



# FINANCIAL ADMINISTRATION MANUAL



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| Revised Date:<br><b>April 2022</b>       | Effective Date:<br><b>Immediate</b> | Responsible Agency:<br><b>Office of the Comptroller<br/>General</b> | Directive No:<br><b>900</b> |
| Chapter:<br><b>CONTROL OF REVENUES</b>   |                                     |   |                             |
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| Issue Date:<br><b>May 2008</b>  | Amended Date:<br><b>June 25, 2021</b> | Responsible Agency:<br><b>Office of the Comptroller<br/>General</b> | Directive No:<br><b>901</b> |
| Chapter:<br><b>Control of Revenues</b>  |                                       |   |                             |
| Directive Title:<br><b>FEES, LICENSES, ADMINISTRATIVE PENALTIES AND<br/>FINES</b> |                                       |   |                             |

## 1. POLICY

S.4 of the *Financial Administration Act (FAA)* permits the Financial Management Board (FMB) to act on all matters related to the financial management and financial administration of the Government.

S.18 of the *FAA* permits a fee to be charged for any service provided by a department or public agency in the amount and in the circumstances as the Minister responsible for a department or public agency directs or the regulations require.

The Minister responsible shall submit all proposed fees and licenses to be charged for any service provided by a department or public agency, and all proposed fines or administrative monetary penalties in respect of the contravention of any law, to the FMB for approval.

## 2. DIRECTIVE

Where economically and administratively feasible, or to promote social goals, and after review by the FMB, the Minister responsible for a department or public agency may charge a fee for any goods supplied or services rendered to the public, unless there are provisions for specific exemption.

The Legislature may create summary offences, which are punishable by fine or imprisonment. The Minister of Justice may make regulations designating certain offences as ticket offences and setting fines for those offences pursuant to the *Summary Conviction Procedures Act*.

The Legislature may also create systems of administrative monetary penalties as a mechanism for enforcing compliance with regulatory legislation. These are monetary penalties assessed and imposed by a regulator without recourse to a court or independent administrative tribunal. They do not result in imprisonment or a criminal record.

This directive applies to all government departments and public agencies.

### **3. PROVISIONS**

- 3.1. The Minister responsible must submit all proposed fees, charges for services, fines and administrative monetary penalties as well as their proposed modifications to the FMB for consideration and approval.
- 3.2. All Deputy Heads shall review their operations periodically to ensure the fee charged for goods supplied or for services rendered to the public is appropriate and advise their Minister accordingly.
- 3.3. Departments and public agencies shall designate an individual to be responsible for the accounting, control and collection of revenue derived through fees, licenses, administrative monetary penalties and fines.
- 3.4. Where the fee, license, administrative monetary penalty or fine is collected by an external agency, the program manager must ensure that:
  - a) a contract or agreement is signed, the duties and responsibilities are clearly defined by the contracting department or public agency and all necessary controls are in place; and
  - b) all contracts are reviewed by the Office of the Comptroller General and by the Legal and Constitutional Law division of the Department of Justice.
- 3.5. Charges for a service to the public may be on a full or partial cost recovery basis (including all direct costs and indirect costs incurred both by the department or public agency itself and by other departments or public agencies on its behalf).
- 3.6. It may be desirable to set prices at levels that promote social or economic goals (either greater or less than actual costs, depending on the objective).



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- 3.7. Departments and public agencies shall review the offence provisions and determine whether increases to the fine amounts are required when developing or amending legislation.
- 3.8. Departments and public agencies shall consider replacing the offences with administrative monetary penalties where appropriate. Fines and administrative penalties should be set at the appropriate levels to promote specific and general deterrence.



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| Issue Date:<br><b>May 2008</b>             | Amended Date:<br><b>August 15,<br/>2019</b> | Responsible Agency:<br><b>Office of the Comptroller<br/>General</b> | Directive No:<br><b>905</b> |
| Chapter:<br><b>Control of Revenues</b>     |   |   |                             |
| Directive Title:<br><b>TAXES - GENERAL</b> |   |   |                             |

## 1. POLICY

*Section 23 (j) of the Nunavut Act* gives the Legislature power to make laws in relation to direct taxation within Nunavut in order to raise revenue for territorial, municipal or local purposes.

## 2. DIRECTIVE

The Minister of Finance, with the approval of the Executive Council and the recommendation of the Financial Management Board, shall present to the Legislature all requests for new taxes or the repeal of existing taxes. Existing taxes may be modified either by legislation, or where permitted, through regulation.

This directive applies to all government departments and public agencies.

## 3. PROVISIONS

- 3.1. Any requests to the Legislature relating to taxes must contain clear and complete details of the nature of the tax, any exemptions, applicable rates, penalties and remittance requirements.
- 3.2. The Deputy Head of the Department of Finance shall ensure that procedures are in place to collect all taxes and penalties that are due to the Government in an efficient and effective manner.
- 3.3. The following are the acts under which taxation is presently levied and collected by the Government:



- a) *Income Tax Act*;
- b) *Property Assessment and Taxation Act*;
- c) *Tobacco Tax Act*;
- d) *Payroll Tax Act*;
- e) *Petroleum Products Tax Act*;
- f) *Insurance Act (Nunavut)*.

These acts are administered by the Department of Finance.

- 3.4. Nunavut's share of the excise tax under the *Cannabis Act* is levied and collected on behalf of the Government by the Government of Canada. These taxes are then remitted back to the Government.
- 3.5. The Government of Canada levies and collects taxes in Nunavut under the *Greenhouse Gas Pollution Pricing Act*. These taxes are then remitted back to the Government.
- 3.6. The taxation aspect of any act that may be approved by the Legislature shall be administered by the Department of Finance.
- 3.7. Where authorized by an act, the Department of Finance may enter into information sharing agreements with the Canada Revenue Agency and with provincial and territorial governments to enable reciprocal enforcement of laws respecting taxation.



# FINANCIAL ADMINISTRATION MANUAL



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|--|-------------------------------------|---|-----------------------------|
| Issue Date:<br><b>September<br/>2009</b>               | Effective Date:<br><b>Immediate</b> | Responsible Agency:<br><b>Comptroller General</b> | Directive No:<br><b>907</b> |
| Chapter:<br><b>Accounting and Control of Revenue</b>   |                                     |   |                             |
| Directive Title:<br><b>CREDIT GRANTING AND CONTROL</b> |                                     |   |                             |

## 1. POLICY

Under the authority granted by *S.4 (1)* and *S.54* of the *Financial Administration Act (FAA)*, the Government may grant credit when it is necessary to fulfill the policy objectives of the Government or where the repayment and other conditions are set out in legislation, regulations or an agreement.

## 2. DIRECTIVE

In cases where separate legislation does not apply, the Government may grant credit to individuals and organizations when there is a reasonable expectation that repayment will occur or where it is required to meet the policy objectives of the Government.

The granting of credit is to be avoided whenever possible. The Government may refuse to provide credit unless it is required by legislation.

## 3. PROVISIONS

### 3.1. Types of credit

- 3.1.1. Programs that grant credit are generally covered under separate legislation. The policies of the program will determine who will qualify for credit.
- 3.1.2. When not specifically covered under separate legislation, the Government has complete discretion in determining whether or not it will provide credit and under what terms it will be granted.

### 3.2. Credit Information

- 3.2.1. Program Managers are responsible to determine the credit worthiness of organizations or individuals prior to granting them credit.
- 3.2.2. In determining credit worthiness, the relationship between the Government and the recipient is to be considered. This includes

assessing the history of the recipient in meeting the terms of previous arrangements.

- 3.2.3. In determining the credit worthiness of individuals and organizations, due diligence must be carried out before credit is granted. Some factors to consider are:
- a) the financial strength of the individual or organization including current debt load and perceived ability to repay;
  - b) the qualifications and character of the individual, board members or other key decision makers;
  - c) the appropriateness of the project in relation to the department's business plan;
  - d) whether government assistance is appropriate or are there other sources of funding that would be more appropriate; and
  - e) whether the organization has unpaid amounts or past amounts written-off owing to the Government or others.
- 3.3. Documentation
- 3.3.1. Departments are responsible for documenting the information used in determining the credit worthiness of individuals or organizations to which credit is granted.
- 3.3.2. In situations where credit is granted because it is essential to fulfill the policy objectives of the department, an explanation of the circumstances surrounding the granting of credit must be documented.
- 3.4. Credit Terms
- 3.4.1. Unless provided for in legislation, interest rates and credit terms should comply with Directive 915 and the Interest Rate Regulations (Regulation 9913).
- 3.4.2. All loans granted must comply with the provisions of FAM Directive 911-1 Loans and Advances
- 3.5. Monitoring
- 3.5.1. Departments are responsible for collecting amounts owing to the Government and must follow the provisions of Directive 908.





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| Issue Date:<br><b>August 2008</b>  | Effective Date:<br><b>July 10, 2008</b> | Responsible Agency:<br><b>Comptroller General</b> | Directive No:<br><b>908</b> |
| Chapter:<br><b>Accounting and Control of Revenue</b>                     |   |   |                             |
| Directive Title:<br><b>COLLECTION OF AMOUNTS OWING TO THE GOVERNMENT</b> |   |   |                             |

## 1. POLICY

The Deputy Head of each department is responsible for establishing an accounts receivable collection strategy that takes advantage of the full range of available collection methods, tools and specialists. The collection strategy should complement program needs and statutory requirements.

Departments are responsible for collecting amounts due to their departments, whether owing from persons or organizations outside of the Government, employees or other Government departments.

Where the accounts receivable of a department are of an incidental nature rather than a normal course of business, an agreement may be negotiated with the Office of the Comptroller General to act as the collection agent on behalf of the department.

## 2. DIRECTIVE

Each Department will vigorously and actively pursue the collection of amounts owing to their department. This activity shall use all of the tools and collection methods that are available and that are appropriate in the individual circumstances, subject to this directive.

Collection strategies must provide consistent and equitable treatment to debtors.

## 3. PROVISIONS

### 3.1. Departmental Responsibilities

- 3.1.1. All collection action taken by the Government must respect the privacy and confidentiality of the parties involved.
- 3.1.2. A Public Officer within the department must be given the primary responsibility for collecting accounts receivable.

- 3.1.3. Collection strategies established by departments must have the following minimum elements:
- the ability to produce an accurate, aged listing of all outstanding amounts owing to the department. Where possible, control accounts are to be used and balanced monthly with the subsidiary ledger;
  - the ability to produce and deliver to the debtor, where warranted, periodic (at least monthly) statements for each amount owing, showing details making up the balance and an aging of the amount due;
  - a procedure whereby there is a monthly review of the aged accounts receivable listing by an employee with authority higher than the person responsible for maintaining the accounts receivable and a quarterly review by senior management;
  - a system to ensure that collection action is commenced at an early date and before the debt becomes too large relative to the debtor's ability to pay;
  - a systematic approach to collections whereby higher levels of departmental authority become involved as the account becomes older;
  - a system to follow up on commitments or promises made by the debtor or the department;
  - a system to communicate and liaise with the Department of Finance for files turned over to them in order to avoid duplication and to assure effective collection action is maintained;
  - a procedure to recommend for write-off those accounts where further collection action would no longer be cost effective; and
  - an evaluation mechanism for determining the performance of the collection function, including performance indicators which place accountability on the individuals responsible for the various functions.
- 3.1.4. Departments may negotiate extended payment plans with creditors. All such plans must be approved by the Deputy Head of the department involved. The Public Officer responsible for collections in the department must monitor the payment plan and notify any other Public Officer or departments that may be involved in the collection process so that such action may be suspended.

- 3.1.5. Departments are to consider the cost of collection action and may decide not to continue such action, or to peruse alternative means, if they conclude that the costs would exceed any likely recovery. The decision to suspend or cease collection action must be fully documented and the information made available to the Comptroller General, upon request.
- 3.1.6. After the department has exhausted all of the means available to it to collect the debt, the file is to be transferred to the Department of Finance. This does not relieve the department from its responsibility to collect the debt and any direct costs of further collection action will be charged to the department, as will any write off.
- 3.1.7. Inter-departmental debts are not to be transferred to the Department of Finance but are to remain in the department involved.
- 3.1.8. Departments may decide to suspend collection action if there is evidence that such action would create or compound financial hardship. The approval of the Comptroller General, in consultation with the Deputy Head of the department involved, is required before collection action is suspended. The department must monitor the suspension to determine if the hardship conditions continue.

### **3.2. Collection Tools**

- 3.2.1. Standard tools and collection methods available to departments are as follows: These are minimum requirements and departments are free to employ other collection actions that may be available:
- periodic statement of account, showing aging of amount due and any interest applied;
  - friendly reminder of amount past due attached to, or included with, the periodic statement;
  - more serious reminder of amount due attached to, or included with, the periodic statement;
  - letter from program manager or main government contact person, requesting payment and outlining future action contemplated, if any; and
  - phone call, and/or email, from senior department personnel to their peers in the debtor organization, if the amount warrants.
- 3.2.2. Additional tools available to the Government are as follows:
- payroll deduction from employees of the Government;

- set-off against amounts owing to debtors by the Government;
  - the use of outside collection agencies;
  - legal action through the courts; and
  - set-off against Income Tax refunds available through an agreement between the Canada Revenue Agency and the Government.
- 3.2.3. Departments are to avail themselves of the tools listed in 3.2.1 and 3.2.2 above that they consider necessary and appropriate in the circumstances surrounding each amount owing. The actions listed in 3.2.2 will be carried out with the assistance of the Department of Finance.
- 3.2.4. The collection tools listed in 3.2.2 above are not to be used for debts owing from other departments or other governments.
- 3.2.5. The Department of Finance will pursue vigorously the collection of accounts transferred to it and will use all of the collection tools available to it.
- 3.2.6. The Department of Finance may return files to departments, with suggestions for additional collection action, in cases where they consider that actions are available to Departments that have not been explored.
- 3.2.7. Any action involving payroll deductions from employees must follow the provisions of the Human Resources Manual.
- 3.2.8. The approval of the Deputy Head of the department involved and the Deputy Minister of Finance is required before using collection agencies, legal action, or set-off against Income Tax owing. The Department of Justice must be consulted prior to taking legal action.
- 3.2.9. In cases where collection agencies or set-off action has been initiated and the account is paid in full, the collection action must be ceased immediately. Any overpayment received must be returned promptly.
- 3.2.10. Employees involved in collection action must ensure that all possible collection action has been taken before the provisions of the *Limitation of Actions Act* come into effect. The basic provision of this act is that collection action cannot be taken after six years from the latest of:
- the creation of the debt;
  - the discovery of fraud;

- the last payment on the account; or
- the last written acknowledgment by the debtor of the existence of the debt.

For debts involving land (rent, leases, mortgages etc.) the time period is 10 years. Departments are to consult with the Department of Justice should the application of this act become a factor in collection actions.

### **3.3. Records**

3.3.1. Departments are to maintain completely documented files containing written evidence of all collection action taken. This file will contain, at a minimum:

- clear evidence establishing the debt;
- copies of all correspondence, including emails, between the department and the debtor dealing with the debt;
- owing from other departments or other governments.
- a record of all activity on the account including payments, interest charges, adjustments or write offs, etc;
- memos concerning all phone calls or verbal communications with the debtor indicating the date, parties involved, and nature of the discussion; and All other pertinent documents that would assist in collecting the account.

3.3.2. Departments must submit an annual report to the Comptroller General of all amounts that are more than 90 days in arrears and have not been transferred to the Department of Finance. This report must indicate the collection action taken and the action anticipated in the future. This report must be submitted within 90 days of the year end.



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| Chapter:<br><b>CONTROL OF REVENUES</b>                         |                                      |   |                             |
| Directive Title:<br><b>RECEIPT AND DEPOSIT OF PUBLIC MONEY</b> |                                      |   |                             |

## 1. POLICY

The Comptroller General has the responsibility for ensuring that all public money is collected and accounted for, under s.12(2) of the *Financial Administration Act (FAA)*. Departments must have adequate controls in place to ensure that all public money is collected and deposited in an authorized Government bank account in a timely manner.

## 2. DIRECTIVE

Deputy Heads shall ensure that proper controls are in place, and are working, to ensure that all public money is received, stored and deposited in an authorized Government bank account in a timely manner. The controls must be in accordance with Directives in the 605 series.

## 3. PROVISIONS

### 3.1. Custody and Handling of Cash and Cash Equivalents

- 3.1.1. Any public officer who has control of public money must ensure that the public money is deposited into a Government bank account in accordance with an established system of controls. The public officer must also ensure that the money is credited to the appropriate account.
- 3.1.2. Departments who receive public money in communities that do not have access to banking facilities must have controls in place to properly safeguard the money until it can be securely transferred to Department of Finance offices that have access to banking facilities.
- 3.1.3. Under no circumstances are cash or negotiable securities to be sent through the mail. Procedures must be in place to convert cash and negotiable securities into an instrument that may only be deposited

into a Government bank account (cheque, money order, etc.) prior to sending it to the Department of Finance.

3.1.4. Public money must not be allowed to accumulate in Government offices.

- Those offices that have access to banking facilities must make deposits as frequently as necessary (daily recommended).
- Departments in non-banking communities must convert cash and negotiable securities into cheques or money orders as frequently as is necessary to avoid an accumulation of cash in the department (daily recommended).
- The departmental policy covering the handling of public money must specify the amount of cash (\$500 at a maximum) that may accumulate at individual locations and the frequency of deposits or transfers to the Department of Finance.

**3.2. Internal Control**

3.2.1. The Deputy Head, through the Executive Finance Officer, in each department that receives public money must ensure that fully documented controls are in place to properly safeguard and record public money. Segregation of duties is a key element of any control system. In locations where segregation of duties is not possible, greater management supervision is required. The control system should contain the following elements, as is appropriate to the circumstances of the department:

- incoming mail is opened by two persons, where possible and all public money received is promptly recorded;
- cash received must be balanced against the recorded amount on a daily basis;
- a receipt must be issued when currency is received;
- all cheques and negotiable instruments are endorsed upon receipt in a manner that prevents them from being deposited in other than a Government bank account;
- cash receipts must be deposited daily, if feasible;
- cash on hand must be kept in a secure location, out of the public view;
- cash receipts must be deposited intact. Disbursements must not be made from cash receipts;

- a proper segregation of duties must be in place. The person receiving the cash must be different from the person entering the transactions in the accounting records. One person must not be responsible for handling a transaction from beginning to end;
- petty cash funds must not be combined with cash receipts;
- cash floats must be assigned to a specific custodian who is responsible for it;
- cash short must not be paid from a cash float; and
- the receipt of funds must be centralized whenever possible.

3.2.2. Departmental controls and procedures must indicate the circumstances under which the custodian of money is responsible to repay shortages and the level of cash over and short that is tolerable.

### **3.3. Electronic Payment**

- 3.3.1. To minimize the handling of cash, departments are encouraged to make use of electronic means of receiving payment. These may be by the use of Debit or Credit cards or by electronic transfer from the individual's or organization's bank account. The *Electronic Commerce Act* governs the use of electronic payments.
- 3.3.2. In order to ensure that electronic payments are properly controlled and recorded, the Comptroller General's approval is required before a department may establish facilities that enable electronic payment within their department.
- 3.3.3. The cost of using electronic payments must be charged against an expenditure appropriation of the department using the facility.
- 3.3.4. Cash withdrawals from Debit or Credit card machines are strictly prohibited.
- 3.3.5. A public officer may refuse to accept payment in electronic format. The Executive Finance Officer in the department involved must approve all instances where the use of electronic payment is refused. Full details of the refusal must be documented, including the amount involved, reasons for the refusal and alternate payment method accepted.





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| Chapter:<br><b>Accounting and Control of Revenue</b> |                                      |   |                             |
| Directive Title:<br><b>ACCOUNTABLE FORMS</b>         |                                      |   |                             |

## 1. POLICY

The Financial Management Board is responsible for evaluating the efficiency, economy and effectiveness of Government programs under s.4(1) of the *Financial Administration Act (FAA)*. It is the policy of the Government to use standardized forms to capture, record and store financial data whenever the use of such forms is economically feasible and practical.

Whenever possible, these accountable forms will be in electronic format.

The use of electronic forms is governed by the provisions of the *Electronic Commerce Act*.

## 2. DIRECTIVE

Deputy Heads, in consultation with their Executive Finance Officer (EFO), will be responsible for the control, use and storage of accountable forms used within their department.

## 3. PROVISIONS

### 3.1. Types of Forms

- 3.1.1. Accountable forms are defined as forms that have the potential to confer a benefit on someone or some organization internal or external to the Government.

Accountable forms may be manual or electronic, and may be department specific or for Government wide use.

### 3.2. Control of Forms

- 3.2.1. Deputy Heads shall assign a public officer to be responsible for distributing and storing paper accountable forms that are used within their department. Departments are responsible for the controls over accountable forms. Pre-numbered forms, or sequentially numbered

- computer generated forms, are to be used whenever their use is practical and cost effective.
- 3.2.2. The public officer responsible for accountable forms in each department will store and distribute these forms in a manner that provides proper security to ensure that they are used only for their intended purpose. The security provided will be dependent on the risk associated with a misuse of the form.
  - 3.2.3. Deputy Heads will ensure that proper controls are in place, and are working, to prevent the misuse of electronically produced accountable forms within their department. These controls must ensure that modifications to electronic forms cannot be made without proper authorization and that specialized stock paper is properly safeguarded.
  - 3.2.4. Deputy Heads, in consultation with their EFOs shall conduct a review periodically, of both paper and electronically produced forms used by their department and consider those paper forms that are candidates for conversion into electronic format. This review must also identify forms that no longer serve the purpose for which they were created. Any such form identified must be considered for removal from service.
  - 3.2.5. Prior to removing a form from service the, EFO is responsible for ensuring that the users of the form are consulted and that the stock of unused forms is properly destroyed. The removal of electronic forms from service must be accomplished in such a way that its future use is prevented.
  - 3.2.6. The Office of the Comptroller General (OCG) may review the procedures used by any department to control accountable forms and departments are to provide any information requested.
  - 3.2.7. Any public officer who suspects that accountable forms have been misused must follow the provisions of FAM Directive 913 – Loss of Assets and *S. 105* of the *FAA*.
  - 3.2.8. Electronically produced accountable forms must be stored on the Government's centralized computer system that is protected with passwords, user ID or other security restrictions. The storage of accountable forms on personal or stand-alone computers is prohibited.
  - 3.2.9. Accountable forms that have been utilized and now contain Government data must be retained, stored and disposed of in accordance with the Information Records Classification System maintained by Community and Government Services (CGS) as well

as the provisions of the *Archive Act* and the rules established by the Public Records Committee under that Act.

### 3.3. Developing and Approving Forms

- 3.3.1. The creation of new accountable forms must be carefully considered to avoid proliferation. Departments must consult with CGS and work in conjunction with the OCG to ensure proper standards are followed.
- 3.3.2. The Comptroller General is responsible for the development and approval of all government wide common use financial accountable forms.
- 3.3.3. Departments are responsible for the design and development of departmental specific accountable forms. The Comptroller General must approve the use of all departmental specific accountable forms that interact with the Government's accounting records.
- 3.3.4. CGS maintains a revolving stock inventory of common Government wide accountable forms. This inventory must be consulted before a new form is developed to ensure that an existing form will not serve the purpose.
- 3.3.5. Departments are responsible for justifying the need for any new form and must consider the cost and benefit of producing the new form. Government wide forms must be used whenever possible.



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| Chapter:<br><b>Accounting and Control of Revenue</b> |                                     |   |                               |
| Directive Title:<br><b>LOANS AND ADVANCES</b>        |                                     |   |                               |

## 1. POLICY

S.27 (1) of the *Nunavut Act* allows the Government to make laws for the lending of money to any person in Nunavut. Persons are deemed to include corporations by virtue of the *Interpretation Act*.

All loans made by the Government must be made pursuant to an act of the Legislative Assembly. The act may provide for ongoing loan programs or may be for specific loans.

## 2. DEFINITIONS

Loans and accountable advances are a special category of accounts receivable and require records and procedures similar to those used for the normal accounts receivable of a Department.

2.1 Accountable advances are payments made for expenses to be incurred (i.e. before the service is received). Examples include petty cash advances, travel advances, and contribution agreements which are authorized under s.54 of the *Financial Administration Act (FAA)*, and are dealt with in the 817 series of Directives.

2.2 Loans are payments made to or on behalf of a borrower pursuant to a written agreement or contract which specifies the repayment terms, interest rate and other conditions. They are authorized under S.27 (1) of the *Nunavut Act* and must be pursuant to an act of the Legislative Assembly.

## 3. DIRECTIVE

Loans made by the Government must comply with the provisions of this directive and must be for the purposes specified in the applicable legislation and departmental policy governing the loans.

## **4. PROVISIONS**

### **4.1. Authorization**

Departments that operate loan programs must have policies in place to govern the operation of these programs and to provide sound financial management over the funds being disbursed.

### **4.2. Accounting**

- 4.2.1. When an amount is advanced with forgivable conditions, it should be accounted for as a grant unless it meets the definition of a loan receivable and there is sufficient evidence of a reasonable expectation of its recovery.
- 4.2.2. Forgivable loans may be treated as a loan receivable if the Government expects repayment, except under specific conditions. On the other hand, if repayment is not required unless certain events take place, or conditions are not met, the amount is treated as a grant. Grants and contributions are dealt with in Directive 801.
- 4.2.3. Where loans are made with terms that are so concessionary that all or a portion of the transaction is in the nature of a grant, the grant portion is to be recognized as a grant expense when the loan is made.

### **4.3. Write down and Write-off**

- 4.3.1. Loans are reflected on the statement of financial position of the Government and are not charged to an appropriation, thus any disbursement of public money for the purpose of making loans must comply with the provisions of S.49 of the *FAA*.
- 4.3.2. If a loan or a portion of the disbursement is considered a grant, as provided for in 4.2.1 through 4.2.3, the grant portion must be charged against an appropriation.
- 4.3.3. When the value of loans carried in the financial records of the Government is higher than their expected recoverable value, the loans must be written down to the expected recoverable value by the use of a valuation allowance. Write-downs must not be reversed and must be charged against an appropriation of the department responsible for the loan.



- 4.3.4. When loans are no longer recoverable, they must be written off. Write-offs must follow the provisions of S.24 of the *FAA* and Directives in the 917 series.

4.4. Control

Departments must monitor and control loans receivable in the same manner as other amounts owing to the Government. The provisions of Directive 908 are to be applied to loans receivable.



|  |                                     |   |                             |
|--|-------------------------------------|---|-----------------------------|
| Issue Date:<br><b>September<br/>2009</b>   | Effective Date:<br><b>Immediate</b> | Responsible Agency:<br><b>Office of the Comptroller<br/>General</b> | Directive No:<br><b>912</b> |
| Chapter:<br><b>Accounting and Control of Revenue</b>   |                                     |   |                             |
| Directive Title:<br><b>PRIVATIZATION OF GOVERNMENT PROGRAMS, SERVICES<br/>OR ENTERPRISES</b> |                                     |   |                             |

## 1. POLICY

S. 4(1) of the *Financial Administration Act (FAA)* requires the Financial Management Board (FMB) to evaluate the efficiency, economy and effectiveness of Government programs. Under this authority, the FMB may recommend the privatization of certain programs and services to strengthen Government and to support and encourage the expansion of a strong northern private sector.

The goals of privatization of government service are as follows:

- to increase the effectiveness which government programs and services are delivered;
- to increase the efficiency which government programs and services are delivered;
- to increase the economy of government programs and services; and
- to curb the growth of the public sector and increase the growth of the private sector.

## 2. DEFINITIONS

- 2.1. Economy – thrifty management of money, materials, etc.
- 2.2. Effectiveness – comparison of actual results to expected levels of achievement in terms of objectives.
- 2.3. Efficiency – comparison of output with the resources consumed to produce it. How well resources are being used.
- 2.4. Private Sector - the aggregate of all Nunavut businesses, as defined in the Nunavummi Nangminiqaqtunik Ikajuuti Policy (NNI Policy). – other than those owned or controlled by governments.
- 2.5. Privatization - a process where Government programs, services or enterprises are turned over to the private sector for delivery. The delivery

may be carried out completely by the private sector or on a shared basis with Government.

- 2.6. Public-private partnerships (P3) - contractual agreements between a Government and a private sector entity that allows for greater private sector participation in the delivery of Government services.

### **3. DIRECTIVE**

The approval of the Legislative Assembly, upon the recommendation of the Executive Council and the FMB, is required before the privatization of any Government activity or business, or a P3 arrangement, can take place. Plans presented for approval must be approved by the Minister responsible for the activity or business and follow the provisions of this Directive.

This directive does not apply to assets which are determined to be surplus to the department's requirements. The disposal of these assets is covered in Directive 917-1.

Also, this Directive does not apply to normal contractual arrangements where the Government acquires goods or services that are required to carry on its operations, but it does apply to assets that are part of a privatization plan.

### **4. PROVISIONS**

- 4.1. Any proposal to privatize government services, or enter into P3 arrangements, must demonstrate that the goals of privatization, as set out in the Policy section of this Directive, will be achieved.
- 4.2. Any P3 arrangements must comply with the Department of Finance Public-Private Partnership Policy.
- 4.3. Proposals to privatize government services or enter into P3 arrangements must demonstrate that they meet the following objectives:
  - a) a reduction in the cost of government services and provide for more efficient service delivery, where possible;
  - b) to provide an appropriate quality and level of service to meet the needs of consumers;
  - c) to stimulate economic development, competitiveness and initiative;
  - d) to promote growth in the private sector; and
  - e) to assure that all risks are identified and shared among the participants who are best able to minimize, manage and mitigate them.
- 4.4. The following must be addressed in any proposal for privatization or P3 arrangement:
  - a) objectives of NNI policy;
  - b) continuation of the delivery of service;



- c) how meeting of government policy and its legislative and regulatory responsibilities will be ensured;
  - d) how the quality and level of service can be monitored and maintained or improved;
  - e) that the privatization or P3 arrangement will be cost effective;
  - f) that economic development opportunities will be created or enhanced;
  - g) that the competitiveness environment with customers will be sustainable over the long term;
  - h) that the impact on the immediate and long term implications to other government services can be determined and is acceptable;
  - i) that the government will be able to obtain or retain the required levels of specialized expertise at a reasonable cost; and
  - j) that suitable arrangements can be made to deal with employees' rights and benefits and that the provisions of any collective agreements will be honored.
- 4.5. Prior to completing any privatization or P3 arrangement, the Department responsible for the related service must present a detailed implementation plan to the FMB for approval. This plan must identify the roles and responsibilities of the parties involved in implementing the arrangement and set out, in detail, how the goals, objectives, risks and other criteria contained in the approved proposal will be achieved, managed and monitored. Copies of all proposed contracts and agreements must be included in the plan.



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| Issue Date:<br><b>May 2008</b>                          | Effective Date:<br><b>May 20, 2008</b> | Responsible Agency:<br><b>Office of the Comptroller<br/>General</b> | Directive No:<br><b>913</b> |
| Chapter:<br><b>Accounting and Control of Revenue</b>    |  |   |                             |
| Directive Title:<br><b>LOSS OF CASH OR OTHER ASSETS</b> |  |   |                             |

## 1. POLICY

The Minister of each department, through their Deputy Head, has the responsibility to implement and maintain adequate internal controls and procedures to safeguard and protect government cash and other assets.

## 2. DIRECTIVES

- 2.1. All cases of suspected offences and loss of public money or property must be reported, through the supervisory chain of command, to the Deputy Head of the department where the incident has occurred.
- 2.2. The Deputy Head, in consultation with the Executive Finance Officer of the department, shall conduct any investigations and make any enquires that he/she considers necessary to determine the validity of the suspected offence. They will also take all necessary actions to recover any loss and make the required improvements to the system of controls.
- 2.3. In conducting the enquiry mentioned above the Deputy Head shall advise and consult with the Deputy Minister of Finance, the Comptroller General and any other source that is considered necessary.
- 2.4. The Deputy Head must advise the Comptroller General of all such cases where the suspected loss exceeds \$20,000, or where the suspected loss involves a weakness in the internal controls.
- 2.5. Deputy Heads shall report all instances of robbery, break-in, property damage or other loss or destruction to government assets to the Risk Management Section of the Department of Finance in accordance with the provisions of this directive.

### **3. PROVISIONS**

- 3.1. This directive does not cover losses due to fire, flood and act of god. These losses should be referred to the Risk Management Section of the Department of Finance.
- 3.2. This directive also does not apply to losses of property on Government Premises that belong to employees. These losses are dealt with by the department involved in accordance with their own policies.
- 3.3. A loss under this directive includes:
  - 3.3.1. a loss of public money or property (including that which is held in trust);
  - 3.3.2. revenue not received;
  - 3.3.3. those offences contained in Part X of the *Financial Administration Act (FAA)* (e.g., fraud, theft, bribery, collusion, negligence, etc.);
  - 3.3.4. disbursements made without proper authority;
  - 3.3.5. unauthorized use of privileged information;
  - 3.3.6. unauthorized use of government assets;
  - 3.3.7. a robbery, break-in or willful property damage;
  - 3.3.8. damage to any public asset, including real property, vehicle, mobile equipment, marine and aviation assets, whether government owned, leased or rented.
- 3.4. The Deputy Head may assign any of the tasks contained in this directive to the Executive Finance Officer of the department.
- 3.5. The Executive Finance Officer will, in consultation with the Comptroller General, conduct an investigation in any case that involved a breakdown of the internal controls to determine what changes to the controls are required.
- 3.6. The Executive Finance Officer will assist the Deputy Head and the Comptroller General in determining the amount of any loss, where the amount involved is not obvious.
- 3.7. In the event of a break-in or theft of physical assets, the Royal Canadian Mounted Police (RCMP) should be contacted immediately by the senior person on the scene. The Deputy Head, in consultation with the Legal Division of the Department of Justice, and the Comptroller General, will determine if and when the RCMP should be advised of any other offence.



- 3.8. Should the RCMP be involved the Deputy Head will instruct the employees of the department to cooperate fully with the police investigation.
- 3.9. The Deputy Head, in consultation with the Executive Finance Officer and the Comptroller General may request the assistance of the Internal Audit Services Branch of the Department of Finance, an outside auditor or consultant in determining the extent of the loss or the changes that may be required to the controls.
- 3.10. Any suspicions, allegations or recovery action involving an employee of the Government must be handled in accordance with the Human Resource Manual.
- 3.11. Deputy Heads shall ensure that all departmental employees are advised of their obligation under Part X of the *FAA* to report in writing to a supervisor any knowledge or information of a suspected fraud or a violation of the *FAA*. Where it is suspected the supervisor may be involved a report must be made to a more senior supervisor.
- 3.12. Deputy Heads shall ensure that all department employees are advised of their obligation to report property losses in accordance with this directive and the Code of Conduct in the Human Resources Manual.
- 3.13. All incidences listed in *S.51 (b)* of the *FAA* must be reported to the Comptroller General. *S. 51(b)* refers to irregular or unlawful acts or cases where funds were disbursed for more than was appropriated or for purposes not consistent with the appropriation.
- 3.14. In order to protect the reputation of individuals and not jeopardize any future action that may be required, any public officer must take all reasonable precautions to keep confidential all records, information and the identity of individuals related to or dealing with an allegation of a loss or an offence.
- 3.15. Losses of cash and other assets must be written off by charging the department in which the loss was suffered. Any asset written off must be in accordance with *S.24* of the *FAA* and Directive 913-1 Loss of Cash or Other Assets – Write-off of Loss of Public Assets or Assets held in Trust.
- 3.16. Any loss written off that exceeds \$500 must be reported to the Comptroller General so that it may be reported in the Public Accounts as is required by *S.26* of the *FAA*.



- 3.17. The recovery of any loss, from insurance proceeds, the individual involved or by any other means, are credited to an appropriation of the department to whom the loss was charged, if the recovery is in the same fiscal year as the loss. Recoveries in years subsequent to the loss are credited to revenue of the department to whom the loss was charged. All recoveries must be handled in accordance with Directive 909 – Receipt and Deposit of Public Money.
  
- 3.18. Any potential recovery of a loss through a court order, collection action or similar document, shall be immediately recorded by the department sustaining the loss as an accounts receivable. If there is doubt about the collectability of the account, the department, in consultation with the Comptroller General, will use professional judgment in determining the necessity for an allowance for doubtful accounts.
  
- 3.19. All communications to the press or media agencies regarding a loss or offence covered under this directive shall be made under the direction of the minister responsible for the department involved.



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| Issue Date:<br><b>May 2008</b>   | Effective Date:<br><b>May 20, 2008</b> | Responsible Agency:<br><b>Comptroller General</b> | Directive No:<br><b>913-1</b> |
| Chapter:<br><b>Accounting and Control of Revenue</b>   |  |   |                               |
| Directive Title:<br><b>LOSS OF CASH OR OTHER ASSETS – WRITE-OFF OF LOSS OF PUBLIC ASSETS OR ASSETS HELD IN TRUST</b> |  |   |                               |

## 1. POLICY

Public Assets that are lost, and appear to be non-recoverable, are to be written off and charged to an appropriation of the department that was responsible for custody of the asset.

This directive does not cover the write-off of debts (see Directive 908) or the write-off of inventories (see Directive 704-4). It is also not intended to cover situations where assets are covered by insurance and the loss is by reason of fire, flood, Act of God, etc. These losses should be referred to the Risk Management Section of the Department of Finance.

## 2. DIRECTIVE

Losses of cash or other assets that are not recoverable must be written off by charging an appropriation in the department who had control of the asset. All write-off of assets must be in accordance with S.24 of the *Financial Administration Act (FAA)*.

Any subsequent recovery of assets that had been written off must be credited to the department that was charged with the loss and be handled in accordance with Directive 909 – Receipt and Deposit of Public Money.

## 3. PROVISIONS

- 3.1. Any loss due to fraud, embezzlement, misappropriation or theft or due to an offence under Part X of the *FAA* (either suspected or proven) must be dealt with under Directive 913.
- 3.2. Whenever a loss is determined not to be recoverable through insurance or other means, the employee having custody of the asset involved shall inform the Executive Finance Officer(EFO) in the department involved.

### 3.3. Loss Reports and Requests for Reimbursement

#### 3.3.1. The custodian shall:

- a) prepare a loss report detailing the circumstances of the loss if the loss is an asset; or
- b) prepare a cheque requisition for reimbursement for the loss if the loss is cash.

#### 3.3.2. If the loss of cash is of a minor nature (i.e. under \$5) and is part of a continuing cash over/under situation, then the preparation of a loss report or a request for reimbursement may be delayed until:

- a) a total loss of at least \$10 is incurred; or
- b) three months have passed.

#### 3.3.3. All loss report must be forwarded to the Risk Management Section of Department of Finance and their responsible EFOs. All loss reports over \$20,000 must be forwarded to the Comptroller General and Financial Management Board.

### 3.4. The EFO described in 3.2 shall investigate the circumstances of the loss and institute procedures to eliminate or minimize future losses.

### 3.5. Annually, each EFO shall submit to the Office of the Comptroller General a list of all losses detailing amounts, circumstance of each loss, and corrective action undertaken.



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| Issue Date:  | Effective Date:<br><b>March 2009</b> | Responsible Agency:<br><b>Office of the Comptroller<br/>General</b> | Directive No:<br><b>914</b> |
| Chapter:<br><b>Accounting and Control of Revenue</b> |                                      |   |                             |
| Directive Title:<br><b>RECORDING REVENUES</b>        |                                      |   |                             |

## 1. POLICY

The Financial Management Board (FMB) has the responsibility for controlling and recording revenue under s.4(1) of the *Financial Administration Act* (FAA).

## 2. DIRECTIVE

Revenues, including gains, are recognized in the period in which the transactions or events occurred that gave rise to the revenues. Gains are generally recognized when realized. Items not practically measurable until cash is received are accounted for at that time.

## 3. PROVISIONS

### 3.1. Revenue Recognition

- 3.1.1. The recognition of certain self-assessed tax revenue and government grants can be difficult to determine. In order to obtain a complete measure of revenue, estimates should be made where reliable information, based on past experience and other data, is available. If it is not practical to measure this type of revenue, it is accounted for when the cash is received.
- 3.1.2. Revenue must be recorded at its gross amount and costs must not be offset against it.
- 3.1.3. Revenue must be recorded in a manner that allows the significant types of revenue to be identified. These types include, as a minimum, taxes, non-tax sources and transfers from other Governments.
- 3.1.4. Refunds of revenue, regardless of the year in which the revenue was earned, must be charged to a separate revenue account that identifies the type of revenue involved, in the year in which the liability is recognized. It is not to be charged against an expense appropriation.



- 3.1.5. Recoveries of prior year's expenditures must be credited to a revenue account in the year in which the recovery takes place.
- 3.1.6. Recoveries of current year expenditures are to be charged to a revenue account, except in the following instances:
- a refund of an overpayment;
  - a refund resulting from the return of goods or the reduction of a service;
  - recovery of current year expenditures where the Comptroller General has consented to the charge against an expenditure;
  - a refund of an amount paid as a result of a contract cancellation; or
  - a refund of a duplicate payment.
- 3.1.7. Revenue from the sale of items previously charged as expenditures must be charged to a revenue account and not to the related expenditure.
- 3.1.8. Transfers received from other governments are recorded as revenue in the period the transfer is authorized. Authorization occurs when the paying government has authority to make the transfer either through legislation, regulation or by-law and has exercised that authority.
- 3.1.9. Notwithstanding 3.1.7 above, transfers that have performance and repayment conditions attached are recorded as a liability and only recognized as revenue as the transfer stipulations are met. Transfers of tangible capital assets, or contributions towards the acquisition of tangible capital assets, that have performance and repayment stipulations, are recorded as a liability and brought into income on the same bases as the amortization of the asset.

### **3.2. Geographic Assignment of Revenue**

- 3.2.1. Revenue must be assigned to the geographic area in which the revenue is earned. The geographic area must be from within Nunavut and the following areas are used:
1. Community within Nunavut
  2. Region within Nunavut
  3. Territory of Nunavut

If, after following the provisions of this Directive, the area in which the revenue is earned is not apparent, the advice of the Office of the Comptroller General should be sought.



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## FINANCIAL ADMINISTRATION MANUAL

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- 3.2.2. When revenue is paid to the Government at a location outside of Nunavut, the record of the receipt of the revenue must show the first location in Nunavut at which the Government receives the revenue.
- 3.2.3. Repayment of prior year revenue must be geographically coded to where the original revenue was coded.
- 3.2.4. Revenue that is earned in more than one community is charged to the region in which the communities are located. If it is earned in more than one region, it is charged to the Territory of Nunavut.
- 3.2.5. Professional judgment is required in determining the appropriate geographic area. In situations where the area involved is not apparent, the cost of determining the proper code must be weighed against the benefit to be derived.



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|---|------------------------------------|---|-----------------------------|
| Issue Date:<br><b>September<br/>2009</b>  | Revised Date:<br><b>April 2022</b> | Responsible Agency:<br><b>Office of the Comptroller<br/>General</b> | Directive No:<br><b>915</b> |
| Chapter:<br><b>Accounting and Control of Revenue</b>  |                                    |   |                             |
| Directive Title:<br><b>INTEREST AND ADMINISTRATIVE CHARGES ON MONEY<br/>OWING TO THE GOVERNMENT</b> |                                    |   |                             |

## 1. POLICY

S.17(1) of the *Financial Administration Act (FAA)* allows the Financial Management Board, subject to the *Income Tax Act*, to direct that interest be charged at the prescribed rate on any late payment owing to the Government.

The rate and compounding frequency is prescribed in Interest Rate Regulations under the *FAA*. The current rate in effect is shown in Appendix A.

It is the policy of the Government to charge interest on amounts owing to the Government, subject to the provisions of this directive.

## 2. DIRECTIVE

Except where another agreement, enactment or contract specifically provides the interest rates for payment of interest to the Government, interest will be charged at the prescribed rate on all monies owed to the Government for taxes levied and for goods or services provided.

## 3. PROVISIONS

### 3.1. Charging of interest

- 3.1.1. The Minister of Finance or delegate may direct interest to be charged on monies due from the Federal, Provincial or Territorial governments on an item-by-item basis.
- 3.1.2. Departments charging interest must be able to identify the interest charged to each debtor and show this amount separately in each debtors account.

- 3.1.3. Departments must advise debtors of all interest charged to their account either by separate invoice or through a regular monthly statement of account.
- 3.1.4. All payments received for interest charged must be deposited to the consolidated revenue fund in accordance with Directive 909.
- 3.1.5. No interest is to be charged on the following monies owing to the Government:
- a) inter-department balances;
  - b) amounts due from Public Agencies or other governments, unless directed by the Minister of Finance;
  - c) amounts established through assistance programs;
  - d) amounts owing under agreements, legislation or regulation that preclude the charging of interest;
  - e) amounts prohibited under a court judgment;
  - f) accountable advances to individuals or organizations within the Government reporting entity;
  - g) accounts which have been identified as doubtful for collection by the Department of Finance;
  - h) from persons undergoing bankruptcy proceedings; or
  - i) where the charge for interest is the result of administrative or accounting errors by the Government.
- 3.1.6. Interest must be calculated at the rate and compounding frequency specified in Interest Rate Regulations under the *FAA*.
- 3.1.7. Interest earned must be recorded as revenue and not charged against an expense account.
- 3.1.8. Unless another enactment provides otherwise, interest received must be credited to the Department that generated the revenue.
- 3.1.9. Interest will cease to be accrued on any debt that is classified as Allowance for Doubtful Accounts.

- 3.1.10. Interest charges that have ceased to be accrued because an account has been considered uncollectable, or is undergoing bankruptcy proceedings, must be recommenced should the account subsequently be deemed collectable.
- 3.1.11. Interest that must be written off because of an administrative or accounting error, may be removed from the account and is not considered a write-off for purposes of s.24 of the *FAA* or Directives in the 917 series.
- 3.1.12. The appropriate Minister of a department or any public officer authorized in writing by that Minister may waive or reduce interest provided for in this directive where the administrative costs of accessing, billing and collecting the interest would exceed the amount owing.
- 3.2. Administrative Charges for Dishonored Items
- 3.2.1. Where an instrument tendered in payment or settlement of an amount due to the government is, for any reason, dishonored, an administrative charge of \$25 is payable by the debtor to the government.
- 3.2.2. Notwithstanding the above, no administrative charge becomes payable as a result of any error made or delay caused by the government in processing a payment or an instrument used to make a payment.
- 3.2.3. Administrative charges payable to the government are in addition to any interest payable to the government.
- 3.2.4. Where an instrument is tendered in payment, in whole or in part, of an amount owing to the government, including any interest payable, and that instrument is dishonored, the interest continues to accrue without taking into account the purported payment.



**APPENDIX A**

The interest rate to be charged on amounts owing to the Government, as established by regulation, is reviewed annually on April 1 of each year. The Comptroller General, on behalf of the Government of Nunavut will review and implement any changes to the Government of Nunavut rate.

Rate (Effective April 1, 2022)                      3.73%

**Prior period rates:**

The rates below are provided for calculation of interest to be charged on receivables outstanding from prior years. The applicable interest rate should be used for calculation of interest for the period during which that interest rate was effective.

| <b>Effective Date</b> | <b>PODD Rate</b> |
|-----------------------|------------------|
| April 1, 2021         | 3.50%            |
| April 1, 2020         | 4.21%            |
| April 1, 2019         | 5.00%            |
| April 1, 2018         | 4.50%            |
| April 1, 2017         | 3.75%            |
| April 1, 2016         | 3.75%            |

**Public Works and Public Services Canada website:**

<http://www.tpsgc-pwgsc.gc.ca/recgen/txt/tipp-ppir-eng.html>



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|---|--|---|-----------------------------|
| Issue Date:<br><b>May 2008</b>  | Effective Date:<br><b>May 20, 2008</b> | Responsible Agency:<br><b>Financial Operations,<br/>Department of Finance</b> | Directive No:<br><b>917</b> |
| Chapter:<br><b>Control of Revenues</b>                                    |  |   |                             |
| Directive Title:<br><b>WRITE-OFF, FORGIVENESS AND REMISSION - GENERAL</b> |  |   |                             |

## 1. POLICY

All write-offs of assets, debts or obligations must comply with S.24 of the *Financial Administration Act (FAA)*. Any forgiveness of debts or obligations must comply with S.25 of the *FAA*. The remission of any taxes or penalties must comply with S.26 of the *FAA*.

## 2. DEFINITIONS

### 2.1. Allowance for Doubtful Accounts

An allowance for doubtful accounts is an account established to offset expected bad debts. It is the best estimate of the amount of a debt, for which there is not reasonable assurance of collection considering all relevant factors. The allowance provides for a valuation of receivables at their net realizable value. It does not represent a write-off of the accounts receivable.

### 2.2. Debt

Debt is an obligation or liability to pay or render something to the Government. It represents amounts owing to the Government.

### 2.3. Forgiveness

An agreement by the Government to cancel all or part of a debt that is rightly due to the Government. Forgiveness cancels the debt and the Government's right to collect. It may be conditional or unconditional.

Forgiveness shall not apply to a debt resulting from a tax or penalty. For a tax or penalty, remission is required.

### 2.4. Penalty

A payment imposed or incurred for a violation of law or rule. i.e. penalty imposed for late or non payment of taxes.

2.5. Remission

Remission is waiving of the liability to pay or the refunding of a tax or penalty imposed or authorized to be imposed pursuant to an Act. Similar to forgiveness, a remission extinguishes the debt and the right to collect. It may be conditional or unconditional.

2.6. Tax

A tax, interest, fee, impost or toll payable under any enactment.

2.7. Write-off

A write-off of assets occurs when the asset can no longer provide any economic benefit to the Government. This may be because it has been damaged, lost, stolen, become obsolete or for some reason no longer has any economic value. The asset may or may not physically exist. Write-offs tend to be caused by involuntary acts and usually do not involve any judgment on the part of the public official.

A write off does not include the revaluation of financial assets, allowances for doubtful accounts or recording impairment in value of a tangible capital asset.

Unlike forgiveness or remission, a write-off of a receivable does not cancel the debt or the Government's right to collect.

### **3. DIRECTIVE**

The 917 series of directives applies to all departments of the Government. Public Agencies listed in Schedule A, B or C of the *FAA* are governed by the appropriate sections under Part IX of the Act; or other enabling legislation.

### **4. PROVISIONS**

- 4.1. Any change to an allowance for doubtful accounts must be allocated to an appropriation in the department that generated the receivable. The allocation of the change among departments must be determined on a basis that is fair and equitable.
- 4.2. A change to an allowance for doubtful accounts is not considered a write-off for the purpose of S. 24 of the *FAA*.
- 4.3. The reduction in the carrying value of a tangible capital asset to reflect the estimated future economic benefit of the asset is not considered a write-off and the 917 series of directives does not apply to these situations.





- 4.4. Directive 917-2 - Forgiveness and Directive 917-3 - Remission do not apply to those student loans which are forgiven or remitted in accordance with the *Student Financial Assistance Act* and the Student Financial Assistance Regulations.
  
- 4.5. Directive 917-2 – Forgiveness does not apply to amounts owing under S.10 of the *Social Assistance Act* that are under \$500 and have been forgiven by the Minister responsible for administering the *Social Assistance Act*.



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|--|--|---|-------------------------------|
| Issue Date:<br><b>May 2008</b>         | Effective Date:<br><b>May 20, 2008</b> | Responsible Agency:<br><b>Financial Operations,<br/>Department of Finance</b> | Directive No:<br><b>917-1</b> |
| Chapter:<br><b>Control of Revenues</b> |  |   |                               |
| Directive Title:<br><b>WRITE-OFF</b>   |  |   |                               |

## 1. POLICY

Any write-offs of an asset of the Government of Nunavut or a debt or obligation owing to the Government of Nunavut must be in accordance with S.24 of the *Financial Administration Act (FAA)*.

## 2. DIRECTIVE

- 2.1 The write-off of an asset of the Government or a debt or obligation owing to the Government that exceeds \$20,000 requires the express authority of an Act for that write-off.
- 2.2 The write-off of an asset of the Government or a debt or obligation owing to the Government that does not exceed \$20,000, must be approved as follows:
  - Up to \$20,000 - The Minister of the Department who owns the asset or to whom the debt is owed.
  - Up to \$10,000 – The Deputy Head of the department who owns the asset or to whom the debt is owed.
- 2.3 The financial limits referred to in this directive relate to the carrying value of the asset in the accounts of the GN.

## 3. PROVISIONS

- 3.1. Collection Action  
Departments are to take all reasonable steps to collect an amount or obligation receivable before considering the account for write-off. Collection of accounts receivable must be in accordance with Directive 908 – Collection of Amounts Owing to the Government.

3.2. Charging the Write-Off

Any debt or obligation owing to the Government or non-capital asset belonging to the Government that has been written off will be charged against an appropriation of the department controlling the asset, debt or obligation owing in the year that the debt has been written off.

3.3. Public Agencies

S. 82 of the *FAA* prohibits Public Agencies from writing off an asset of the Agency or debt or obligation owing to the agency that exceeds \$20,000 without the expressed authority of an Act of the Legislature. Amounts not exceeding \$20,000 may be approved by the Board of the Agency.

3.4. Whole or Part of an Asset or Debt

A debt, asset or obligation may be written off in whole or in part. Parts of an item being written off cannot be segregated into smaller portions to render them beneath the thresholds contained in this directive. The item being written off consists of the whole of each type of asset or amount owing. That is, the amount owing from an organization would be the sum of the amounts owing from its different divisions, and not the amount owing from each individual division. The same principal applies to assets.

3.5. Timing of write-off

The thresholds contained in this directive relate to the item being written off and not to the timing of the write-off. Part of an asset, debt or obligation cannot be written off in one year and part in another year to keep them within the thresholds. Write-offs may occur over a period of time if the circumstances surrounding the asset, debt or obligation justify this action.

3.6. Deletion of Inventory

This directive does not apply to the deletion of inventory from a Revolving Fund covered in S. 64 of the *FAA*. These deletions are covered under Directive 704-4 of this manual.

3.7. Amounts Owing that are Statute Barred

Certain statutes and court orders prevent creditors from collecting amounts owed by debtors. When these situations arise, the removal of the amounts from the accounting records is not considered a write-off but merely an accounting entry to remove the amount or adjust the former receivable. This accounting entry must be completed by the Office of the Comptroller General. Any such accounts so removed, that exceed \$20,000, must be reported to the Financial Management Board at the earliest opportunity following the act of removal or adjustment.

The main situations when this situation occurs are as follows:

- 3.7.1. Discharged Bankrupts - The Canada *Bankruptcy and Insolvency Act* provides that upon discharge, a bankrupt is released from all debts, except for certain debts relating to student loans, court orders, fraud, alimony and the like.
- 3.7.2. Judgments or Court Orders – when it is determined that the Government can only collect a lesser amount than the recorded debt the Comptroller General must adjust the account on the basis of the recoverable amount and it must be charged to an appropriation..
- 3.7.3. Restrictions Imposed by Statute – where a statute restricts the amount of a debt (e.g. the *Limitation of Actions Act*), the Comptroller General must adjust the account on the basis of the recoverable amount.
- 3.8. Valuation of Receivables and Inventories  
Generally Accepted Accounting Principals require that accounts receivable and inventories be valued at no higher than their net realizable value. Allowances created to value accounts receivable or adjustments to inventories are not considered write-offs and this directive is not applicable to allowance for doubtful accounts and write down of inventories.
- 3.9. Write-down of Tangible Capital Assets  
Public Sector Accounting Standards requires that the carrying value of tangible capital assets be no greater than the value of the future economic benefits associated with the tangible capital asset. Adjustments to the cost of the tangible capital asset to reflect the decline in the asset's value are not considered write-offs and this directive does not apply to them.
- 3.10. Reporting Requirements  
All write-offs and remissions that exceed \$500 must be reported to the Comptroller General so that they may be recorded and included in the Public Accounts, as is required under S. 26 of the *FAA*. Public Agencies are required to include all write-offs in excess of \$500 in their Annual Report.
- 3.11. Conditional Write-Off or Settlement  
Debts or obligations receivable may be written off subject to certain conditions. The approvals required by this directive are needed prior to committing to the conditional write-off or settlement but the actual write-off is not recorded until all of the conditions have been fulfilled. The department to whom the debt is owed is responsible for monitoring the conditions.

- 3.12. Amounts receivable from another Government department  
Transactions between departments are created for administrative and management purposes and do not create true accounts receivable or payable. They may be adjusted with agreement of the departments involved and the provisions of this directive do not apply.
- 3.13. Accounting Errors  
The provisions of this directive do not apply to adjustments required to correct accounting errors. In these instances, the amount recorded against the asset was incorrect and the adjustment is required to reflect the true value of the asset. This situation also applies to amounts recorded as receivable that do not have sufficient documentation to support the right to collect.
- 3.14. Estimates and Professional Judgment  
The preparation of financial statements involves professional judgment, reasonable estimates and accruals. Adjustments to correct these judgments, estimates or accruals are not considered write-offs and the provisions of this directive do not apply to them.



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| Issue Date:<br><b>May 2008</b>         | Effective Date:<br><b>May 20, 2008</b> | Responsible Agency:<br><b>Financial Operations,<br/>Department of Finance</b> | Directive No:<br><b>917-2</b> |
| Chapter:<br><b>Control of Revenues</b> |  |   |                               |
| Directive Title:<br><b>FORGIVENESS</b> |  |   |                               |

## 1. POLICY

The forgiveness of any debt owing to the Government of Nunavut must be in accordance with S.25 of the *Financial Administration Act (FAA)*. This section provides that the Financial Management Board may forgive debts or obligations that do not exceed \$1,000. Debts or obligations that exceed \$1,000 may only be forgiven by express authority of an Act.

## 2. DIRECTIVE

2.1 Forgiveness of a debt will be considered when one or more of the following apply:

- a) contractual obligations have been fulfilled;
- b) the debtor is incapable of repaying in whole or in part and is not reasonably expected to have the capacity to repay the debt in the foreseeable future, and does not own assets that could be reasonably expected to be applied toward discharging the debt in whole or in part;
- c) it is in the public interest to forego collection and to forgive the debt, in whole or in part, by reason that the collection of the debt would likely cause severe hardship, suffering or privation due to the debtor's limited income or incapacity;
- d) where a compromise settlement of debt is arranged with the concurrence of all parties;
- e) where the forgiveness will contribute to an objective or initiative that the Government wishes to accomplish or undertake; and
- f) any other reason approved by the Financial Management Board.

2.2 In certain cases forgiveness of a debt may be authorized even though the debt is collectable. Such cases would normally arise when any of the following three conditions are met:

- a) the debt arose as a result of an administrative error made by a public officer in the process of making payment or conferring a benefit to the

- debtor and the recovery from the debtor would likely result in severe hardship, suffering or privation;
- b) the debtor was not advised of the debt within a reasonable period of time; or
  - c) the demand for payment at such a late date would be inequitable, or cause undue hardship to the debtor.

- 2.3 Any forgiveness of debt must be approved by the Financial Management Board, except for that which has been delegated, under Regulation 9918 of the *FAA*, to the Minister responsible for administering the *Social Assistance Act* or to those loans under the *Student Financial Assistant Act* that the Commissioner may forgive or remit.

### 3. PROVISIONS

- 3.1. Finality of Forgiveness  
The forgiveness of an amount owing to the Government extinguishes the right of the Government to collect that debt.
- 3.2. Charging the forgiveness  
Any forgiveness of an amount owing to the Government must be charged against an appropriation of the department to whom the debt is owed.
- 3.3. Approval by Comptroller General  
All requests for forgiveness of debt submitted to the Financial Management Board must first be approved by the Comptroller General.
- 3.4. Consultation with Department of Justice  
The Comptroller General may consult with the Department of Justice prior to approving any request for forgiveness of debt. If such consultation has taken place, a copy of any opinion or advice received from the Department of Justice must accompany the Financial Management Board request.
- 3.5. Forgiveness requiring Legislative approval  
The submission to the Financial Management Board must distinguish between those requests that require legislative approval and those that do not.
- 3.6. Reporting requirements for the Public Accounts
- 3.6.1. The Executive Finance Officer (EFO) in the department responsible for administering the *Social Assistance Act* must provide the Comptroller General with a list of all accounts forgiven by his/her Minister during the year under the *Social Assistance Act*. This list

must be provided within the time limits established by the Comptroller General as part of the year end closing procedures.

- 3.6.2. The EFO in the department responsible for administering the *Student Financial Assistance Act* shall provide the Comptroller General with a list of all accounts forgiven or remitted by his/her Minister during the year under the *Student Financial Assistance Act*. This list must be provided within the time limits established by the Comptroller General as part of the year end closing procedures.
- 3.6.3. The Comptroller General shall report in the Public Accounts, all forgiveness of debt under S.21 of the *FAA* that exceeds \$500.
- 3.7. Conditional Forgiveness  
Amounts receivable may be forgiven conditionally. The approval of the Financial Management Board and/or the Legislature is required before any commitment to forgive an amount owing can be made. The forgiveness does not take effect until the conditions have been fulfilled. The department to whom the debt is owed is responsible for monitoring the conditions attached to the forgiveness.





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| Issue Date:<br><b>May 2008</b>         | Effective Date:<br><b>May 20, 2008</b> | Responsible Agency:<br><b>Financial Operations,<br/>Department of Finance</b> | Directive No:<br><b>917-3</b> |
| Chapter:<br><b>Control of Revenues</b> |  |   |                               |
| Directive Title:<br><b>REMISSION</b>   |  |   |                               |

## 1. POLICY

The remission of tax or penalty owing to the Government of Nunavut must be in accordance with S.21 of the *Financial Administration Act (FAA)*.

## 2. DIRECTIVE

All requests to remit tax or penalty must be submitted to the Financial Management Board for approval.

The Financial Management Board will submit all requests for remission, which it has approved, to the Executive Council for their consideration and submission to the Commissioner for final approval.

## 3. PROVISIONS

### 3.1. Remission charged against an appropriation

All remissions of tax or penalty must be charged against an appropriation of the department responsible for the tax or penalty in the year in which the remission takes place.

### 3.2. Conditional Remission

A conditional remission does not become effective until the conditions have been met. The department responsible for the tax or penalty is responsible for monitoring the conditions.

The approval of the Commissioner, through the Financial Management Board and Executive Council, must be obtained before committing to a conditional remission.

If the conditions are not met the remission is void and the tax or penalty may be collected as if the remission had never been granted.

### 3.3. Reporting to the Comptroller General

The Executive Finance Officer (EFO) in any department who has had a tax or penalty remitted must report the details of those remissions to the Comptroller General so that they may be included in the Public Accounts and the records required under S.26 of the *FAA*. This section requires that all amounts in excess of \$500 must be reported in the Public Accounts and in records maintained by the Comptroller General. The reporting must be provided within the time limits established by the Comptroller General as part of the year end procedures.

- 3.4. Remissions under the *Students Financial Assistance Act*  
The EFO in the department that administers the *Student Financial Assistance Act* must report to the Comptroller General any remissions granted by his/her Minister during the year under that act. The reporting must be provided within the time limits established by the Comptroller General as part of the year end procedures.
- 3.5. Partial Remissions  
A remission may be for all or part of a tax or penalty owing, or that will become owing, to the Government.
- 3.6. Finality of Remission  
The granting of a remission for tax or penalty owing to the Government extinguishes the Government's right to collect that tax or penalty.



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| Issue Date:<br><b>September<br/>2009</b>                   | Effective Date:<br><b>Immediate</b> | Responsible Agency:<br><b>Comptroller General</b> | Directive No:<br><b>950</b> |
| Chapter:<br><b>Control of Revenues</b>                     |                                     |   |                             |
| Directive Title:<br><b>REVENUE AND TRUST AUTHORIZATION</b> |                                     |   |                             |

## 1. POLICY

S. (4)1 of the *Financial Administration Act* provides that the Financial Management Board (FMB) has authority to act on all matters relating to financial management and financial administration with respect to accounting and budgeting policies. The Government requires that all revenue generating activity must be properly authorized before implementation.

## 2. DIRECTIVE

Revenue generating activities not otherwise authorized by legislation, regulation, directive or Executive Council must be authorized according to the provisions of this directive prior to their introduction.

Trust agreements for funds received from third parties which are administered by the government on behalf of the beneficiaries are subject to the conditions of this Directive.

## 3. PROVISIONS

- 3.1. All revenue generating activities must be consistent with government goals and objectives.
- 3.2. All agreements and contracts used to initiate revenue generating activities must be authorized according to the following approval limits:
  - a) up to \$500,000, the Deputy Minister (DM) must authorize, with notice to FMB prior to implementation.
  - b) over \$500,000, FMB must authorize, with notice to Executive Council at FMB discretion. FMB may refer agreements to Executive Council for approval.

- 3.2.1. A department proposing a revenue agreement must provide to the DM or the FMB an analysis providing details of the proposed agreement. Each analysis, which must be retained by the department, must clearly identify the source of the funding, detail what the expected benefits will be, and identify the recipients of the benefits. In addition, the analysis of the proposed agreement should indicate:
- a) how the proposal relates to Government objectives;
  - b) the proposed use for the funding;
  - c) the expected benefits including duration and significance;
  - d) significant additional Government spending requirements, whether one time only or ongoing;
  - e) the terms and conditions of the funding, including any contractual requirements;
  - f) any conditions which are onerous or which could create future expenditures, liabilities, or other issues of concern; and
  - g) details of any financial or legal matters pertinent to the issue, including any carry-over provisions.
- 3.3. The terms and conditions of the agreement must be in writing and provide full disclosure of all aspects of the agreement, how it will operate and how it will terminate.
- 3.4. All agreements must be reviewed by the Department of Finance for financial and accounting terms and conditions, agreement management considerations and risk assessment determinations before they are executed. For agreements under \$500,000, the Executive Finance Officer of the proposing department is responsible for the review.
- 3.5. All agreements must receive a legal review by Justice prior to signing.
- 3.6. Copies of all signed agreements and all subsequent amendments must be provided to Expenditure Management and the Office of the Comptroller General (OCG).
- 3.7. The Executive Finance Officer of the responsible department shall ensure that every funding agreement complies with applicable legislation and the directives in this manual.
- 3.8. Where the revenue being authorized under this directive is the result of a third party funding agreement, Directive 880, Third Party Funded Disbursements must also be adhered to.



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- 3.9. All known revenue sources, including third party funding agreements, must be presented in the Main Estimates under “Summary of Revenues” or under “Detail of Work Performed on Behalf of Third Parties”.
  
- 3.10. Any reports required by the terms of the agreement must be provided to the Deputy Minister, the FMB, Expenditure Management and the OCG.