

Auditor General's Opening Statement

**To the Nunavut Standing Committee on Government Operations and Services
(SCGOS)**

5 February 2002

Thank you Mr. Chairman

Good morning / Ullaakkut (*oo-la-koo*)

This is my second trip to Iqaluit and my second visit to your Legislative Assembly. I'd like to thank you for the warm reception I received both times.

In November I tabled my first annual Report to the Legislative Assembly, and I'm delighted to be with your committee today to discuss it.

I would like to touch on three topics in my opening comments. The first is the importance of your committee and its work. The second is my perspective on Nunavut's development and accomplishments to date. And the final topic is some of the challenges faced by Nunavut and how my Report addresses them.

First, I have comments on your committee, its work, and its importance.

I know that your standing committee has a broad mandate, and it deals with a variety of issues and reports besides my own.

Your committee's work is very important since it helps to ensure that the government is accountable for its actions. Chapter 2 of my Report describes government accountability.

- The Legislative Assembly passes laws that allow the government to deliver programs and to collect revenue and spend money.
- When I observe issues in Nunavut that I feel are important, I report them to the Legislative Assembly in my annual Report.
- The Assembly assigned responsibility for dealing with my Report to your committee, and today your committee is beginning its hearings on my first annual Report. Through your hearings and any findings or recommendations your committee may have, you can carry out many important functions.

- You hold public hearings and make important issues public.
- You can call departments and agencies to account for our audit findings.
- You can ask departments and agencies to demonstrate how well they have performed.
- You can monitor government progress in fixing problems we note in audits.
- You can make your own recommendations to government if you are not satisfied with government responses to our recommendations or if you are not satisfied with how fast government is working to implement the commitments it made in management responses to our audits.

In short, Mr. Chairman, public discussion of issues is an important part of protecting government money. This committee has a vital role in this process.

The second topic I want to talk about is my own perspective on Nunavut's development and accomplishments to date.

Mr. Chairman, Nunavut joins Canada, the provinces and the other territories as a senior government. Implementing and operating a senior government is a serious and complicated undertaking. There are many possible pitfalls. Building Nunavut is a long-term exercise that will continue for many years. Sustained effort and, at times, courageous choices are needed.

Nunavut is the newest senior government in Canada. As you approach your third anniversary, there is much your government has accomplished already.

With hard work and planning that began years before 1 April 1999, there was a smooth transition from the Government of the Northwest Territories to the Government of Nunavut.

Beyond the day-to-day problems of starting a new government, your government took the time to lay out a strategic vision for the future in the *Bathurst Mandate*.

In addition, your government has begun to implement some of the priorities set out in the *Bathurst Mandate* and other documents.

The third and final topic I would like to comment on is my perspective on challenges that Nunavut faces.

Mr. Chairman, my Report covers a number of issues. In these opening comments, I want to talk about two broad challenges that are important to Nunavut: making choices and staffing the government. I think that together these two topics cover most of the issues in my Report.

There are always more important things for a government to spend money on than there is money. As a result, the first challenge I want to talk about today is making choices.

All governments need to make difficult choices. Much of my Report deals with how the government does this. Your government is complicated. There are 11 departments, many agencies, and dozens of government programs.

There are many ways to make sense of all the choices that the government has to make. Perhaps I might take a few minutes to discuss just one approach to reviewing information to help understand government choices. As I do this, I'll refer to information in my Report that explains these issues in greater detail.

The first step in this process is for the government to determine how much it can afford to spend in total. Chapter 3 of my Report is entitled Government financial health. In it, I outline some of the ways that MLAs and others can assess the government's overall financial health. In short, assessing financial health requires both looking back at past financial results and looking forward to government spending plans.

Chapter 3 does not include recommendations. This is because there is no one answer to how financially healthy a government is. I think it is important for MLAs to draw their own conclusions so that they can consider the government's past spending and future spending plans.

At the same time, one of the principles in the *Bathurst Mandate* is “working within our means.” It might be useful for the committee to ask government witnesses if they feel the government is working within its means, and whether this will continue in the future.

The second step in the process, after the government decides how much it can afford to spend in total, is to decide how to allocate money to different departments and programs within departments. For example, how much should the government spend on the Department of Health? How much should it spend on the Department of Education? And within Education, how much should the government spend on elementary and high school education, how much on Nunavut Arctic College, and how much on building or renovating schools?

As the third step, the government must ensure that it has mechanisms in place to see how well programs are working. For example, in Chapter 2 we note how the Nunavut Development Corporation spends about \$3 million a year to create jobs in communities. How many jobs does this create? Is there a better way to do this? These are the types of questions that should be asked from time to time about every major government program.

Finally, the government needs to add up the total cost of all programs. If the government concludes that the total cost is not affordable, then spending decisions need to be reconsidered.

Mr. Chairman, these are not easy questions. In Chapter 4 of my Report, I note that the government is doing a program review to help it make choices in the future.

I have not audited the current program review process. But in general, I strongly support program review in government, and I think its timing in your government is good. If done right, program review can help your government set its own financial priorities, which may be different from those transferred from the Government of the Northwest Territories. In other words, program review could give the government the information it needs to continue the process of having Nunavut’s government address Nunavut’s

priorities. Since program review is so important, the Committee may wish to make it the subject of future hearings.

I have just outlined a process that the government can use to decide how to spend money on programs. Now I'd like to turn to discussing some important issues in government that require choice.

Chapter 5 of my Report is on the environment. There are certainly choices that the government needs to make here. The government needs to choose to clean up pollution or contaminated sites, or not to clean them up. If there are lots of sites to clean up, then the government needs to choose which are the most important.

In my Report, I note that more information is needed before choices can be made. There are lots of different types of pollution and contaminated sites. Some may be dangerous to Nunavut residents, to wildlife, to foods, or to ways of life. Some may not be dangerous.

I want to be very clear that I am not saying that there are serious environmental issues in Nunavut. I don't know this. My point is that the new government does not have all the information it needs to answer this important question. Once the government does know what pollution is in Nunavut, it can determine if it is important to clean up or not. Then it can see if someone else will pay for the clean-up, or if Nunavut will have to pay itself.

In Chapter 5, I recommend that the government develop a plan to identify, evaluate, and estimate the costs of cleaning up contaminated sites in Nunavut that need to be cleaned and are the government's responsibility. Management agrees, and notes that the plan will take five years or more to complete. The committee may want to get an update from appropriate government officials.

Chapter 6 of my Report talks about the choice of leasing or buying assets like buildings.

There are many ways that a government can plan its capital spending. In Chapter 6, I outline one way of doing this that may help in understanding the different kinds of choices governments need to make when making capital plans.

- There will always be more possible capital projects than there is money. So first, a government needs to choose its most important capital projects.
- Second, a government needs to choose how many capital projects it can afford now.
- Third, a government needs choose how to pay for – or finance -- each project it has approved. There are three financing options.
 - It can pay cash -- if the government has cash.
 - It can borrow money -- if someone is willing to loan money and if the government thinks it can repay the loan.
 - Or it can lease – if someone is willing to lease to the government and if the government thinks it can make the future lease payments.

To date, Nunavut has not borrowed to build capital projects, so I would like to focus on the two ways Nunavut currently finances capital projects: by buying with cash or by leasing.

In some cases, it might be better for the government to lease; in other cases, it may be better to buy. It all depends on the details.

Normally a government tries to get a building for the lowest price. But I know and respect that other things are important besides a low price, such as benefits to the Inuit. In my view, any of the three financing options --buying, borrowing, or leasing -- can give benefits to the Inuit depending on how the project is set-up. The question of which of the three financing options gives the highest benefits to the Inuit also depends on the details.

In Chapter 6, I make four recommendations on leasing. For example, at present, capital projects that are financed with leases are not disclosed in the government's annual

capital estimates. MLAs do not get information on projects financed with leases in the same way as for capital projects paid for with cash. My Report recommends that the government include information on planned leases in the capital estimates.

Management agreed to this recommendation and my other three recommendations on leasing.

The costs involved in acquiring buildings are huge. And it is important to remember that the costs are huge whether the building is financed with cash, new borrowing, or a lease. It may be useful for the committee to get an update from appropriate government officials on progress in addressing our recommendations.

The second major challenge I want to raise today is staffing the government.

Chapter 4 of my Report talks about the importance of building good financial management in the government. In my view, the government currently does not have all the trained staff it needs to provide good financial management.

Getting people with the training needed for financial management is only an example. Staffing problems in other areas are well known, so I would like to speak for a moment about training in general.

Training Nunavut residents is part of the staffing solution today and in the long term. I note that the government's recent announcement of a special program to produce Inuit lawyers, and the government's response to my recommendations, mention the development of an Inuit Employment Plan.

Mr. Chairman, I would like to come back to the issue of staffing financial management jobs, especially those that require training. At present, there are lots of jobs in Canada for people with good training in financial management. For example, my Office has to fight to recruit and retain the staff needed to do our work.

Nunavut will have to compete against other parts of Canada for existing financial managers, and it can take years to train new ones. So I am concerned about whether there will be enough trained financial people in the government over the next few years, particularly as the government moves responsibilities to communities.

To be clear Mr. Chairman, the government's decentralization plans are based on an explicit government policy, and I do not comment on policy. My point here is that the government needs to ensure that it has the people it needs – in all areas, including financial management -- to make sure that decentralization plans will work.

In Chapter 4, I make four recommendations, all of which management has accepted. Two relate to staffing financial managers, and one relates to developing an overall plan to give Nunavut residents the training and experience they need to fill government jobs. The committee may wish to discuss progress in implementing these recommendations with appropriate government officials.

My final recommendation in Chapter 4 relates to the government's internal audit function.

There are many types of audits. The audits I do are called external audits, and I report the results of my work to the Legislative Assembly. Internal audit is different. It is done for managers. Internal auditors report the results of their work to managers to help the government improve its operations and to ensure that the government complies with important financial rules.

Internal audit should be an important part of good financial management. To date, Nunavut's internal audit has not produced many reports. I feel that it is essential that this function increases its operations, and management also agrees with this recommendation. I would one final thought about internal audit.

The government carries out its programs through Crown corporations, revolving funds, and other entities – not just government departments. As the government develops

plans for future internal audits, it will be important to include all parts of government, not just departments.

As with some of the other points I raised today, the committee may wish to ask government officials for an update on progress improving the internal audit function.

Mr. Chairman, thank you for the opportunity to appear here today to discuss my Report. When I do my work in Nunavut, I try to bear in mind that it is a new government without the decades of experience of other senior governments in Canada. This makes it a unique and rewarding professional challenge for me, and I hope my recommendations help the government develop.

In closing, I would like to conclude by recapping my opening comments on this committee. Your work is important to Nunavut and its residents, and your work can improve the government. The public discussion of issues is an important part of protecting government money, and this committee also has a vital role in this process.

I look forward to serving the people of Nunavut by working with the Standing Committee on Government Operations and Services – in a constructive way – to hold the government accountable for the actions it carries out on behalf of the Assembly.

Your work helps strengthen my own work. I hope that my work also helps your committee with its work, and ultimately helps build public government in Nunavut.

Thank you very much / Qujannamiik (*Koy-ya-na-me*)