

**LEGISLATIVE ASSEMBLY OF THE  
NORTHWEST TERRITORIES  
8<sup>TH</sup> ASSEMBLY, 62<sup>ND</sup> SESSION**

**TABLED DOCUMENT NO. 3-62**

**TABLED ON    May 9, 1977**

Report to:

The Council of the Northwest Territories

for the year ended March 31, 1976

Ottawa, Ontario  
K1A 0G6

October 1, 1976

The Council of the Northwest Territories,  
Yellowknife, N.W.T.

Sirs:

Section 23 of the Northwest Territories Act provides for the accounts and financial transactions of the Territories to be examined by the Auditor General and an annual report to be made to the Council stating whether: proper books of account have been maintained; the financial statements were prepared on a basis consistent with that of the preceding fiscal year, are in agreement with the books of account, and give a true and fair view of the transactions of the fiscal year and of the assets and liabilities of the Territories at the end of the fiscal year; and the transactions noted have been within the powers of the Territories. In compliance with these requirements, my report of August 16, 1976 in respect of the fiscal year ended March 31, 1976, was addressed to the Council.

The same section of the Act also provides for the Auditor General to call attention to any other matter falling within the scope of his examination that in his opinion should be brought to the attention of the Council. Under this provision, the following observations arising from my examination of the accounts for the fiscal year ended March 31, 1976, are brought to your attention.

Preparation of the Financial Statements of the Territories

Improvements were noted in procedures used to finalize the year-end financial statements; however we feel that additional improvements are necessary. Senior monitoring of the preparation of financial statements is required in order that they can be promptly and accurately finalized.

In our previous year's report we commented on the need for the preparation of accounting and treasury manuals in order to ensure the accuracy of the accounts during the year as well as at year-end. During our audit we noted that some progress had been made in this area and we feel that this should continue to be a matter of high priority.

#### Territorial Accounts

Accounting policies and financial information used for the Territorial Accounts has been historically related to the Public Accounts of Canada. Current studies are being undertaken to review the suitability of policies and reports included in the Public Accounts of Canada and we feel consideration should be similarly given to reviewing the accounting policies used in preparing the Territorial Accounts.

#### Sale of Inuvik Craft Shop

During the year the Inuvik Craft Shop was sold to the Canadian Arctic Co-operative Federation Limited under approval of Executive Committee Recommendation #75-24-3. As a result of the sale a 10-year loan receivable for \$82,158.97, representing the sale of the stock, was recorded in the accounts. The conversion of the inventory to a long-term loan would appear to require approval in the Estimates for the year as is required for other amounts relevant to third parties.

#### Economic Development Revolving Stores

Inventory stock-taking write-downs for the Rae Lakes Store and the Fort Smith Marketing Warehouse of \$9,750 and \$14,297, respectively, were noted at year-end. Since the purpose of establishing these projects as revolving stores was to exercise control over them, we feel that inventory deletions for Economic Development projects should require the same approvals required for other revolving stores. Purchase and Supply Regulations require approval of "net inventory shortages at stock-taking" by the Assistant Commissioner for amounts over \$1,000. These Regulations apparently do not apply to the above projects.

As a result of the sale of the Inuvik Craft Shop inventory, an amount of \$33,363.04 was charged to appropriations. Of this amount, \$29,039 constitutes an apparent write-off of items which were not accepted by the purchaser. Deletions from inventory in excess of \$5,000 require Ordinance approval in accordance with Section 31(2) of the Financial Administration Ordinance.

Yellowknife Central Merchandising Warehouse

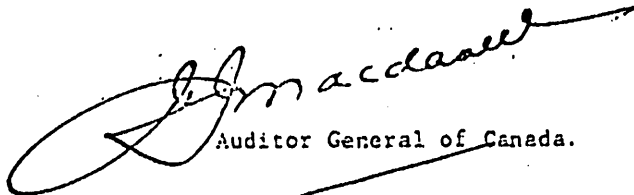
Territorial records indicated a balance of \$193,300 in the Warehouse inventory at year-end, however this amount could not be substantiated since inventory control cards were not being maintained at the Warehouse. Inventory and billing controls should be established as soon as possible.

Northwest Territories Housing Corporation

As previously reported, we feel that the financial and funding relationship between the Corporation and the Territorial Government should be subject to a formal agreement in order that transactions between the two parties can be substantiated more readily than in the past.

I would like to express my appreciation to the Commissioner and his staff for the courtesy and co-operation extended to my representatives during the audit.

Yours faithfully,



A handwritten signature in cursive script, appearing to read 'J. Macdonald', is written over a horizontal line.

Auditor General of Canada.