 unassessed sites (12 sites in 2017) where estimates have been calculated based on extrapolation and a liability of \$21 Million (\$20 Million in 2017).

These three estimates combined, totaling \$3,344 Million (\$3,422 Million in 2017), represents management's best estimate of the costs required to remediate sites to the current minimum standard for its use prior to contamination, based on information available at the financial statement date.

For the remaining 44 sites (146 sites in 2017), no liability for remediation has been recognized. Some of these sites are at various stages of testing and evaluation and if remediation is required, liabilities will be reported as soon as a reasonable estimate can be determined. For other sites, CIRNAC does not expect to give up any future economic benefits (there is likely no significant environmental impact or human health threats). These sites will be re-examined and a liability for remediation will be recognized if future economic benefits will be given up.

## **Notes to the Financial Statements (*Unaudited*)**

The following tables present the total estimated amounts of these liabilities by nature and source, the associated expected recoveries and the total undiscounted future expenditures as at March 31, 2018 and March 31, 2017. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast CPI rate of 1.9% (2% in 2017). Inflation is included in the undiscounted amount. The Government of Canada's cost of borrowing by reference to the actual zero-coupon yield curve for Government of Canada bonds has been used to discount the estimated future expenditures. The March 2018 rates range from 1.79% for a 2 year term to 2.24% for a 30 or greater year term. In 2017, the Government of Canada Consolidated Revenue lending rate applicable to loans with similar terms to maturity has been used to discount the estimated future expenditures. The March 2017 rates range from 0.89% for a 2 year term to 2.55% for a 25 or greater year term.

## Notes to the Financial Statements (Unaudited)

(in thousands of dollars)

NATURE & SOURCE OF LIABILITY					
2018					
Nature & Source*	Total Number of Sites	Number of Sites with a liability	Estimated Liability	Estimated Total Undiscounted Future Expenditures	Estimated Recoveries
Radioactive Material <sup>1</sup>	1	1	6,004	6,205	-
Former Mineral Exploration Sites <sup>2</sup>	91	91	2,800,666	5,291,132	23,431
Military & Former Military Sites <sup>3</sup>	31	31	111,581	113,019	-
Fuel Related Practices <sup>4</sup>	1,057	1,039	252,332	253,843	-
Land Fill/ Waste Sites <sup>5</sup>	808	784	102,200	102,315	-
Land Fill/Waste Sites (Yukon Devolution) <sup>5</sup>	1	1	8,922	8,922	-
Engineering Assets/ Air and Land Transportation <sup>6</sup>	14	13	4,287	4,287	-
Marine Facilities / Aquatic Sites <sup>7</sup>	3	3	254	255	-
Office/ Commercial/ Industrial Operations <sup>8</sup>	74	73	31,317	31,627	-
Others <sup>9</sup>	44	44	25,969	26,054	-
<b>Totals</b>	<b>2,124</b>	<b>2,080</b>	<b>3,343,532</b>	<b>5,837,659</b>	<b>23,431</b>

2017					
Nature & Source*	Total Number of Sites	Number of Sites with a liability	Estimated Liability	Estimated Total Undiscounted Future Expenditures	Estimated Recoveries
Radioactive Material <sup>1</sup>	1	1	6,292	6,387	-
Former Mineral Exploration Sites <sup>2</sup>	82	82	2,854,587	5,687,263	27,441
Military & Former Military Sites <sup>3</sup>	46	46	131,332	132,988	-
Fuel Related Practices <sup>4</sup>	912	912	233,340	235,053	-
Land Fill/ Waste Sites <sup>5</sup>	708	708	113,750	113,907	-
Land Fill/Waste Sites (Yukon Devolution) <sup>5</sup>	1	1	9,615	9,615	-
Engineering Assets/ Air and Land Transportation <sup>6</sup>	1	1	1,331	1,354	-
Marine Facilities / Aquatic Sites <sup>7</sup>	1	1	255	255	-
Office/ Commercial/ Industrial Operations <sup>8</sup>	64	64	37,440	37,756	-
Others <sup>9</sup>	322	176	33,898	33,903	-
<b>Totals</b>	<b>2,138</b>	<b>1,992</b>	<b>3,421,840</b>	<b>6,258,481</b>	<b>27,441</b>

\* see endnotes for description of nature and source

## Notes to the Financial Statements (*Unaudited*)

### 8. Employee future benefits

#### a) Pension benefits

CIRNAC's employees participate in the Public Service Pension Plan (the "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 they are indexed to inflation.

Both the employees and CIRNAC contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2017-2018 expense amounts to \$29.8 Million (\$38.6 Million in 2016-2017). For Group 1 members, the expense represents approximately 1.01 times (1.12 times in 2016-2017) the employee contributions and, for Group 2 members, approximately 1.00 times (1.08 times in 2016-2017) the employee contributions.

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

#### b) Severance benefits

Severance benefits provided to CIRNAC's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2018, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

	<u>2018</u>	<u>2017</u>
	(in thousands of dollars)	
<b>Accrued benefit obligation – Beginning of year</b>	<b>18,042</b>	<b>23,956</b>
Transferred to other government departments	(2,987)	-
<b>Subtotal</b>	<b>15,055</b>	<b>23,956</b>
Expense for the year	65	(2,274)
Benefits paid during the year	(2,599)	(3,640)
<b>Accrued benefit obligation – End of year</b>	<b>12,521</b>	<b>18,042</b>

## Notes to the Financial Statements (*Unaudited*)

### 9. Other liabilities

The following table presents a detail of CIRNAC's other liabilities:

	(in thousands of dollars)					
	Opening balance	Receipts	Interest	Disbursements	Transfer to ISC <sup>(1)</sup>	Closing balance
Cash guarantee deposits	16,534	106	-	(3,950)	(3,050)	9,640
Other specified purpose	45,515	5,331	417	(10,859)	(40,404)	-
<b>Total</b>	<b>62,049</b>	<b>5,437</b>	<b>417</b>	<b>(14,809)</b>	<b>(43,454)</b>	<b>9,640</b>

<sup>(1)</sup> On November 30, 2017, Indigenous and Northern Affairs Canada transferred a portion of the cash guarantee deposits and all others specified purpose accounts to Indigenous Services Canada.

#### ***Cash guarantee deposits***

In fulfilling its duties under various acts that govern the use of federal Crown land, including land use activities, water resources, and water rights, the department issued licences, permits, and other instruments to individuals and organizations that propose to undertake resource exploration and other types of development projects.

In accordance with the terms and conditions of the instrument, the department may require security deposits to ensure the lands and waters are returned in a condition acceptable to the department. These guarantee deposits are received in the form of cash and are deposited to and held in the Consolidated Revenue Fund. A portion of cash guarantee deposits outstanding as at November 30<sup>th</sup>, 2017 were transferred to Indigenous Services Canada.

#### ***Other specified purpose accounts***

These accounts are established to receive, hold and disburse moneys in accordance with relevant statutes, departmental policies and agreements. The most significant of these accounts is the Indian Moneys Suspense Account. This statutory account was established to hold moneys received for individual Indians and bands pending execution of the related lease, permit or licence, settlement of litigation, registration of the Indian or identification of the recipient, and for Indian locates pursuant to land tenure instruments issued by the department. These moneys are eventually disbursed to individual Indians, credited to Band Fund or Individual Trust Fund accounts, or returned to payers, as appropriate. All specified purpose accounts outstanding as at November 30<sup>th</sup>, 2017 were transferred to Indigenous Services Canada as they pertain to programs administered by the new department.

## Notes to the Financial Statements (*Unaudited*)

### 10. Trust accounts

In accordance with the *Indian Act*, CIRNAC has responsibility to administer Indian moneys of bands and certain individual Indians, including minors, dependant adults and deceased Indians.

Moneys collected or received for the use and benefit of these groups are deposited to the Consolidated Revenue Fund. Pursuant to Section 61(2) of the *Indian Act*, interest on Indian moneys held in the Consolidated Revenue Fund is allowed at a rate fixed from time to time by the Governor-in-Council. Interest accumulated in the accounts is compounded semi-annually.

There are three categories of Indian moneys which were administered by CIRNAC: Indian band funds, Indian savings accounts, and Indian estate accounts. Trust accounts are now administered by Indigenous Services Canada and as a result, the liability related to trust accounts is reported by Indigenous Services Canada.

The following table shows department's financial obligations in its role as administrator of trust accounts for Indian moneys:

*(in thousands of dollars)*

	Opening Balance	Receipts	Interest	Disbursements	Transfer to ISC <sup>(1)</sup>	Closing balance
Indian band funds	645,080	78,807	6,691	(128,675)	(601,903)	-
Indian savings accounts	29,715	449	257	(3,245)	(27,176)	-
Indian estate accounts	26,414	5,508	217	(4,744)	(27,395)	-
<b>Total trust accounts</b>	<b>701,209</b>	<b>84,764</b>	<b>7,165</b>	<b>(136,664)</b>	<b>(656,474)</b>	<b>-</b>

<sup>(1)</sup> On November 30, 2017, Indigenous and Northern Affairs Canada transferred the balance of trust accounts to Indigenous Services Canada.

#### *Indian Band Funds*

These accounts were established to record moneys belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

The funds are classified as either capital moneys or revenue moneys. Capital moneys of the band include all moneys derived from the sale of surrendered lands or the sale of band capital assets. Moneys from the sale of surrendered lands can include land sales, timber sales, oil and gas royalties, and sale of gravel. Revenue moneys are all moneys not classified as capital moneys.

Moneys are generally disbursed from these accounts pursuant to an authorized request from a band.

## Notes to the Financial Statements (*Unaudited*)

### *Indian Savings Accounts*

These accounts were established to record moneys belonging to certain individual Indians pursuant to sections 52 and 52.1 to 52.5 of the *Indian Act*.

Sources of moneys include inheritances and per capita distribution of band funds. Moneys are generally disbursed from these accounts pursuant to an authorized request from an individual and upon reaching the age of majority.

### *Indian Estate Accounts*

These accounts were established to record moneys belonging to dependant adults (referred to as mentally incompetent individuals in the *Indian Act*) and deceased Indians pursuant to sections 42 to 51 of the *Indian Act*.

Sources of moneys belonging to dependant adults include insurance proceeds, per capita distribution of band funds, and federal and provincial payments. Payments are made from these accounts for the maintenance and care of the individuals.

Estate accounts for deceased Indians include the proceeds of their liquidated assets that are held pending the settlement of the estate. The closing of the account usually corresponds with the final distribution to their heirs.

## 11. Accounts receivable and advances

The following table presents details of CIRNAC's accounts receivable and advances balances:

	<u>2018</u>	<u>2017</u>
	(in thousands of dollars)	
Receivables – Other government departments and agencies	4,030	12,418
Receivables – External parties	12,328	73,360
Advances to employees and others	7,640	4,662
<b>Gross accounts receivable and advances</b>	<b>23,998</b>	<b>90,440</b>
Less:		
Allowance for doubtful accounts on receivables from external parties	(6,344)	(23,083)
<b>Net accounts receivable and advances</b>	<b>17,654</b>	<b>67,357</b>

## Notes to the Financial Statements (*Unaudited*)

### 12. Loans and interest receivable

The following table presents details of loans and interest receivable\*:

	<b>2018</b>	<b>2017</b>
	(in thousands of dollars)	
<b>Direct loans portfolio:</b>		
Native claimants	469,786	462,484
First Nations in British Columbia	550,299	536,906
Other direct loans	461	504
<b>Total direct loans portfolio</b>	<b>1,020,546</b>	<b>999,894</b>
Add: Interest receivable	5,438	6,241
Less: Allowance for doubtful loans and interest receivable	(249,089)	(210,276)
<b>Net direct loans portfolio</b>	<b>776,895</b>	<b>795,859</b>
<b>Defaulted guaranteed loans portfolio<sup>1</sup>:</b>		
On-reserve housing guarantees	-	9,527
Indian economic development guarantees	-	346
<b>Total defaulted guaranteed loans portfolio</b>	<b>-</b>	<b>9,873</b>
Add: Interest receivable	-	29,253
Less: Allowance for doubtful loans and interest receivable	-	(35,069)
<b>Net defaulted guaranteed loans portfolio</b>	<b>-</b>	<b>4,057</b>
<b>Net loans and interest receivable (held on behalf of Government)</b>	<b>776,895</b>	<b>799,916</b>

\* Interest receivable is being allocated to its loans receivable portfolio.

<sup>1</sup>Effective November 30, 2017, Indigenous and Northern Affairs Canada transferred the Loan Guarantee program to Indigenous Services Canada.

These loans are considered to be held on behalf of government since they are not available to discharge CIRNAC's liabilities or to issue new loans and are therefore presented as an offsetting amount to CIRNAC's financial position.

#### ***Direct loans portfolio***

The objective of direct loans is to support active participation by First Nations and First Nations organizations and to promote a balanced exchange of ideas in negotiating the settlement of comprehensive land claims, specific claims, and treaties.

CIRNAC's direct loans portfolio has two active programs in support of this objective.

## Notes to the Financial Statements (*Unaudited*)

### *Native claimants*

These are loans made to Native claimants to defray the costs related to the research, development and negotiation of comprehensive land claims and specific claims.

The significant terms and conditions of loans to Native claimants are as follows:

- Loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- Loans made after the date on which an agreement-in-principle has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations;
- Loans are due and payable, as to principal and interest, on the date on which the claim is settled, or on a date fixed in the loan agreement;
- Loans may be restructured, including forgiveness of a portion of the principal or interest in arrears, when the borrower cannot meet the term of the original loan agreement; and
- CIRNAC may seek security for loans when deemed appropriate.

When an agreement-in-principle is reached for the settlement of a claim, any accrued interest receivable is compounded semi-annually as part of the principal amount owing on the loan. After a final agreement is reached, any accrued interest receivable outstanding is compounded annually as part of the principal amount owing on the loan.

The interest bearing and non-interest bearing portions of direct loans for Native claimants outstanding at March 31 are as follows:

	<b>2018</b>	<b>2017</b>
	(in thousands of dollars)	
Interest bearing	45,450	54,637
Non-interest bearing	424,336	407,847
<b>Total</b>	<b>469,786</b>	<b>462,484</b>

### *First Nations in British Columbia*

These are loans made to First Nations in British Columbia to support their participation in the British Columbia Treaty Commission and to defray the costs related to the research, development and negotiation of treaties.

The significant terms and conditions of direct loans to First Nations in British Columbia are the same as those for loans to Native claimants, except as follows:

## Notes to the Financial Statements (*Unaudited*)

- Loans made between April 1, 2004 and March 31, 2017, and after the date on which an agreement-in-principle for the settlement of a treaty has been reached shall be non-interest bearing unless the loans become due and payable during this period.

The interest bearing and non-interest bearing portions of direct loans for First Nations in British Columbia outstanding at March 31 are as follows:

	<u>2018</u>	<u>2017</u>
	(in thousands of dollars)	
Interest bearing	22,422	22,422
Non-interest bearing	527,877	514,484
<b>Total</b>	<b><u>550,299</u></b>	<b><u>536,906</u></b>

### *Other direct loans*

CIRNAC also has legacy programs that are no longer active including the Inuit Loan Fund, Indian Economic Guarantee Fund and Stoney Band Perpetual Loan. These legacy programs will continue to operate under their existing arrangements. All these loans outstanding are interest bearing.

### ***Defaulted guaranteed loans portfolio***

The objective of loan guarantees is to encourage lending institutions to make loans for properties located on First Nations lands and to support access to credit markets for First Nations and First Nations organizations. Since properties located on First Nations lands cannot be used as collateral to secure the loans and lending institutions are prevented from foreclosing on these properties in the event of borrower default as prescribed by the *Indian Act*, lending institutions can be exposed to greater business risk in issuing loans for properties located on First Nations lands.

As guarantor, loan guarantees issued under the various programs may become receivables of the Department when, at the request of a lending institution, CIRNAC is required to honour these loan guarantees. As a result, CIRNAC makes payment to the lending institution and establishes a receivable from the First Nation or First Nation organization.

Following the creation of Indigenous Services Canada on November 30, 2017, the defaulted guarantees loans portfolio that were previously managed and recorded under CIRNAC is now under the responsibility Indigenous Services Canada.

CIRNAC had access to an annual \$2 Million statutory authority for funding payments to lending institutions to honour loan guarantees. Payments made in excess of the \$2 Million authority limit are charged to program expenses and funded by budgetary authorities.

There were no loan defaults in 2018 (0 in 2017) which resulted in no charge to CIRNAC's reserve for payments to cover defaults (\$0 in 2017).

## Notes to the Financial Statements (*Unaudited*)

The significant terms and conditions of the two loan guarantee programs are as follows:

### *On-Reserve Housing Guarantee program*

- Payments of principal and interest for loans issued under this program are amortized over a period of 25 years. The interest rates on the guaranteed loans are consistent with conventional mortgage interest rates offered by the major banks. On a semi-annual basis, any accrued interest receivable outstanding is compounded as part of the principal amount owing on the loan.
- To control the occurrence of defaulted loans in this program, the Department restricts the eligibility of recipients for further loans until such time as a recovery plan has been reached and has been in operation in accordance with its terms and conditions for a period of six months.

### *Indian Economic Development Guarantee program*

- Loans issued under this program cannot exceed a term of 15 years and the line of credit must be renewed every year. Interest rates on guaranteed loans are consistent with rates provided by lending institutions to commercial businesses, which are usually based on a spread from the prime lending rate. Accrued interest on loans issued under this program is not compounded. Any security pledged for a guaranteed loan may not be released by the lending institution without the prior approval of the Minister of CIRNAC.

## 13. Land held for future claims settlements

Land held for future claims settlements is segregated from other tangible capital assets as these assets are not acquired with the intention of being used on a continuous basis in government operations. Rather, these assets are properties acquired and held by CIRNAC for the purpose of future settlements of Aboriginal land claims. Following the ratification of a negotiated agreement, these assets are transferred to the Aboriginal group.

Changes in this account are summarized in the following table:

*(in thousands of dollars)*

	<b>2018</b>				<b>2017</b>
	Opening Balance	Acquisitions	Adjustments	Closing Balance	Closing Balance
Land held for future claims settlements	<b>38,847</b>	<b>995</b>	<b>4,278</b>	<b>44,120</b>	<b>38,847</b>

## Notes to the Financial Statements (Unaudited)

### 14. Tangible capital assets

The following table presents details of the cost of tangible capital assets:

(in thousands of dollars)	Opening Balance	Acquisitions	Adjustments <sup>(1)</sup>	Disposals and Write-offs	Closing Balance
Land	1,349	-	(1,234)	-	115
Buildings	21,743	-	12,312	-	34,055
Works and infrastructure	1,409	-	(1,409)	-	-
Machinery and equipment	9,530	339	(1,712)	-	8,157
Informatics hardware	2,668	61	(284)	-	2,445
Informatics software	76,895	485	(21,088)	-	56,292
Ships and boats	14	-	-	-	14
Motor vehicles	2,550	133	(1,205)	(215)	1,263
Other vehicles	558	-	-	-	558
Leasehold improvements	5,786	-	15	-	5,801
Assets under construction	127,135	29,304	(27,313)	-	129,126
<b>Gross tangible capital assets</b>	<b>249,637</b>	<b>30,322</b>	<b>(41,918)</b>	<b>(215)</b>	<b>237,826</b>

The following table presents details of the amortization of tangible capital assets and its net book value:

(in thousands of dollars)	Opening Balance	Amortization	Adjustments <sup>(1)</sup>	Disposals and Write-offs	Closing Balance	Net Book Value	
						2018	2017
Land	-	-	-	-	-	115	1,349
Buildings	7,564	1,481	(6,914)	-	2,131	31,924	14,179
Works and infrastructure	1,409	-	(1,409)	-	-	-	-
Machinery and equipment	7,617	603	(1,228)	-	6,992	1,165	1,913
Informatics hardware	2,646	5	(284)	-	2,367	78	22
Informatics software	49,968	7,296	(10,862)	-	46,402	9,890	26,927
Ships and boats	14	-	-	-	14	-	-
Motor vehicles	1,830	215	(754)	(212)	1,079	184	720
Other vehicles	541	3	-	-	544	14	17
Leasehold improvements	4,261	274	(370)	-	4,165	1,636	1,525
Assets under construction	-	-	-	-	-	129,126	127,135
<b>Total</b>	<b>75,850</b>	<b>9,877</b>	<b>(21,821)</b>	<b>(212)</b>	<b>63,694</b>	<b>174,132</b>	<b>173,787</b>

(1) Adjustments include assets under construction of \$26,208,116 that were transferred to the other categories upon completion of the assets. The remainder of adjustments consist of assets transferred to/from Other Government departments.

## Notes to the Financial Statements (*Unaudited*)

### 15. Departmental net financial position

A portion of CIRNAC's net financial position is restricted to be used for a specific purpose. Related revenues and expenses are included in the Statement of Operations and Departmental Net Financial Position.

The Environmental Studies Research Fund account was established pursuant to the *Canada Petroleum Resources Act* and related regulations to record levies stipulated under the Act. The balance of the account is to be used to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration, development and production activities on frontier lands authorized under this Act or any other Act of Parliament should be conducted.

The Bowater Environmental Remediation Fund account was established to finance the remediation of environmental damage caused by Bowater Canadian Forest Products Inc. relative to a land lease issued by CIRNAC. Last year, the cleanup was completed and the outstanding balance has been transferred to the Indian band funds revenue account (note 10).

The balance of the accounts at the end of the year is included in Departmental Net Financial Position. Activity in the accounts is as follows:

	<u>2018</u>	<u>2017</u>
	(in thousands of dollars)	
<b>Environmental Studies Research Fund – Restricted</b>		
Balance – Beginning of year – Restricted	<b>(661)</b>	<b>(1,110)</b>
Revenues	(769)	(661)
Expenses	661	1,110
<b>Balance – End of year – Restricted</b>	<b>(769)</b>	<b>(661)</b>
<b>Bowater Environmental Remediation Fund – Restricted</b>		
Balance – Beginning of year - Restricted	-	<b>(2,099)</b>
Expenses	-	2,099
<b>Balance – End of year – Restricted</b>	-	-
<b>Total restricted</b>	<b>(769)</b>	<b>(661)</b>
Unrestricted	(24,099,956)	(18,444,708)
<b>Departmental net financial position – End of year</b>	<b>(24,100,725)</b>	<b>(18,445,369)</b>

## Notes to the Financial Statements (*Unaudited*)

### 16. Contractual obligations

The nature of CIRNAC's activities may result in some large multi-year contracts and obligations whereby CIRNAC will be obligated to make future payments in order to carry out its transfer payment programs. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024 and thereafter</b>	<b>Total</b>
Transfer payments	1,027,827	693,328	508,977	358,333	221,961	666,130	<b>3,476,556</b>

### 17. Related party transactions

CIRNAC is related as a result of common ownership to all Government departments, agencies, and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual.

CIRNAC enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, CIRNAC has agreements with the Canadian Northern Economic Development Agency, Health Canada and the Public Health Agency of Canada related to the provision of finance and administrative services.

#### a) Common services provided without charge by other government departments

During the year, CIRNAC received services without charge from certain common service organizations related to accommodation, the employer's contribution to the health and dental insurance plans, legal services and workers' compensation coverage. These services provided without charge have been recorded at carrying value in CIRNAC's Statement of Operations and Departmental Net Financial Position as follows:

	<b>2018</b>	<b>2017<sup>(1)</sup></b>
	(in thousands of dollars)	
Accommodation	23,347	35,221
Employer's contribution to the health and dental insurance plans	34,765	35,056
Legal services	4,141	10,884
Workers' compensation	332	367
<b>Total</b>	<b>62,585</b>	<b>81,528</b>

Note <sup>(1)</sup>: The portion of \$17.6 Million related to Indigenous Service Canada activities had been reclassified under the Transferred activities in the Statement of Operations and Departmental Net Financial Position.

## Notes to the Financial Statements (*Unaudited*)

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economical delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Services and Procurement Canada, audit services provided by the Office of the Auditor General are not included in CIRNAC's Statement of Operations and Departmental Net Financial Position.

### **b) Internal services provided without charge to other government departments**

During the year, CIRNAC provided services without charge to Indigenous Services Canada for the provision of internal services in support of the Regional Operations and Education Social Development Policy Program. This is estimated to be approximately of \$43.1 Million. Given the number of assumptions associated with the calculation of this charge, no amount have been recorded in the Department's Statement of Operations and Departmental Net Financial Position for these services provided without charge.

### **c) Other transactions with related parties**

	<u>2018</u>	<u>2017</u>
	(in thousands of dollars)	
Expenses – Other government departments and agencies	288,601	300,888
Revenues – Other government departments and agencies	3,141	2,928

A portion of the other transactions with related parties as been reclassified under the transferred activities in Statement of operations, \$3.0 Million as expenses in 2017-2018 and \$2.9 Million as expenses in 2016-2017.

Expenses and revenues disclosed in (b) exclude common services provided without charges, which are already disclosed in (a).

## **18. Transfer to other government departments**

### **a) Transfer to Indigenous Services Canada**

Effective November 30, 2017, the Indigenous and Northern Affairs Canada transferred its Education and Social Development Programs and Partnership Sector and Regional Operations Sector to the department of Indigenous Services Canada in accordance with Order-in-Council P.C. 2017-1465, including the stewardship responsibility for the assets and liabilities related to the sectors.

## Notes to the Financial Statements (*Unaudited*)

Accordingly, Indigenous and Northern Affairs Canada transferred the following assets and liabilities to Indigenous Services Canada during 2017-2018:

(in thousands of dollars)	<b>Transferred on November 30, 2017</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	254,765
Vacation pay and compensatory leave	9,387
Other liabilities	43,454
Trust accounts	656,474
Contingent liabilities	82,153
Employee future benefits	2,987
<b>Total liabilities transferred</b>	<b>1,049,220</b>
<b>Financial Assets</b>	
Accounts receivable and advances	58,855
Interest receivable	1,059
Loans receivable	2,892
<b>Total financial assets transferred</b>	<b>62,806</b>
<b>Non-Financial Assets</b>	
Tangible capital assets	19,944
<b>Total Non-Financial Assets transferred</b>	<b>19,944</b>
<b>Adjustment to the departmental net financial position</b>	<b>966,470</b>

In addition, the 2016-17 comparative figures have been reclassified on the Statement of Operations and Departmental Net Financial Position to present separately, the revenues and expenses of the transferred operations.

### b) Transfer to Polar Knowledge Canada

Effective June 1, 2015, the Department transferred responsibility for the Arctic Science and Technology program to Polar Knowledge Canada in accordance with Order in Council P.C 2015-0581, including the stewardship responsibility for the assets and liabilities related to the program. The management of the construction of the Canadian High Arctic Research Station will remain within CIRNAC until completion of this major crown project, which is expected to be in 2018-2019. Assets are transferred from CIRNAC to Polar Knowledge Canada in phases as the construction approaches its final stages. In 2017-2018, the department transferred Machinery and Equipment with net book value of \$202,217 to Polar Knowledge Canada.

## Notes to the Financial Statements (Unaudited)

### 19. Segmented information

Presentation by segment is based on CIRNAC's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for each of CIRNAC's strategic outcomes, by major object of expense and by major type of revenue. The segment results for the period are as follows:

<i>(in thousands of dollars)</i>	Government	People	Land and Economy	North	Internal Services	2018 Total	2017 Total (Reclassified)
<b>Transfer Payments</b>							
Claims and litigations	3,206,370	-	-	-	-	3,206,370	1,448,525
First Nations	2,351,519	8,727	405,219	28,391	-	2,793,855	1,572,388
Provincial/territorial governments and institutions	266,710	75	4,011	92,837	-	363,633	324,398
Industry	-	-	-	97,305	-	97,305	75,194
Non-profit organizations	103	49	1,285	7,336	-	8,773	5,337
Other	-	998	-	341	-	1,339	903
Environmental liabilities	-	-	(13,677)	7,760	-	(5,917)	(271,873)
Refunds / adjustments to prior years' expenditures	(2,465)	(112)	(2,667)	(7,128)	(85)	(12,457)	(12,410)
<b>Total Transfer Payments</b>	<b>5,822,237</b>	<b>9,737</b>	<b>394,171</b>	<b>226,842</b>	<b>(85)</b>	<b>6,452,901</b>	<b>3,142,462</b>
<b>Operating Expenses</b>							
Claims and litigations	(104,040)	2,717,631	(30,588)	-	(2,101)	2,580,902	2,066,591
Salaries and employee benefits	63,306	51,112	67,827	47,288	136,697	366,230	321,787
Professional and special services	4,628	9,450	8,717	122,916	49,234	194,946	176,554
Court awards and other settlements	35,553	41,269	10,834	-	42	87,698	176,350
Legal services	29	1,955	99	-	65,309	67,392	78,537
Accommodation	3,893	3,833	4,294	2,628	8,699	23,347	23,272
Rentals	438	137	301	1,012	16,511	18,399	16,655
Travel and relocation	4,549	1,845	2,479	3,144	3,437	15,454	16,161
Amortization of tangible capital assets	337	5	43	1,539	5,721	7,645	7,248
Information services	103	4,396	107	131	1,538	6,275	6,925
Machinery and equipment	249	156	214	2,795	2,164	5,578	2,286
Utilities, materials and supplies	517	333	248	1,014	1,222	3,334	2,445
Repair and maintenance	154	9	29	1,198	1,147	2,537	1,087
Transportation and communications	12	151	52	516	1,084	1,815	1,259
Bad debt	1	-	39	-	8	48	944
Other	221	24	2	2,552	(3,527)	(728)	3,745
Environmental liabilities	-	-	(511)	(67,868)	-	(68,379)	(98,739)
Refunds / adjustments to prior years' expenditures	(150)	(1,633)	(152)	(301)	667	(1,569)	5,261
Expenses incurred on behalf of Government	(38,913)	-	85	-	-	(38,828)	(91,241)
<b>Total Operating Expenses</b>	<b>(29,113)</b>	<b>2,830,673</b>	<b>64,119</b>	<b>118,564</b>	<b>287,852</b>	<b>3,272,096</b>	<b>2,717,127</b>
<b>Total Expenses</b>	<b>5,793,124</b>	<b>2,840,410</b>	<b>458,290</b>	<b>345,406</b>	<b>287,767</b>	<b>9,724,997</b>	<b>5,859,589</b>

## Notes to the Financial Statements (*Unaudited*)

### Revenues

Finance and administrative services	-	-	-	-	2,370	2,370	2,264
Resource royalties	3	-	6	1,547	-	1,556	852
Miscellaneous revenues	49	-	1,240	618	(480)	1,427	5,306
Interest on loans	1,406	-	(51)	-	-	1,355	2,147
Lease and use of public property / sales of goods and services	-	-	1	810	-	811	978
Revenues earned on behalf of Government	(1,458)	-	50	(2,975)	483	(3,900)	(7,394)
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>1,246</b>	<b>-</b>	<b>2,373</b>	<b>3,619</b>	<b>4,153</b>
<b>Net cost from continuing operations</b>	<b>5,793,124</b>	<b>2,840,410</b>	<b>457,044</b>	<b>345,406</b>	<b>285,394</b>	<b>9,721,378</b>	<b>5,855,436</b>

## 20. Subsequent Events

### *Contingent Liabilities- Claims and Litigation*

Subsequent to year-end, CIRNAC has settled claims amounting to \$742 Million for specific claims, pending and threatened litigation claims, special claims and Indian Residential School claims.

## 21. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

### Endnote - Note 7 Environmental liabilities

1. Contamination associated with former nuclear operations, e.g. low-level radioactive waste, radioactive isotopes.
2. Contamination associated with former mine activities, e.g. heavy metals, petroleum hydrocarbons, etc. Sites often have multiple sources of contamination.
3. Contamination associated with the operations of military and former military sites where activities such as fuel handling and storage activities, waste sites, metals/PCB-based paint used on buildings resulted in former or accidental contamination, e.g. petroleum hydrocarbons, PCBs, heavy metals. Sites often have multiple sources of contamination.
4. Contamination primarily associated with fuel storage and handling, e.g. accidental spills related to fuel storage tanks or former fuel handling practices, e.g. petroleum hydrocarbon, polyromantic hydrocarbons and BTEX.
5. Contamination associated with former landfill/waste site or leaching from materials deposited in the landfill/waste site, e.g. metals, petroleum hydrocarbons, polyromantic hydrocarbons, BTEX, other organic contaminants, etc.
6. Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as, fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyromantic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.
7. Contamination associated with the operations of marine assets, e.g., port facilities, harbours, navigation systems, light stations, hydrometric stations, where activities such as fuel storage/handling, use of metal based paint (e.g., on light stations) resulted in former or accidental

## Notes to the Financial Statements (*Unaudited*)

contamination, e.g. metals, petroleum hydrocarbons, polyromantic hydrocarbons and other organic contaminants. Sites often have multiple sources of contamination.

8. Contamination associated with the operations of the office/commercial/industrial facilities where activities such as fuel storage/handling, waste sites and use of metal- based paint resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyromantic hydrocarbons, BTEX, etc. Sites often have multiple sources of contamination.
9. Contamination from other sources, e.g. use of pesticides, herbicides, fertilizers at agricultural sites; use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

Annex to the Statement of Management  
Responsibility Including Internal Control over  
Financial Reporting

Crown-Indigenous Relations and  
Northern Affairs Canada  
2017-2018

## **1.0 Introduction**

This document provides summary information on the measures taken by Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) to maintain an effective system of internal control over financial reporting including information on internal control management and assessment results and related action plans.

Detailed information on CIRNAC's authority, mandate and program activities can be found in the *2017-18 Departmental Result Report* and the *2018-19 Departmental Plan*.

## **2.0 Departmental system of internal control over financial reporting**

### **2.1. Internal control management**

CIRNAC has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. A departmental internal control management framework, approved by the Deputy Head, is in place and includes:

- Organizational accountability structures as they relate to internal control management to support sound financial management, including roles and responsibilities of senior managers in their areas of responsibility for control management;
- Values and ethics;
- Ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control; and
- At least semi-annual monitoring of and regular updates on internal control management, as well as the provision of related assessment results and action plans to the Deputy Head and departmental senior management and, as applicable, the Departmental Audit Committee.

The Departmental Audit Committee provides advice to the Deputy Head on the adequacy and functioning of the department's risk management, control and governance frameworks and processes.

### **2.2. Service arrangements relevant to financial statements**

CIRNAC relies on other organizations for the processing of certain transactions that are recorded in its financial statements as follows:

#### **Common arrangements:**

- Public Services and Procurement Canada centrally administers the payments of salaries and the procurement of goods and services in accordance with the CIRNAC Delegation of Authority, and provides accommodation services;
- The Department of Justice Canada provides legal services to CIRNAC.
- The Treasury Board of Canada Secretariat provides CIRNAC with information used to calculate various accruals and allowances, such as the accrued severance liability; and
- Shared Services Canada provides information technology (IT) infrastructure services to CIRNAC in the areas of data centre and network services. The scope and

responsibilities are addressed in the interdepartmental arrangements between Shared Services Canada and CIRNAC.

### **Specific Arrangements**

- Health Canada provides CIRNAC with a SAP financial system platform to capture and report all financial transactions.
- CIRNAC provides internal services such as finance, human resources and information technology for Indigenous Services Canada under a Memorandum of Understanding between the departments.
- CIRNAC provides host services to Health Canada and Indigenous Services Canada for the Grants and Contributions Information Management System (GCIMS).
- Public Service & Procurement Canada provides platform access to its human resources management system of record (MyGCHR) to CIRNAC.
- CIRNAC provides internal services such as finance, human resources and information technology for Canadian Northern Economic Development Agency under a Memorandum of Understanding between the departments.

### **3.0 Departmental assessment results during fiscal year 2017-2018**

The key findings and significant adjustments required from the current year's assessment activities are summarized below.

**New or significantly amended key controls:** In the current year, there were no significantly amended key controls in existing processes which required a reassessment.

CIRNAC will continue to work with Public Services and Procurement Canada and the Treasury Board Secretariat to identify and implement strengthened controls in payroll processing (post-Phoenix).

**Ongoing risk-based monitoring program:** CIRNAC completed assessments of the following processes in line with its 2017-2018 ongoing risk-based monitoring plan: Environmental Liabilities; Trust Funds, Revenue Management and Guarantee Deposits; and Information Technology General Controls. Key controls tested were found to be operating effectively with no significant deficiencies. However, opportunities for improvement were identified in the following areas and are being addressed:

- Improvements required in the timely removal of systems access and in the management of Service Level Agreements with external service providers.
- Minor process improvements required for pre-payment verifications and suspense account management.
- Complete implementation of a land administration information system and modify procedures for administration of guarantee deposits.

#### 4.0 Ongoing risk-based monitoring plan

##### 4.1 Progress on ongoing risk-based monitoring plan during fiscal year 2017-2018

CIRNAC continued to conduct its ongoing risk-based monitoring according to the previous fiscal year's rotational plan as shown in the following table.

<b>Progress During Fiscal Year 2017-2018</b>	
<b>Previous year's rotational ongoing risk-based monitoring plan for current year</b>	<b>Status Completed as planned</b>
Environmental Liabilities	Yes
Information Technology General Controls	Yes
Trust Funds	Yes
Revenue Management and Guarantee Deposits	Yes

##### 4.2 Action plan for the next fiscal year and subsequent years

CIRNAC's rotational ongoing risk-based monitoring plan over the next five years, based on an annual validation of the high-risk processes and controls and related adjustments to the ongoing monitoring plan as required, is shown in the following table.

<b>Process</b>	<b>Risk</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-2023</b>
Pay Administration	high		test		test	
Grants & Contributions	high	test		test		test
Financial Reporting	high	test	test		test	
General Litigation	medium	test			test	
Comprehensive Claims	medium			test		
Purchases, Payables and Payments	medium	test			test	
Environmental Liabilities	medium			test		
Specific Claims	medium			test		
Entity Level Controls	medium		test			test
Information Technology General Controls	medium			test		
Trust Accounts	low					test
Tangible Capital Assets	low		test			
Revenue Management & Guarantee Deposits	low					test