



Hon. Louis Tapardjuk
Chairman, Crown Agency Council
Minister of Finance

Crown Agency Council

Activities Report

For the period April 1, 2007 to March 31, 2008

Table of Contents

Introduction.....	1
Report on Activities	1
Territorial Corporation's Letters of Expectation.....	1
Conversion to the use of Memorandum of Understanding (MOU)	1
Agency Support	2
Enhanced Support for Statutory Bodies.....	3
Special Projects.....	3
Nunavut Business Credit Corporation/Nunavut Development Corporation.....	3
Forum and Discussions	3
Activities for 2008 - 2009	4
Ongoing Initiatives	4
Summary of Purpose.....	4
Integration of Financial Information.....	5
Financial Administration Manual and Other GN Policies	5
Conclusion.....	6

Introduction

It was a great honor for me to take the Chair of the Crown Agency Council upon my assignment to the Ministry of Finance. The work of the Council is critical in the development of our government's service delivery capacity. Oversight for Nunavut's Public Agencies is no small task and it is clear, as Nunavut grows into its own that Nunavummiut expect, along with better and more dependable services, a responsive and more accountable government. This year, the Crown Agency Council has dedicated itself to bettering the level of communication between the Government of Nunavut and the Public Agencies, diligently moving forward in the implementation of greater measures of accountability. 2007-2008 was a very busy year and I am pleased to be able to present this year's Activity Report.

Report on Activities

Territorial Corporation's Letters of Expectation

A major task of the Crown Agency Council is to oversee the production and distribution of annual Letters of Expectation to the Territorial Corporations (with the exception of the Workers' Safety and Compensation Commission, which, as a joint NWT/GN Board, is exempt) which outline general and specific objectives for each corporation. The Territorial Corporations received their 2008-2009 letters of expectation in January 2008.

A subsequent element of the letters is the requirement for the Territorial Corporations not only to formally respond, but also to table the response in the Legislative Assembly during the first session of the Legislature after receipt of the letters. Letters of response were received and accepted from all corporations by January 2008. The letters and their responses were tabled February 2008.

Conversion to the use of Memorandum of Understanding (MOU)

An ongoing objective of the Crown Agency Council is to strengthen the relationship between the Government of Nunavut and its Territorial Corporations. While letters of expectation are very effective in addressing specific policy and performance issues in a timely manner as they are meant to provide specific direction on topical issues, they are not particularly effective outside of this context. In particular, they do not address the fundamental aspects of the underlying accountability relationship between the Territorial Corporations and the Government of Nunavut.

In order to ensure greater understanding of the roles and responsibilities of both parties, the Crown Agency Council in 2007-2008 identified, as an important next step towards a reliable governance framework for Nunavut's Territorial Corporations, the need to formalize this relationship through a long term agreement. To this end, the Crown Agency Council has approved the conversion from letters of expectation to the use of memorandums of understanding between the Government of Nunavut and each Territorial Corporation.

The MOU model, adopted from British Columbia, is based on the principles of independence and impartiality as part of the broader context of public accountability. The MOU clearly establishes the boundaries of the relationship between the GN and its Territorial Corporations by setting out in specific terms, the conditions surrounding the roles and responsibilities of the Minister Responsible and the Chair of the Territorial

Corporation's governing board. By focusing on the basics and formalizing the fundamental areas of accountability and responsibility, the MOU allows for improved focus on year to year policy direction and annual performance issues.

Looking into 2009-2010, the annual Letter of Expectation will be replaced with the new Memorandum of Understanding document which will be jointly signed and able to accommodate any updates by Cabinet to stated mandates. CAC operations will coordinate the development of respective MOUs with each Territorial Corporation with a view towards incorporating new elements such as performance measures and a risk management regime.

Agency Support

Supporting Public Agencies is one of the key mandates of the CAC, and I am glad to say it is fulfilling that mandate on an ongoing basis through a number of different ways. By encouraging open lines of communication with the Agencies, the CAC ensures the flow of information stays active and pertinent. The major points of communication revolve around ensuring Agency statutory requirements, such as Annual Report filing and more technical tasks such as year-end planning are fulfilled. Another way the CAC supports its Agencies is by increasing the availability of GN documents. For example the Agencies now have full access to the Financial Administration Manual, via the internet.

From time to time, the CAC is called upon to provide more specific assistance to individual agencies, especially to those Agencies with fewer resources or faced with extraordinary circumstances. This assistance includes policy, administrative and accounting support. For 2007-2008, agencies to which supplementary assistance was provided were:

The Nunavut Business Credit Corporation (NBCC):

CAC Operations worked diligently with all of the stakeholders in the implementation of a performance audit for NBCC. Liaising between the Office of the Auditor General, the Departments of Economic Development and Transportation and Finance, as well as NBCC staff, CAC operations was a major contributor to the development of *The Action Plan in Response to the Report of the Auditor General of Canada on the Activities of the Nunavut Business Credit Corporation*. The Auditor General submitted her report to the Nunavut Legislative Assembly in November 2007, issuing a denial of opinion on NBCC's financial statements in the process.

In addition, CAC operations provided substantial administrative and accounting support to the interim Board of Directors appointed to NBCC in the wake of the Auditor General's Report. The bulk of this additional support was dedicated to ensuring the organization could resume its operations as quickly as possible and on the production of NBCC's 2006-2007 annual report.

The Nunavut Legal Services Board:

CAC Operations performed a review and updated the Legal Services Board financial administration processes by revamping its bookkeeping and financial reporting procedures.

The Nunavut Liquor Commission:

CAC Operations continues in its leading support role as the largest contributor to the production of the agency's Annual Report and Financial Statements, while they undergo management changes.

Enhanced Support for Statutory Bodies

In response to concerns of the Office of the Auditor General of the use of multiple independent financial management systems by Crown Corporations, a review of accounting and reporting mechanisms for public agencies was undertaken by CAC operations in the summer and fall of 2007. As CAC was already intimately aware of the challenges facing Crown Agencies, which have to follow accounting rules usually different from those of the Public Sector, special emphasis was placed on finding ways to rationalize both the kind and degree of support given by the GN to its Statutory Bodies. Statutory Bodies listed under Schedule A of *the Financial Administration Act* receive their funding from the GN which usually does not cover non-core activities such as accounting and auditing services, and other operational areas such as information technology and property asset management services.

As an extension of the Government of Nunavut's Strengthening Financial Management initiative, this review produced a proposal from CAC operations for Cabinet's consideration to enhance GN support for Statutory Bodies; which will be considered 2008-2009.

The next steps include the creation of a small working group within the departments of Finance, Justice and CGS to finalize the approach and to create a project plan for implementation; meet with the affected agencies to ensure the needs of all parties are being properly met and addressed; draft a mutually acceptable contribution agreement for each agency that incorporates all contributed services; roles and responsibilities and security concerns.

Special Projects***Nunavut Business Credit Corporation/Nunavut Development Corporation***

The CAC was a leading participant in the review of the Nunavut Business Credit Corporation (NBCC) and the Nunavut Development Corporation (NDC). Initial work on this project was deemed incomplete and a working group, consisting of officials from the sponsoring Department of Economic Development and Transportation and CAC operations, was tasked with exploring a wider range of options and returning to Cabinet with their conclusions in early 2008.

The final report was tabled in March 2008 and provides four options regarding the future of the Nunavut Business Credit Corporation and the Nunavut Development Corporation.

Forum and Discussions

The second Northern Crown Forum, held in Rankin Inlet April 24-26, 2007 and sponsored by the Qulliq Energy Corporation and the Department of Finance, was a very productive enterprise. In addition to providing an opportunity for Public Agencies to gather and network, the Forum proved to be the appropriate venue needed for the CAC to engage Nunavut's Public Agencies on issues related to Corporate Governance and its

context within Nunavut. The purpose of the forum is to discuss and build on the knowledge of Territorial Corporations, Boards and Agencies about current governance practices. The CAC is very interested in making this event an annual tradition and looks forward to playing a greater role in future conferences.

Activities for 2008 - 2009

Ongoing Initiatives

- Continue support to Agencies from an administrative, accounting and policy perspective;
- Investigate other opportunities to amend legislation as it relates to Public Agencies. The objective is that such legislation enables the Agency to meet and exceed the needs of its stakeholders, and contains appropriate standards of accountability and transparency;
- Continue liaison with Public Agencies through site visits and increased communication to ensure that the CAC remains responsive to their needs;
- Continue to participate in the updating of the Financial Administration Manual (FAM) directives and regulations to ensure they become a useful tool for the proper governance of Public Agencies.
- Improve control and reporting of timely Board approved variance reports to the Department of Finance, in a manner similar to the GN's variance reporting practices;
- Improve accountability by incorporating performance measures in future corporate plans of Territorial Corporations;
- Explore the possibility of incorporating enterprise risk management in all Territorial Corporations.
- Meet quarterly with Territorial Corporations to discuss financial results to date and general items of mutual interest; and
- Implement the next steps outlined in the *Proposal for Enhanced Support to Statutory Bodies*.

Summary of Purpose

Formed in September of 2003, the Government of Nunavut's (GN) Crown Agency Council (CAC) provides Public Agencies in Nunavut with the advice, information and support necessary to promote good governance, continuous improvement and accountability for results. Its mandate is:

- a) *To advise Cabinet and the Financial Management Board (FMB) through their respective Chairs regarding matters of governance for Crown Agencies;*
- b) *To provide recommendations to the Ministers responsible, Cabinet and the FMB, regarding matters including statutory requirements, budget impacts, financial management, human resource policies and legislative initiatives; and*

- c) *To support and enhance the governance capacity of Board Members of Crown Agencies in Nunavut to carry out GN mandates and policies, and to make access to expert advice and support available and affordable for Crown agencies.*

The Council is comprised of the Minister of Finance (Chair), the Premier, as Chair of the Executive Council (Vice-Chair), and the Ministers of Justice and Human Resources. Assisting the Council is a Deputy Ministers committee as well as a Senior Officials working group, with representation from the departments of Finance, Executive and Intergovernmental Affairs, Justice and Human Resources.

In Nunavut, crown agencies have been created using two distinct models, as defined in the *Financial Administration Act (FAA)*. *Statutory Bodies* are listed in Schedule A of the FAA, while *Territorial Corporations*, a specialized subset of Public Agencies, are listed in Schedules B and C:

Schedule A	Schedules B & C
Statutory Bodies	Territorial Corporations
District Education Authorities	Schedule B:
La Commission scolaires francophone	Nunavut Arctic College
The Human Rights Tribunal	Nunavut Housing Corporation
The Labour Standards Board	Nunavut Development Corporation
The Legal Services Board	Nunavut Business Credit Corporation
The Liquor Licensing Board	Qulliq Energy Corporation
The Liquor Commission	Schedule C:
The Qullit Nunavut Status of Women Council	The Workers Safety and Compensation Commission of the NWT and Nunavut

Integration of Financial Information

As a result of modifications to *the Financial Administration Act* designed to increase the accountability of Nunavut's Public Agencies, budget approval has been transferred from the Minister responsible for a Public Agency to the Financial Management Board. Consequently the Business Plans of the five Territorial Corporations are included within the GN document. The Government of Nunavut Main Estimates publication now also includes those of the Agencies.

By tabling the financial forecasts of all Public Agencies in one consolidated book, we are achieving an unprecedented level of transparency to Nunavummiut, who can now easily view the plans of the GN and all its Agencies from a single comprehensive document.

Financial Administration Manual and Other GN Policies

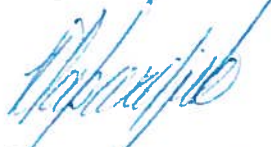
On June 23, 2005, the Executive Council decided to clarify the Government's intent to have all Public Agencies follow several policies of the Government, including the Financial Administration Manual (FAM) and its directives and regulations.

The revision of this manual is a priority of the Department of Finance, and the CAC is well represented in the ongoing process of reviewing these directives, thus ensuring that the Agencies can follow them without being in conflict with their own legislation.

Conclusion

I am proud of the positive role that the CAC took with the Public Agencies, and I am very optimistic for 2008/09 and beyond. By working together with these Agencies, their Boards of Directors and staff, and by providing that critical bridge to the Government of Nunavut, we will continue to work towards the betterment of all Nunavummiut.

Respectfully submitted by,



Hon. Louis Tapardjuk, MLA
Chairman