

**Government of Nunavut  
Responses to Recommendations  
by the Standing Committee on  
Oversight of Government  
Operations and Public Accounts,  
Dated March 2010**

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TABLED IN THE LEGISLATIVE ASSEMBLY  
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MINISTER OF FINANCE

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# GN Response to the Standing Committee, June 2010

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## Introduction

The Government of Nunavut, in particular the Departments of Health and Social Services and Finance, acknowledges the important role that the Standing Committee on Oversight of Government Operations and Public Accounts has with respect to ensuring that the government is held to account on its financial management practices. In addition, both departments would like to acknowledge the opportunity to have engaged in a dialogue with the Standing Committee in September 2009 during its hearings on the Auditor General's reports.

Even though the Standing Committee requested that the government table a comprehensive response to its report within 120 days, pursuant to Rule 91(5), the government has tabled its response prior to the requirement pursuant to Rule 91(5). Both departments are of the opinion that the timely provision of relevant information to the Standing Committee is an important part of the interaction between the government and the Standing Committee with respect to accountability.

As the Standing Committees report concerns two distinct reports of the Auditor General, it should be noted that the responses to the Report on the Financial Management Practices of the Department of Health and Social Services were provided by the Department of Health and Social Services, whereas the responses to the Report on the Follow-up on the 2005 Report to the Legislative Assembly of Nunavut on the Financial Management Practices of the Government of Nunavut were provided by the Department of Finance.

# **Report on the Financial management Practices of the Department of Health and Social Services**

## **Standing Committee Recommendation #1:**

The importance of developing realistic plans that are appropriately supported by relevant documentation, analyses of expenditure trends and projections, and which include mechanisms to monitor and evaluate progress towards financial targets or forecasts. This applies to capital plans, work plans and budget plans throughout all divisions of the department. Members recommend that the Department of Health and Social Services work towards strengthening its planning processes.

## **Department of Health and Social Services response:**

The Department of Health and Social Services is working to strengthen its budget development and planning process. In support of that objective, the department will implement a program planning budget development process that will support the development of the 2011-12 to 2013-14 three year expenditure forecast. This bottom-up budget development approach, tied to short and long-term program objectives that are supported by a strategic plan, will ensure that realistic budget plans are developed by all divisions in the department. Budget development will be appropriately supported by relevant documentation, including an analysis of expenditure trends, prior year actual expenditures and strategically aligned expenditure forecasting. The department will also improve its monitoring systems to evaluate progress towards financial targets and expenditure forecasts.

## **Standing Committee Recommendation #2:**

The importance of setting short- and long-term goals within a comprehensive and well-defined model for the delivery of health services across Nunavut that is supported by a strategic plan. At the service delivery level, the Standing Committee also stresses the importance of providing clear guidance and support to managers who have obligations to develop plans and allocate resources to meet the stated objectives of the department. The high rate of staff turnover adversely affects corporate memory and contributes to the lack of awareness of departmental priorities in this area. Greater efforts should be made to orientate and direct new managers. Although other human resources issues also have an impact on budgets and expenditures, the department has devoted considerable effort to addressing these situations, such as the development of its Nursing Recruitment and Retention Strategy. Health service delivery models should take these types of challenges into account.

### **Department of Health and Social Services response:**

At the service delivery level, the department will continue to improve its capacity to provide clear direction, guidance and support to program managers who have obligations to develop plans and allocate financial and human resources to meet the stated objectives of the department. While progress has been made in this regard, a continued effort is required due to the historical high rate of staff turnover. The implementation of orientation and training programs for new managers will also help to retain corporate memory and develop budget planning capacity. In order to address current training requirements, and support the proposed budget and development planning process, budget development training sessions will be held with all managers across the territory during the summer of 2010.

### **Standing Committee Recommendation #3:**

The importance of undertaking realistic budget development exercises and producing realistic, timely and accurate variance reports. According to the government's own employment statistics, the department had almost 300 vacancies as of September 30, 2009. The department has a total of approximately 990 positions. The department must address the practice of budgeting as though all of its positions were actually filled, only to re-allocate salary dollars at a later point in the fiscal year to other areas, such as expenses for consultants and contractors to fulfill the functions of the vacant positions. Budget adjustments of this nature should be made during the planning process instead of at a time when spending is well underway. The lack of realistic expenditure targets leads to unrealistic expenditures, which then exceed approved amounts. The department's unacceptable practice of spending money that has not been approved by the Legislative Assembly must end.

### **Department of Health and Social Services response:**

The department recognizes the importance of developing realistic budgets and the production of timely and accurate variance reports. Beginning with the 2011-12 Main Estimates, the department will re-profile its budgets to reflect its ongoing staff vacancy factor. These budget adjustments will permit the department to budget more accurately, and reduce the need to constantly re-allocate compensation and benefits budgets to other O&M in order to fund programs where the expenditures actually occur. Budget adjustments of this nature should be made during the budget development process instead of later in the year when budget allotments have been exceeded. More accurate budgeting will also support realistic variance reporting and budgets that are linked to program expenditure plans. The department will also be better positioned to identify pending

deficits, and thereby take appropriate action to implement restraint initiatives or seek supplementary funding before expenditure targets have been exceeded.

#### **Standing Committee Recommendation #4:**

The importance of collecting accurate and detailed information for the purposes of billing, payment collection and trend analysis. Placing emphasis on compiling accurate and adequate levels of detail that can be used to complete transactions in a timely manner is important. Although the department has initiated improvements in this area, such as the development of training programs and procedures manuals, high staff turnover requires constant attention to this issue. In addition, the department's new procedures manuals could be further improved to provide stronger guidance for managers in situations where significant variance has been noted or in how to address specific problems.

#### **Department of Health and Social Services response:**

The department will continue to develop and implement financial training and reference materials for program managers and staff. An increased emphasis on financial training and reference materials will help to improve and support the budgeting, capital planning, accounts payable, contract administration, and other program and administrative areas of the department. Particular emphasis will be placed on financial training and the production of reference materials for administrative areas where specific problems have been identified in the past.

#### **Standing Committee Recommendation #5:**

The importance of providing ongoing, formal reports to the Legislative Assembly on what specific actions are being taken to improve the financial management practices of the department and an accounting of how their effectiveness is measured. The Standing Committee recommends that the next report on the status of the department's action plan be tabled in the Legislative Assembly on the first day of the fall 2010 sitting of the House.

#### **Department of Health and Social Services response:**

The department recognizes the importance of tracking the effectiveness of all measures that are taken to improve financial management practices. In that regard, the department will table a report in the Legislative Assembly on the first day of the fall 2010 sitting of the House. The report will outline what specific actions have been taken to improve

financial management practices in the department, and an accounting of how their effectiveness is being measured.

## **Report on the Follow-up on the 2005 Report to the Legislative Assembly of Nunavut on the Financial Management Practices of the Government of Nunavut**

### **Standing Committee Recommendation #1:**

The importance of providing ongoing, formal reports to the Legislative Assembly on what specific actions are being taken to improve the financial management practices of the government and an accounting of how their effectiveness is being measured. The Standing Committee recommends that the next report on the status of its action plan be tabled in the Legislative Assembly on the first day of the fall 2010 sitting of the House. The Standing Committee further recommends that the report account for what actions the government has taken in respect to such initiatives as the use of collections agencies to collect monies owing to the government, including those in relation to loans issued by the Nunavut Business Credit Corporation. The Standing Committee further recommends that the report provide an accounting of the government's actual expenditures, actions and results to date in relation to the \$23 million that the 2007 federal budget announced would be provided to the Government of Nunavut to "strengthen its financial management practices and systems."

### **Department of Finance response:**

The Department of Finance looks forward to the opportunity to provide a report on the status of its action plan and will ensure that a report is tabled in the fall 2010 sitting of the House.

### **Standing Committee Recommendation #2:**

The importance of ensuring that the Public Agencies Council issues and enforces direction to Crown corporations and agencies to provide their annual corporate plans for tabling in the Legislative Assembly at the same time that the government's main estimates are introduced. This direction is particularly required in the case of the Qulliq Energy Corporation, the Nunavut Business Credit Corporation and the Nunavut Development Corporation. The Standing Committee notes that the plans for Nunavut Arctic College and the Nunavut Housing Corporation are presently included as part of the government's annual business plan document.

### **Department of Finance response:**

The government began the practice of tabling the annual corporate plans of Crown corporations and agencies in 2007/08 at the same time that the government's main estimates are introduced. The government acknowledges that for 2009/10 and 2010/11, the annual corporate plans of the Qulliq Energy Corporation, the Nunavut Business Credit Corporation and the Nunavut Development Corporation were not tabled at the same time that the government's main estimates were introduced.

Commencing with 2011/12, the government will ensure that these annual corporate plans are tabled concurrently with the government's main estimates.

### **Standing Committee Recommendation #3:**

The importance of ensuring that the Public Agencies Council issues and enforces direction to all Crown corporations and agencies to provide annual reports on their procurement, contracting and leasing activities for tabling in the Legislative Assembly. The Standing Committee notes that on September 18, 2008, the Government of Nunavut's response to a report by a Committee of the previous Legislative Assembly was tabled in the House. This document indicated that Crown corporations would be directed to "provide information for tabling in the Legislative Assembly on their procurement, contracting and leasing." However, the government has failed to act on this commitment.

### **Department of Finance response:**

The Department of Finance is currently determining how to best provide this information to the Standing Committee without compromising the competitive advantage of the private sector that provides leases to the government.

### **Standing Committee Recommendation #4:**

The importance of ensuring that Memorandums of Understanding with all Crown corporations and agencies regarding governance, roles and responsibilities are tabled in the Legislative Assembly on the first day of the fall 2010 sitting of the House.

### **Department of Finance response:**

The Department of Finance concurs with this recommendation.

### **Standing Committee Recommendation #5:**

The importance of ensuring that the government fully complies with the provisions of Financial Administration Manual Directive 302, which requires the Chairperson of the

Financial Management Board to provide the Standing Committee, on a quarterly basis, “with a report, by department, that identifies all capital adjustments made in that quarter.” To date, these reports have not been provided on a regular basis and it is important that the government comply with its own rules.

### **Department of Finance response:**

The Department of Finance concurs with this recommendation and will ensure that the required reports are provided on a regular basis. The quarterly report for the period from January 1, 2010 to March 31, 2010 has been provided to the Standing Committee.

### **Concluding Comments:**

The Government of Nunavut notes that despite improvements that have been made in financial management practices, such as the timely production of the Public Accounts, an updated Financial Administration Manual, improved reporting on Vote 4/5 contracts, and variance reporting, there is still much to be done. With the continued support of the Standing Committee, the government expects to make continued progress in financial management practices.