

# STRENGTHENING FINANCIAL MANAGEMENT IN THE GOVERNMENT OF NUNAVUT

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DEPARTMENT OF FINANCE  
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## Introduction

For a number of years the Auditor General of Canada has commented on the need for improved financial management within the Government of Nunavut (GN). Reports of the Auditor General of Canada have identified a number of weaknesses in the GN's financial reporting processes, namely:

- The government continues to experience delays in finalizing its public accounts (this has lead the government to ask the Assembly to approve money following year-end, after it has already been spent);
- Financial transactions sometimes lacked proper signing authorities;
- Crown corporations have consistently been late in submitting their annual financial statements to the government;
- The costs of major capital projects are sometimes charged to the wrong year; and
- contracting procedures are not always well understood by staff.

In the Auditor General's 2005 report, three key recommendations were that the Government of Nunavut must:

- Close the gaps in its accounting systems;
- Review its accounting structures, including the physical location of staff – including considering centralizing accounting functions to deal with the root causes of poor financial management; and
- Develop training plans that will give Nunavut Land Claim Agreement beneficiaries the opportunity to become professional accountants and prepare for senior financial management positions.

*Pinasuaqtavut: 2004-09* specifically commits the government to “manage Nunavut's financial resources responsibly by acting decisively on the recommendations of the Auditor General and Legislative Assembly Standing Committees with respect to strengthened financial management across government departments and Crown corporations.”

## Current Activities

To begin to address the strengthening of financial management in Nunavut, the *Review of GN Financial Structures* project was commissioned. Outputs from that project included nine comprehensive action plans to address financial management across the government. Of these, fully eight plans have been approved and are in various stages of implementation between 2006 and 2009. They are:

- 1) Expand the accountability framework within the bureaucracy
- 2) Enhance the strategy for the production and tabling of the yearly Public Accounts
- 3) Strengthen the organizational structure of the Office of the Comptroller General
- 4) Strengthen senior financial officer capacity
- 5) Standardize financial signing authority levels across the bureaucracy
- 6) Create and implement a comprehensive human relations strategy including the following components:
  - a) Standardize job ratings
  - b) Implement a training strategy
  - c) Implement a recruitment strategy
- 7) Review and revise the financial policy framework
- 8) Review and suggest improvements to all GN financial information systems

Additionally, several other key financially-related projects that will complement, enhance and add synergy to these core action steps are currently either in the planning or implementation stages.

## Supporting Committee Structure

### *Interdepartmental Committee on Capital Planning*

The committee was first established in 1999 and it has been active since. This committee's role is to coordinate the management of five-year capital of GN's departments and agencies, and to ensure that the review process prioritizes the GN's capital investment portfolio. Specific responsibilities are:

- Review of the departments' capital plan submissions
- Prioritization of criteria and rationale
- Confirmation of department priorities and strategies
- List of project anomalies
- Proposed capital estimates
- Proposed Five Year Capital Plan
- Community Consultation process

The committee also communicates the results of this review to the Financial Management Board (FMB). Membership of the committee includes two representatives from each department and a representative from Nunavut Housing Corporation. Membership was expanded in 2005 to include a representative from Qulliq Energy Corporation. The departments of Finance and Community and Government Services provide the support for this committee.

### *Risk Management Committee*

- This committee was struck in 2001, again on the recommendation from the Department of Finance. The role is to provide an interdepartmental forum for the identification and analysis of risks, and the development and implementation of loss prevention strategies to help protect government assets from losses. Membership on the committee includes

representatives from the Departments of Finance, Justice, Community and Government Services, Economic Development and Transportation, Education and Health and Social Services.

Support to the committee is provided by the Department of Finance. This committee originally focused on facility protection, but has progressed to deal with other issues ranging from aviation matters, to liability insurance for snowmobiles used by the Department of Education, and the use of firearms by minors during school excursions. A focus for the committee, and one of the critical cornerstones to strengthening financial management, is the development and implementation of an Enterprise Risk Management regime for the Government of Nunavut. Currently under development, ERM will be introduced into the business planning cycle as soon as practicable, perhaps as early as fiscal 2008-09. Advice is provided to FMB and Cabinet on financial and policy issues associated with risk management.

### ***Internal Audit Committee***

The Internal Audit Committee consists of seven members. The Deputy Minister of Finance is Chair of the Committee, while the Comptroller General sits on the committee in an *ex-officio* capacity. Deputy Heads representing social programs, economic and infrastructure programs, and public agencies are also members. The Chief Internal Auditor is the Secretary to the Committee. The Deputy Ministers of the Departments of Education, Human Resources, Community and Government Services, and Economic Development and Transportation, and the President/CEO of the Qulliq Energy Corporation are current committee members. Members serve for a two to three year term. The Deputy Minister of Finance, Comptroller General and the Chief Internal Auditor are permanent members of the committee.

The Audit Committee was created in 2003. It has responsibilities in the areas of corporate governance, internal controls, and financial reporting. The committee reviews audit findings and recommendations. In addition, it provides strategic direction to the Internal Audit Services Branch, including identifying key areas and issues for review; reviewing, approving, and overseeing the Internal Audit program, policy, and annual plans; and assisting and supporting the Branch in fulfilling the mandate and responsibilities inherent to all internal audit functions.

### ***Crown Agency Council***

In response to the recognized need to optimize the management of GN's public agencies, the Crown Agency Council (CAC) was established in September, 2003. The CAC consists of three committees:

- the Steering Committee (SC) directs the Council's efforts, and makes final decisions concerning matters of policy and courses of action recommended by the other committees. This committee is composed of the Premier and Ministers of Finance, Human Resources, and Justice ;
- the Deputies Committee (DC) is responsible to the SC for ensuring that action directed by the SC is undertaken satisfactorily and produces the desired results. It is comprised of Deputy

Heads of Finance, Executive and Intergovernmental Affairs, Justice , and Human Resources and the Secretary to the Senior Personnel Secretariat as required ; and

- the Working Committee is responsible to both the DC and the SC for continual oversight and evaluation of the operations of the public agencies. Support is provided through the Department of Finance.

The mandate of the CAC is to:

- operate in an advisory capacity to Cabinet and the FMB through their respective Chairpersons regarding matters of governance for public agencies; and
- provide recommendations, as appropriate, to Ministers and to Cabinet and FMB, regarding matters related to statutory requirements, budget impacts and legislative initiatives.

### ***Financial Management Committee***

This committee was announced in the Budget Address of 2005 and established under the direction of FMB. Its role is to coordinate the financial management efforts of GN's departments and agencies, and to ensure that the best financial practices are consistently followed by all. The Committee interfaces as necessary with the other committees sanctioned by FMB to further the aim of strengthening financial management, namely the Internal Audit Committee, Interdepartmental Committee on Capital Planning and the Crown Agencies Council. Membership of the committee includes senior representatives of all government departments and public agencies. It is chaired by the Department of Finance which also provides support to this committee.

Ensuring that sound approaches to financial management are adopted with a level of consistency that will enhance control is one of the principle responsibilities of this committee. It also addresses issues of awareness, policy and standards, and provides guidance, oversight, and coordination of financial management issues. This committee provides advice to Deputies and FMB on financial management.

### **Future Plans**

Considerable progress has been made in strengthening financial management, and implementation will continue during 2007-08. The GN is committed to meeting high standards of financial management as part of its responsibilities to serve the best interests of Nunavummiut. The establishment of a fully functioning government with programs and services to address the needs of its people has been a major accomplishment. Yet the challenges ahead will be even greater due to a limited capacity to increase revenues while infrastructure requirements and the needs of a young, growing and widely dispersed population continue to increase. Effective financial management is critical to ensure a sound future for Nunavummiut and to meet the principles upon which the territory was established.