



Status Report of the Auditor General of Canada to the Northwest Territories Legislative Assembly



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

OAG-BVG

Ce document est également publié en français.

© Her Majesty the Queen in Right of Canada, represented by the Minister of Public Works and Government Services, 2012.

Cat. No. FA3-79/2012E-PDF
ISBN 978-1-100-20084-2





Auditor General of Canada
Vérificateur général du Canada

To the Honourable Speaker of the Northwest Territories Legislative Assembly:

I have the honour to transmit herewith my Status Report to the Northwest Territories Legislative Assembly in accordance with the provisions of section 30 of the *Northwest Territories Act*. This Report follows up on the government's progress on commitments made in response to selected observations and recommendations from audit reports tabled between 2006 and 2010.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Michael Ferguson'.

Michael Ferguson, FCA

OTTAWA, 14 February 2012

Table of Contents

Preface	1
Main Points	5
Introduction	9
Focus of the audit	9
Observations and Recommendations	10
Workers' Safety and Compensation Commission	10
The Commission makes timely decisions and payments for most claims	10
The quality assurance and control framework for claims processing is incomplete	11
Northwest Territories Housing Corporation	12
Monitoring of local housing organizations has not improved	13
Management of the homeownership programs has improved	18
The Corporation does not have a strategic plan	21
Contracting for goods and services	23
The contracting policy framework has been improved	24
Improvement in contract administration is limited	25
Education	26
The Department has made uneven progress in its monitoring of early childhood education	27
The Department has taken steps to improve the monitoring of education councils	30
The Department has taken steps to improve the monitoring of Adult Literacy and Basic Education programming	31
Conclusion	33
Summary of Progress	35
About the Audit	39
Appendix	
List of recommendations	45

Status Report of the Auditor General of Canada to the Northwest Territories Legislative Assembly

Preface

This preface contains observations arising from performance audits we have completed since 2006, including this follow-up audit, which we believe should be brought to the attention of the Legislative Assembly.

Since 2006, we have tabled several performance audits in the Legislative Assembly on areas of importance to the Assembly, to the territorial government, and to residents. Our audits have examined

- the processing of workers' compensation claims,
- public housing and homeownership programs,
- contracting for goods and services,
- education and training programs,
- health programs and services, and
- the management of the Deh Cho Bridge Project.

Each of these audits contained recommendations to the audited organizations that were intended to improve their performance. The audit that follows examines progress made by territorial government organizations in addressing selected observations and recommendations from four of the original audits. We did not follow up on the audits of health programs and services or the management of the Deh Cho Bridge Project because they were tabled only in 2011 and insufficient time has elapsed to assess progress against recommendations.

In our assessment of progress on commitments made by territorial government organizations in responding to our recommendations, we noted satisfactory progress on a number of recommendations, though not necessarily full implementation. We have assessed progress on other recommendations as unsatisfactory.

Our assessment—and our work generally since 2006—points to three barriers that require attention:

- inadequate information to manage programs and make decisions,

-
- insufficient monitoring of third-party program delivery, and
 - an absence of detailed action plans setting out explicitly how and when organizations intend to implement recommendations we make in our audit reports.

Addressing these barriers should lead to more effective program management across the Northwest Territories government and better progress toward implementing recommendations.

Inadequate information to manage programs and make decisions

The territorial government delivers a broad range of programs and services that have a direct impact on the well-being of individuals and organizations across the Northwest Territories. In managing programs, it is important for territorial government organizations to establish performance indicators and service standards (especially for high-volume services), to measure and monitor performance against standards, and to take action to improve programming and services when issues are identified.

However, we have observed that territorial government organizations' ability to manage programs is limited by a lack of data and by the quality of data it does collect. We have found that these organizations need to make a sustained effort to improve the quality and collection of data. Good quality data is important for measuring and reporting on performance. It also supports program evaluations that can assess whether overall program objectives are being achieved, whether alternatives may exist to meet objectives, and whether the rationale or need that led to programming in the first place remains.

There is consensus among senior officials we have interviewed over the years that collecting quality information is important for managing programs and making decisions. In reality, pressures to maximize program delivery may result in allocating resources to programming that might otherwise be used to establish databases, gather quality data, monitor performance, and evaluate programming. However, this information is important if the Government of the Northwest Territories is to succeed in supporting the evolution of the public service into a learning organization, engaged in continuous improvement.

Insufficient monitoring of third-party program delivery

In the Northwest Territories, many programs are delivered through third parties (almost 50 percent of territorial expenditures are allocated to third parties through grants and contributions). We appreciate the rationale that led to decentralization over the years. However, decentralized program delivery and the use of third parties to deliver programs can make accountability more complex.

When territorial government organizations delegate program delivery to the third parties, it is important that they regularly monitor the performance of those parties to ensure compliance with program and other requirements, such as reporting and data collection. In our audits, we have noted several instances where improvements in monitoring are required.

Absence of detailed action plans to implement our recommendations

In each of our audit reports, we make recommendations when our observations point to a need for improvements (our audits assess organizations against the policies, regulations, and guidelines that they are required to follow). We make these recommendations only after detailed discussions with senior management, because it is important that the audited organizations agree with these recommendations and have the capacity to implement them.

Despite commitments from the organizations discussed in this follow-up audit to implement recommendations we had made, often we did not find detailed action plans setting out explicitly how and when they intended to do so. Such plans would provide a roadmap for organizations to follow to resolve problems, and serve as a way to assure the Legislative Assembly and standing committees that progress is being made. Such action plans should not be considered an extra burden or requirement—we would expect that correcting identified deficiencies would become part of these organizations' ongoing efforts to improve their operations.

Status Report of the Auditor General of Canada to the Northwest Territories Legislative Assembly

Main Points

What we examined

Since 2006, the Office of the Auditor General has conducted performance audits in a number of departments and other government organizations in the Northwest Territories. In this first status report to the Legislative Assembly, we provide an update on the government's progress on commitments made in response to selected observations and recommendations from four of our previous reports.

Those reports covered subject areas that we consider important to residents of the Northwest Territories—workers' compensation, housing, contracting, and education. Our follow-up examined the administration of the claims process of the Workers' Safety and Compensation Commission (formerly the Workers' Compensation Board); public housing and homeownership programs as well as strategic planning of the Northwest Territories Housing Corporation; contracting administration in the departments of Finance, Public Works and Services, and Transportation; and program monitoring and reporting by the Department of Education, Culture and Employment.

Whether we consider progress to be satisfactory or unsatisfactory depends on a combination of factors, including the length of time the organization has had to implement a recommendation and the difficulty of implementing it.

Audit work for this report was completed on 31 August 2011. Details on the timing, objectives, and scope of the audit can be found at the end of the report, in **About the Audit**.

Why it's important

Each of the four areas examined in this audit is important to residents of the Northwest Territories. Workers' compensation, housing, contracting, and education have a significant impact on the lives of residents. For example, adequate housing is an important factor in creating an environment conducive to educational achievement. In turn, education is vital to the progress of both individuals and the Northwest Territories as a whole; it lays the foundation for success at work and throughout life and benefits the economy, society, and individual quality of life.

What we found

- The Workers' Safety and Compensation Commission has made satisfactory progress since 2006 to improve the processing of workers' compensation claims and make timely decisions and payments for claims. The Commission is working to establish a complete quality assurance and control process to ensure that processing standards and procedures are followed.
- The Northwest Territories Housing Corporation has taken steps since 2008 to improve its monitoring of local housing organizations (LHOs); however, progress on monitoring of LHOs is unsatisfactory. The Corporation has not completed annual assessments of LHO operations, a key requirement of its Universal Partnership Agreements with the LHOs. The Corporation's monitoring of whether LHOs assess and allocate requests for housing assistance in compliance with policies and procedures has not improved. The Corporation has also made unsatisfactory progress in meeting its commitment to develop a strategic plan, incorporating various elements of housing together into a comprehensive housing strategy.
- The Northwest Territories Housing Corporation has made satisfactory progress in its management of the homeownership program in that it has undertaken an evaluation of its Housing Choices programs, and it has taken steps to ensure that its mortgage receivables are collected. Further, it has improved its monitoring of homeownership assistance, to ensure that it is compliant with its policies and procedures, although key requirements of the allocation process are not always completed and documented.
- The Department of Finance has made satisfactory progress since 2009 to improve contracting for goods and services. It has revised its guidance on contracting and established an interdepartmental committee to maintain the guidelines. It revised the Financial Administration Manual to clarify processes for the delegation of contract authorities, although not all departments are compliant with all requirements. As for contracting by the Department of Transportation and the Department of Public Works and Services, while they have taken some steps to improve their administration of contracts, overall their progress is unsatisfactory.
- The Department of Education, Culture and Employment has made satisfactory progress since 2010 in its monitoring of education councils, although it has not followed through on all

the actions it committed to for 2010 and 2011. For example, the Department has not yet reviewed any of its educational directives to determine their relevance and whether they are achieving their intended objectives. The Department has also made satisfactory progress on monitoring Adult Literacy and Basic Education programming, in that it has begun to review and modify the programs.

- The Department of Education, Culture and Employment has made unsatisfactory progress on inspecting day care facilities. Not all day care facilities are inspected annually, as required by legislation. Further, the Department has no guidance on when or how follow-up is to be conducted when inspections identify facilities as non-compliant with standards.

The entities have responded. The entities agree with our recommendations. Their responses follow the recommendations throughout the report.

Introduction

1. This audit is the first follow-up audit that the Auditor General of Canada has conducted since beginning performance audits of the government of the Northwest Territories. As such, it provides members of the Legislative Assembly and residents of the Northwest Territories with an update on progress on commitments made by departments and other territorial organizations in implementing recommendations from our previous audits.

2. We examined whether departments and other territorial government organizations have addressed selected observations and 14 recommendations included in the following four previous audit reports:

- Report on the Workers' Compensation Board of the Northwest Territories and Nunavut (June 2006)
- Northwest Territories Housing Corporation: Public Housing and Homeownership Programs (February 2008)
- Contracting for Goods and Services: Northwest Territories (June 2009)
- Education in the Northwest Territories—2010: Department of Education, Culture and Employment (May 2010)

Our original recommendations and progress ratings are listed in the Summary of Progress section at the end of this report. Our progress ratings are based on the significance and complexity of the issue and the time that has elapsed since the recommendations were made. A satisfactory rating does not necessarily mean that no further work is required. Additional recommendations found in this report are based on new audit work and where there has been a significant lack of progress in implementing the original recommendation.

Focus of the audit

3. This follow-up audit examines progress made by territorial departments and organizations in addressing selected observations and recommendations from four previous reports we tabled in the Legislative Assembly between 2006 and 2010. The reports we followed up on cover four subject areas that we consider to be important to the residents of the Northwest Territories—workers' compensation, housing, contracting, and education. After our reports were tabled in the Legislative Assembly, standing committees held hearings on them.

The committees issued their own reports that supported our work, and their recommendations reinforced ours.

4. More details about the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this report.

Observations and Recommendations

Workers' Safety and Compensation Commission

5. The responsibilities of the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut (the Commission—formerly the Workers' Compensation Board of the Northwest Territories and Nunavut) include ensuring that compensation and pensions are awarded to injured workers or their dependents and that they are paid according to entitlement. The Commission, which draws its mandate from the *Workers' Compensation Act*, has an operating budget of about \$26 million and has about 90 employees across the Northwest Territories. In 2010, the Commission registered 2,233 claims for incidents occurring within the Northwest Territories.

6. In this follow-up, we identified the administration of the claims process as a key issue from our 2006 audit. Rather than assessing progress on specific recommendations from our earlier audit (some of which no longer applied due to changes in the Commission), we examined key aspects of the claims process.

The Commission makes timely decisions and payments for most claims

7. The Commission's claims process includes standards and procedures. Using processing standards confirmed as current by the Commission's management, we reviewed a representative sample of 53 claims from those registered in 2010 for injuries that occurred in the Northwest Territories to determine whether key steps of the claims process had been met. These key steps included whether decisions on accepting or denying the claim were timely and whether any required payments were accurate.

8. We found that the Commission had made timely decisions and payments for most of the 53 claims we reviewed. However, we found 6 cases where the Commission did not meet its standard for making a decision (22 or 30 days, depending on the type of claim) and 1 case where the initial payment to the client had been delayed (over the 25-day standard for such payment). In the 10 claims where payments to the claimant were required, we found the payments to be accurate.

9. Although, in most cases, processing standards were met for entitlement decisions and initial payments, we noted that for 11 of the 53 claims there were two or more instances where intermediate standards were not adhered to—for example, the request for outstanding reports, review of the file, or initial note to file were not completed in a timely manner.

10. We also found that the Commission has taken action to improve its claims processing since 2006. It began offering plain language training to its claims officers in 2010 as a way to ensure that letters to claimants are clear and easy to understand. The Commission is developing an online training program for all new claims employees and an online reference system for existing employees for claims processing standards and procedures. The Commission expected to introduce the program by 31 December 2011.

The quality assurance and control framework for claims processing is incomplete

11. A clearly set out quality assurance and control framework includes standards and procedures that help to ensure that claimants are treated consistently, fairly, and equally. It allows the organization to better measure and manage its performance, including calling for ongoing checks and procedures to minimize errors and take corrective action. It also allows data collected on the process to be analyzed and the results reported to management.

12. We found that, in addition to its claims processing standards, the Commission has some quality assurance and control procedures in place for reviewing claims. For example, senior staff members periodically review claims processed within their area; claims are also reviewed when there is a new release of the Commission's electronic processing system. Senior staff members also review problematic claims and letters denying claims, and they take corrective actions where necessary.

13. However, we did not find a complete quality assurance and control framework. For example, the standards and procedures for claims processing are not consolidated—some standards and procedures are in a procedures manual, some are in other written guidance, and some are in the electronic processing system used by claims processors. We also found some inconsistent standards for the same step in the process. For example, management at the Commission told us that, for claims in which the worker does not lose any time from work as a result of an accident, the standard for the Commission to provide its decision is within 30 days of the claims' receipt; however, written guidance states that the standard is 21 days.

14. We also found that the Commission does not have an established process for approving and communicating changes to its claims processing procedures and standards. Further, there is no clear mechanism for summing up and reporting processing errors to senior management. As well, we did not find comprehensive mechanisms to measure and monitor performance. However, we found that the Commission has started to act on its quality assurance and control framework. In 2011, it developed and approved organization-wide service standards, including specific standards related to the claims process. The Commission plans to implement these in 2012.

15. In summary, we found that the Commission makes timely decisions and payments in most cases. Further work on its quality assurance and control framework for the claims process will help to ensure that claims are processed as efficiently and effectively as possible. Not having a consolidated and consistent set of standards and procedures increases the risk that claims processors may be unknowingly working to different, outdated, or incorrect procedures or standards. Failing to consistently follow procedures for processing claims increases the risk that not all claimants will be treated fairly or equally. While more work needs to be done, we considered progress on the administration of the claims process to be satisfactory (see Summary of Progress, section A-1, page 35).

16. **Recommendation.** The Workers' Safety and Compensation Commission should develop a more complete quality assurance and control framework for the processing of claims, including establishing a process for approving and communicating changes to its claims processing procedures and standards.

The Commission's response. Agreed. The Commission is working to improve its quality assurance and control framework for the claims process; in 2012 it will implement organization-wide service standards it developed in 2011. These standards include specific standards related to the claims process. In addition, the Commission recruited a corporate performance analyst in 2011, who is responsible for consolidating and reporting on standards and services on a quarterly basis. Realizing the importance of this function, the President has placed the reporting relationship directly under Executive Services.

Northwest Territories Housing Corporation

17. The Northwest Territories Housing Corporation (the Corporation) is mandated under the *Housing Corporation Act* to ensure, where appropriate and necessary, that there is a sufficient supply of affordable, adequate, and suitable housing to meet the needs of the

territory's residents. The Corporation provides housing assistance programs, housing units, and repairs. It has about 110 employees, and its budget for the 2011–12 fiscal year was about \$113 million. The Corporation delivers its homeownership programs through its five district offices. The public housing program is delivered by 23 independent local housing organizations (LHOs) under agreements with the Corporation.

18. Providing housing in the Northwest Territories poses significant challenges. The climate requires that special attention be paid to the quality of the building and its heating systems, while location and the challenge of transporting building materials make it difficult to construct affordable housing in many communities. Further, there are differing views on who is responsible for providing housing—individual residents or the territorial or federal governments.

19. In this follow-up, we examined whether the Corporation had

- strengthened its monitoring of LHOs,
- improved its management of the homeownership program, and
- set out in its strategic plan how it intends to meet the housing needs of Northwest Territories residents.

We reviewed actions the Corporation has taken on the commitments it made in response to seven of our recommendations from our 2008 audit.

Monitoring of local housing organizations has not improved

20. The Corporation's public housing program, with a budget of about \$41 million, includes approximately 2,400 public housing units and is delivered on behalf of the Corporation by LHOs. Each LHO has a board of directors; a manager and staff are responsible for delivering the program within communities. The LHOs employ about 125 employees. Universal Partnership Agreements between the Corporation and the LHOs outline the roles and responsibilities of both parties and require that the LHOs follow the Corporation's policies and procedures.

21. In this follow-up, we reviewed specific actions the Corporation has taken to strengthen its monitoring of LHOs in response to our previous audit. Monitoring includes systematically collecting, analyzing, and using information gathered from programming. It should account for resources used, results obtained, and decisions made, and be used to target areas where further work by LHOs or guidance from the Corporation is required. We examined whether the Corporation

-
- conducts annual assessments of each LHO's operations, including analyzing sample tenant files to ensure the LHOs follow the Corporation's policies and procedures for processing applications; and
 - ensures public housing units are regularly inspected, conducts random public housing unit inspections, and regularly reports on the overall condition of its public housing portfolio.

We conducted work in two of the Corporation's district offices, and we visited four LHOs to obtain their perspectives on monitoring carried out by the Corporation.

22. Annual assessments of LHOs. Under the Universal Partnership Agreements, the Corporation is responsible for assessing the effectiveness of each LHO's operations and programs annually and for providing training and support based on the assessments. The agreements also require the LHOs to provide annual audited financial statements and quarterly financial and administrative reports to the Corporation.

23. In 2008, we found that the Corporation was not performing the annual assessments, nor did it have a strategy for doing so. We also found that it did not otherwise monitor the LHOs. The Corporation agreed with our recommendations to assess the LHOs annually and monitor the application process for public housing.

24. In our follow-up, we found that the Corporation has not conducted annual assessments of operations in any of the LHOs as required by its agreements with them, nor does it have a strategy for doing so. The Corporation told us that it does not have the capacity to conduct the assessments, but that it reviews the LHOs' financial reports to look for financial deficiencies. It has carried out more detailed reviews of two LHOs and made recommendations on how to improve operations. It has also worked with LHOs to create deficit recovery plans. While these reviews and follow-up help to deal with deficiencies in individual LHOs, they are reactive and fall well short of an annual assessment of each LHO. Further, annual assessments could identify emerging issues before they become more serious problems that threaten LHO operations.

25. Other monitoring of LHOs. Since our 2008 audit, the Corporation directed its district offices to enhance their monitoring and reporting of LHO activities related to the application process to ensure they were being done according to the Corporation's policy. However, only in January 2011 did it finalize monitoring forms

designed to capture this information as well as information on the LHOs' board operations, administration, finances, rental program management, maintenance management, and capital projects. The Corporation did not provide any formal guidance to district offices setting out when and how often these forms are to be completed, or what is to be done with the information in them. In the two district offices in which we conducted audit work, we found that these monitoring forms had been completed for 2 of 13 LHOs and partially completed for another 2 of the 13.

26. The Corporation told us that it monitors LHO operations through regular contact with LHO managers. District office staff members sometimes review different aspects of LHO administrative and maintenance functions during visits to communities, including analyzing sample tenant files to ensure proper processes have been followed. While these actions do constitute an element of monitoring, they do not meet the requirement for annual assessments specified in Universal Partnership Agreements.

27. To determine whether LHOs are following policies and procedures in processing public housing applications, we examined a representative sample of 47 applications, from those made between 1 April 2009 and 31 March 2011, in the four LHOs we visited. We found that 17 of the 47 applications had been assessed by the LHOs according to key procedural requirements. For 27 of the applications, one LHO had used a different point-rating form—used to determine an applicant's priority—from the one specified by the Corporation. Further, 3 of the application files were missing the point-rating form. Finally, we did not always find that arrears checking had been clearly documented. LHO managers told us that tenant arrears are usually checked through phone calls, but if no arrears are found, it is not necessarily noted in the file.

28. In 2010, the Corporation began developing a software program—the Territorial Housing Information Management System—which it told us will require LHOs to electronically record public housing applications and the information needed to process them (for example, point-rating forms and arrears checking). The system is expected to be operational by April 2012. The Corporation expects to be electronically linked to the system, enabling it to monitor activities of the LHOs.

29. Despite this positive step, the Corporation still does not have a clear picture of the state of the delivery of the public housing program, including whether the LHOs are processing applications according to

its policies and procedures, and whether delivery of the program is consistent among LHOs. Regular monitoring through the annual assessments would allow the Corporation not only to identify any deficiencies and take corrective action where necessary, but also to provide timely and useful feedback as well as training to the LHOs as they seek to improve their performance. Our progress assessment can be found at paragraph 36.

30. Inspections of public housing units. The Corporation is responsible for managing public housing and reporting on its condition. An important component of this responsibility is ensuring that LHOs have the support and capacity to effectively inspect housing units annually and report on their condition to the Corporation.

31. In 2008, we reported that the Corporation did not regularly monitor the condition of its public housing units. We recommended that the Corporation improve its monitoring to ensure that inspections were done and reported to the Corporation, and that it perform random inspections to confirm the appropriateness of the ratings, and regularly report on the overall condition of its public housing.

32. The Corporation agreed with our recommendations and noted that regular monitoring and reporting are key management responsibilities. It committed to ensuring that inspections are completed properly and that unit condition ratings are submitted by the LHOs to the Corporation in a timely manner. (The ratings are used to develop annual maintenance budgets and to identify units for replacement.) The Corporation also committed to providing any training to LHOs required as a result of deficiencies noted in its random inspections. Further, it committed to reviewing, in consultation with LHOs, its Maintenance Management Operations System—the system that LHOs are supposed to use to report the condition ratings—to determine its effectiveness as a consistent planning, scheduling, budgeting, and expenditures monitoring tool for maintenance activities. In this follow-up, we checked to see if the Corporation had followed through on its commitments, including whether it had received all condition ratings for the latest fiscal year, 2010–11.

33. The Corporation requires the LHOs to provide condition ratings for their units by 31 October each year. We found that the ratings are being completed annually. However, LHOs provide their condition ratings to the Corporation in different formats, with some using the Maintenance Management Operations System and others using other methods. Once received, many of the ratings need to be manually

counted and, in a small number of cases, adjusted for errors (such as incorrectly counting a multi-family unit as one unit), because there is no consolidated system to capture this information. We found that the Corporation has not yet completed its review of the Maintenance Management Operations System to determine its effectiveness. Nevertheless, it told us that it is working on a plan to replace the operations system by March 2012 with one that will include better management and reporting capabilities and be tied to its financial systems.

34. We found that the Corporation does not conduct random inspections to confirm the appropriateness of the condition ratings provided by the LHOs. However, we noted that it verifies the accuracy of some condition ratings as part of developing its capital plan, including for specific modernization and improvement work projects. It also reviews condition rating summaries year-over-year to look for significant changes in ratings.

35. Although the Corporation has noted that reporting on the condition of its public housing portfolio is a key management responsibility, it has not been producing public reports on it. Neither has it reported on the condition of public housing in its annual reports. We also found that the Corporation has not tabled an annual report in the Legislative Assembly since its 2007–08 annual report. Under the *Northwest Territories Housing Corporation Act* and under the *Financial Administration Act*, the Corporation is required to prepare and submit an annual report for each fiscal year to the responsible minister.

36. Summary. While the Corporation does some monitoring of LHOs, by not conducting the annual assessments required by Universal Partnership Agreements, the Corporation has lost the opportunity it created in the agreements to have a structured and scheduled way to consistently and thoroughly monitor the LHOs. In addition, while the Corporation has worked with the LHOs to ensure public housing units are being inspected, without a common operations system for its maintenance management activities, it is having difficulty obtaining a complete picture of the state of its public housing portfolio. Not having this monitoring tool also makes planning and budgeting for repair and replacement of units more difficult. Finally, given the significant ongoing investment in public housing by the government, the Corporation has a responsibility to ensure that this information is publicly available. We considered progress on the monitoring of the condition of public housing to be unsatisfactory (see Summary of Progress, sections B-1 to B-3, pages 35 to 36).

37. Recommendation. The Northwest Territories Housing Corporation should prepare and submit annual reports to the responsible minister in a timely manner.

The Corporation's response. Agreed. The preparation and timely submission of annual reports are important aspects of corporate governance responsibilities.

Management of the homeownership programs has improved

38. One of the Corporation's goals is to provide effective and appropriate homeownership programs and services. Many residents, especially in small and remote communities, have low incomes and cannot afford to pay market costs of buying, building, or maintaining a home. In 2007, the Corporation introduced Housing Choices, a new set of programs to replace previous programming. Housing Choices includes four homeownership programs: training to prepare applicants for home ownership, a transitional leasing program, funding for home purchase or construction, and funding for home repairs.

39. In this follow-up, we reviewed actions taken by the Corporation to improve its management of the homeownership programs. Specifically, we examined whether the Corporation

- has evaluated its homeownership programs to ensure they are achieving their stated objectives in a cost-effective manner,
- has taken appropriate steps to improve the collection of its mortgages receivable, and
- has improved its monitoring of whether homeownership applications are processed according to policies and procedures.

40. Evaluation of homeownership programs. In 2008, we noted that the Corporation had not evaluated its homeownership programs, and we recommended that it do so. The Corporation agreed and noted that it had scheduled an evaluation to follow its first year of delivering the new Housing Choices programs.

41. In this follow-up, we found that the Corporation had since determined that three complete delivery cycles would be required to evaluate the programs effectively. In early 2011, the Corporation contracted with an independent firm to evaluate the programs. Its Request for Proposals for this contract called for the evaluation to assess the success of the programs in meeting the Corporation's mandate and stated goals, as well as to provide an

overall analysis of the strengths and weaknesses of the programs. The firm's final report was to be issued in September 2011 (after the end of our audit work).

42. Mortgages receivable. In the past, the Corporation provided mortgages to residents whose income falls below a set level to obtain modest homes. The Corporation stopped offering these mortgages in 2007. It subsequently introduced the Housing Choices programs.

43. Our 2008 audit found that the Corporation had experienced problems with the collection of mortgage receivables (81 percent of mortgages were in arrears). We recommended that the Corporation take appropriate steps to ensure that its mortgage receivables are collected on a timely basis. The Corporation agreed with our recommendation.

44. We found that while the majority of these mortgage receivables remain in arrears, the Corporation has made satisfactory progress on our recommendation, in that it has taken the following steps to collect them:

- It introduced a plan that offers repayment options to clients to help them clear their mortgage arrears.
- It has engaged legal counsel, who has begun issuing demand letters to clients who have not chosen repayment options.

In a briefing note to the minister responsible for the Corporation, Corporation officials noted that they had contacted all clients with repayable mortgages and, as of April 2011 (the latest date for which information is available), 150 of 468 clients had selected an option under the plan, mostly through refinancing or a payment plan. (We did not audit these numbers.) It is important that the Corporation continue to work on collecting these mortgages receivable.

45. Monitoring of homeownership program applications. The Corporation's homeownership programs are available to residents whose gross household income falls below a predetermined threshold. Further, for two of the programs, they must not owe any money to the Corporation, including any rental arrears to LHOs. The Corporation's five district offices are responsible for assessing applications and allocating homeownership assistance.

46. In our 2008 audit, we reported that the Corporation was not regularly monitoring its district offices to determine whether they were following its policies and procedures in allocating homeownership assistance. The Corporation committed to regularly monitoring the

processing of applications. A key part of this commitment was conducting compliance audits of district offices and taking steps to improve support to them.

47. In this follow-up, we found that the Corporation had reviewed client files in each of its district offices in 2010 to determine compliance with its policies and procedures. Findings of these reviews were mixed. For example, contact between the program advisor and the client was well documented, but some procedural requirements had not been followed; for instance, some files had no evidence of checking for mortgage arrears. We found these reviews of district offices to be thorough. We also noted that the Corporation has followed up with district offices since the reviews.

48. To determine whether homeownership applications are processed according to policies and procedures, we drew a representative sample of 49 applications from those made to two district offices between 1 April 2009 and 31 March 2011. We found improvement since our last audit, in that all applications had been point rated as required. We also found that the district offices had complied with the Corporation's key policies and procedures for 39 of the applications. Among the issues we found for the other 10 were

- no evidence that the Corporation had checked for arrears on the part of the applicant, and
- instances where either work on the home had started or a contract had been awarded for the work before applicants signed promissory notes agreeing to the terms of the funding.

In addition to these 10 instances of non-compliance, we noted other less serious but nevertheless problematic items in the files. For example, letters to successful applicants did not always include the amount of funding offered, as required by the Corporation's policies. Also, letters of decline were sometimes issued more than seven weeks after the decision to decline had been made (the Corporation has no standard for when these letters are to be issued).

49. The Corporation uses its Homeownership Client Information Management System to electronically process homeownership applications. This system is capable of producing program statistics reports, such as a list of declined applications. We found that while the Corporation sometimes uses this system to monitor compliance with policies and procedures in processing applications, it often uses the system's reports to prepare briefing notes for the minister on, for example, the application intake for the Housing Choices program.

While using the system to demonstrate accountability is worthwhile, it is important that the Corporation more frequently use the information to improve its everyday management of the homeownership programs. However, it is also important that the Corporation improve the quality of the information contained in the system to ensure it is reliable.

50. Summary. We found that the Corporation has contracted with a firm to evaluate its homeownership programs. It has also taken steps to collect its mortgages receivable, although it will need to continue to focus its efforts on this work. Further, we found that it has improved its monitoring of homeownership assistance to ensure that it complies with its policies and procedures, although we noted that key requirements of the allocation process are not always completed and documented. The Corporation will need to continue to work with its district offices in ensuring compliance with these processes. We considered progress on the management of the homeownership programs to be satisfactory (see Summary of Progress, sections B-4 to B-6, page 36).

The Corporation does not have a strategic plan

51. In 2006, the premier asked the Corporation to develop a strategic plan that incorporated the various elements of housing together into a comprehensive northern housing strategy. The plan was to describe the changes made in the Corporation's programs and services to reflect its renewed mandate. We noted in our 2008 audit that the Corporation had started a strategic planning process. The Corporation agreed with our recommendation to finalize its strategic plan as soon as possible.

52. We observed that the Corporation has many issues to consider that would benefit from a strategic plan. For example, it has ongoing budgetary restraints. It also has to deal with arrears for both public housing tenants and homeownership program clients. At the same time, in one LHO we visited, some newly completed units for the homeownership programs stood vacant because of a lack of eligible candidates. (The Corporation has since developed a strategy to deal with these vacant units.)

53. A strategic plan should include

- a clearly stated vision for the organization;
- clearly defined stages for realizing the vision;
- specific, measurable, achievable, relevant, and time-limited expected outcomes;

-
- high-level direction or means to be pursued in achieving the expected outcomes; and
 - the financial and human resources to be used to put the plan into effect.

54. In this follow-up, we found that the Corporation has not issued a strategic plan. After our 2008 audit, it issued its Framework for Action 2008–2011, which it described as an action plan and part of its strategic planning process. We found that the Framework lists plans and specific actions to be undertaken, deliverables, and timelines; however, it does not identify priorities or how the actions link to the Corporation’s mandate. We have assessed progress against this recommendation as unsatisfactory (see Summary of Progress, section B-7, page 36).

55. The Corporation, in cooperation with the Government of the Northwest Territories’ Department of Executive, has undertaken a Shelter Policy Review for completion by the end of fiscal year 2011–12. The purpose of the review is to refocus the government’s approach to providing housing programs, services, and support across the spectrum of need; it includes plans for engagement with communities, residents, and LHOs. The Corporation indicated that this review is also intended to contribute to a new strategic plan, by providing a long-term vision for housing.

56. Recommendation. The Northwest Territories Housing Corporation should develop implementation plans for our recommendations on which progress to date has been unsatisfactory or incomplete. The plans should include specific goals, targets, action items, timelines for achieving results, and indicators for measuring progress.

The Corporation’s response. Agreed. The Corporation will use the findings of its strategic planning exercise under the Shelter Policy Review to develop and implement plans that include specific goals and targets with measureable indicators, action items, and timelines.

Regarding the monitoring of local housing organizations (LHOs), the Corporation will build upon the oversight activities it currently undertakes through monthly activity reports and annual financial reviews by introducing the Territorial Housing Information Management System (THIMS). THIMS will supplement these processes by providing real-time capability in monitoring LHO tenant processes and activities. THIMS is scheduled to be implemented in April 2012. With respect to public housing condition ratings,

the Corporation will implement a condition rating tracking system by February 2012 and publish the results yearly in its annual report.

The Corporation will also continue working with LHOs to develop detailed deficit recovery plans linking financial stability with financial and operational performance.

The Corporation intends to use the results of the Shelter Policy Review to frame a long-term plan that is consistent with the goals of the Government of the Northwest Territories. A strategic framework will be released later in 2011–12.

Contracting for goods and services

57. The Government of the Northwest Territories contracts with private sector individuals and organizations for expertise it would otherwise not have access to. In the 2010–11 fiscal year, departments spent over \$135 million on competitive contracts for goods and services. The government’s objectives for contracting are to acquire goods and services in a way that

- enhances suppliers’ access to contracts;
- encourages competition;
- supports benefits for northern businesses; and
- reflects fairness, transparency, and probity in the spending of public funds.

It is important that contracting be carried out according to the regulations and policies designed to achieve those objectives. The Department of Finance is responsible for setting contracting policy through its Financial Administration Manual. Each department is largely responsible for its own procurement and contracting. The government’s policy requires that the details of all contracts awarded and **change orders** be posted on its Contract Registry and Reporting System, a public database administered by the Department of Industry, Tourism and Investment, containing information on all competitive and non-competitive contracts over \$5,000.

58. In our 2009 audit, we found that most of the contracts we examined had not been administered according to the government’s requirements (by contract administration, we mean activities after a contract has been awarded). We found one or more errors in 57 percent of the contracts. We recommended that the Department of Finance update and improve the accessibility of its policy and guidance on contracting, that it reinforce and increase awareness of the requirements for delegation of contract authorities and enhance

Change order—A document that outlines the details of modifications to the scope, price, and completion terms of a contract, as appropriate. Change orders are normally approved by the applicable departmental contract authority, agreed to by the contractor, and signed by both parties.

monitoring of this, and that it implement an independent contract dispute resolution mechanism. We further recommended that departments strengthen their processes and practices to ensure that contracts are administered according to policies and regulations.

59. In this follow-up audit, we looked at selected elements of the contract administration process. We did not look at the awarding of contracts. We identified two key issues related to the administration process to follow up from our 2009 audit:

- the contracting system—updating and improving the accessibility of the contracting policy framework, ensuring that the delegation of contract authorities is consistent with applicable requirements, and establishing an independent contract dispute resolution mechanism; and
- strengthening processes and practices to ensure that contracts are administered according to regulations and policies.

60. We reviewed the Department of Finance's actions on three recommendations we made to improve the contracting system. With respect to our recommendation on strengthening processes and practices for contract administration, we examined a representative sample of 44 goods and services contracts administered by the Department of Public Works and Services and the Department of Transportation—the two departments that accounted for the most contracting in the 2009–10 fiscal year. As in 2009, we tested a selection of basic controls that are essential for the proper administration of contracts. Whenever a contract failed to meet one or more of the expected requirements, we concluded that the contract was not being administered in compliance with regulations and policies.

The contracting policy framework has been improved

61. We learned that the Department of Finance has been working to revise its policy guidance on contracting. In November 2010, it recommended that departments and other territorial government organizations follow the procedures outlined in the Public Works and Services Procurement Guidelines that are expected to become the Government of the Northwest Territories Procedures Manual. At the same time, it established an interdepartmental committee to revise the guidelines to be more applicable to government-wide procurement and to maintain them. The terms of reference for the committee have been established, but the revision of the guidelines has not yet begun.

Signature specimen record—A form signed by a public officer and his or her supervisor that grants the officer the ability to spend, make payments, or sign contracts under the Northwest Territories *Financial Administration Act* and Regulations and the Financial Administration Manual. It notes any limitations on this power and includes the authority to delegate this power to another.

62. In 2009, under the *Financial Administration Act*, ministers delegated contract authority to deputy ministers to designate expenditure and accounting officers. In January 2010, the Department of Finance revised the Financial Administration Manual to clarify processes, and update guidance on delegations of authority and **signature specimen records**. It further revised the manual regarding approval authorities by clarifying the roles of various financial officers. We noted that, although departments were required to submit details of delegations to the Office of the Comptroller General by 1 April 2010, not all delegations had been received as of 31 August 2011. The Department of Finance has not yet followed up with the outstanding departments. We also found that a vendor complaint process was established in November 2010 to provide for independent dispute resolution. While work to fully implement the three recommendations we made to improve the contracting system has not been completed, we considered progress on the contracting policy framework to be satisfactory (see Summary of Progress, sections C-1 to C-3, pages 36 to 37).

Improvement in contract administration is limited

63. In 2009, we reported that there were deficiencies or weaknesses in the administration of a majority of the contracts we audited. These errors included receiving goods or services before the contract was issued, not issuing contract change orders according to government policy, exceeding spending authority, and approving payments before obtaining the required certifications.

64. In this follow-up, we found that both the Department of Transportation and the Department of Public Works and Services had taken steps to strengthen their internal processes and practices to improve the administration of contracts. For example, the Department of Transportation has provided training on procurement to its employees on several occasions. At Public Works and Services, officials have established a checklist designed to ensure that all relevant procurement information is maintained within individual files. The Department has also held workshops for individuals across government on procurement and contracting.

65. In our review of a representative sample of 44 contract files administered in the 2009–10 fiscal year, we found improvements in the way the files had been administered compared to what we found in 2009, but we also found one or more errors in 34 percent (15 of 44 contracts) of the contracts. As in 2009, no one single type of error was pervasive within or across departments. Among the errors we

found were receiving goods or services before the contract or change order had been issued, violations of the signing authority, and an instance where payment exceeded the value of the contract by more than \$50,000.

66. For two of the files, where we found errors, the Department had updated its own system, but the Contract Registry and Reporting System's annual report tabled in the Legislative Assembly did not reflect the update. (We did not audit the System.) Departments have the opportunity to reconcile this report against the information from their own systems before the report is tabled. However, the departments told us that this is an ineffective and inefficient process. It is important for the government to consider ways to improve this process.

67. Unlike areas such as health or educational programming, administration of contract files is within departments' direct control. Given the number of errors we found in our review of contract files, it is clear that the departments have more work to do to strengthen their internal processes and practices. Errors in the administration of contracts place the government at risk of either paying too much for services or paying for goods and services that do not meet its needs. We considered progress on contracting administration to be unsatisfactory (see Summary of Progress, section C-4, page 37).

68. Recommendation. The Department of Public Works and Services and the Department of Transportation should strengthen their quality assurance processes for monitoring adherence to applicable regulations and policies in the administration of contracts.

The Department of Public Works and Services' response. Agreed. The Department will continue to deliver its contracts training initiatives and will review its quality assurance processes as they relate to contract administration for the Department's procurement activities.

The Department of Transportation's response. Agreed. The Department will continue to deliver its contracts training initiatives and will also develop a more formal quality assurance process and implement it in January 2012.

Education

69. The Department of Education, Culture and Employment is responsible for employment and cultural programs, as well as for providing early childhood programming, elementary and secondary education, and post-secondary education and training to residents of the Northwest Territories. The Department has a budget of almost \$286 million for the 2011–12 fiscal year and about 220 employees. It

has indicated that approximately 50 employees work on its education programs and services. The Department shares responsibility for education with eight education councils (similar to school boards in provinces) and Aurora College. Education councils deliver elementary and secondary education to about 8,500 students in 49 schools. Aurora College is the primary delivery agent for adult and post-secondary education.

70. In this follow-up to our 2010 audit, we identified the monitoring of early childhood development programming (the inspection of day care facilities and measuring the impact of early childhood education programs), education councils, and Adult Literacy and Basic Education programs as three key issues. We reviewed actions that the Department committed to taking in response to three of our recommendations on these issues. Since it has been a relatively short period of time since we tabled our 2010 audit report, we examined actions the Department had committed to taking over the shorter term.

The Department has made uneven progress in its monitoring of early childhood education

71. Inspections of day care facilities. The Department is responsible for monitoring day care facilities through annual inspections to ensure compliance with the *Child Day Care Act* and the *Child Day Care Standards Regulations*. In our 2010 audit, we reported that the Department did not inspect all day care facilities each year, as required. The average number of months between each inspection in one region exceeded 20 months. The Department told us that this situation was because of a shortage of staff.

72. The Department agreed with our recommendation that it should ensure that all day care facilities are inspected annually, and it committed to doing so. It committed to developing an electronic tracking and reporting function for day care facility inspections within the Department's computerized client management system.

73. In this follow-up, we found that, in 2010, the Department began to develop the electronic system. The system is intended to be able to generate information to allow the Department to better track inspections and otherwise monitor day care facilities. As of the end of our audit work, the Department had not yet been able to generate reports demonstrating whether all child care facilities were up to date on their inspections or where corrective actions might be required. Instead, inspections were still manually tracked in each region.

74. To determine whether the Department is inspecting facilities annually, we reviewed its two most recent inspections for each of the 121 day care facilities in the Northwest Territories. We found that 90 percent of the facilities had been inspected in 2010. While this is an improvement over what we found in our previous audit, the legislation requires 100 percent compliance. We also found that it had been over 12 months between inspections for 66 percent of the day care facilities. The average time between inspections was almost 14 months. In one region, it was almost 21 months between inspections.

75. In our examination of individual inspection reports, we found instances where facilities were noted as non-compliant in a significant category (for example, “blocked fire exits,” “cleaning products/chemicals within reach of children,” “electrical outlets not covered”); yet the overall assessment noted that only “minor changes” were required. Further, we found no written guidance on when or how follow-up is to be conducted in these instances. Without proper follow-up on instances of non-compliance, children are at risk.

76. Due to the serious nature of our findings in this area, we sent a letter to the Deputy Minister of Education, Culture and Employment outlining our concerns about day care facilities that had been found to be non-compliant in significant categories. The Department has responded, acknowledging the importance of this situation and setting out actions it plans to implement to correct the deficiencies.

77. We considered progress on the inspection of day care facilities to be unsatisfactory (see Summary of Progress, section D-1, page 37).

78. Recommendation. The Department of Education, Culture and Employment should address any outstanding issues of non-compliance identified in current day care facility inspection reports. Further, it should ensure that inspections of day care facilities are carried out annually and that immediate action is taken for any identified deficiencies.

The Department’s response. Agreed. Inspections of licensed early childhood facilities should be carried out annually. The Department is taking immediate action to address identified deficiencies and challenges.

In addition, to ensure more efficient processes are in place to meet legislative, monitoring, and reporting requirements, an internal review of the Early Childhood Program inspection currently in progress is to be completed by 31 January 2012.

Early Childhood Development Framework for Action—A joint framework developed in 2001 by the Department of Education, Culture and Employment and the Department of Health and Social Services that commits the Government of the Northwest Territories to addressing early childhood development initiatives—from prenatal to early childhood programs and services—in a holistic, coordinated way.

79. Measuring the impact of early childhood education. In 2010, we reported that the Department was not collecting data on the educational component of programming delivered by day care facilities (such as numeracy and literacy instruction). As well, it had not developed a way for early childhood educators to share information with the elementary school system on the progress of young children entering school. Nor had it developed performance indicators to assess whether children who attended day care facilities performed better when they entered the elementary school system than those who had not. We noted that it had been nearly a decade since the government launched the **Early Childhood Development Framework for Action** and that it was important for the Department to consider what was working well and what needed to be improved as it went forward.

80. We recommended that the Department collect the data necessary to help assess the success of the program, formally evaluate it, report the results to the Legislative Assembly and the public, and use this performance information to make necessary adjustments to early childhood development programming. The Department agreed. It committed to evaluate programming developed under the Early Childhood Development Framework for Action in the 2010–11 fiscal year.

81. In this follow-up, we found that the Department had introduced the Early Childhood Environment Rating Scale—a measurement tool used to determine if programming is improving. The Department told us that as of June 2011, it had completed 16 assessments using the scale, and 13 day care facilities had developed quality enhancement plans. However, it has not been in a position to revise its early childhood development programming because it has not yet collected sufficient data. The Department also has plans to measure children’s cognitive development, language, and communication skills, and emotional and social well-being, but to date it has not collected any of this information.

82. At the time we completed our audit work, the Department had not yet finished the evaluation of childhood programming. However, it had completed a draft discussion paper in August 2011, which identified a number of positive outcomes as well as some limitations of the framework. The Department has committed to completing the evaluation in early 2012.

83. Summary. While more remains to be done, we considered progress in measuring the impact of early childhood education programs to be adequate. However, our overall assessment of progress

on our recommendation related to the monitoring of early childhood development programming—which includes not only measuring the impact of early childhood education programs, but also the inspection of day care facilities—is unsatisfactory (see Summary of Progress, section D-1, page 37).

The Department has taken steps to improve the monitoring of education councils

84. The *Education Act* requires that all residents have access to education and that school programs be based on the cultures of the Northwest Territories. The minister has established education directives to give education councils more detailed direction on these and other requirements of the Act. These directives—20 in total—range from administrative issues, such as the preparation of the school year calendar, to more substantive education issues, such as standardized testing. One significant directive, the Aboriginal Language and Culture-Based Education (ALCBE) directive, requires education councils to provide students with school programs and learning environments that reflect, validate, and promote the values, world views, and languages of the community’s cultures. Education councils are required to report activities of this nature to the Department.

85. In 2010, we examined how the Department monitored the education councils’ compliance with the reporting requirements of the ALCBE directive. We found that reports often did not provide enough information for the Department to assess the extent of compliance. Further, we found little evidence that the Department formally followed up with education councils to determine whether they had taken action in response to issues it had raised. Finally, we noted that the Department had not undertaken formal reviews of the directive’s effectiveness or relevance.

86. We recommended that the Department

- follow up on corrective actions taken by education councils;
- develop a strategy and timetable for assessing the effectiveness of education directives; and
- strengthen the reporting requirement for the ALCBE directive.

The Department agreed and indicated it was expanding its accountability and reporting activities to allow for directives to be monitored more effectively, including creating a schedule for assessments. It further indicated that a working group of Departmental officials and officials from education councils would be established to begin this work.

87. In this follow up, we found that the Department reviews and provides feedback where required on reports it receives from education councils. For example, the Department reviewed school plans submitted under the School Improvement and Reporting directive and offered comments on the goals and targets of the plans to school superintendants. However, for other directives, the Department could not provide examples of following up with councils to ensure that corrective actions were taken. In short, although the Department does some follow-up, more is required.

88. We found that although the Department has not assessed the effectiveness of its education directives, it has established an initial schedule to do so. The Department told us that its first planned review will be of the effectiveness or relevance of the ALCBE directive, which it has committed to completing by 31 March 2012. In the meantime, the Department has begun revising the reporting requirements in the ALCBE directive. The Department met with school superintendants in late May 2011 to discuss changes that were made to the ALCBE reporting template. This new reporting template requires more detailed information from schools and was made effective for the 2010–11 school year. We considered progress on the monitoring of education councils to be satisfactory (see Summary of Progress, section D-2, page 37).

The Department has taken steps to improve the monitoring of Adult Literacy and Basic Education programming

89. The directive on Adult Literacy and Basic Education (ALBE) is designed to address continued low literacy and education rates among adults. Aurora College delivers this programming on the Department's behalf. In 2010, we examined how the Department monitors Aurora College's compliance with the ALBE directive. We found that many of Aurora College's reports to the Department had limited data on results achieved, making it difficult for the Department to accurately assess the extent of compliance with the directive and whether this training was yielding results.

90. We recommended that the Department, in collaboration with Aurora College,

- establish key performance indicators and targets for expected results for ALBE programs,
- review the reporting requirements of the ALBE directive to ensure that key information is being collected,

-
- monitor adherence to these reporting requirements, and
 - take action to improve program results where required.

The Department agreed with our recommendation and noted that it would be conducting a formal evaluation of the ALBE program in 2010. The Department further indicated it was developing a tool to track planning, monitoring, reporting, and evaluation of advanced education activities.

91. In this follow-up audit, we found that a steering committee and a working group have been established and have been meeting regularly since June 2010 as part of the review of the ALBE program. In addition, the Department had contracted with an independent firm to evaluate the program for completion by 31 December 2011. The terms of reference for the evaluation called for the firm to assess the program's effectiveness and impact, identify and define appropriate measures of success, and assess gaps in performance. The Department told us that it intends to make programming adjustments based on the evaluation's recommendations. In the meantime, it has carried out activities to improve ALBE programming, including curriculum revisions, training for adult educators, and initiatives to improve the recognition of prior learning for adult education students.

92. Compliance with education directives is important to ensure the application of specific sections of the *Education Act* and to determine whether funding has been appropriately spent. Without adequate monitoring of activities, the Department cannot assess the extent of compliance with directives or their continued relevance and suitability. Although the Department has not yet fully implemented our recommendations, we considered progress on adult literacy and basic education monitoring to be satisfactory (see Summary of Progress, section D-3, page 38).

93. Recommendation. The Department of Education, Culture and Employment should develop implementation plans for the recommendations on education for which progress to date has been unsatisfactory or incomplete. The plans should include specific goals, targets, action items, timelines for achieving results, and indicators for measuring progress.

The Department's response. Agreed. The review of the *Aboriginal Language and Culture-Based Education Directive* that is under way is to be completed by 31 March 2012. A cycle of other directive reviews is scheduled to take place over a five-year period.

During the past year, the Department also held education forums in every region of the Northwest Territories. These consultations led to the development and tabling of the Aboriginal Achievement Education Plan in August 2011.

Conclusion

94. This follow-up audit found that departments and other territorial organizations have taken some action to address selected observations and 14 recommendations we made in four audits previously tabled in the Legislative Assembly. We found satisfactory progress in the steps taken to address eight recommendations concerning management of homeownership programs, strengthening the contracting policy framework, monitoring education councils, and addressing deficiencies in adult literacy and basic education programs. We also found that actions have been taken to improve the processing of workers' compensation claims.

95. However, we found unsatisfactory progress in addressing six of these recommendations, particularly in the areas of monitoring local housing organizations, developing a strategic plan for housing, improving contract administration, and inspecting day care facilities. Even where progress is satisfactory, more work needs to be done to fully implement recommendations and correct the deficiencies that led to our making them. Organizations need to develop detailed action plans to address the recommendations for which progress has been unsatisfactory or incomplete.

96. In the preface to this report, we described three key barriers the Government of the Northwest Territories faces: inadequate information, insufficient monitoring, and an absence of detailed action plans. Addressing these barriers is important to enable senior management to monitor programs and make decisions to improve programming and ensure that commitments made to make improvements are followed through.

97. Addressing these barriers should also help legislators to carry out their challenge function more effectively. By this we mean the systematic, independent, and impartial review and critical analysis of government proposals before approval or upon renewal. The challenge function considers such issues as cost, effectiveness, priorities, and risks, and promotes informed decision making, oversight and reporting. Given improved information, monitoring, and action plans, legislators

would be better able to hold departments to account for the management of programs and for results achieved.

98. In addition, the Government of the Northwest Territories could better position itself as it looks to improve programs and services to residents. This will be especially important given the pressures—in particular, operating within a framework of fiscal restraint—that the government currently faces.

Summary of Progress

The following table includes our assessment of progress against our recommendations from previous audit reports. Progress is considered either **satisfactory** or **unsatisfactory**.

Satisfactory—Progress is satisfactory, given the significance and complexity of the issue and the time that has elapsed since the recommendation was made.

Unsatisfactory—Progress is unsatisfactory, given the significance and complexity of the issue and the time that has elapsed since the recommendation was made.

Issue or Recommendation	Progress
A. Report on the Workers' Compensation Board of the Northwest Territories and Nunavut (June 2006)	
A-1. Administration of the claims process (A key issue identified in the June 2006 Report. Some recommendations from our earlier audit no longer applied due to changes in the Commission.)	Satisfactory
B. Northwest Territories Housing Corporation: Public Housing and Homeownership Programs (February 2008)	
B-1. The Corporation should regularly monitor the LHOs to ensure that they consistently point-rate all applicants as part of an applicant's eligibility and relative priority for housing assistance. It should also ensure that LHOs provide adequate documentation in the files to support their allocation decisions. (Recommendation, paragraph 18, February 2008)	Unsatisfactory
B-2. The Corporation should <ul style="list-style-type: none"> • improve its monitoring to ensure that the LHOs perform the annual property inspections and report the condition ratings of the housing units to the Corporation on a timely basis; • perform random property inspections to confirm the appropriateness of the condition ratings reported by the LHOs; • ensure that all LHOs have access to the Corporation's Maintenance Management Operations System and that they report regularly on their maintenance activities; and • regularly report on the condition of its public housing portfolio. (Recommendation, paragraph 25, February 2008)	Unsatisfactory

Issue or Recommendation	Progress
<p>B-3. The Corporation should</p> <ul style="list-style-type: none"> • establish and implement a strategy for monitoring and annually assessing the LHOs' operations as required under the agreements; and • establish a formal process to follow up on any significant problems and issues identified by the assessments and internal audit reports and ensure that they are addressed on a timely basis, including providing any necessary training and support to the LHOs. <p>(Recommendation, paragraph 39, February 2008)</p>	Unsatisfactory
<p>B-4. The Corporation should evaluate its homeownership programs on a regular basis to ensure that they are achieving their stated objectives in a cost-effective manner.</p> <p>(Recommendation, paragraph 44, February 2008)</p>	Satisfactory
<p>B-5. The Corporation should take appropriate steps to ensure that its mortgages receivable are collected on a timely basis.</p> <p>(Recommendation, paragraph 49, February 2008)</p>	Satisfactory
<p>B-6. The Corporation should monitor the district offices regularly to ensure that in allocating homeownership assistance to eligible NWT residents they comply with the Corporation's policies and procedures, including consistent use of the point-rating tool in assessing applications for assistance.</p> <p>(Recommendation, paragraph 54, February 2008)</p>	Satisfactory
<p>B-7. The Corporation should finalize its strategic plan as soon as possible and should ensure that in its plan it</p> <ul style="list-style-type: none"> • describes clearly how it will meet the housing needs of all NWT residents over the long term; • incorporates all of the various elements of housing together into a comprehensive northern housing strategy; and • describes the changes made in existing programs and services to reflect its new mandate. <p>(Recommendation, paragraph 59, February 2008)</p>	Unsatisfactory
C. Contracting for Goods and Services: Northwest Territories (June 2009)	
<p>C-1. The Government of the Northwest Territories (GNWT) should update and improve the accessibility and availability of its policy and guidance on contracting to make it easier for GNWT staff to use.</p> <p>(Recommendation, paragraph 16, June 2009)</p>	Satisfactory
<p>C-2. The Department of Finance should reinforce and increase awareness of the requirements for delegation of contract authorities and enhance monitoring to ensure that such delegations are being made in accordance with applicable laws, regulations, and Government of the Northwest Territories policies.</p> <p>(Recommendation, paragraph 25, June 2009)</p>	Satisfactory

Issue or Recommendation	Progress
<p>C-3. The Department of Finance should implement an independent contract dispute resolution mechanism, as required by the Agreement on Internal Trade, that will have the ability to address complaints not resolved through existing departmental processes.</p> <p>(Recommendation, paragraph 30, June 2009)</p>	Satisfactory
<p>C-4. Departments should strengthen their processes and practices to ensure that all contracts for goods and services are administered in accordance with applicable laws, regulations, and policies.</p> <p>(Recommendation, paragraph 78, June 2009)</p>	Unsatisfactory
<p>D. Education in the Northwest Territories—2010: Department of Education, Culture and Employment (May 2010)</p>	
<p>D-1. The Department of Education, Culture and Employment should</p> <ul style="list-style-type: none"> • ensure that all day care facilities are inspected annually, in accordance with the <i>Child Day Care Act</i> and <i>Child Day Care Standards Regulations</i>; • collect critical data as is considered necessary and cost-effective to help assess the success of the program; • formally evaluate the success of its early childhood development programming and report the results to the Northwest Territories Legislative Assembly and the public; and • use this information to make necessary adjustments to early childhood development programming. <p>(Recommendation, paragraph 37, May 2010)</p>	Unsatisfactory
<p>D-2. The Department of Education, Culture and Employment should</p> <ul style="list-style-type: none"> • follow up on corrective actions taken by education councils to address issues the Department has raised as a result of its monitoring of education directives; • develop a strategy and timetable for formally assessing the success and continued relevance of education directives; and • formally strengthen the reporting requirement for the Aboriginal Language and Culture-Based Education directive. <p>(Recommendation, paragraph 63, May 2010)</p>	Satisfactory

Issue or Recommendation	Progress
<p>D-3. The Department of Education, Culture and Employment, in collaboration with Aurora College, should</p> <ul style="list-style-type: none"> • establish key performance indicators and targets for expected results for Adult Literacy and Basic Education programs; • review the reporting requirements of the Adult Literacy and Basic Education directive to ensure that key information is being collected and ensure that these reporting requirements are coordinated with those of the literacy strategy; • monitor adherence to these reporting requirements, and take formal action in cases where requirements are not met; and • periodically assess gaps in performance, identify root causes, and establish detailed action plans to help close the gaps. <p>(Recommendation, paragraph 92, May 2010)</p>	<p>Satisfactory</p>

About the Audit

All of the audit work in this report was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Objective

The audit objective was to determine whether satisfactory progress has been made by selected Northwest Territories government departments and organizations in addressing selected key issues identified in audits tabled in the Northwest Territories Legislative Assembly between 2006 and 2010.

The selected departments and organizations were the

- Workers' Safety and Compensation Commission;
- Northwest Territories Housing Corporation;
- Department of Finance;
- Department of Public Works and Services;
- Department of Transportation; and
- Department of Education, Culture and Employment.

The sub-objectives were to determine whether

- the Workers' Safety and Compensation Commission has made satisfactory progress since 2006 in processing claims in compliance with applicable legislation, policies, and procedures;
- the Northwest Territories Housing Corporation has made satisfactory progress since 2008 in strengthening its monitoring of local housing organizations and improving its management of the homeownership program, and states in its strategic planning documents how it plans to meet the housing needs of residents;
- the Department of Finance has made satisfactory progress since 2009 in updating and improving the accessibility of the contracting policy framework, ensuring that the delegation of contract authorities is consistent with applicable requirements, and establishing an independent contract dispute resolution mechanism;
- the departments of Public Works and Services, and Transportation have strengthened their process and practices since 2009 to ensure that contracts are administered in compliance with applicable regulations and policies; and
- the Department of Education, Culture and Employment has made satisfactory progress since 2010 in improving the monitoring of early childhood development programming, education councils, and Adult Literacy and Basic Education programs.

Scope and approach

We conducted an extensive analysis of the four audit reports and identified nine key issues of high risk to the audited organizations and to territory residents. With respect to these issues, we followed up on 14 of the 52 recommendations in the reports to assess progress made in their implementation. We obtained and reviewed related documentation and interviewed officials from the audited organizations to assess progress in implementing past recommendations.

For workers' compensation, we did not look at claims for Nunavut because we table our report to the Northwest Territories Legislative Assembly only. We also did not look at the performance of the Governance Council or the Appeals Tribunal.

For housing, while local housing organizations were not subject to audit, we visited four of them to obtain their perspectives on monitoring by the Northwest Territories Housing Corporation. We did not look at the allocation of either public housing units or homeownership assistance.

For contracting, we looked at selected elements of the contract administration process. We did not look at the awarding of contracts.

For education, since it has been a relatively short period of time since we tabled our 2010 audit report, we examined actions the Department had committed to taking over the shorter term.

As a further step, we undertook retesting related to three of the four original audits as a means to determine whether actions taken have resolved the issues we had originally observed.

- To assess whether key components of the Workers' Safety and Compensation Commission claims process had been met, we randomly selected a representative sample of 53 claims from a total of 2,233 registered in 2010 for injuries that occurred in the Northwest Territories. We did not include claims from Nunavut in the sample.
- For housing, to assess whether public housing applications are processed according to established policies and procedures, we randomly selected a representative sample of 47 public housing applications from a total of 802, made between 1 April 2009 and 31 March 2011, in four local housing organizations.
- To assess whether homeownership applications are processed according to established policies and procedures, we randomly selected a representative sample of 49 homeownership program applications, from a total of 974, made between 1 April 2009 and 31 March 2011, in two district offices.
- For contracting, to assess whether goods and services contracts are administered according to legislation and policy, we randomly selected a representative sample of 44 contracts from the Department of Public Works and Services and the Department of Transportation from a total of 834 listed for the two departments together in the 2009–10 Contract Registry Reporting System.

Each of the random samples is considered accurate within 10 percent, 9 times out of 10.

Criteria

To determine whether the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut has made satisfactory progress in addressing a selected key issue from our 2006 audit report, we used the following criteria:	
Criteria	Sources
The Workers' Safety and Compensation Commission processes workers' compensation claims in compliance with applicable legislation, policies, and procedures.	<ul style="list-style-type: none"> The Commission's response to recommendations 121 and 225 in the 2006 June Report of the Auditor General of Canada—Report on the Workers' Compensation Board of the Northwest Territories and Nunavut The Commission's procedures manual, 2004
To determine whether the Northwest Territories Housing Corporation has made satisfactory progress in addressing selected recommendations from our 2008 audit report, we used the following criteria:	
Criteria	Sources
The Northwest Territories Housing Corporation formally monitors whether local housing organizations process requests for housing assistance and conduct annual property inspections in compliance with established policies and procedures.	<ul style="list-style-type: none"> The Corporation's responses to recommendations 18, 25, and 39 in the 2008 February Report of the Auditor General of Canada—Northwest Territories Housing Corporation—Public Housing and Homeownership Programs May 2008 Report of the Standing Committee on Government Operations, recommendation 4 The Corporation's response to the May 2008 Standing Committee on Government Operations Report Government of the Northwest Territories Third Party Agencies Accountability Framework, 2007 Universal Partnership Agreements, Northwest Territories Housing Corporation
The Northwest Territories Housing Corporation processes homeownership assistance in compliance with its policies and procedures, collects mortgages receivable on a timely basis, and assesses the performance of the homeownership program.	<ul style="list-style-type: none"> The Corporation's responses to recommendations 44, 49, and 54 in the 2008 February Report of the Auditor General of Canada—Northwest Territories Housing Corporation—Public Housing and Homeownership Programs May 2008 Report of the Standing Committee on Government Operations, recommendation 5 The Corporation's response to the May 2008 Standing Committee on Government Operations Report The Corporation's homeownership policies and procedures manuals for Contributing Assistance for Repairs and Enhancements, the Homeownership Entry Level Program, and Providing Assistance for Territorial Homeownership

To determine whether the Northwest Territories Housing Corporation has made satisfactory progress in addressing selected recommendations from our 2008 audit report, we used the following criteria:

Criteria	Sources
<p>The Northwest Territories Housing Corporation clearly states in its strategic planning documents how it intends to meet the housing needs of NWT residents.</p>	<ul style="list-style-type: none"> • The Corporation's response to recommendation 59 in the 2008 February Report of the Auditor General of Canada—Northwest Territories Housing Corporation—Public Housing and Homeownership Programs • May 2008 Report of the Standing Committee on Government Operations, recommendation 6 • The Corporation's response to the May 2008 Standing Committee on Government Operations Report

To determine whether the Department of Finance, Department of Public Works and Services, and Department of Transportation have made satisfactory progress in addressing selected recommendations from the 2009 audit report, we used the following criteria:

Criteria	Sources
<p>The Department of Finance has updated and improved the accessibility of the contracting policy framework, ensures that the delegation of contract authorities is consistent with applicable requirements, and has established an independent contract dispute resolution mechanism.</p>	<ul style="list-style-type: none"> • The Department's response to recommendations 16, 25, and 30 in the 2009 June Report of the Auditor General of Canada—Contracting for Goods and Services—Northwest Territories • October 2009 Report of the Standing Committee on Government Operations, recommendations 1 and 2 • Government's response to the October 2009 Standing Committee on Government Operations Report • Financial Administration Manual—1801, January 2010 • Financial Administration Manual—3301, November 2010
<p>The departments of Public Works and Services, and Transportation have strengthened their contracting process and practices, and they administer contracts in compliance with applicable laws, regulations, and policies.</p>	<ul style="list-style-type: none"> • The departments' responses to recommendation 78 in the 2009 June Report of the Auditor General of Canada—Contracting for Goods and Services—Northwest Territories • October 2009 Report of the Standing Committee on Government Operations, recommendation 3 • Government's response to the October 2009 Standing Committee on Government Operations Report • Financial Administration Manual—1801, January 2010

To determine whether the Department of Education, Culture and Employment has made satisfactory progress in addressing selected recommendations from our 2010 audit report, we used the following criteria:

Criteria	Sources
<p>The Department of Education, Culture and Employment ensures that all day care facilities are inspected annually, collects data to help assess program success, formally evaluates programming, and uses performance information to make programming adjustments.</p>	<ul style="list-style-type: none"> • The Department’s response to recommendation 37 in the 2010 May Report of the Auditor General of Canada— Education in the Northwest Territories—2010—Department of Education, Culture and Employment • November 2010 Report of the Standing Committee on Government Operations, recommendation 2 • The Department’s response to the November 2010 Standing Committee on Government Operations Report • <i>Child Day Care Act</i>, 1991 • <i>Child Day Care Standards Regulations</i>, 2009
<p>The Department of Education, Culture and Employment follows up on corrective actions taken by Education Councils to address issues it has raised as a result of its monitoring of education directives, has a timetable for formally assessing education directives, and has improved reporting requirements for the Aboriginal Language and Culture-Based Education directive.</p>	<ul style="list-style-type: none"> • The Department’s response to recommendation 63 of the 2010 May Report of the Auditor General of Canada— Education in the Northwest Territories—2010—Department of Education, Culture and Employment • November 2010 Report of the Standing Committee on Government Operations, recommendation 3 • The Department’s response to the November 2010 Standing Committee on Government Operations Report • <i>Education Act</i>, 2011 • Minister’s Education Directives • Government of the Northwest Territories Third Party Agencies Accountability Framework, 2007
<p>The Department of Education, Culture and Employment, in collaboration with Aurora College, has established for Adult Literacy and Basic Education programs performance indicators and targets for expected results, has reviewed reporting requirements and monitored whether they are being met, and has taken action to improve program results.</p>	<ul style="list-style-type: none"> • The Department’s response to recommendation 92 in the 2010 May Report of the Auditor General of Canada— Education in the Northwest Territories—2010 • November 2010 Report of the Standing Committee on Government Operations, recommendation 5 • The Department’s response to the November 2010 Standing Committee on Government Operations Report • Adult Literacy and Basic Education directive, 2000 • Government of the Northwest Territories Third Party Agencies Accountability Framework, 2007

Management reviewed and accepted the suitability of the criteria used in the audit.

Period covered by the audit

The audit covered different periods of time, depending on when the original audits were tabled in the Legislative Assembly. For workers' compensation, it covered the years 2006 to 2011. For housing, it covered the years 2008 to 2011. For contracting, it covered the years 2009 to 2011. For education, it covered the years 2010 to 2011. Audit work for this report was completed on 31 August 2011.

Audit team

Assistant Auditor General: Jerome Berthelette

Principal: Glenn Wheeler

Lead auditor: Ruth Sullivan

Diana Comparelli

Cheryl Derry

Amanda Sanford

For information, please contact Communications at 613-995-3708 or 1-888-761-5953 (toll-free).

Appendix List of recommendations

The following is a list of recommendations found in the report. The number in front of the recommendation indicates the paragraph where it appears in the report. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
Workers' Safety and Compensation Commission	
16. The Workers' Safety and Compensation Commission should develop a more complete quality assurance and control framework for the processing of claims, including establishing a process for approving and communicating changes to its claims processing procedures and standards. (11–15)	The Commission's response. Agreed. The Commission is working to improve its quality assurance and control framework for the claims process; in 2012 it will implement organization-wide service standards it developed in 2011. These standards include specific standards related to the claims process. In addition, the Commission recruited a corporate performance analyst in 2011, who is responsible for consolidating and reporting on standards and services on a quarterly basis. Realizing the importance of this function, the President has placed the reporting relationship directly under Executive Services.
Northwest Territories Housing Corporation	
37. The Northwest Territories Housing Corporation should prepare and submit annual reports to the responsible minister in a timely manner. (35)	The Corporation's response. Agreed. The preparation and timely submission of annual reports are important aspects of corporate governance responsibilities.

Recommendation	Response
<p>56. The Northwest Territories Housing Corporation should develop implementation plans for our recommendations on which progress to date has been unsatisfactory or incomplete. The plans should include specific goals, targets, action items, timelines for achieving results, and indicators for measuring progress. (20–34) and (38–55)</p>	<p>The Corporation’s response. Agreed. The Corporation will use the findings of its strategic planning exercise under the Shelter Policy Review to develop and implement plans that include specific goals and targets with measureable indicators, action items, and timelines.</p> <p>Regarding the monitoring of local housing organizations (LHOs), the Corporation will build upon the oversight activities it currently undertakes through monthly activity reports and annual financial reviews by introducing the Territorial Housing Information Management System (THIMS). THIMS will supplement these processes by providing real-time capability in monitoring LHO tenant processes and activities. THIMS is scheduled to be implemented in April 2012. With respect to public housing condition ratings, the Corporation will implement a condition rating tracking system by February 2012 and publish the results yearly in its annual report.</p> <p>The Corporation will also continue working with LHOs to develop detailed deficit recovery plans linking financial stability with financial and operational performance.</p> <p>The Corporation intends to use the results of the Shelter Policy Review to frame a long-term plan that is consistent with the goals of the Government of the Northwest Territories. A strategic framework will be released later in 2011–12.</p>
<hr/> <p>Contracting for goods and services</p>	
<p>68. The Department of Public Works and Services and the Department of Transportation should strengthen their quality assurance processes for monitoring adherence to applicable regulations and policies in the administration of contracts. (63–67)</p>	<p>The Department of Public Works and Services’ response. Agreed. The Department will continue to deliver its contracts training initiatives and will review its quality assurance processes as they relate to contract administration for the Department’s procurement activities.</p> <p>The Department of Transportation’s response. Agreed. The Department will continue to deliver its contracts training initiatives and will also develop a more formal quality assurance process and implement it in January 2012.</p>

Recommendation	Response
Education	
<p>78. The Department of Education, Culture and Employment should address any outstanding issues of non-compliance identified in current day care facility inspection reports. Further, it should ensure that inspections of day care facilities are carried out annually and that immediate action is taken for any identified deficiencies. (71–77)</p>	<p>The Department’s response. Agreed. Inspections of licensed early childhood facilities should be carried out annually. The Department is taking immediate action to address identified deficiencies and challenges.</p> <p>In addition, to ensure more efficient processes are in place to meet legislative, monitoring, and reporting requirements, an internal review of the Early Childhood Program inspection currently in progress is to be completed by 31 January 2012.</p>
<p>93. The Department of Education, Culture and Employment should develop implementation plans for the recommendations on education for which progress to date has been unsatisfactory or incomplete. The plans should include specific goals, targets, action items, timelines for achieving results, and indicators for measuring progress. (79–92)</p>	<p>The Department’s response. Agreed. The review of the Aboriginal Language and Culture-Based Education Directive that is under way is to be completed by 31 March 2012. A cycle of other directive reviews is scheduled to take place over a five-year period.</p> <p>During the past year, the Department also held education forums in every region of the Northwest Territories. These consultations led to the development and tabling of the Aboriginal Achievement Education Plan in August 2011.</p>

