



**FINANCIAL ADMINISTRATION  
MANUAL**



Revised Date: <b>November 2018</b>	Effective Date: <b>Immediate</b>	Responsible Agency: <b>Expenditure Management</b>	Directive No: <b>300</b>
Chapter: <b>Budgetary Control</b>			
Directive Title: <b>CHAPTER INDEX</b>			

- 301 Budget Categories and Management Controls
- 302 Budget Adjustments and Transfers
- 302-5 Capital Carry-overs
- 303 Special Warrants
- 307 Budget Requirements – Revolving Funds



Issue Date: <b>May 2008</b>	Effective Date: <b>April 25,2008</b>	Responsible Agency: <b>Expenditure Management</b>	Directive No: <b>301</b>
Chapter: <b>Budgetary Controls</b>			
Directive Title: <b>BUDGET CATEGORIES &amp; MANAGEMENT CONTROLS</b>			

## 1. POLICY

Under *S.28 and S.29 of the Financial Administration Act (FAA)*, the Minister of Finance, directed by the Financial Management Board (FMB), must prepare annual Estimates for consideration and approval by the Legislative Assembly. These Estimates, or budgets, which are based on department business plans, represent the planned spending activities of the Government, and the forecasted revenues to support such spending.

The Estimates, referred to as Main Estimates and Capital Estimates, are divided into votes, subdivided into items, and further subdivided into activities. The Legislative Assembly reviews and approves the Estimates at vote and item level for operations and capital expenditures, and passes *Appropriation Acts* which authorize the approved Estimates.

The Government also undertakes certain activities in Nunavut for the Government of Canada and others. These costs are fully recoverable.

Revenue and recovery forecasts provided in the Main Estimates do not require approval by the Legislative Assembly, but are provided as information to assist the Legislative Assembly in their review and approval of expenditures.

## 2. DEFINITIONS

Many of the following terms have been defined in the *FAA* and are reproduced here for ease of reference. Definitions in the Act prevail if discrepancies exist.

### 2.1. Activity

A subdivision of an item, usually a branch within a department.

### 2.2. Appropriation

The authority contained in an Act to incur an expenditure.

### 2.3. Control Object

A specified category within an expenditure vote or revenue budget.

2.4. Item

A subdivision of a vote representing a department or entity established to deliver programs and/or services.

2.5. Vote

A broad category of expenditure according to its intended use (e.g., Vote 1 – Operations and Maintenance, Vote 2 – Capital).

### **3. DIRECTIVE**

With this directive, the FMB provides the basic format and controls for the Government's annual budgets. The budgets must be managed and controlled according to the provisions herein.

### **4. PROVISIONS**

#### **4.1. Budget Categories**

At a minimum, budgets will be prepared and summarized in the following manner:

- 4.1.1. Operations and Maintenance Expenditures (Vote 1) includes proposed expenditures for operating and maintenance charges which must be allocated to control objects of expenditure within each activity, and identified separately for each administrative region and/or area. The control objects to be used are:

- Compensation and Benefits
- Grants and Contributions
- Other Expenses
- Amortization is an operations expenditure reflected in the summary of operations. This is a non-voted item.

- 4.1.2. Capital Expenditures (Vote 2) includes planned expenditures to construct, acquire or improve tangible capital assets, and includes capital leases. This also includes capital assets provided to third parties by way of grants and contributions.

The Capital Estimates include a five year capital plan which provides details by item, activity, region and community for each project planned. Only year one of the capital plan is included in appropriations voted on by the Legislative Assembly.

- 4.1.3. Public Revenue (Vote 8) includes all expected revenues for the next fiscal year received from the regular operations of the Government and appears in the Main Estimates schedule, “Summary of Revenues”, classified under the following categories:
- Federal Transfers
  - Own Source Revenues
- 4.1.4. Disbursements Funded by Third Parties (Vote 4/5) represents activities carried out by the Government of Nunavut and funded by the Government of Canada or other entities.
- 4.2. Budget Management

The basis for budget preparation and management for the government is provided by the *FAA*, which stipulates that:

- An expenditure cannot be made without the legislation which authorizes spending to occur (an appropriation), (S.27).
- The Minister of Finance is required to prepare Estimates for expenditures and revenue and must present annually an appropriation bill based on the Estimates for Legislative Assembly approval (S. 28, 29).
- Every expenditure must be charged to a vote, item and activity as presented in the Estimates (S. 30).
- It is prohibited to incur an over-expenditure of an item in the Estimates (S. 32).
- Any unspent balance of an appropriation is cancelled at the end of the fiscal year (S. 34).

Although the Estimates must be divided into votes, items and activities as per *S. 28 of the FAA*; no changes can be made to appropriations at the vote and item (usually department) level without the approval of the Legislative Assembly. *S. 33 of the FAA* requires changes to appropriations at the vote and item level to be made through supplementary appropriation bills or special warrants.

*S. 32.1 of the FAA* delegates authority to the FMB to transfer funds at the activity level so long as the appropriated item total does not increase. In Regulation 9918, the FMB delegates this authority to Ministers and Deputy Heads. See Directive 302, Budget Adjustments and Transfers, in this manual.



S.32.2 of the *FAA* requires a Deputy Minister to ‘take all reasonable measures to ensure that no expenditure is incurred in respect of his or her department that causes an activity budget to be exceeded.’ If an over-expenditure occurs, the Minister of Finance must be informed, and he must advise the FMB and, where an over-expenditure exceeds \$250,000, the Legislative Assembly.

While Ministers and Deputy Heads have overall budgetary responsibility to the FMB and the Legislative Assembly, all public officers who have budget responsibilities shall be accountable to their Deputy Heads to prudently manage and control their budgets and to operate within allocated budget limits.

A monthly revenue/expenditure analysis report must be submitted by each department to the Expenditure Management Division of the Department of Finance, providing explanations of variances and plans to correct deviations.

Vote 3 - Loans - The appropriation for each loan program shall be allocated to the activity level.



Issue Date: <b>November 10, 2016</b>	Amended Date: <b>November 29, 2018</b>	Responsible Agency: <b>Expenditure Management</b>	Directive No: <b>302</b>
Chapter: <b>Budgetary Controls</b>			
Directive Title: <b>BUDGET ADJUSTMENTS AND TRANSFERS</b>			

## 1. POLICY

The Legislative Assembly controls budget adjustments and transfers at the vote and item level, while *s.32.1* of the *Financial Administration Act (FAA)* gives authority to the Financial Management Board (FMB) to transfer funds among activities. Under the Delegation of Authority Regulations, the FMB delegates to Ministers and Deputy Heads the authority to make transfers among activities within the appropriations voted by the Legislative Assembly.

## 2. DIRECTIVE

Pursuant to the Delegation of Authority Regulations and subject to the following provisions and any restrictions imposed by the FMB from time to time, Ministers and Deputy Heads have the authority to:

- a) make transfers among activity and control object budgets within appropriations under Vote 1, Operations and Maintenance Expenditures; and
- b) make transfers among activity, control object and project budgets within appropriations under Vote 2, Capital Expenditures.

This directive applies to all government departments and to capital appropriations of Nunavut Arctic College.

## 3. PROVISIONS

- 3.1. Ministers may establish new capital projects through funding transfers, provided that such new projects create no incremental operating costs that cannot be funded from within the department's existing funding levels.



- 3.2. No vote or item that has been approved within an appropriation may be changed without Legislative Assembly approval through a supplementary appropriation act or special warrant.
- 3.3. Budget adjustments or transfers approved through supplementary appropriations are approved when the supplementary appropriation act is approved in the Legislative Assembly. Any action taken prior to approval is a violation of s.27 of the *FAA*.
- 3.4. In accordance with FAM directive 303 Special Warrants, a department has the authority to initiate budget increases on the day the special warrant is approved by the Commissioner of Nunavut.
- 3.5. Each department must ensure all budget adjustments and transfer requests are properly authorized by the Minister or Deputy Head prior to forwarding to the expenditure management division of the Department of Finance (Expenditure Management). All requests must provide full details with respect to description, purpose, dollar value, and activities affected. Cash flow schedules for all adjustments and transfers are to be provided.
- 3.6. All budget adjustments and transfers shall be processed by Expenditure Management, which will review each request for completeness.
- 3.7. All budget adjustments and transfers must be approved and processed prior to any related expenditures being recorded, except in emergencies per s.45 (2) of the *FAA*.
- 3.8. All budget adjustments and transfers for any fiscal year must be submitted by departments before the end of that fiscal year.
- 3.9. Departments may transfer project funding control to regions and to other departments acting as project managers.
- 3.10. Departments acting as project managers for other departments shall provide to those departments and Expenditure Management, when requested, current information on the financial status of projects under their spending authority.
- 3.11. Expenditure Management shall:
  - 3.11.1. monitor budget transfers and adjustments to ensure compliance with this directive;

- 3.11.2. prepare for the Legislative Assembly, pursuant to s.32.1 (2) of the *FAA*, a list of transfers exceeding \$250,000; individual transfers for the same purpose whose cumulative total exceeds \$250,000 must be included;
- 3.11.3. prepare a schedule of the final adjusted budget amounts to be included in the Public Accounts for each fiscal year; and
- 3.11.4. in accordance with s.32.2 (4) of the *FAA*, prepare a report for the Legislative Assembly with details of all cases where expenditures exceeded the activity estimate by more than \$250,000. The information for the report will be provided by the department(s) causing the overage.

#### **4. GUIDELINES**

- 4.1. Departmental requests for budget transfers to offset actual expenditures exceeding planned spending are an indication of inadequate budget management practices and should not be approved.
- 4.2. Budget transfers affecting Operations and Maintenance appropriations should represent permanent reallocations that reflect program, priority, organization or policy changes.
- 4.3. Consultation guidelines for capital project budget adjustments
  - 4.3.1. No new capital projects over \$250,000 are to be established until the responsible Minister has consulted in writing with the impacted Member(s) of the Legislative Assembly (MLA(s)). This correspondence shall be copied to all members of the Regular Members' Caucus, the Clerk of the Legislative Assembly, and the Secretary to the FMB. If the impacted MLA(s) and/or other members of the Regular Members' Caucus do not support the proposed project, the responsible Minister shall advise the Chairman of the FMB in writing if he or she intends to proceed with the project. The requirement for consultation shall be waived if a new project is necessary due to an emergency, in which case notice shall be provided. When a department proposes to delete a capital project of significant concern to a community, the Chairman of the FMB, the impacted MLA(s), other members of the Regular Members' Caucus, the Clerk of the Legislative Assembly and the Secretary to FMB must be advised.

- 4.3.2. When a department makes any adjustment to a capital project, which significantly affects the scope (\$100,000 or 20% of the project budget, whichever is greater) or timing (e.g., a year or more delay) of the project, the responsible Minister shall advise the impacted MLA(s), other members of the Regular Members' Caucus, the Clerk of the Legislative Assembly, and the Secretary to FMB. Minor adjustments required to address changes in project budgets need not be reported to MLA(s), but must be reported quarterly as described in provision 4.3.3. of this directive.
- 4.3.3. Each quarter, the Chairman of the FMB shall provide the Regular Members' Caucus with a report, by department, which identifies all capital adjustments made in that quarter. A copy of that report shall be sent to the Clerk of the Legislative Assembly and to the Secretary to FMB.



Issue Date: <b>May 2008</b>	Effective Date: <b>April 25, 2008</b>	Responsible Agency: <b>Expenditure Management</b>	Directive No: <b>302-5</b>
Chapter: <b>Budget Management Control</b>			
Directive Title: <b>CAPITAL CARRY-OVERS</b>			

## 1. POLICY

The Legislative Assembly approves only one year's appropriation each fiscal year, but *S.44 (2) of the Financial Administration Act (FAA)*, allows for multi-year contracts or obligations. Under *S.34 of the FAA*, any unused portion of a capital appropriation lapses annually even though projects may be scheduled for completion over several years. It is not unusual for capital expenditure projects to lapse appropriated funds due to construction delays and other unforeseen circumstances.

Although financial obligations might exist with these projects, lapsed appropriation authority cannot be automatically added to a following year's appropriation, but rather supplementary appropriation approval must be sought to carry-over the lapsed appropriation authority to the next fiscal year. The following directive sets out the provisions for requesting the carry-over of lapsed funds to the subsequent fiscal year.

## 2. DEFINITION

### 2.1. Capital Carry-over

The portion of an appropriation (Operation Expense (see directive 703-1) or Capital Expense) voted in a fiscal year which, owing to construction or other delays, could not be expended within a fiscal year.

## 3. DIRECTIVE

A capital carry-over request must be made in accordance with the following Provisions.

## 4. PROVISIONS

4.1. The Financial Management Board will consider a capital carry-over request where:



- 4.1.1. a contractual or financial commitment exists against an approved project budget, or
- 4.1.2. an existing approved project has not been started, no contractual or financial commitments or actual expenditures have been made, and a submission with supporting documentation requesting carry-over is made to the FMB within the first quarter of the new fiscal year.
- 4.2. In order to be eligible for supplementary appropriation in the following year, the project funding associated with the capital carry-over must have lapsed against the specific project in the previous fiscal year and not have been used for another purpose.
- 4.3. As a general rule, capital carry-over requests under \$50,000 will be funded from within a department's appropriation for the subsequent year.



Issue Date: <b>May 2008</b>	Effective Date: <b>April 25, 2008</b>	Responsible Agency: <b>Expenditure Management</b>	Directive No: <b>303</b>
Chapter: <b>Budgetary Control</b>			
Directive Title: <b>SPECIAL WARRANTS</b>			

## 1. POLICY

The Main Estimates and Capital Estimates provide the Government with the financial resources needed to accomplish its plans. The Legislative Assembly approves the Estimates at the vote and item level. However, events may arise during the fiscal year that are unforeseen, and require additional funding. Because no vote or item approved by the Legislative Assembly may be changed without Legislative Assembly approval, either a supplementary appropriation bill or a special warrant is required. It is usually a supplementary appropriation bill that is approved by the Legislative Assembly to provide the needed funding, but at times the use of a special warrant is necessary because the Legislative Assembly is not in Session. All special warrants must subsequently be approved by a supplementary appropriation.

## 2. DEFINITIONS

Refer to Directive 301.

## 3. DIRECTIVE

A request for a special warrant must be made in accordance with the provisions of this directive.

## 4. PROVISIONS

4.1. The Commissioner of Nunavut may issue a special warrant, under S.33 (1) of the *Financial Administration Act (FAA)*, when the Legislative Assembly is not in session, if the Financial Management Board (FMB) advises that:

- a) an expenditure is urgently required,
- b) the expenditure is in the public interest, and
- c) there is no appropriation or an insufficient appropriation to incur the expenditure.

- 4.2. The Legislative Assembly is considered not in session, under S.33 (2) of the *FAA*, when it has been adjourned indefinitely or it will not reconvene until a day more than two weeks after the day the special warrant is issued.
- 4.3. The FMB may fund the special warrant totally or partially, under S.33 (4) of the *FAA*, by reducing amounts appropriated for other item(s) where it considers that:
  - a) the amount appropriated for the other item(s) is not urgently required;  
and
  - b) the public interest will not be adversely affected.
- 4.4. The Minister of Finance is required, under S.33 (5) of the *FAA*, to submit all expenditures authorized by a special warrant and all reductions of appropriated amounts under S.33 (4) as a supplementary appropriation bill to the Legislative Assembly at the resumption of the session or the next session, as the case may be.
- 4.5. The Public Accounts must include, under S.33 (6) of the *FAA*, a listing of all special warrants issued during the fiscal year.
- 4.6. One or more of the following characteristics must be present when determining that an expenditure is 'urgently required' or 'in the public interest':
  - a) health/safety issues
  - b) program delivery issues
  - c) legal issues
  - d) contract obligation issues
  - e) financial commitment issues.



Issue Date: <b>August 2008</b>	Effective Date: <b>July 10, 2008</b>	Responsible Agency: <b>Expenditure Management</b>	Directive No: <b>307</b>
Chapter: <b>Budgetary Control</b>			
Directive Title: <b>BUDGET REQUIREMENTS - REVOLVING FUNDS</b>			

## 1. POLICY

In order to ensure that revolving funds operate within approved financial parameters and in accordance with their intended purposes, suitable budget, control and reporting requirements are necessary.

## 2. DIRECTIVE

All revolving funds with revenues in excess of \$1,000,000 must prepare budgets and financial statements that comply with the provisions outlined in this directive. Revolving funds with revenues less than \$1,000,000 must comply if directed to do so by the Financial Management Board (FMB).

## 3. PROVISIONS

3.1. Revolving fund budgets must be prepared annually and submitted to the FMB in a form and within the time prescribed by FMB. Budgets are to be based on accrual accounting and be consistent with generally accepted accounting principles (GAAP). Budget content must include:

- a) a description of the fund and its purpose;
- b) a list of full and part-time positions, with person year (PY) equivalency, funded by the revolving fund;
- c) an income statement, including:
  - i. operating expenses in detail;
  - ii. revenues by type, including recovery rates and how they are determined;
  - iii. projected profit/loss;
- d) a proposed capital acquisition and disposal plan;
- e) a projected balance sheet;
- f) a projected cash flow statement;

- g) comparative data from preceding budget and the most recent prior year's actual, with explanations of significant variances.
- 3.2. Budget review by Expenditure Management and approval by FMB is required.
- 3.3. Any increase or decrease to previously approved budgets must also be approved by FMB before any of the proposed changes are implemented.
- 3.4. Revolving funds are expected to operate on a breakeven or profit generation basis. Recovery rates should be set to recover costs incurred, including:
  - a) normal operating expenses; and
  - b) administrative expenses.
- 3.5. The authorized limit of each revolving fund is set by the *Revolving Funds Act* or by regulation.
- 3.6. Interim quarterly financial statements must be provided to Expenditure Management within 30 days after each quarter end, and must include:
  - a) an income statement for the period to date, with a forecast for the remainder of the period compared with the approved budget and a report providing explanations for any significant variances for the period to date;
  - b) a balance sheet; and
  - c) a cash flow statement for the period to date, with a forecast for the remainder of the fiscal year;
- 3.7. All requirements of the *Revolving Funds Act* and the *Financial Administration Act*, part VI, must be observed.
- 3.8. Any exceptions to the requirements of this directive must be approved by FMB.