



Response to the Standing Committee Report on the Review of the 2022-23 Public Accounts

March 25, 2025

Introduction:

The following information has been provided in response to the Standing Committee on Government Operations and Public Accounts (SCOGOPA) report relating to the televised appearance in September 2024. The SCOGOPA touched on seven (7) main topics in their report with a number of recommendations associated with each topic, and requested additional information related to the responses provided by witnesses during the appearance.

The following are responses compiled with information provided by the departments of Finance, Environment, Community and Government Services, the Nunavut Housing Corporation and the Qulliq Energy Corporation.

Standing Committee Recommendation #1:

The standing committee recommends that the Government of Nunavut's response to this report include the information items that were requested during the televised hearing of September 19-20, 2024.

Finance reviewed the transcripts and identified several queries in which witnesses committed to provide additional information, or Standing Committee members requested additional detail. The topic of these questions, as well as the page in the transcripts where they are located, is summarized below:

Reporting tangible capital assets with net zero book value for Territorial Corporations (Page 21, September 19)

The Nunavut Housing Corporation (NHC) acknowledges that a significant portion of its housing assets reflect a net zero book value on financial statements. However, this accounting policy does not accurately reflect the long-term usability and value of these assets in providing critical housing to Nunavummiut.

NHC's capital assets are recorded at cost less accumulated amortization. NHC uses 5% declining balance method in depreciating its public and staff housing owned units. This depreciation method would still reflect value to units even though these units are already beyond useful life.

Many of these units were inherited from the Government of the Northwest Territories (NWT) prior to Nunavut's creation. Despite their age, the NHC has rigorously maintained these homes, ensuring they remain in safe, functional, and livable condition for residents. Through ongoing investment in repairs, maintenance, and upgrades, these units continue to provide much-needed housing in a territory where demand remains acute.

While book value accounting may suggest these assets hold little financial worth, the reality is that they remain a vital part of Nunavut's housing infrastructure. NHC remains

committed to extending the lifespan of these units for as long as possible to support stable housing for Nunavummiut.

A detailed response regarding enhanced disclosures of Tangible Capital Assets in the Public Accounts can be found under Recommendation #4 – New Accounting Standards and Tangible Capital Assets.

Reduction in revenues from staff housing (Page 25-26, September 19)

According to NHC, staff housing occupancy in 2022-23 was lower by 116 units on average throughout the year. This reduced occupancy was primarily driven by staff leaving staff housing and relocating away from Nunavut as a result of the COVID-19 pandemic. While occupancy fluctuates throughout the year, the overall trend reflected 116 fewer occupied units compared to the previous year. Since 2022-23 the staff housing occupancy rate has trended upwards.

Baker Lake remediation site (Page 19-20, September 20)

There are two separate processes that took place when this spill occurred. One was the Waterloo Emitter System (aeration tubes) that was installed to prevent migration of a fuel spill that occurred in 2006 and the second was to build a land farm.

The Waterloo Emitter was installed in 2008 to prevent the fuel from migrating into Baker Lake. It was initially supposed to be constructed in 2007 but there were delays shipping components into the community before the fall freeze. This system was maintained and the site monitored until the end of functionality.

The emitter consisted of a sump house building which housed six oxygen bottles to feed the emitter tubes which are buried 1 ½ meters deep and run 100 meters each way from the sump house out along the shore of Baker Lake. Having been built in 2007, the emitter had outlived its functionality, so it was removed in 2022. The aeration tubes had to be left in the ground as having them removed would cause significant ground disturbance and would have a negative impact on near-by structures.

QEC is working on finalizing an MOU with the Petroleum Products Division of Community and Government Services (Transportation and Infrastructure Nunavut, after April 1, 2025) (PPD). They have agreed to allow QEC to use their new land farm to relocate the QEC land farm that is currently being used. Once the MOU is in place and PPD builds the new land farm, QEC will transport the contaminated soil to the new PPD land farm.

With respect to PPD's efforts to establish a land farm in Baker Lake, a suitable location has been identified approximately 2.5 kilometers west of the community within a Hamlet-owned quarry. PPD retained a surveyor and completed the survey in the fall of 2024, which the Hamlet of Baker Lake endorsed in December 2024. The survey will be registered with Land Titles, and construction of the new land farm is planned for 2025, including the full decommissioning of the existing temporary land farm cells south of the bulk fuel storage facility.

In line with a commitment made in 2021 following the gasoline spill, PPD has partnered with QEC, which has provided much of the required materials for the land farm. In return, QEC will have access to the new facility for soil remediation. PPD is currently working with QEC to establish an MOU outlining the terms of shared use, ensuring clear roles and responsibilities. PPD will continue collaborating with QEC to ensure successful implementation.

Remote Work for PPD Staff during timeframe of exceeding Stabilization Fund (Page 27, September 20)

During this period, one staff member was approved to work remotely.

Old Arviat QEC powerhouse remediation responsibility (Page 30, September 20)

The federal government's National Capital Planning Commission (NCPC) is responsible for clean-up costs of \$2.2 million, the Northwest Territories Power Corporation (NTPC) \$175,000 and QEC \$0.

Employee Medical Staff survey (Page 35, September 20)

The Department of Finance has updated the Government of Nunavut Employee Medical Travel Assistance (GEMTA) Program Guidelines. Staff from the Department of Health, Human Resources and Finance collaborated to update these guidelines and to create accompanying support materials, such as the new GN Employee Medical Travel Assistance Program Forms Instructional Guide, as well as Frequently Asked Questions and Client Scenarios to support GN employees.

Inuit taking financial and accounting training modules (Page 36-37, September 20)

The Department of Finance conducts annual professional development by hosting training events. The most recent session held on December 3, 2024, at the Nunavut Arctic College brought financial leaders from across the GN to learn and discuss future Public Sector Accounting updates that will impact the Government of Nunavut.

The Department of Finance also encourages professional development within its staff. Presently, the Department of Finance has 3 staff members working in its Financial Reporting and Controls division and 1 employee in the Corporate Services division that are working towards their accounting designation.

Other departments across the GN are also doing their part by supporting staff who are willing to pursue their accounting designations. See below:

- Petroleum Product Division
 - 1 staff member working on accounting designation.

- Department of Justice
 - 1 staff member working on accounting designation.
- Culture and Heritage
 - 1 staff member working on accounting designation.
- Human Resources
 - 1 staff member working on accounting designation.

A breakdown of Inuit and non-Inuit employees registered in professional designation courses or financial and accounting training modules was not available at the time of this response. Finance will reach out to the Public Service Training Division at the Department of Human Resources to seek further detail of registrants in financial and accounting courses offered through the GN prior to our May 2025 appearance.

Contamination of marine sites (Page 41, September 20)

The Department of Environment has followed up with the Devolution team. The marine environment in question is not subject to the Devolution Agreement.

Currently, contamination on federal Crown lands is largely the responsibility of the federal government. The Devolution Agreement contains a list of sites that will be remediated by the federal government before they are transferred to the GN. The GN can request that sites not currently listed be added to the list. Marine sites can be added to the list if they are within marine areas that will be transferred. The Shepherd Bay area is not in a marine area that will be transferred and will remain under federal jurisdiction.

If there are concerns about contamination in marine areas the appropriate federal regulators should be contacted – in this case that would be Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) and Environment and Climate Change Canada (ECCC).

Discrepancy between payroll tax and personal income tax rates (Page 63, September 20)

Part 1) Response to personal income tax revenues and payroll tax

Personal income tax can fluctuate significantly from year to year. In fiscal year 2021-22, the Canada Emergency Response Benefit (CERB) that provided financial support to employed and self-employed Canadians who were directly affected by COVID-19 came to end (October 23, 2021).

CERB temporarily increased personal income of Nunavummiut, and its termination led to a drop in taxable income levels in fiscal 2022-23 which resulted in lower tax revenues.

Payroll Tax in Nunavut is levied as a 2% deduction from the gross remuneration of employees by the employer. Many Nunavut employers retained staff during the pandemic and therefore the GN's payroll tax revenues remained consistent.

CERB payments are taxable income but are unrelated to payroll tax.

Part 2) Schedule A breakdown of the \$80M by GN entity:

Other Revenues	Amount (\$)
GN Departments - (Deposit interest, permits, lease revenue, registration fees, fines)	32,520
Nunavut Housing Corporation - (Social housing rental revenue, Rental revenue)	18,501
Nunavut Arctic College - (Funding from Inuit organizations, tuition fees, interest income, room & board)	13,736
Qulliq Energy Corporation - (Employee housing recoveries, third party funding, admin fees, capital funding from customers)	7,913
District Education Authorities - (locally raised funds)	4,833
Nunavut Development Corporation - (Interest, investment, & other income)	1,009
Nunavut Business Credit Corporation - (Interest income, interest on loans receivable)	895
Total Other Revenue	\$ 79,409

Decrease in the cash paid to GN employees (Page 64, September 20)

The third section of Public Accounts is the Non-Consolidated Financial Statements. Although this section is not audited, it is still examined by the Office of the Auditor General (OAG) because it is included in the consolidated financial statements.

After reviewing it was determined that there was an error in cell reference of the workbook. The net impact was nil, but allocation changes the values in two categories for the cash paid for:

1. To and on behalf of employees
2. Suppliers

The actual value is \$693M which represents a 12% increase in cash paid to and on behalf of employees and not the \$485M.

The cell reference was corrected at the consolidation phase and therefore no impact to the Consolidated Financial Statement.

Increased expenditures vs. revenues at QEC (Page 65-66, September 20)

Fuel and lubricants expenses increased by \$7.8M (17%) from 2022 to 2023 due to higher costs and consumption. Qulliq Energy Corporation (QEC) purchases fuel from the Government of Nunavut's Petroleum Products Division (PPD). QEC works closely with PPD and the Department of Community and Government Service (CGS) to manage fuel costs, which present a significant portion of its operational expenses. To stabilize fuel costs and mitigate rate fluctuations, QEC utilizes the Fuel Stabilization Rider (FSR). For the period of April 1, 2023 to September 30, 2023 (FY2024), an interim FSR of 7.33 cent per kWh was approved to address the significant fuel price increases.

Interest expenses increased by \$5.6M (197%) from 2022 to 2023 due to significant rise in borrowing rate from 1.46% in 2022 to 5.45% in 2023, as the Bank of Canada raised its policy rate to manage inflation. QEC is currently working with the Government of Nunavut's Department of Finance to secure better interest rates on its existing loans, in order to reduce interest expenses.

Commercial institutional power producer program (Page 66, September 20)

As of January 2025, three proponents (Rankin Inlet, Baker Lake, and Iqaluit) have been approved and are in service for the Commercial Institutional Power Producer (CIPP) program. Energy purchase agreements have been signed with six proponents: Grise Fiord, Whale Cove, Chesterfield Inlet, Sanirajak, Pangnirtung and Kinngait.

A consultant was hired to prepare a report on pricing of CIPP. The report says that in order to drive renewable energy development in the territory, the price should be higher than the avoided cost of diesel. To ensure that this does not impact the price of electricity for QEC customers, the report provides recommendations on how the Government of Nunavut can help share the cost of paying participants who utilize the program. Financial support must be secured from the government (or an entity other than QEC) as QEC is not in a position to offer higher rates for its renewable energy programs at the expense of its customers.

PPD revenues vs. deficit (Page 66, September 20)

In fiscal 2022-23, PPD's revenues increased by \$55.9 million to \$244.2 million, reflecting a nearly 30% increase. This revenue growth was directly attributable to successive increases in the retail base price of fuel in Nunavut, particularly the 20-cent-per-litre increase applied on December 4, 2022, to all products.

However, despite the revenue increase, PPD incurred a deficit due to significantly higher product costs for the 2022 resupply. Compared to the previous year, PPD's cost of product increased by over 50%. While the December 2022 price adjustment helped offset some of these costs, it was not sufficient to achieve break-even financial performance for the year.

The table below summarizes PPD's product costs over the past three fiscal years:

Product	2020-21	2021-22	2022-23
P50	\$0.65	\$0.54	\$0.95
Gas	\$0.67	\$0.63	\$0.77
Jet A-1	\$0.63	\$0.59	\$1.03

PPD accounts receivable (Page 66, September 20)

The increase in PPD's accounts receivable (AR) is primarily driven by a significant rise in amounts owed by Qulliq Energy Corporation (QEC). QEC's outstanding balance grew from \$17.5 million in fiscal 2022 to \$48.5 million in fiscal 2023 and further to \$63.6 million in fiscal 2024. This trend has continued, with QEC's current outstanding balance exceeding \$85 million as of the end of February 2025. Meanwhile, all other categories of accounts receivable have decreased from their 2023 levels.

It is important to note that accounts receivable balances are expected to increase at the same pace as turnover. The more we invoice customers, the higher the amounts owed. From 2022 to 2024, PPD's turnover increased by 41.9% (from \$185.8 million to \$263.7 million). Over the same period, PPD's total accounts receivable increased by 71.0%, whereas accounts receivable excluding QEC rose by just 21.2% (from \$67.6 million to \$81.9 million). This demonstrates that PPD's collection efforts—excluding QEC—have been effective. Several measures have contributed to this improvement, including reducing the invoice generation cycle from three months to two weeks, sending over 90% of invoices via email instead of courier, and implementing dunning emails to follow up with customers.

Recognizing the need to address the growing AR balance with QEC, CGS is actively working with the Department of Finance and QEC to establish a debt repayment plan.

The table below provides a breakdown of PPD's accounts receivable by category over the past five fiscal years:

\$000	2020	2021	2022	2023	2024
Commercial/Private	\$40,566	\$31,957	\$36,757	\$42,221	\$55,708
Territorial Municipalities	\$6,442	\$5,591	\$5,668	\$6,895	\$8,757
NHC	\$15,664	\$12,244	\$15,812	\$13,640	\$7,217
QEC	\$21,712	\$16,038	\$17,494	\$48,468	\$63,573
Government of Nunavut	\$5,595	\$5,046	\$6,114	\$5,727	\$8,068
Government of Canada	\$1,619	\$1,276	\$1,913	\$2,940	\$2,179
Fuel and Sales Tax Receivable	\$0	\$1,284	\$1,327	\$6,642	\$0
Total:	\$91,598	\$73,436	\$85,085	\$126,533	\$145,502

Inventory of tank farms (Page 66, September 20)

In fiscal year 2022-23, PPD's inventories for resale increased by \$87.7 million to \$263.7 million, a rise of nearly 50%. This increase was primarily driven by higher product costs for the 2022 resupply compared to the previous year. PPD follows industry-standard inventory management practices for all product in tankage, including monthly dipping of all bulk tanks and an inventory reconciliation program known as PPD's stock control system.

The inventory valuation also includes volumes secured through the early price-setting option available to PPD under its fuel supply and transportation agreement. These arrangements allow PPD to lock in fuel prices in advance, mitigating exposure to market volatility. As part of this process, PPD is required to make an advance payment covering approximately 65% of the product cost to secure the contract, with the remaining balance settled upon delivery.

To manage the financial and supply risks associated with these transactions, PPD requires its fuel supplier to provide performance security. In fiscal year 2022-23, this security was set at \$90 million. However, in response to rising product costs and the need for enhanced risk management, the latest agreement signed in February 2025 increased the performance security requirement to \$130 million.

Issue: Budgetary and Financial Management Transparency, Sustainability and Flexibility

Standing Committee Recommendation #2:

(a) The standing committee recommends that the Government of Nunavut's response to this report include a detailed update on the status of work to address the Office of the Auditor General's observations concerning the Qulliq Energy Corporation, the Nunavut Development Corporation and the Nunavut Housing Corporation.

(b) The standing committee further recommends that the Government of Nunavut's response to this report include a detailed update on the status of the preparation of the Petroleum Products Revolving Fund's 2023-24 financial statements.

(c) The standing committee further recommends that the Government of Nunavut's response to this report include a detailed update on the status of staffing at the Petroleum Products Division of the Department of Community and Government Services.

(d) The standing committee further recommends that the Government of Nunavut's response to this report include a detailed timeline for when the new Enterprise Resource Planning System ("Fusion Cloud") will be utilized by the Petroleum Products Division of the Department of Community and Government Services.

(e) The standing committee further recommends that the Department of Finance's publication titled *Public Accounts at a Glance* be updated on a regular basis to reflect such developments as the adoption of new accounting standards.

NOTE: We have assigned each question a letter for ease of response.

(a) OAG observations concerning QEC, NDC and NHC:

QEC - QEC remains committed to addressing the observations made by the Office of the Auditor General (OAG) and has taken significant steps to enhance inventory management and financial oversight. Through collaboration between the Finance and Operations teams, QEC has implemented key measures to improve the accuracy, organization, and accountability of inventory processes. Below is a summary of the ongoing initiatives and improvements:

- The Finance team has been working closely with the Operations team to address inventory-related issues.

- In fiscal year 2024 (FY2024), QEC expanded the number of communities participating in the inventory count to 24.
- QEC increased the number of second-person verifications during inventory counts to enhance accuracy.
- The Operations team is focused on improving the organization and labeling of inventory items.
- The Finance team has established a review procedure to prevent negative quantities in inventory balances.
- The Operations team is ensuring that material usage forms are consistently completed and submitted to the Finance team for accurate accounting updates.
- Procedures are being implemented to ensure that material usage forms undergo a review and approval process to maintain accuracy and accountability.
- The Operations team is enhancing the review process for slow-moving consumable inventory to prevent damage or obsolescence.
- An evaluation is underway to determine whether certain assets can be utilized within the community, should be transferred to another location, written off, or sold.
- QEC is reviewing its write-off procedures to ensure full compliance with the Financial Administration Act (FAA).

NDC – please see Appendix A for updates regarding NDC’s efforts to address the OAG’s observations in their 2022-23 Management Letter.

NHC - Nunavut Housing Corporation (NHC) is committed to transparency and accountability. The NHC received a clean audit opinion from the Office of the Auditor General (OAG) for the 2022-2023 fiscal year, demonstrating strong financial management and adherence to reporting standards.

However, the OAG required additional time in the 2022-2023 fiscal year to review the NHC’s Asset Retirement Obligation (ARO) calculations. OAG needed to engage external consultants to validate NHC’s assumptions and calculations. This resulted in a delay in the review process. Despite this setback, OAG was able to successfully complete the audit for this fiscal.

NHC remains focused on maintaining its high standard of financial accountability and is building on two successive clean audit reports as it moves toward the 2024-2025 fiscal year.

The NHC expects timely and efficient audit processes and urges all relevant bodies to ensure that resourcing constraints do not compromise the integrity and efficiency of financial reporting in the future.

(b) Status of 2023-24 PPD Financial Statements:

The audit of the Petroleum Product Revolving Fund was finalized on October 30th, 2024. Although there was a delay, there was no concern identified that could put the Government’s ability to comply with its statutory reporting deadlines at risk.

(c) Status of Staffing at PPD

Out of the 35 PPD positions 19 are filled with indeterminate employees 6 of whom are Nunavut Inuit. There are 16 vacancies, four of these are currently with the Department of HR for staffing. The division has 12 casuals of whom 11 are Nunavut Inuit. The division has identified individuals for consideration for Direct Appointment into their current positions.

(d) Timeline for PPD use of ERP Fusion Cloud

The Petroleum Products Division (PPD) began using Fusion Cloud in February 2025. The Division has full access to the existing functions of Fusion including purchasing, payables and payments, but will continue to use an industry-specific application for inventory management.

(e) Updates to Public Accounts at a Glance

The Department of Finance can commit to updating the Public Accounts at a Glance to include updates to related to new accounting standards impacting the Government of Nunavut.

Issue: Contingent Liabilities

Standing Committee Recommendations #3:

The standing committee recommends that the Government of Nunavut's response to this report provide a detailed update on the status of the review undertaken by the Department of Finance and the Department of Justice concerning the disclosure of contingent liabilities in the annual Public Accounts.

The Department of Finance has discussed additional disclosure with the Department of Justice related to legal contingent liabilities. On the advice of Justice, the GN should not provide legal contingent liability assessments on individual matters within the disclosure.

Issue: Risks, Uncertainties and Climate Change

Standing Committee Recommendation #4:

The standing committee recommends that the Government of Nunavut's response to this report provides a detailed update on the Department of Finance and the Department of Environment's work to date to address the issue of risks associated with the impact of climate change, including work to quantify the financial impact of climate change for the purpose of including a dollar value in the annual Public Accounts.

The quantification of the risk and uncertainties of climate change for the purposes of including a dollar value in the public accounts is not currently required by accounting standards. No other territorial public accounts or at the federal level have incorporated it into their public accounts. It is not part of the Public Sector Accounting Standards.

While the quantification of climate change risks and uncertainties for the purposes of including a dollar value in public accounts is not currently required by accounting standards, various other governments around the world have taken steps towards integrating climate-related financial information into their public accounts. This process is still evolving, and approaches vary depending on national priorities, regional regulations, and the maturity of climate change adaptation and mitigation strategies.

For example, governments in the European Union, the United Kingdom, and some provinces in Canada have started to incorporate climate-related financial disclosures, often following frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD). These governments are quantifying potential risks and uncertainties—such as extreme weather events, rising sea levels, and other climate-related impacts—using various methodologies that attempt to assign financial values to these risks. These approaches, however, are still in the developmental phase, with many governments opting for a conservative approach given the uncertainties surrounding long-term climate change impacts.

In the context of the GN, we are currently finalizing our government-wide climate change risk and resiliency assessment. This critical initiative aims to provide a clear and actionable framework for understanding the risks and opportunities associated with climate change across government departments and agencies. The primary goal of this assessment is not only to assess the risks but also to actively encourage departments and agencies to champion the identified opportunities for climate action. This effort will allow for a more coordinated, proactive response to climate change, embedding climate resilience and mitigation strategies into our operations and budgeting processes.

As part of this process, each government department and agency would be well served to conduct its own risk and resiliency assessments, focusing on the specific challenges they face, and the potential operational costs or savings associated with climate action.

While we are not yet at a point where a standardized dollar value for climate risks is included in our public accounts, the findings from these assessments will be critical in

shaping the government's approach to budgeting, policy-making, and long-term planning for climate resilience.

By taking these steps, the GN is laying the foundation for more comprehensive climate-related financial risk management in the future. However, it is important to note that we recognize the complexity and uncertainty in assigning dollar values to these risks, and our efforts are focused on ensuring that climate change considerations are integrated into the decision-making process at every level of government here in Nunavut.

Moving forward, it would be beneficial to having professionals such as climate scientists, permafrost scientists in government departments to better assist with understanding these associated risks of climate change over the long term. This is something that we will be addressing in the proposed bilateral agreements with the Federal government as part of the National Adaptation Strategy.

Issue: New Accounting Standards and Tangible Capital Assets

Standing Committee Recommendation #4 *(incorrect numbering, should be #5):*

- (a) The standing committee recommends** that the Government of Nunavut's response to this report provide a detailed update on the status of its work to implement new accounting standards that have been approved by the Public Sector Accounting Board and which came into effect, or are scheduled to come into effect, on or after April 1, 2022.
- (b) The standing committee further recommends** that the Government of Nunavut's response to this report provide a detailed breakdown of its current portfolio of tangible capital assets and a detailed clarification as to how the amount of \$153,512,000 in "amortization of tangible capital assets" that is referenced on pages 9, 46 and 47 of the 2022-2023 *Public Accounts of Nunavut* was calculated.
- (c) The standing committee further recommends** that the Government of Nunavut's response to this report provide a detailed timeline for when enhanced disclosure of fully amortized tangible capital assets will be integrated into the annual Public Accounts.

(a) Implementing new PSAB accounting standards

Public sector entities are required to adopt all Public Sector Accounting Standards that are applicable to them, however, consideration is given to the Introduction to Canadian Public Sector Accounting Standards which states "standards are **not** intended to apply to immaterial or insignificant items or matters." However, a government can choose to apply the standard even if it is not significant or material.

As of April 1, 2022, the Government of Nunavut (GN) has adopted the following accounting standards issued by the Public Sector Accounting Board of Canada:

- PS 1201 Financial Statement Presentation – revised general reporting principles and standards for presentation and disclosure. Additional disclosures required for the new standards.
- PS 2601 Foreign Currency Translation – revised guidance on recognition, presentation, and disclosure of transactions denominated in foreign currency. Minimal impact to GN: exposure is just USD exchange.
- PS 3450 Financial Instruments – new standard that provides guidance on recognition, measurement, and presentation and disclosure of financial instruments. The potential for the most significant effect is on portfolio and other

investments which are required to be measured at fair value, but the GN has concluded the impact of not applying PS 3041 is immaterial.

- PS 3041 Portfolio Instruments – revised guidance on accounting treatment and presentation and disclosure of portfolio instruments. The GN has minimal portfolio investments that are recorded at cost so the market rate is disclosed. The impact of this decision is not material.
- PS 3280 Asset Retirement Obligations – revised guidance on accounting treatment and presentation and disclosure of asset retirement obligations.

(b) Detailed breakdown of its current portfolio of tangible capital assets and clarification of amounts under “amortization of tangible capital assets”

The Government of Nunavut calculates amortization of its tangible capital assets on a straight-line basis, over a period consistent with the nature of the asset, as shown below:

Category	Amortization Period
Buildings	20-35 years
Leased buildings	20-30 years
Storage facilities	20-30 years
Tank farms	30 years
Equipment	5-30 years
QEC equipment and warehouses	10-45 years
Electric power plants	20-40 years
Transmission distribution systems	15-45 years
Infrastructure	30 years
Land	Not amortized

The total amortization expense of \$153,512,000 reported in the 2022-23 Public Accounts is a summary of the amortization on all the assets in the table above. The breakdown, by asset type, is listed in the table below:

ASSET TYPE	2022-23 AMORTIZATION EXPENSE	2021-22 AMORTIZATION EXPENSE
Buildings	\$97,742,000	\$90,850,000
Leased buildings	\$6,777,000	\$7,156,000
Storage facilities	\$2,000,000	\$1,575,000
Tank Farms	\$7,691,000	\$7,271,000
Equipment	\$8,142,000	\$8,175,000
QEC equipment and warehouses	\$2,137,000	\$2,096,000
QEC power plants	\$11,365,000	\$11,075,000
QEC distribution systems	\$1,721,000	\$1,591,000
Infrastructure	\$15,937,000	\$12,624,000
Total Amortization	\$153,512,000	\$142,413,000

The book value of the GN’s assets is summarized, by type, in the table below. Depending on the type of asset and the expected useful life of the assets in these categories, amortization is applied

ASSET TYPE	2022-23 Net Book Value of Assets (in thousands of dollars)	2021-22 Net Book Value of Assets (in thousands of dollars)
Buildings	\$1,850,469	\$1,817,682
Leased buildings	\$43,516	\$50,293
Storage facilities	\$41,758	\$26,723
Tank Farms	\$102,412	\$110,103
Equipment	\$15,808	\$19,952
QEC equipment and warehouses	\$54,297	\$47,358
QEC power plants	\$241,543	\$250,119
QEC distribution systems	\$57,856	\$56,912
Infrastructure	\$345,877	\$353,101
Land	\$327	\$327
Total Amortization	\$2,753,863	\$2,732,570

(c) Detailed timeline for integrating enhanced disclosure of fully amortized tangible capital assets into annual Public Accounts

As part of the Public Accounts the Financial Statement and Discussion Analysis provides information on known significant risks and uncertainties inherent in the governments financial positions, briefly outlining strategies, policies and techniques adopted to manage those risks and uncertainties.

The flexibility indicator indicates a government's ability to either expand its revenues or increase debt to meet existing financial obligations and to provide services.

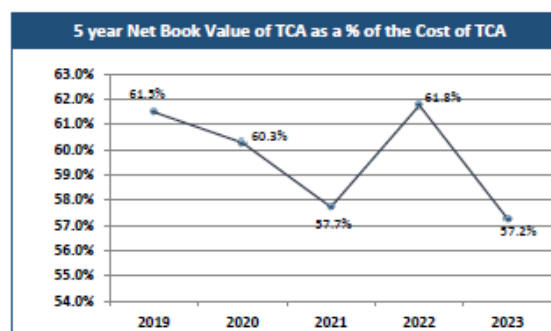
The Government uses capital assets to deliver programs and services. The service potential of these assets declines in time, and the costs to replace or repair can have an impact on how the government manages future spending and debt.

On page 13 of the 2022-23 Public Accounts the Government of Nunavut presents its Net Book Value of Tangible Capital Assets as a Percentage of the Cost of Tangible Capital Assets. This ratio measures the estimated useful life of a government's tangible capital assets.

A decreasing ratio indicates that tangible capital assets are aging and are not being replaced as fast as they are being used. An aging pool of tangible capital assets indicates a potential for increased repairs and maintenance costs in the future as well as the potential need to replace a significant amount of tangible capital assets.

March 31, 2023

March 31	Total net book value of TCA	Total Cost of TCA	NBV to cost of TCA
2019	2,513,892	4,088,134	61.5%
2020	2,586,215	4,290,675	60.3%
2021	2,627,919	4,552,520	57.7%
2022	2,746,086	4,446,611	61.8%
2023	2,753,863	4,810,736	57.2%
\$ change, 2022 to 2023	7,777	364,125	
% change, 2022 to 2023	0.3%	8.2%	
\$ change, 5 year trend	239,971	722,602	
% change, 5 year trend	9.5%	17.7%	



The GN ratio of net book value to total cost of tangible capital assets declined in fiscal 2022-23 indicating assets are getting older. As assets get older, repairs and maintenance costs increase which results in less funds available for other programs and services. The aging tangible capital asset base also presents a risk to future programs and service delivery as assets become less reliable and the potential for failure increases. The GN is aware of the challenges presented by an aging asset base and continues to actively monitor asset conditions and invest in its tangible capital assets.

Issue: Activities of the Contaminated Sites Liabilities Working Group

Standing Committee Recommendation #5 *(incorrect numbering, should be #6):*

- (a) The standing committee recommends that the Government of Nunavut's response to this report provide a detailed update on the activities of the Contaminated Sites Liabilities Working Group for the 2023-2024 and 2024-2025 (to date) fiscal years.
- (b) The standing committee further recommends that the Government of Nunavut's response to this report provide a detailed description of how Inuit Qaujimajatuqangit is integrated into the work of the Contaminated Sites Liabilities Working Group.
- (c) The standing committee further recommends that the Government of Nunavut's response to this report provide a detailed update on the timeline for making the Government of Nunavut Contaminated Sites Database accessible to the public.

(a) Detailed update on the Contaminated Sites Liabilities Working Group (CSLWG) for the 2023-2024 and 2024-2025 years:

2023-2024

- Meet every other month
- Contaminated Sites Database update
- Development of the responsibility matrix – a tool to provide a defensible way to accept or reject responsibility for liabilities
- Prioritize sites for further investigation
- Planned Old Clyde River Human Health and Environment Risk Assessment
- Planned Clyde River old dump permafrost monitoring
- Planned Resolution Island Human Health and Environment Risk Assessment
- Develop interdepartmental relationships to better respond to issues related to contaminated sites

2024-2025

- Meet every other month
- Contaminated Sites Database update and data migration
- Development of responsibility matrix/responsibility assessment – a tool to provide a defensible way to accept or reject responsibility for liabilities
- Old Clyde River Phase 3 Environmental Site Assessment
- Old Clyde River Human Health and Environment Risk Assessment
- Clyde River old dump permafrost monitoring
- Planned Nanisivik Airport Human Health and Environment Risk Assessment
- Participation in the Devolution Excluded and Impacted Sites Working Group

- Develop interdepartmental relationships to better respond to issues related to contaminated sites

(b) Detailed description of how Inuit Qaujimajatuqangit is integrated into the work of the CSLWG.

Inuit Qaujimajatuqangit is incorporated into the assessment work done by the working group. Phase 1 environmental site assessments outline the history and previous use of a site – interviews with community members are key to establishing this history. Risk assessments are used to determine how contaminants travel from their source to Inuit. Interviews with land users are essential to determining who is visiting an area, how they are using the area, and what plants and animals they are interacting with in the area.

Local knowledge is also used to identify contaminated sites that the Department of Environment is not yet aware of.

The CSLWG is working on developing a relationship with the Nunavut Association of Municipalities to discuss issues related to contaminated sites at a local level.

(c) Detailed update on the timeline for making the Government of Nunavut Contaminated Sites Database accessible to the public:

Currently there is no detailed timeline for making the Contaminated Sites database publicly accessible – there are several steps that need to occur beforehand.

1. Complete the ongoing update: 2025-26 Q1
 - The database was produced in 2016 for a different purpose than it is currently being used for. The updated format will better serve the GN's current needs. The main update has been completed, and data is being migrated to the new format.
2. Develop a process for assessing GN responsibility of historical contaminated sites: 2025-26 Q1
 - The re-establishment of the CSLWG has drawn more attention to what contaminated sites it is responsible for – uncertainty has been raised for several sites.
3. Update the process for handling contaminated sites: 2025-26 Q2 – 2027-28 Q4
 - The re-establishment of the CSLWG has drawn more attention to how the GN manages its contaminated sites – several gaps have been identified gaps include:
 - Prioritizing the remediation and investigation of contaminated sites
 - Updating remediation estimates for inflation
 - The implementation of monitoring programs
 - The steps for closing sites

The process will be updated to fill gaps and become more defensible.

4. Develop web portal for public access: 2024-25 Q3 – 2028-29 Q4
 - ENV has only begun reaching out to CGS about publicizing the database – timelines are currently unknown.

These timelines are subject to change as the full scope of the projects has not been determined. Furthermore, it is uncertain how inter-related the projects are.

	25/26 Q1	25/26 Q2	25/26 Q3	25/26 Q4	26/27 Q1	26/27 Q2	26/27 Q3	26/27 Q4	27/28 Q1
Populate updated database	X								
Complete responsibility assessment	X								
Develop a procedure for intake, prioritization, and management of GN contaminated sites		X	X	X	X	X	X	X	X
Develop public portal		X	X	X	X	X	X	X	X

Issue: Comptrollership Branch Priorities and Activities

Standing Committee Recommendation #6 *(incorrect numbering, should be #7):*

- (a) The standing committee recommends** that the Government of Nunavut's response to this report provide a detailed update on the status of the Comptrollership Branch's work to implement business plan priorities for the 2024-2025 fiscal year.
- (b) The standing committee further recommends** that the Government of Nunavut's response to this report include a detailed update on the activities of the Accounts Receivable Working Group.
- (c) The standing committee further recommends** that the Government of Nunavut's response to this report include a detailed breakdown of accounts receivable as listed in the 2022-2023 Public Accounts in a format that is comparable to that which was included in the Government of Nunavut's response to the standing committee's Report on the Review of the 2021-2022 Public Accounts.
- (d) The standing committee further recommends** that the Government of Nunavut's response to this report include a detailed update on work performed to date by proponents pursuant to Request for Proposals 2023-42: Financial Reporting and Auditing Services - Assistance with the Public Accounts and Internal Audits.
- (e) The standing committee further recommends** that the Government of Nunavut's response to this report include a detailed list of internal audits undertaken during the 2022-2023 and 2023-2024 fiscal years, and that this list include a summary of significant actions undertaken in response to the findings of each audit.
- (f) The standing committee further recommends** that the Government of Nunavut's response to this report provide a detailed breakdown of the employment status of all positions in the Department of Finance's Comptrollership Branch.
- (g) The standing committee further recommends** that the Government of Nunavut's response to this report provide a detailed update on the status of the development of the 2024-2028 Human Resource Strategy in respect to the recruitment and retention of financial management professionals.

(a) Detailed update on the status of business plan priorities for the 2024-2025 fiscal year.

2024-25 Business Plan priorities for Comptrollership:

- Implement core modules and priority functions of the Enterprise Resource Planning platform and begin transition towards long-term operations ("sustainment").

Update: The GN began using core financial and HR modules of Oracle Fusion Cloud in February 2025 and will begin placing its effort towards releasing pay-related modules. This will complete the initial project.

- Explore opportunities to expand e-commerce and payment methods.

Update: While the scope of the ERP project remains focused on core modules, there will be opportunity for the Government to build on these modules over time. With a modern system in place, the GN can consider other improvements to digital services.

As examples, the GN could consider an online portal to help students access post-secondary funding, an inventory management system to better track materials and supplies, an improved tendering portal for suppliers, and many more. It will be up to the 7th Assembly to decide whether to invest in these digital services.

(b) Detailed update on the activities of the Accounts Receivable Working Group.

The Accounts Receivable Working Group has not been active in fiscal 2024-25. Departments are advised to take all reasonable steps to collect outstanding balances.

Departments' collection strategies guidelines are outlined in FAM 908-Collection of Amounts of Owing to the Government.

The consensus from departments is that they simply do not have the resources to put into proper collections and accountable advance follow up. Resources are focused on serving vendors and processing grants and accountable advances to meet the mandates of the department.

The Department of Finance is considering options to bring forward to its Central Accountability Committee on next steps to more effectively conduct its efforts in collections.

(c) Detailed breakdown of accounts receivable in the 2022-2023 Public Accounts comparable to the Government of Nunavut's response to the standing committee's Report on the Review of the 2021-2022 Public Accounts.

The breakdown of accounts receivable as listed in the 2022-23 Public Accounts, by receivable type, is listed in the table below:

Government of Canada**March 31 2023**
(in thousands of dollars)

Canada Mortgage and Housing Corporation	20
Goods and Services Tax	21,323
Health Canada	24,690
Official Languages	12,074
Infrastructure Funds	27,922
Aboriginal Affairs and Northern Development Canada	-
Transport Canada Programs	7,520
Other receivables from Government of Canada	106,210
Allowance for doubtful accounts	(2)
	<u>199,757</u>
Other revenues receivable:	
- Of the Territorial Corporations	82,546 A
- Of the Petroleum Products Division	59,225 B
- Of the Departments of Government	70,575 C
	<u>212,346</u>
Allowance for Doubtful Accounts	<u>(96,586)</u>
	<u>315,517</u>

All Related Party Transaction have been eliminated as part of the Consolidated Financial Statements

A)

NHC \$54.206M (Tenant Account Receivables \$47.8M + General Accounts Receivable)

NDC \$1.019M (Trade Receivables)

NAC \$2.987M (Contract Receivables \$2.063M, Student Accounts \$924k)

QEC \$24.184M (General Receivables)

DEA \$150K (General Receivables)

B) The majority relate to Commercial/Private \$42.2M, Territorial Municipalities \$6.8M, Fuel and Sale Tax Receivable \$6.6M

C) Relate to Property Tax \$20.7M, Investment Income \$7.8M , Taxes - Payroll Tobacco Fuel \$5.3M, Contribution and Misc Receivables \$36.7M

**(d) Detailed update on work by proponents pursuant to Request for Proposals
2023-42: Financial Reporting and Auditing Services - Assistance with the
Public Accounts and Internal Audits.**

SM Consulting:

- Researching and resolving accounting or process issues arising during financial statement preparation.
- Conduct other related research, report writing, policy recommendations as required.
- Preparing working papers, analyses, and spreadsheets to compile and support data entered in the financial statements, including journal entries.

Lester Landau:

- Communication with departmental and public agency financial staff to obtain and review information for incorporation into the financial statements.

- Extracting and organizing information from the GN's financial system and from public agency financial statements and records.
- Compiling, reviewing, and editing the financial statements.
- Supporting with the consolidation of the financial statements.

(e) Detailed list of internal audits undertaken during the 2022-2023 and 2023-2024 fiscal years, and that this list include a summary of significant actions undertaken in response to the findings of each audit.

Below is a table that lists the internal audits undertaken during the 2022-23 and 2023-24 fiscal years. Each audit has an extensive number of unique recommendations that would be too onerous to summarize in a table or this report. Should the Standing Committee have particular interest in any of the audits listed below, please contact the Department of Finance for further information.

Department	Audit Name	Final Report Date
Culture & Heritage	Audit of compliance with FAM Directive 810 - Honoraria	2022-05-03
Family Services	Audit of the foster care payments	2022-06-07
EDT	Audit of compliance with FAM 802-1 – Financial Signing Authorities	2022-06-03
Environment	Audit of compliance with FAM Directive 820-1 – Duty Travel	2022-05-16
Finance	Audit of Payroll Distribution Reports	2022-07-20
CGS	Audit of Payroll Distribution Reports	2022-06-07
Education	Audit of Payroll Distribution Reports	2022-08-23
Health	Audit of Payroll Distribution Reports	2022-09-07
Family Services	Audit of Payroll Distribution Reports	2022-10-04
Justice	Audit of Payroll Distribution Reports	2022-11-14
Environment	Audit of Payroll Distribution Reports	2023-02-06
EIA	Audit of Payroll Distribution Reports	2023-01-23
Culture & Heritage	Audit of Payroll Distribution Reports	2023-02-27
EDT	Audit of Payroll Distribution Reports	2023-03-22
Human Resources	Audit of Payroll Distribution Reports	2023-03-22
Health	Audit of Departmental Credit Cards	2024-01-31

Justice	Advisory review of Legal Services Board' Governance and Practices	2024-03-28
Education	Audit of Day Care Programs Funding	2024-04-22
Family Services	Audit of Departmental Credit Cards	2024-06-17

(f) Detailed breakdown of the employment status of all positions in the Department of Finance's Comptrollership Branch.

The table below provides an overview of the positions within Finance's Comptrollership Branch as of January 31, 2025.

Division	# of PYs	Vacancies	% of Vacant Position
Office of the Comptroller General	3	1	33%
Office of the Assistant Comptroller General	1	1	100%
Compensation & Benefits	26	4	15%
Financial Operations	23	10	43%
Kitikmeot Operations	19	10	53%
Kivalliq Operations	22	9	41%
Qikiqtaaluk Operations	9	6	67%
Financial Reporting & Controls	12	2	17%
Financial Systems Management	15	8	53%
Internal Audit Services	7	4	57%
Business Transformation	4	2	50%
TOTAL PYs	141	57	40%

(g) Detailed update on the status of the development of the 2024-2028 Human Resource Strategy in respect to the recruitment and retention of financial management professionals.

The development of the 2024-28 Human Resources Strategy (led by the Department of Human Resources) has been delayed due to the need to align it with other key initiatives such as Devolution, Inuit Pre-Employment Training Framework, the 2024-2034 Nunavut Agreement Implementation Contract, the Master Inuit Employment Plan, and the Enterprise Resource Plan system (Fusion Cloud). There are several current initiatives, however, that will help support recruitment and retention of finance professionals. The Remote Hiring Policy allows for a number of specialized finance positions to be staffed remotely to access a talent pool that we do not have in Nunavut (Risk Management, Tax Policy, Economist, etc.). Also, the Salary Review has been completed and recommended changes to the pay grids will assist with new recruiting efforts and retaining the staff we do have. An Engagement Survey, launched in June 2024, will provide valuable insights into how our employees feel about working in the GN and how we can enhance the experience as an employer.

Appendix A:

Budgetary and Financial Management Transparency, Sustainability and Flexibility – Recommendation #2 (a) - NDC updates

From: Balaji Ramamani, CFO

Nunavut Development Corporation

Date: 3-Mar-25

Subject: **Update on the status of work to address
the OAG's observations in 2022-23 Management Letter**

Current year audit observations

1. Cybersecurity policies and procedures

- A *Sage* backup is made on a thumb drive on a weekly basis. This is an “Ongoing process”!

2. Executive and board travel expenses

- In Oct'2023 board meeting, policies were approved to reflect necessary changes and ensure procedures are followed properly.

Prior year audit observations

1. Monitoring procedures for portfolio investments

- Audited financial statements, and dividend payments are obtained in a timely manner, i.e., every calendar year-end as well as fiscal year-end.

2. Establish policies and procedures for assessment of accounts receivable, inventories for resale and portfolio investments

- All the three policies and procedures were established by obtaining NDC board approval in Oct'2024.

3. Review of tangible capital assets and fully depreciated assets

- Between Oct'2024 and Feb'2025, the CFO made “interim visits” to NDC's subsidiaries, to get this done by March 2025. So, this is “On target”.

4. Version control over NDC policy documents

As this requires a long range planning, the President of NDC hopes to get this done in Oct'2025 board meeting (i.e., *in 7 months from now!*)

5. Ivalu Ltd., subsidiary

The work is quite tedious. Hence, it may take until the end of March 2026 (i.e., *in a year from now!*) to improve the standard of financial records.

.....