



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

13 October 2022

Mr. Joe Savikataaq, M.L.A.
Chairperson
Standing Committee on Legislation
Legislative Assembly of Nunavut
PO Box 1200
Iqaluit, Nunavut X0A 0H0

Dear Mr. Savikataaq,

We are writing further to your letter dated 21 July 2022. Please accept our apologies for the delay in responding.

We understand that the Members of the Standing Committee on Legislation are concerned about the write-down of bulk fuel inventory assets that was included in the Government of Nunavut's consolidated and unconsolidated financial statements because it was done before receiving legislative approval.

During the 2020-21 fiscal year, the Petroleum Products Division (PPD) recorded a write-off of bulk fuel inventories as the amount recorded within its accounting system exceeded the actual amount held at year-end because of evaporation, shrinkage, and other losses. Our review of this transaction concluded that it complied with both: (i) the *Financial Administration Act* of Nunavut (FAA); and (ii) public sector accounting standards (PSAS).

The legal status of PPD was a critical factor in our analysis. There are several types of organizations that are consolidated within the government's financial statements that have different legal frameworks. PPD is a revolving fund and is not considered a public agency¹ (see Note 1(b) of the government's consolidated financial statements).

¹ The FAA defines a "public agency" as "a statutory body specified in Schedule A, or a territorial corporation specified in Schedule B or C". PPD is a revolving fund and is not listed within these schedules.

The term "revolving fund" is defined as "a fund that is provided with continuous and non-lapsing authority to retain revenues and to make disbursements from the Consolidated Revenue Fund for specific purposes and within specific limits".

Section 1 of the FAA defines "public property" as "all personal and real property that belongs to the Government".

Financial Administration Act of Nunavut

Based on our audit work, we concluded that the government obtained the necessary approvals before removing these assets from its consolidated financial statements. While subsection 82(2) of the *Financial Administration Act* of Nunavut, referred to in your letter, provides the authority to write off assets for “public agencies,” this section does not apply to PPD, given it is a revolving fund and not a public agency. Accordingly, we are of the view that the relevant authority for writing off these assets is governed instead by subsection 24(3) and paragraph 64(b) of the *Financial Administration Act* of Nunavut.

Limitation

24(3). No public officer shall write off an asset of the Government or a debt or obligation owed to the Government, in whole or in part, that exceeds \$20,000, **without the express authority of an Act for that write-off** [our emphasis].

Deletion of public property

64. Where a Board of Survey or public officer recommends the deletion of any **public property from the inventory of a revolving fund** [our emphasis],

- a) the Deputy Minister may direct the deletion of all or any part of that property from the inventory if the value of the property to be deleted does not exceed \$20,000; and
- b) the Financial Management Board may direct the deletion of all or any part of that property from the inventory if the value of the property to be deleted exceeds \$20,000.

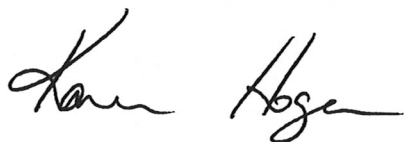
While subsection 24(3) discusses the write-off of general assets, section 64 specifically addresses the deletion of public property from the inventory of a revolving fund. Given PPD’s status as a revolving fund, and that its fuel inventory is public property, we concluded that section 64 provides the Financial Management Board with the “express authority” referred to under subsection 24(3) to write-off such assets.

The approval of the Financial Management Board was obtained prior to these assets being removed from the government’s consolidated financial statements. Accordingly, we concluded that the government did not contravene the *Financial Administration Act* of Nunavut.

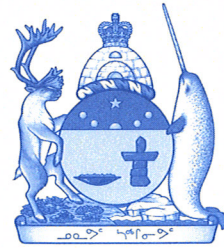
We understand the confusion that has arisen with the write-off transaction, particularly because the government included it in legislation to obtain approval from the Legislative Assembly. In our view, this step was unnecessary, but it was positive because it resulted in debate and awareness.

We appreciate the opportunity to provide the explanation above about our audit work. My office is always available to provide the committee and the Legislative Assembly with support as they study and review our work.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Karen Hogan". The signature is fluid and cursive, with the first name "Karen" and the last name "Hogan" clearly distinguishable.

Karen Hogan, FCPA, FCA
Auditor General of Canada
240 Sparks Street
Ottawa, Ontario K1A 0G6



July 21, 2022

Ms. Karen Hogan
Auditor General of Canada
Office of the Auditor General of Canada
240 Sparks Street
Ottawa, ON
K1A 0G6

Dear Auditor General Hogan:

I am writing to you in my capacity as the Chair of the Standing Committee on Legislation with respect to the recent passage of Bill 3, *Write-off of Assets and Debts Act, 2020-2021*.

As you are aware, subsection 24(3) of the territorial *Financial Administration Act* provides that:

Limitation

(3) No public officer shall write off an asset of the Government or a debt or obligation owed to the Government, in whole or in part, that exceeds \$20,000, without the express authority of an Act for that write-off.

Subsection 82(2) of the territorial *Financial Administration Act* provides that:

Limitation

(2) No person shall write off an asset of a public agency or a debt or obligation owed to a public agency, in whole or in part, that exceeds \$20,000, without the express authority of an Act for that write-off.

As you will note from the attached excerpt from the Nunavut *Hansard* of June 13, 2022, concerns have been expressed regarding compliance with these provisions.

As you are aware, the 2020-2021 *Public Accounts of Nunavut* were tabled in the Legislative Assembly on November 19, 2021. Your *Report to the Legislative Assembly of Nunavut on the Audit of the Consolidated Financial Statements* was signed on October 20, 2021, and formed an integral part of the document. Section III of the 2020-2021 *Public Accounts of Nunavut* include a number of *Notes* respecting the *Non-Consolidated Financial Statements (Unaudited)*. Note #6 makes reference to \$406,000 in a “write-down for bulk fuels inventory for 2021.”

This item was included in both Bill 4, *Write-Off of Assets and Debts Act, 2020-2021*, which was introduced and defeated during the 1st Session of the 6th Legislative Assembly, as well as Bill 3, which was introduced and passed during the 2nd Session of the 6th Legislative Assembly.

Consequently, it appears that the “write-off” of this amount and its inclusion in the public accounts occurred **prior** to the passage of the required Act by the Legislative Assembly, actions that may have contravened the relevant provisions of the *Financial Administration Act*.

As you will appreciate, this is a concern to Members. Consequently, I would be grateful if you would undertake to describe how your office’s audit of the 2020-2021 territorial public accounts examined compliance with subsections 24(3) and 82(2) of the *Financial Administration Act*. I anticipate that this information will be of benefit to all parties.

I look forward to your reply.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Joe Savikataaq". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Joe Savikataaq, MLA
Chair

c.c. Minister of Finance
Committee Members

The bill before you shows the specific amounts of each adjustment. Although these adjustments are already recorded, it is still important that this Assembly has an opportunity to review, question and ultimately validate the write-offs.

Mr. Chairman and members, this completes my comments, and I would be pleased to take any questions about this bill. Thank you, Mr. Chairman.

Chairman: Thank you. Does the chair of the standing committee have opening comments? Please proceed, Mr. Savikataaq.

Mr. Savikataaq: Thank you, Mr. Chairman. As Chair of the Standing Committee on Legislation, I wish to make some brief opening comments as the Committee of the Whole begins its consideration of Bill 3, *Write-off of Assets and Debts Act, 2020-2021*.

The standing committee recognizes the overall purpose of the bill, which the minister described in his opening comments.

Members will recall that a similar bill was introduced during the 1st Session of the current Assembly, but did not receive assent. Although the standing committee has no objections to the specific write-offs that are contained in the bill, it emphasizes the importance of ensuring that the relevant provisions of the *Financial Administration Act* are complied with concerning the approval of such bills by the Legislative Assembly.

The standing committee anticipates entering into an exchange of correspondence with the minister and the Auditor General following the conclusion of the spring sitting with a goal of strengthening this process. This concludes my opening comments. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Savikataaq. Are there any questions or comments? Mr. Kaernerk.

Mr. Kaernerk: Thank you, Mr. Chairman. Welcome minister and your officials. In your opening comments on page 2, Mr. Chairman... . No, actually on page 3, on the last page, the first paragraph, the minister mentioned that they are going to write off \$300,000 for fire and mould damages. How much damage is the Nunavut Housing Corporation looking into with regard to mould? It says here, I am assuming, it is \$106,000, but I might be wrong. I need the clarification. That is all. Thank you, Mr. Chairman.

Chairman: Thank you. Minister Kusugak.

Hon. Lorne Kusugak: Thank you, Mr. Chairman. Just give me a moment here if you can. Thank you, Mr. Chairman. During the 2020-21 mould remediation efforts, mould remediation efforts were done in 29 public housing units across Nunavut. From these efforts, five dwellings were deemed to require repairs and a write-down. Four units are in multiplex buildings and one unit was a single family dwelling. All of these units have

