



Indigenous and
Northern Affairs Canada

Affaires autochtones
et du Nord Canada

Financial Review of Nunavut Planning Commission



Canada

INAC·AANC



Background

- The auditing firm KPMG undertook a financial review of whether funding provided to the Nunavut Planning Commission (NPC) in 2012 – 13, 2013 – 14 and 2014 – 15 fiscal years was spent in accordance with the terms and conditions of the funding agreement.
- Review focussed on: management practices and financial controls relevant to the funding; the NPC financial statements and source documents.





Work Undertaken

- Review of management practices.
- Review of specific expenditures
- Review of tasks completed through expenditures.





Findings: Governing Policies

- NPC governing policies were most recently updated in 2015 (from 2013) and focussed on three key areas: Commission Operations (policies on Commissioners and Chair); Executive Director constraints; and Commission – Executive Director relations.
- In general, these policies focus on high level governance and conduct and appear reasonable.
- Policies applicable to Commissioners included a Code of Conduct, honoraria and expenses and roles and responsibilities; policies for the Executive Director cover expectations for administration of the NPC and requirements for key deliverables to the Commission.





Findings: Process Mapping

- The KPMG review focussed on process documentation for the Finance Department and included mapping for nine processes, namely: Accounts Payable; Accounts Receivable; Administrative Preparation for Board Meetings; Attendance; Leave Procedures; Payroll; Reconciling and Processing Credit Card Statements; Travel Advances; Travel Procedures.
- From the review of these documents, the NPC appears to have well documented and robust internal controls and processes.
- Some challenges arise from staff turnover and retention due to factors such as location and lack of competitive total compensation.





Findings: Management Practices

- In considering overall management practices, KPMG reviewed the 2013 management letter from NPC's auditors which raised control issues and made recommendations.
- Discussion with NPC's auditors and subsequent management letters have indicated that in the following years the Commission has made significant improvements in these control issues.
- NPC management have acknowledged issues with financial controls due to lack of capacity but this has improved recently.
- The current Finance Director has addressed many of the issues identified in discussions in the course of the review.





Findings: Specific Expenditures and Practices

- The review of specific expenditures and practices focussed on administrative policies and procedures and on the most significant categories of expenditures, including transactions processed and paid for by NPC corporate credit cards.
- Overall, apart from some administrative errors in processing or approval of transactions, financial management controls appear adequate.
- In terms of the nature of transactions themselves, items reviewed by KPMG appear to be in support of NPC initiatives and at a reasonable cost.





Findings: Salaries and Wages

- KPMG conducted an analysis of salaries and wages and reviewed a salary benchmarking report prepared by a third party. KPMG found it to be a reasonable tool to test the appropriateness of current salaries.
- The highest paid NPC employee salary was slightly lower than the amount in the salary benchmark report and was augmented by a bonus within the recommended range in the benchmark report.
- A payment to the Executive Director in fiscal 2012 – 2013 was for unused vacation amounts and was the only unusual salary payout to the Executive Director identified in the review.



Findings: Travel

- KPMG's review indicates travel costs appear reasonable, given the number of staff travelling and remoteness of some destinations in the North.
- From its review, KPMG considers costs associated with travel generally appear reasonable.
- KPMG's review also determined that an individual held an interest in a travel company – Northern Allied – which provided travel services to NPC and reviewed the details available on how the company was selected as the travel agent for NPC.
- From KPMG's review of fees charged by Northern Allied, no unusual fees were charged, service fees were paid on a flat fee basis and service fees appear reasonable.





Findings: Travel Advance Claims

- Claims were selected randomly for each of the three years under review to determine if they were being completed according to the internal policy on travel advances.
- Minor issues were identified such as failure to obtain supervisor approval for travel advance claims and delays by employees in submitting claims leading to a “build-up” in the general ledger account.





Findings: Legal Fees

- Legal fees increased by 68% from fiscal 2012 – 2013 to fiscal 2013 – 2014.
- The Executive Director advised that the fees relate to legal opinions and a portion of these fees relates to on-going litigation between NPC and the federal government.
- NPC legal counsel have advised NPC not to provide legal invoices for review since they may themselves contain legal opinions.
- KPMG provided no comment on legal fees.



Findings: Professional Fees

- A large proportion of NPC professional fees over the period 2012 – 2015 relates to Aarluk Consulting, of which an individual is a partner as well as the part-time CFO for NPC.
- Based on the salary benchmarking report, the individual's fees are reasonable.
- Another firm, Solutions North, received \$136,000 over the review period for providing process mapping review and other governance documentation for NPC, prepared in part to demonstrate and document sound management practices.





Findings: Credit Card Expenses

- A sample of 20 expenses for each fiscal year (60 total), primarily legal fees, professional fees and travel expenses was selected for review, and identified errors where costs were coded to the wrong category.
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- KPMG found no instances where supporting documentation suggested that the amount claimed was not a reasonably claimed expense.





Findings: Appropriate Use of Funds

- At the start of each fiscal year NPC provides INAC with a work plan that identifies specific tasks and objectives and an annual budget which is amended once funding levels are finalized and re-submitted to INAC.
- NPC reports on its use of funds through interim and final reports that document the tasks completed as well audited financial statements.
- In 2014 -15 at INAC's request, NPC provided budget information with the work plan.
- Discussion with NPC revealed that it uses a costing spreadsheet to develop both work plan and budget and, based on the review, appears to effectively bridge the work plan and the draft budget.
- The budgeting process used by NPC involves a needs-based and “balanced” budget approach, core to the NPC's mandate based on the requirements of the Nunavut Land Claims Agreement (NLCA) and the Nunavut Planning and Project Assessment Act (NuPPAA).



Findings: Budgeted Costs to Actual

- The review undertook an analysis of selected categories of budgeted to actual expenditures as well as total expenditures, from the NPC annual financial statements.
- While total expenditures in FY 2013 – 2014 are not significantly different from total budgeted amounts, in each year there are expense categories that vary from the budgeted amounts, including variances in salaries, travel and legal fees.





Findings: Work Plan to Activity Summaries

- The activity report is designed to highlight key activities that have been completed during the fiscal year whereas the work plan is designed to be a complete task listing that links to total budget requirements.
- Comparison of tasks outlined in annual work plans to those included in the activity report showed that, while items contained in the activity reports could be linked to work plan tasks, certain tasks related to NLCA requirements from the work plan could not be clearly linked to the activity reports.
- In terms of formal communication, it appears NPC did not report on progress and there is no evidence of a formal request for additional information.
- At the root of some of these issues may be a lack of communication between the parties.





Findings: Variances from Work Plan and Budget

- Factors that have led to some differences between approved plans and actual expenditures include:
 - Increased and unplanned increases in land use applications where costs associated with applications represent a variable cost that is applied to fixed funding;
 - Increased legal fees from litigation between NPC and the federal government;
 - Additional time and resources to help document and discuss funding amounts and demonstrate the need for more funding.
- While variances have not been formally reported, all reporting requirements under the funding agreements have been met in the period under review.



Conclusions

- All reporting under the funding agreement has been completed.
- Management has corrected many weakness in the control environment.
- Challenges have occurred with staff turnover or where NPC has been unable to find the right staff for unfilled positions; given the small finance team, may have an effect on controls.
- Some issues identified in Dillon Consulting report (engaged in 2012) to review the Draft Nunavut Land Use Plan and planning processes remained at the outset of the financial review.





Conclusions

- Communication on proposed budgets needs to allow for meaningful discussion on best use of available funds.
- There appear to be variances between budgeted costs and actual reported costs in each fiscal year.
- NPC has provided reasonable explanations for the variations. These should be discussed by NPC and INAC.
- INAC and NPC are confident that discussions have taken place in the past to discuss feedback, although they have not been documented.
- In general, KPMG found that management controls have improved over the period of the review, appear adequate, and that costs reviewed were incurred in support of NPC objectives.

