

LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES
7TH COUNCIL, 53RD SESSION

RECOMMENDATION TO COUNCIL

NO. 3-53

TABLED ON JUNE 18, 1974



Not for release before
tabling during the
53st Session of Council

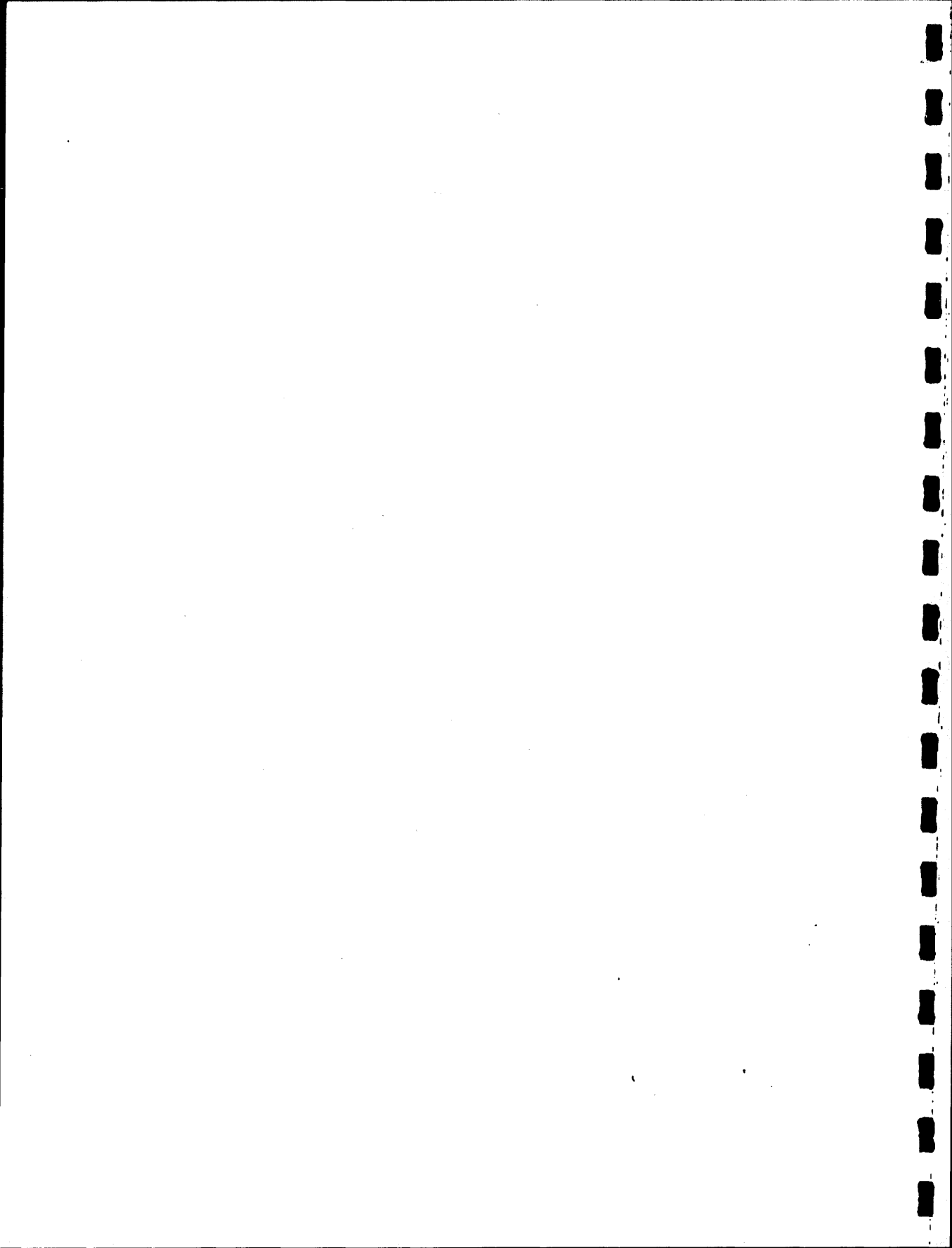
COUNCIL OF THE NORTHWEST TERRITORIES
CANADA

RECOMMENDATION TO COUNCIL 3-5 3

THE AUDIT FUNCTION - GOVERNMENT
OF THE NORTHWEST TERRITORIES

DISPOSITION

Tabled	To Committee	Accepted as Read	Accepted as Amended	Deferred (to Session)	Rejected	Noted not Considered
<i>June 18</i>	<i>June 24</i>	<i>June 24</i>				



BACKGROUND

At the 49th Session of Council, during debate on amendments to the Financial Administration Ordinance, the question was raised as to whether the Territorial Auditor should report to Council or to the Commissioner. As there was some question as to the extent to which the Auditor General has audit responsibility for the accounts of the Territorial Government, the whole matter was to be reviewed by the Administration and a report made to the next session of Council.

In response to this request an interim report in the form of an information item was presented to Council at the January, 1974 Session. This report indicated the following:

- A. That Section 23(4) and 23(5) of the N.W.T. Act provides the Auditor General with broad responsibilities for examining the accounts and financial transactions of the Territories.
- B. That Council had not taken full advantage of these sections in the past.
- C. That the Auditor General or his representative would likely be prepared to appear before Council on a regular basis.
- D. That there is an important role for the Territorial Auditor in carrying out internal audits for management.

The Administration also indicated that a complete review was being carried out of the total audit function in the Territorial Government and that a Recommendation to Council on this subject would be prepared for the June 1974 Session of Council.

THE AUDIT FUNCTION

The audit function in the Territorial Government is broken down into two major areas; internal and external audit. The internal audit function is the independent appraisal within an organization of the accounting, financial and other operations as a basis for service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls. The internal audits also provide the audit base necessary for the Auditor General to examine and to test the extent to which he can qualify, deny, or state his external and objective opinion.

The external audit responsibilities are outlined in the Financial Administration Act which requires the Auditor General to examine in such manner as he may deem necessary the accounts relating to the consolidated Revenue Fund and to public property, and to ascertain whether in his opinion:

- (a) "the accounts have been faithfully and properly kept".
- (b) "all public money has been fully accounted for and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of the revenue".
- (c) "all money has been expended for the purposes for which it was appropriated by Parliament, and the expenditures have been made or authorized".

DIVISION OF AUDIT RESPONSIBILITY

The responsibility for external audit in the Territorial Government is clearly identified in the N.W.T. Act as follows:

Section 23(4)

"the accounts and financial transactions of the Territories shall be examined by the Auditor General who shall report annually to the Council the results of his examination."

Section 23(5)

"the Auditor General has, in connection with his examination of the accounts of the Territories, all the powers that the Auditor General has under the Financial Administration Act in connection with the examination of the accounts of Canada."

The responsibility for internal audit in the Territorial Government is not, at this point, embodied in legislation but is provided through policy of the Territorial Government. The internal audit function is carried out by the Territorial Auditor and his staff, located in the Executive Secretariat.

REPORTING RELATIONSHIPS

Section 23(4) of the N.W.T. Act requires the Auditor General to report to Council on his external audit. The form and

content of this report could be patterned after the report prepared for the House of Commons. Section 61(1) of the Financial Administration Act requires that the Auditor General report annually to the House of Commons the results of his examinations and to call attention to every case in which he has observed that:

- (a) "any officer or employee has wilfully or negligently omitted to collect or receive money belonging to Canada;
- (b) any public money was not duly accounted for and paid into the Consolidated Revenue Fund;
- (c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by Parliament;
- (d) an expenditure was not authorized or was not properly vouched or certified;
- (e) there has been a deficiency or loss through the fraud, default or mistake of any person, or
- (f) a special warrant authorized the payment of any money, and to any other case that the Auditor General considers should be brought to the notice of the House of Commons."

It follows, therefore, that a similar pattern could be followed in the N.W.T. so that the reporting relationship of the Auditor General to Council is analogous to the Auditor General's reporting relationship to the House of Commons. This has not been the practice to date.

The report of the Auditor General on the financial statements of the Territories has been addressed to Council while a management letter drawing attention to such matters as errors noted in the examination have been sent to the Commissioner. If Council wishes, however, a more complete reporting relationship can be established and in particular draw attention to "any other matter falling within the scope of his examination that in his opinion should be brought to the attention of Council." (Section 23(4) N.W.T. Act).

The Auditor General has, also, confirmed that either himself or his representative could appear as a witness before Council with respect to his report. This would be similar to the way which the Auditor General is called to be witness before the Standing Committee on Public Accounts in the House of Commons.

RECOMMENDATIONS

In light of the above facts, the Administration recommends as follows:

1. That the Auditor General be requested to provide a more complete report to Council within the framework of Section 23(4) and 23(5) of the N.W.T. Act.
2. That the format and type of content for the Auditor General's report be developed through consultation between the Auditor General and the Territorial Council.
3. That the Auditor General be requested to appear before Council on an annual basis in respect of his report to Council.