

Canada – Northwest Territories  
Agreement on the Transfer of Federal  
Gas Tax Revenues for Cities and  
Communities 2005-2015

Control Management Framework

11/26/2009

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## Executive Summary

The Gas Tax Fund (GTF) was created to provide environmentally sustainability municipal infrastructure to support sustainability objectives under a New Deal for Cities and Communities, by engaging governments and stakeholders in purposeful partnerships, fostering sustainable cities and communities across Canada, and enable all Canadians to achieve a higher quality of life and standard of living.

The GTF in the Northwest Territories provides community governments with a predictable and stable funding source in bi-yearly instalments. This funding source can be used immediately or held by a community and combined with other fiscal year allocations on larger eligible projects.

The delivery model for the GTF in the NWT works closely with the GNWT's own New Deal for NWT Community Governments. As community governments gained new and expanded roles and responsibilities under the New Deal, MACA chose to use the GTF to continue empowerment. Therefore the GTF is given to the community up front, giving the community the ability to save funding over multiple years and report only after funds have been used.

Eligible project categories are key municipal service areas, including: water, wastewater, solid waste, community energy systems, active transportation and capacity building. All eligible projects must directly or indirectly support the goals of providing for healthier air, water and energy efficiency.

The Government of Canada and the Government of the Northwest Territories have collaborated to produce this control management framework (CMF) which set out:

- The formal governance structure of the program;
- The delivery mechanism and its sub-processes; and
- The inherent risks involved, and how to mitigate against them.

The GTF in the Northwest Territories is unique to the jurisdiction, as communities only report to the GNWT after an eligible project has been completed. Funding is received based on the community continuing to be in good standing with their individual funding agreement. Good standing constitutes complying with the requirements of the agreement and submission of reporting mechanisms, as outlined in this framework.

Should Canada and the Northwest Territories meet all of the desired goals of this framework, funding will not be interrupted between the Federal Government, the Northwest Territories and Community Governments.

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## Governance Structure of the Gas Tax Fund (GTF) in the Northwest Territories

The *Canada – Northwest Territories Agreement on the Transfer of Federal Gas Tax Revenues under the New Deal for Cities and Communities 2005-2015* was signed on November 10, 2005 by the Minister of Municipal and Community Affairs (MACA) representing the Government of the Northwest Territories. Under the terms of the agreement the Minister of MACA delegates his power to the Deputy Minister of MACA to act as the Territorial co-chair on the Oversight Committee. The Oversight Committee is designed to provide guidance and structure to the program. The Oversight Committee meets on an as needed basis, typically two times per year.

The general operating structure of MACA, as it relates to the GTF, is that the Director of Community Operations is responsible for the general administration and operation of the program. The Director is the official correspondent with all stakeholders regarding GTF activities. The Director and the Assistant Director are the two MACA employees with the ability to authorize payments between the GNWT and eligible compliant recipients.

The Manager of Community Financial Services (CFS) and the Financial Policy Analyst acting as the GTF Coordinator report directly to the Assistant Director. It is the responsibility of the Manager of CFS, and their staff of Senior Financial Advisors (SFA), to review annual audited financial statements (AFS), as well as interim statements throughout the year. The SFA reviews the AFS to ensure that the community is compliant with the GTF program. Their analysis and recommendation is then forwarded to the GTF coordinator who reviews the information presented before incorporating the information into the annual expenditure report and providing recommendation for compliance and payment to the Assistant Director.

The GTF Coordinator meets with each SFA, at a minimum, on a weekly basis to review the current status of each of the SFA's assigned community governments. This includes reviewing any interim financial statements, community expenditure reports, final audited financial statements or any other issues as they present themselves.

The GTF coordinator also monitors quarterly reporting of GTF activity as well as providing capital planning support, project eligibility research and outcomes reporting. The GTF coordinator also works directly with the program auditor during the month of September each year to ensure that an audited AER is transmitted to Canada by September 30.

Should the GTF coordinator be unable to answer a question of project eligibility, the question may be elevated to the desk officer responsible for the Northwest Territories. When posing such questions, the GTF coordinator shall use the following methodology to help build the case:

- **Project Category:** It must be demonstrated that the project fits into one of the eligible categories as defined in the agreement
- **Environmental Outcomes:** The project must directly contribute to one of the three environmental outcomes; OR the project must directly contribute to the operation of a system that directly contributes to one of the three environmental outcomes.
- **Eligible Costs:** The applied costs must be consistent with the eligible costs as defined by the agreement; AND the applied costs must be consistent with the eligible costs as defined by the agreement.

Should there be a need for further clarification; the question will be raised with the GTF Secretariat before ultimately being brought to the Oversight Committee for final clarification.

The Assistant Director and the GTF Coordinator meet, at a minimum, on a weekly basis to discuss GTF challenges, issues and reporting. These meetings may include other topics of GTF interest including communication and eligible category interpretation as required. The Director of Community Operations is included on an as needed basis.

In addition to this primary reporting relationship, there are a number of secondary working relationships working in concert to assist the GTF program.

The Assistant Deputy Minister of MACA reports directly to the Deputy Minister; that position is responsible for the Regional Operations of MACA. MACA has five separate geographic regions, each containing a regional office. Each region consists of between five and eight community governments, and the regional office provides a direct link between MACA headquarters in Yellowknife and the community government level.

Each regional office has a Regional Superintendant whom reports directly to the Assistant Deputy Minister. The Regional Superintendant supervises a Manager of Capital Programs or Community Infrastructure Planning whose responsibility it is to assist communities when they undertake their yearly mandated review of the community's capital investment plan and assists with their capital project activities. These "Capital Planners" assist communities utilize the GTF to its fullest potential and ensure that requirements, such as allocating funding by a specific date, are met. Capital Planners ensure that each community within their region submits a council approved capital investment plan by March 31 of each year.

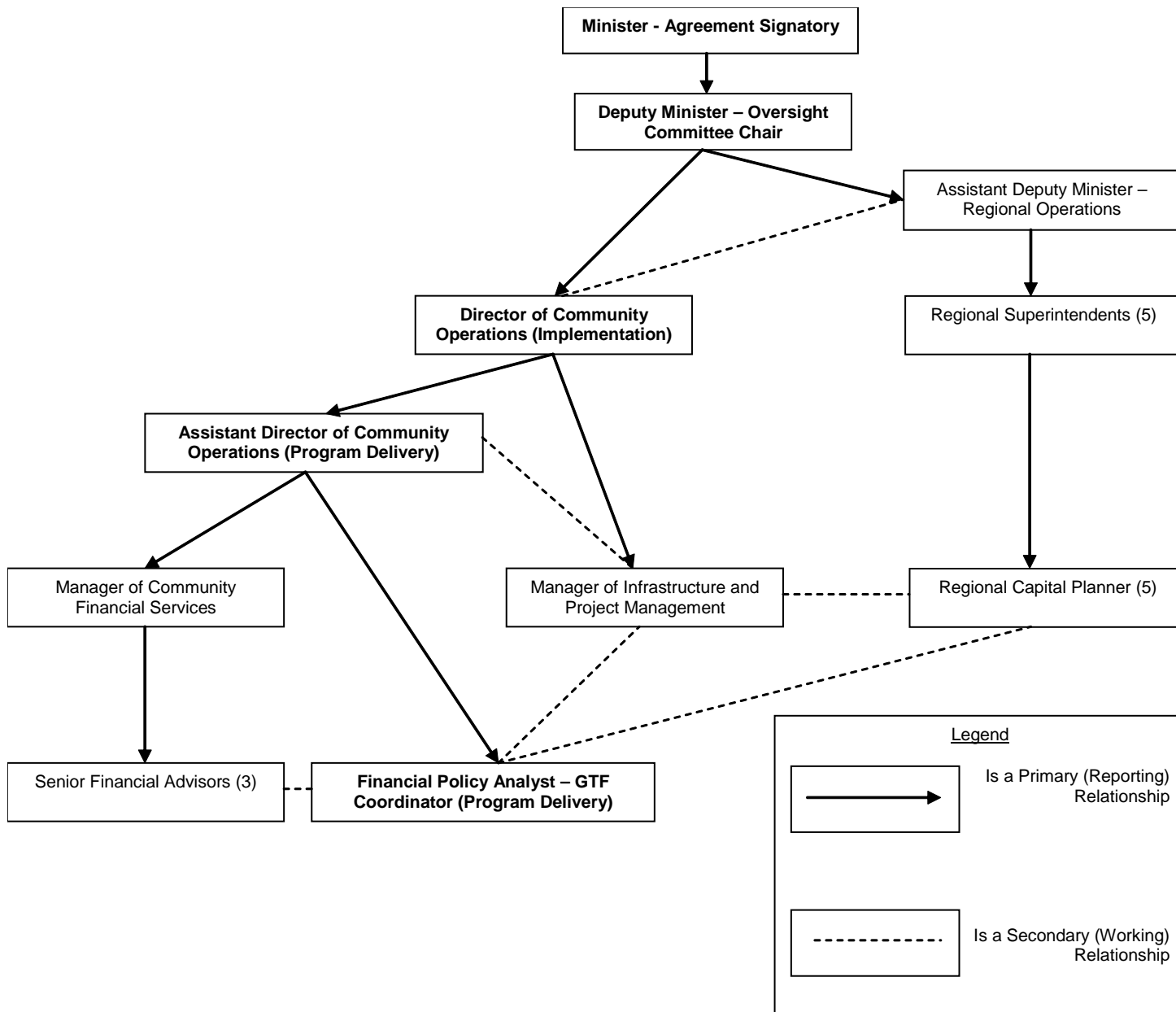
The regions are as follows:

Region	Community
Dehcho	Fort Liard
	Fort Simpson
	Nahanni Butte
	Jean Marie River
	Trout Lake
	Wrigley
Inuvik	Aklavik
	Inuvik
	Fort McPherson
	Paulatuk
	Sachs Harbour
	Tsiigehtchic
	Tuktoyaktuk
	Ulukhaktok (Holman)
North Slave	Behchoko
	Dettah
	Gameti
	Lutselk'e
	Wekweeti
	Whati

	Yellowknife
Sahtu	Colville Lake
	Deline
	K'asho Got'ine (Fort Good Hope)
	Norman Wells
	Tulita
South Slave	Enterprise
	Fort Providence
	Fort Resolution
	Fort Smith
	Hay River
	Hay River Reserve
	Kakisa

The Capital Planners are assisted by the Manager of Infrastructure and Project Management who reports directly to the Director of Community Operations. The Manager of Infrastructure and Project Management assists Capital Planners with capital planning and capital project activities. The Manager of Infrastructure has a secondary working relationship with both the Assistant Director of Community Operations and the GTF Coordinator on a variety of capital infrastructure issues, including eligibility interpretation.

The Manager of Infrastructure and Project Management and the regional Capital Planners congregate every two to three weeks by teleconference to review capital infrastructure issues at a macro and micro territorial level. The Director of Community Operations, Assistant Director of Community Operations and the Financial Policy Analysts, most notably the GTF Coordinator, attend these teleconferences. Issues discuss involve GTF issues including: eligible project categories and costs, on-going projects and updates on specific community issues, including capital investment plans.



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## Delivery Mechanism of the Gas Tax Fund (GTF) in the Northwest Territories

The GTF Agreement, signed with the Government of Canada in 2005, stipulates the triggers and mechanism by which the program is administered by the Government of the NWT (GNWT). Funding is delivered to eligible recipients in two payments (July 15 and November 15) each year. Funding is flowed on an allocation basis, not on an application or competitive basis. The intent was to ensure that NWT community governments would be assured a stable, predictable capital infrastructure investment over the life of the agreement.

MACA was given the appropriation by the GNWT's Financial Management Board (FMB) to flow funding to communities prior to the receipt of funding from Canada. By doing this, the GNWT undertakes a substantial risk should the NWT default the terms of the agreement and not receive the offsetting funds given to community governments.

Upon the initial signature of the Canada-NWT GTF Agreement, Canada triggered the initial payment to the NWT. This allowed MACA to begin signing individual contribution agreements with community governments. At that point in time, there were only twenty-two communities with the legal authority to own real property and MACA chose not to sign funding agreements with the remaining eleven communities until such a time that a mechanism was determined for them to own real property.

Therefore, there are two different delivery mechanisms depending on the legislation currently governing the community government.

- Type A includes the: cities, towns, villages, hamlets and charter communities; and
- Type B includes the Designated Authorities: first nation band and settlement communities.

By signing the GTF contribution agreement with the GNWT, Type A community governments committed by way of a council motion to comply with the terms of the agreement, which included providing a five-year capital investment plan by March 31, 2007 and an Integrated Community Sustainability Plan (ICSP) by March 31, 2010. Specifically, section 6.2.a.i of the Agreement states that, "A motion or resolution of the Local Government's elected council shall be forwarded to the Oversight Committee outlining the Eligible Recipient's commitment to provide an ICSP, which includes a 5 year capital investment plan..."

Currently there are two control points to ensure that community governments are compliant with the terms of the agreement. Throughout the year the community has either project activity or inactivity. This activity or inactivity must be reported to MACA on a quarterly and annual basis.

Beginning in the summer of 2009, MACA requires community governments to report on the GTF on a quarterly basis by completing a Community Expenditure Report (CER). The CER informs MACA of how funds have been spent or how funds have been saved. Communities have four weeks after the end of the quarter to submit the CER. CERs are reviewed by the GTF coordinator for accuracy and compliance.

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By June 31<sup>st</sup> of each year, NWT community governments are required to submit to MACA a copy of their final annual AFS for the fiscal year ending March 31<sup>st</sup>. Included in the AFS is a detailed audited account of GTF activity which is reviewed by MACA's Senior Financial Advisors for accuracy and compliance.

Failure to submit either a CER or AFS by the required deadline or if a CER/AER show that GTF funds were used on an ineligible expense will cause a community to temporarily lose compliancy with the agreement until such a time as the report or statement are filed with MACA. A late, incomplete and problem report will result in immediate follow-up by the Senior Financial Advisor, with potential assistance from the GTF coordinator. Follow-up will first include contacting the community remotely (letter/e-mail/phone). If the situation is not rectified, or if a plan is not in place, within ten working days, the Senior Financial Advisor and/or the GTF coordinator will immediately schedule a site visit to the community to assist the community.

If it is determined that an audit is not currently feasible, due to scheduling conflicts with the auditing firm, or will not be received by the GNWT on schedule, the community can elect to submit a CER for the fiscal year in question along with invoices pertaining to eligible project costs and a bank statement of their GTF segregated account. The GNWT will use this information and have the GTF program auditor verify the information as accurate and complete. This will ensure that all thirty-three NWT communities have a viable option to ensure their GTF activity is audited on schedule.

Should a community not supply documentation by April 1<sup>st</sup> of the following fiscal year (a full year non-compliant); the GNWT has established a Payment Directive to allow for the claw back of funding which would have flowed to the community on that date. The source of the funding being clawed back will be funds from Municipal and Community Affairs Ministerial Community Public Infrastructure Policy or the Operations and Maintenance Funding Policy, depending on the nature of the non-compliance. These funds will be deposited back into the GNWT's GTF account in trust.

If a community continues to be non-compliant for another full fiscal year (two years non-compliant), the GNWT will no longer hold their GTF in trust for the non-compliant community and seek to redistribute the funds fairly and equitably amongst compliant and eligible recipients. This measure will require confirmation and support of the Oversight Committee, as well as consultation with the Northwest Territories Association of Communities (NWTAC) via the Gas Tax Technical Committee.

When communities are compliant, meaning that they submit their CERs and AFS (or an annual CER with the afore mentioned backup) on schedule and are verified by MACA, the GNWT will continue to make payments on schedule (July 15 and November 15).

Using the information gathered from the CERs and the AFS, the GNWT will then submit to the Government of Canada a yearly audited AER by September 30<sup>th</sup>. This allows Canada to continue to make scheduled payments to the GNWT.

For Type B communities, the Designated Authorities, the GNWT will only sign GTF funding agreements when they have either changed their status to a Hamlet or Charter Community, or if the First Nation Band communities form a not for profit society under the *Societies Act*.

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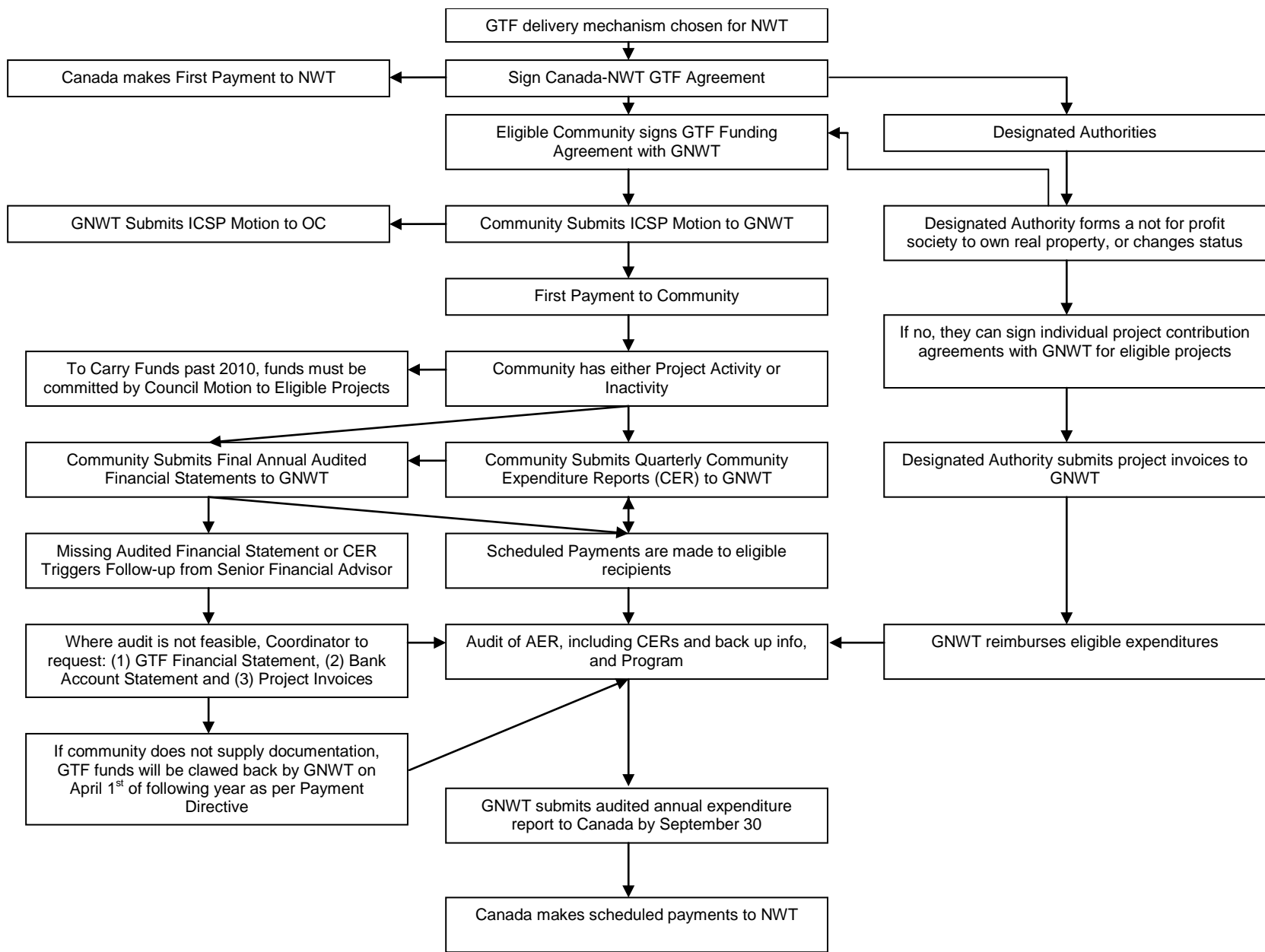
Currently communities governed under the *Settlement Act* are required to change their status to either a Charter Community or Hamlet in order to own real property.

When a Designated Authority either changes their community status or creates a society they are then treated as Type A communities. They then sign an individual funding agreement and receive payments on schedule should they maintain compliance with the agreement.

Should a Designated Authority choose not to comply with either measure, they may still enter into individual project GTF contribution agreements with the GNWT for the purchase of eligible mobile equipment (i.e. water and sewer trucks) or capacity building projects. After these communities complete their projects they submit to MACA invoices which the GTF coordinator reviews and makes recommendation to the Director or Assistant Director of Community Operations for payment. The invoices are included with the audited AER at the end of the fiscal year to verify all funds transferred.

In 2005 MACA instructed all thirty-three community governments to pass council motions or band council resolutions committing to submit a capital investment plan by March 31, 2007 and an ICSP by March 31, 2010. Therefore even though Designated Authorities may not have signed GTF program agreements, they have committed to supply the necessary documentation for the program.

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## Capital Planning Procedures in the Northwest Territories

NWT community governments are mandated to submit a five-year capital investment plan (CIP), approved by their governing body, by March 31 of each year. The CIP must detail how the community intends to utilize their Community Public Infrastructure (CPI) funding, provided by the GNWT, as well as federal funding sources. The CIP must be submitted to MACA using the Department's approved format, which is the online program called MACA's Capital Planning Tool (<http://maca-capitalplanningtool.com/>)

Under the terms of the GTF Agreement, NWT community governments were required to submit a CIP by March 31, 2007. As of March 31, 2009 all thirty-three communities have complied with this requirement. The CIP submitted on March 31, 2010 must show how the community's allocation for the first five-years of the program is committed to an eligible project cost prior to March 31, 2015.

### **Yearly Review of a Community's Capital Investment Plan:**

As communities are required to submit CIPs using the Capital Planning Tool on a yearly basis, MACA staff are available to assist communities in the review process. Starting in the fall of each year community governments begin the review of their CIP and choose to include MACA regional Capital Planners in the discussions or not.

The majority of Designated Authorities and Non-Tax Based communities choose to utilize MACA's regional support. If a community utilizes MACA's support, the community and the regional planner meet to review and agree upon the following criteria which make up the GNWT's preferred method of community capital planning:

- A review of stable, predictable funding sources (including opening balances and yearly allocations);
- A review of the services a community chooses to provide;
- A review of the ranking criteria used to prioritize projects;
- A review of the community's asset listing;
- Review of existing and on-going capital projects;
- Addition of potential capital projects;
- Rank projects based on the ranking criteria; and
- Finalizing the plan to fit within the community's budget, or determining whether the community will need to borrow.

### **Hands on Capital Planning Assistance:**

To assist community governments with this process, MACA's Capital Planning Tool stores all information on a central database and walks communities through the capital planning process.

During the process, communities are able to draw assistance from both the capital planner and the tool to determine which projects are GTF eligible. Communities are encouraged to use GTF on eligible projects prior to using CPI funding.

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Once the community is satisfied with the five year CIP, the plan is brought forward to the community government council for approval. Should a community change their mind during the year, the community government must approve a new plan with a new motion/resolution to finalize the plan. A community government must go through the process should they choose to undertake a new capital project mid-year.

The CIP must be approved by the community in the Capital Planning Tool before the community will receive their GTF funding for that fiscal year.

### **Peer Review of the Capital Investment Plan:**

After the community government has finalized the plan, the community submits the plan to the MACA regional office who submits the plan to MACA headquarters in Yellowknife. Once all CIPs are received, MACA forms a peer review committee to review, verify and log each individual CIP. The committee consists of:

- Director of Community Operations;
- Assistant Director of Community Operations;
- Manager of Infrastructure and Project Management;
- Financial Policy Analyst (2);
- Engineering Team Lead, Water and Sanitation; and
- Regional Capital Planner (5).

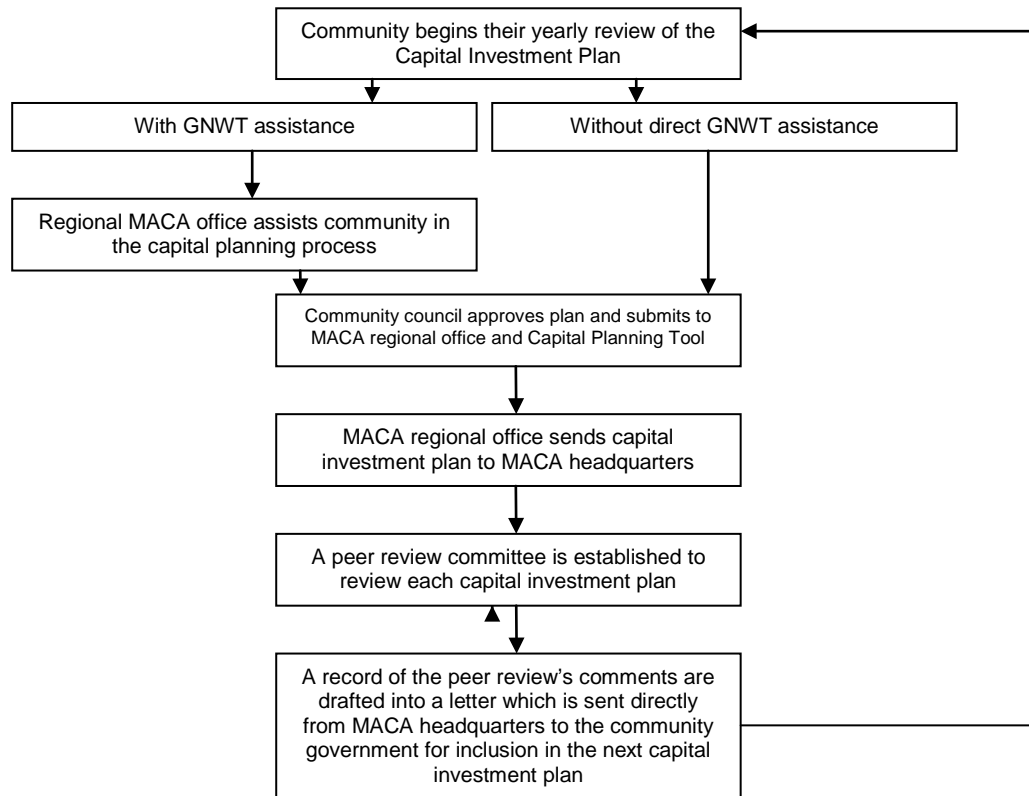
The committee pays particularly close attention to the use of federal funding, including GTF, to ensure that funds are committed towards eligible project costs. The committee will ensure that all thirty-three communities commit to using funding received during the initial five year period by March 31, 2014 for the 2010/11 CIP.

### **Feedback to Community Government:**

Stemming from the review of the CIPs, the committee sends a letter to the community government with comments to incorporate into the next review of the capital investment plan.

Should a CIP not comply with the commitment of allocating the first five years of GTF to eligible project expenses in the 2010/11 CIP, the department will issue a letter requesting that the community immediately commit the funds or they will be in breach of their funding agreement. Should a community fail to comply with this requirement the regional capital planner and the GTF coordinator will work with the community to ensure that funds are committed for use by March 31, 2014 on eligible project costs. In the event that this remains outstanding, the MACA Payment Directive will be evoked.

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## Annual Audited Financial Statements Review in the Northwest Territories

MACA is mandated to review and collect annual AFS from all thirty-three community governments in the NWT. The CFS division of MACA receives the AFS by July 30<sup>th</sup> of each year and ensures that it complies with legislation, policy and guidelines. CFS is currently working with community governments to ensure that they report using PSAB guidelines by March 31, 2010.

### **Yearly Community Audited Financial Statements:**

AFS are a significant control point for the GTF. AFS allow the GNWT to understand GTF activity and inactivity throughout the fiscal year at the community level. They describe the method in which the community holds their GTF in trust, what eligible projects costs incurred and the accrued interest on unspent GTF.

### **Consistent and Thorough Financial Monitoring:**

CFS undergoes a yearly cycle with community governments relating to community government financial monitoring. The cycle begins with the community government itself. The community tracks their finances throughout the fiscal year to ensure proper management of their finances.

Depending on their financial position risk, community governments report their financial position to MACA monthly, quarterly or semi-annually. The financial position risk is calculated using the following criteria: surplus/deficit position, whether the previous three year trend for the surplus/deficit has been positive or negative and whether there is a projected increase or decrease in MACA funding to the community. The SFA assigned to the community government works with the community to review the reports and advises them on measures to improve their financial position.

### **GNWT Review of Audited Financial Statements:**

At the end of the fiscal year the community government begins to work with an accounting firm to conduct the audit as per their legislation. Draft audits are sent in two phases to CFS by the community. The first review by the SFA involves ensuring that the audit is capturing everything mandated by the Financial and Audit Reporting Standards set by the Minister of MACA. The second review by the SFA ensures that the quality of the audit is correct and portrays an accurate financial picture in the community.

After each review of the draft AFS, the SFA's analysis is reviewed by the Manager of Community Financial Services to ensure accuracy. In the case of the City of Yellowknife, the Manager of Community Financial Services reviews the AFS drafts and their work is reviewed by the Assistant Director of Community Operations.

After incorporating the comments from the SFA, the community approves the audit and submits it to MACA by July 30<sup>th</sup> of each year. The SFA again reviews the AFS to ensure that comments were incorporated and reviews the community's financial position.

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### **GTF Incorporation of Results:**

It is at this point that the SFA reviews the GTF information and officially shares the information with the GTF coordinator. The SFA and GTF coordinator work together to ensure that all project costs incurred were eligible and determines if the community has unspent funding properly accounted for. If the information is accurate and complete, the GTF coordinator incorporates the information into the AER.

### **Feedback and Response:**

Should the information in the audit not be clear, the SFA will work with the auditor and community to clarify any potential issues stemming from the AFS. If during this discussion it is determined that the community is non-compliant, the community must submit to MACA the following information in order to regain compliancy:

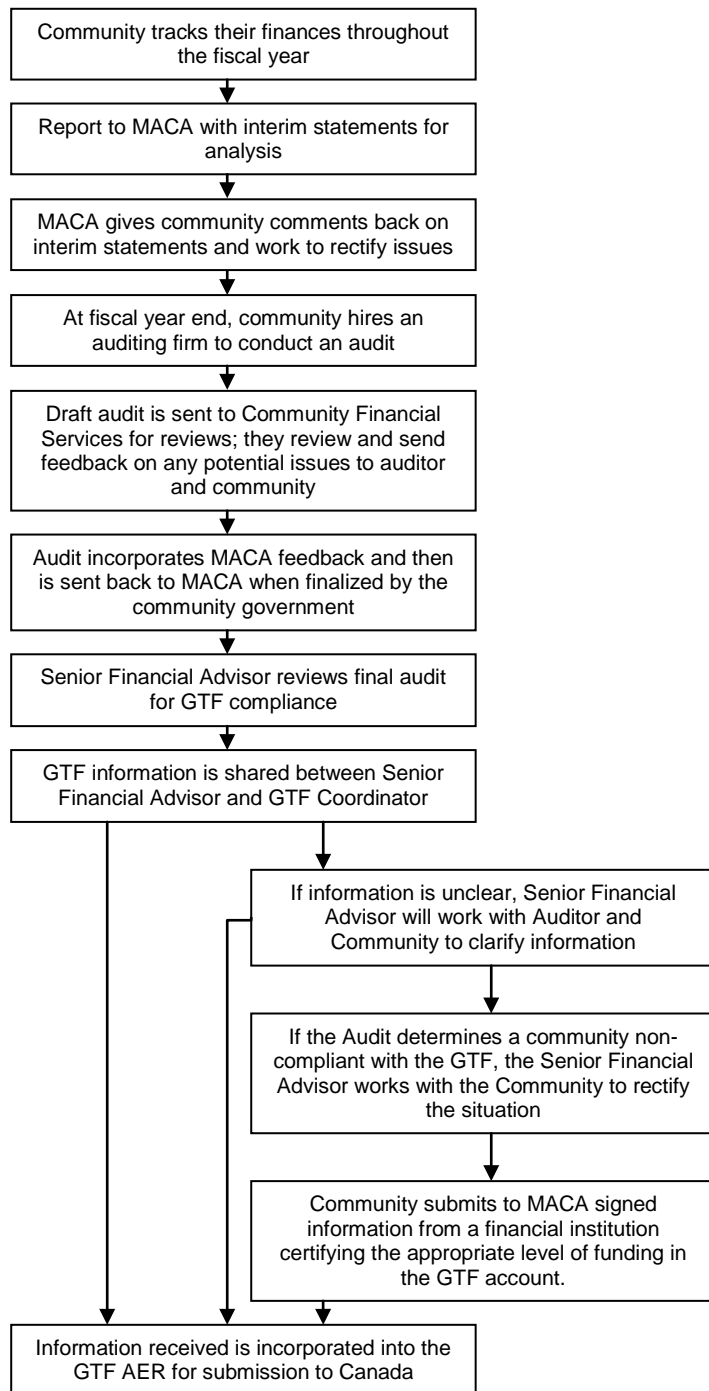
- An up to date CER certified by the community government's SAO;
- An up to date bank account statement of the GTF account<sup>1</sup>; and
- Any invoices for eligible project costs.

MACA will use this information to have the GTF program auditor verify the information as accurate ensuring that a proper audit is completed for the community's GTF yearly activity.

If an AFS determines that a community is non-compliant, this will immediately trigger MACA's non-compliant process. Follow-up will first include contacting the community remotely (letter/e-mail/phone). If the situation is not rectified, or if a plan is not in place, within ten working days, the Senior Financial Advisor and/or the GTF coordinator will immediately schedule a site visit to the community to assist the community.

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<sup>1</sup> If the reason for non-compliance was the misuse of GTF, the bank statement must show the misspent funds deposited back into the account.



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## GTF Quarterly Reporting in the Northwest Territories

Stemming from the GNWT's inability to meet the reporting requirement of the GTF, there has been a need to move towards certified quarterly reporting by NWT communities. Starting in October, 2009 MACA sent community governments Community Expenditure Reports (CERs) to fill out. CERs are certified by community government senior administration and allow for the GNWT to monitor the program closely.

The schedule for reporting is as follows:

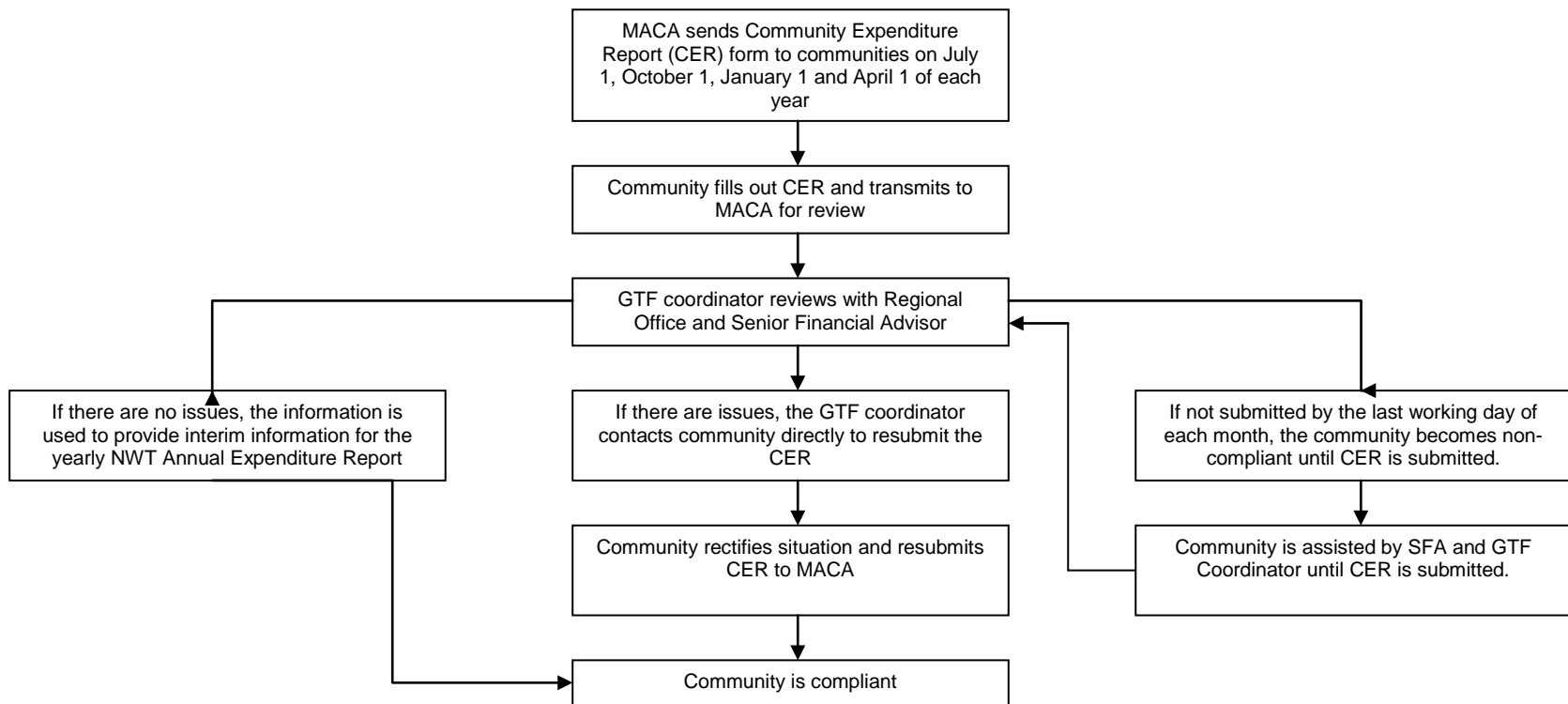
Date Sent	Period Covered	Due Date
July 1 <sup>st</sup>	March, April and June	July 31 <sup>st</sup>
October 1 <sup>st</sup>	July, August and September	October 31 <sup>st</sup>
January 1 <sup>st</sup>	October, November and December	January 31 <sup>st</sup>
April 1 <sup>st</sup>	January, February and March	April 30 <sup>th</sup>

Communities can utilize support from either the MACA regional office or the GTF coordinator in filling out the reporting form. When they have completed the form and certified it, the CER is transmitted directly to the Director of Community Operations in MACA who provides a copy to the GTF coordinator.

The GTF coordinator reviews the CER in conjunction with the Capital Planner and SFA assigned to that community. If there are no issues, the information is used to provide interim information for the annual AER and the community is compliant.

If the CER was completed incorrectly or shows misuse of GTF funds follow-up is required. Follow-up will first include contacting the community remotely (letter/e-mail/phone). If the situation is not rectified, or if a plan is not in place, within ten working days, the Senior Financial Advisor and/or the GTF coordinator will immediately schedule a site visit to the community to assist the community. When the community rectifies the situation, they resubmit the CER to MACA.

If the CER is not submitted by the last business day of the month, the community becomes non-compliant and the GTF follow-up protocol mentioned above is put into effect.



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## GTF Annual Expenditure Reporting in the Northwest Territories

Under the terms of the Agreement, the GNWT must provide to the federal government an unaudited version of the AER, for the fiscal year ending March 31<sup>st</sup>, by June 30<sup>th</sup> and an audited version by September 30<sup>th</sup> of each year. Prior to the 2010/11 fiscal year, the GNWT could not meet the requirements and were in default of the agreement.

The GNWT did not have a mechanism to receive information prior to final AFS and initiated quarterly reporting in 2009/10. This had posed a difficulty in meeting with the June 30<sup>th</sup> unaudited AER deadline and meeting the September 30<sup>th</sup> audited deadline if a community did not, or was unable to, submit an AER on time.

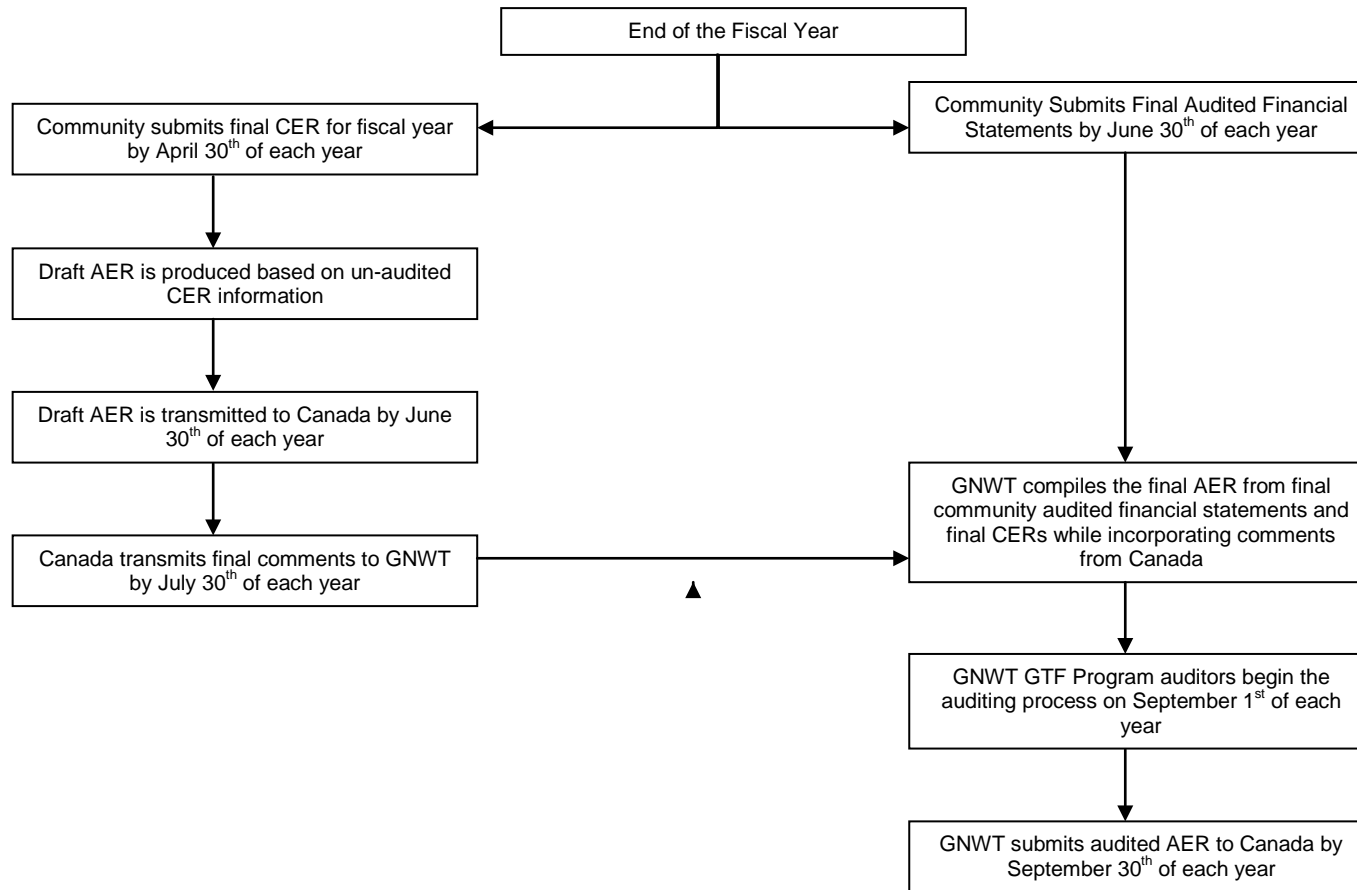
Quarterly reporting led the GNWT to create a new framework to manage GTF reporting. Essentially each year communities will have to answer the question: will we be able to submit an AFS by June 30<sup>th</sup>? If the answer is yes they can and will, the GNWT will incorporate their AFS information into the AER. Should the answer be no they cannot or will not, the GNWT will incorporate a year end CER into the AER.

Quarterly reporting takes the form of a CER. Should the community rely on the year end CER to report on GTF activity, it must be submitted with up to date GTF bank account information, eligible project invoices and the GNWT will have its GTF program auditor verify the information. This will ensure that all thirty-three communities have a chance to have their GTF activity audited, even if their auditor is unable to adhere to the June 30<sup>th</sup> deadline.

By April 30<sup>th</sup> of each year, communities must submit a CER for the fiscal year ending March 31<sup>st</sup>. This CER will be used to populate the un-audited AER which must be submitted to Canada by June 30<sup>th</sup>. It is expected that Canada will submit all of their comments back to the GNWT by July 31<sup>st</sup> for inclusion in the final AER.

The GNWT will compile all information submitted through the AFS into the final AER, as well as the information compiled from the CERs submitted by communities unable to submit a final AFS, by June 30<sup>th</sup>. The GTF program auditor will verify that all information contained in the AER is accurate and complete, as well as verify that all the information presented in the CERs are accurate, during the month of September

The reporting framework will allow the GNWT to submit an audited AER to Canada by September 30<sup>th</sup> of each year.



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## Risks and Risk Mitigation

### 1. Program Delivery

The GNWT underwent a major policy shift in 2007 which gave community governments the responsibility for capital infrastructure projects. This New Deal for Community Governments included expanded roles and responsibilities.

In essence, non-tax based community governments went from the GNWT delivering capital infrastructure projects to multiple sources of direct capital infrastructure investment, each with specific eligibility and reporting criteria, and the responsibility to deliver their own infrastructure. The inherent risk is that community governments have been given more funding than their capacity may allow to manage efficiently.

Capital infrastructure project development has added a new pressure level on community governments. The risk is that with multiple sources of new infrastructure investment, community governments are either unable to spend the money quickly or may spend the money inappropriately.

Under the terms of the GTF Agreement, community governments must commit, through their Capital Investment Plan, all GTF received between 2005 and 2010 to eligible projects completed by 2015. This allows community governments to spread five years of GTF over a ten-year project window. The GNWT does not expect that all community governments will spend their GTF each year..

The GNWT encourages community governments in their capital investment plans to allocate and use GTF first when entering into eligible projects to ensure that Canada's investment is utilized. Regional Capital Planners assist community governments to ensure that eligible projects are identified and completed.

### 2. Financial

During the initial five years of the program there was \$37.5 million transferred to the NWT, with an additional \$15 million for each subsequent year up to 2014-2015. There is a risk that these funds may be in danger should the community misspend funding.

- Risk Factor to GNWT: Medium. The GNWT has the appropriation authority to advance funds to community governments under the GTF program in advance of the receipt of funds from the Federal Government. Should communities misspend funding, the GNWT will claw back funding through the use of a Payment Directive from the community in question's Community Public Infrastructure (CPI) funding, which is a GNWT infrastructure investment fund, to repay the GTF.
- Risk Factor to Communities: High. If a community chooses not to spend the GTF on an eligible project expense, not only do they risk have the funding clawed back from their CPI funding, they also risk future involvement in the GTF program.

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- Risk Factor to Canada: Low. Essentially the GNWT is guaranteeing that NWT community governments use their GTF on eligible project costs. Should communities fail to use the GTF appropriately, the GNWT will claw back misused funding and return it to the GNWT GTF account until such a time as the funds are either allocated back to the community for an eligible project, reallocated to another community or returned to Canada.

### 3. *Project Integrity*

Both GNWT Ministerial Policies involving capital and the Canada-NWT GTF agreement require community governments to submit five-year CIPs by March 31<sup>st</sup> of each year. CIPs must be approved by community governments and must show that sources of funding are committed to eligible project costs.

Unfortunately, there are few mechanisms enforcing that committed projects on the capital investment plan are the projects which are actually completed. Community Governments are encouraged to have council approve amended CIP, however there is no consistent mechanism by which the department will deny communities sources of funding should a community undertake a capital project which is not approved on their CIP.

The risk to the community government is that there is no recorded decision by the community government as to the authority to complete the non-CIP project.

The risk to Canada and the GNWT is that a community may undertake either an ineligible project and/or an unapproved project.

The GNWT will, however, review capital investment plans on a yearly basis. This review is conducted a peer review committee consisting of MACA staff both at the headquarters and regional level. The peer review includes a review of GTF projects, including the assurance that projects on CIPs are eligible, as well as offering advice on potential GTF eligible projects. This feedback is given directly to the community government for inclusion in the next review of their CIP.

### 4. *Compliance*

It is imperative that the GNWT conform to the requirements of the Agreement. Failure to do this will result in Canada declaring that the GNWT is in breach of the Agreement and the GNWT will not receive funding as a result.

The GNWT must comply with the requirements of the Agreement and will comply with the procedures detailed within this framework to accomplish this goal.

### 5. *Organizational Effectiveness*

Due to the complex administrative structure of the GNWT Department of MACA (the GTF monitoring department), there are many different employees which monitor, provide advice and assist with the various aspects of the agreement. There is a risk that due to the lack of a single manager or director responsible for every employee providing

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support to the program, those priorities are not consistently aligned to the GTF Agreement and its delivery.

The intest is that with the adoption of this control management framework, an acceptable level of organizational effectiveness is met due to an increased accountability of how complex relationships work together to administer the program in the NWT.

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## Commitment to the Execution of the Agreement

By tabling this control management framework to the Oversight Committee of the Gas Tax fund on November 26, 2009, the GNWT reinforces its commitment to complying with the GTF Agreement and will ensure that mechanisms are in place to assist community governments in maintaining their compliance.

The framework presented above demonstrates the formal reporting relationships within the GNWT to ensuring that the obligations and responsibilities that the GNWT undertook by signing the Agreement.

Furthermore, the information presented demonstrates that the greatest risk is barred by the GNWT and community governments. All financial risk is barred by the GNWT as the delivery model chosen by the jurisdiction allows for the GNWT to flow community government's GTF allocation in advance of receipt from the Federal Government.

Should the GTF be spent inappropriately, the GNWT has mechanisms in place to retrieve funding from community governments to offset this occurrence.

The risk associated with the Federal Government is political risk should community governments fail to utilize all GTF within federally expected timeframes. Currently there are no measures in the Agreement to insist that community governments spend GTF by a specific date.

However, the GNWT will commit to encouraging all community governments to spend GTF effectively and efficiently as eligible project opportunities become available. The GTF will not be utilized for the sake of utilization, but in order to most effectively comply with the outcomes outlined in the agreement.

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## Appendix 1 – Calendar of Events

Date	Event	Primary Responsibility	Secondary Responsibility
1-Jan	End of Quarter. Community Receives CER	GNWT	
31-Jan	Community must submit CER	Community	GNWT
15-Feb	Compile Quarterly GTF Activity Report	GNWT	Community
31-Mar	Communities Must Submit CIP	Community	GNWT
31-Mar-10	Communities Must Complete ICSP*	Community	GNWT
31-Mar-10	Communities Must be PSAB Compliant*	Community	GNWT
1-Apr	End of Quarter. Community Receives CER	GNWT	
30-Apr	Community must submit CER	Community	GNWT
15-May	Compile Quarterly GTF Activity Report	GNWT	Community
30-Jun	Un-Audited AER due to Canada	GNWT	Community
1-Jul	End of Quarter. Community Receives CER	GNWT	
31-Jul	Community must submit CER	Community	GNWT
31-Jul	Un-Audited AER Comments due to GNWT	Canada	
15-Aug	Compile Quarterly GTF Activity Report	GNWT	Community
30-Sep	Audited AER due to Canada	GNWT	Auditor
1-Oct	End of Quarter. Community Receives CER	GNWT	
31-Oct	Community must submit CER	Community	GNWT
15-Nov	Compile Quarterly GTF Activity Report	GNWT	Community

*\*One time deadline, not a yearly activity*

## Appendix 2 – Quarterly Reporting: Community Expenditure Report Template

### Gas Tax Agreement - Community Expenditure Report

Community Name: \_\_\_\_\_  
 Year: \_\_\_\_\_ Date Submitted: \_\_\_\_\_

	2008-2009	April 1 - September 30, 2009	Cumulative
Opening Balance of Gas Tax Account:	\$	\$	\$
Gas Tax Funds Received from the GNWT:	\$	\$	\$
Interest Earned on Gas Tax Funds:	\$	\$	\$
Spent on Eligible Projects:	\$	\$	\$
Closing Balance of Gas Tax Account:	\$	\$	\$

Financial Institution Account #: \_\_\_\_\_ Account Balance: \_\_\_\_\_

**Project Details:**

Project Name	Gas Tax Funds Used on Project		Eligible Project Category	Other Funding Sources - Please Identify Other Sources of Funding Used Towards this Project and The Amount (i.e. Loan, BCP, etc)
	2008-2009	April 1 - September 30, 2009		
1	\$	\$		
2	\$	\$		
3	\$	\$		
4	\$	\$		
5	\$	\$		
6	\$	\$		
7	\$	\$		
8	\$	\$		
9	\$	\$		
10	\$	\$		
	\$	\$		

I hereby certify to the best of my knowledge that the information reported is accurate and complete:

Signature \_\_\_\_\_ Date \_\_\_\_\_ Print Name & Title \_\_\_\_\_