

LEGISLATIVE ASSEMBLY OF THE
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AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

Ottawa, Ontario
K1A 0G6

January 9, 1979

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

I have completed the audit of the Government of the Northwest Territories for the year ended March 31, 1978. The purpose of my examination was to allow me to express an opinion on the financial statements and to report to the Government of the Northwest Territories in accordance with the Northwest Territories Act. My examination included review of the operating, legislative and financial control systems and such tests as were considered necessary in the circumstances. The staff of the Audit Office was given full access to all vouchers, records and files relating to the accounts of all departments and Territorial corporations of the Northwest Territories and was provided with all the information and explanations required. I would like to express my appreciation to the Commissioner and his staff for the co-operation extended to my representatives during the audit.

Section 23 of the Northwest Territories Act provides for the Auditor General to call attention to any matter falling within the scope of his examination that, in his opinion, should be brought to the attention of Council. Under this provision, the following observations arising from my examination of the accounts for the fiscal year ended March 31, 1978 are brought to your attention.

Financial Management and Control Study

The Government has committed itself to a detailed action plan to implement the recommendations we made in 1977 arising out of the Financial Management and Control Study. Constructive efforts have been directed to remedying the deficiencies identified by the Study and a number of improvements have already been made.

However, the majority of deficiencies have yet to be corrected. Progress is being periodically monitored within the Government.

During subsequent audits, my Office will carry out a detailed follow-up on the status of specific recommendations and will report the findings to Council.

Annual Financial Statements

The Territorial Treasurer prepares and signs both the annual Financial Statements and the Territorial Accounts. However, the Assistant Commissioner, who is the Senior Financial Officer of the Government, does not approve these external financial reports of the Government. In addition, the responsibility of the Director of Finance for the quality of their content and format has not been formally defined.

In recent years there have been major changes in the financial organization of the Government. These changes have not been reflected in a clear and appropriate assignment of responsibilities for assessing the quality, content and format, and for approving and signing, the Government's financial statements.

The Senior Financial Officer of the Territories should be responsible for approving and signing annual Financial Statements and the Territorial Accounts.

Responsibilities of the Director of Finance for ensuring the quality of the format, content and the preparation of annual Financial Statements should be formally delineated.

Internal audit coverage

The 1978/79 Audit Bureau work plan, as approved by the Internal Audit Committee, indicates some improvements over prior years' coverage; however, additional improvements are necessary. Because of the development of new financial systems and changes within the Government caused by decentralization and staff changes, we believe that an annual review of the major financial systems including revenue, payroll, expenditures, and assets and liabilities, is necessary. At the present time, the Audit Bureau does not carry out such a review.

The Internal Audit Committee should ensure that all significant areas of the financial system are audited annually.

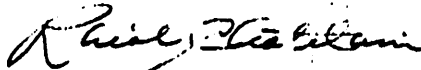
Budgetary transfers

In my letter of December 6, 1977, I reported on the method used to record and report budgetary transfers approved by Supplementary Appropriations. The present practice identifies the increase created by the transfer

but not the corresponding decrease. This treatment is confusing and misleading to program managers, senior executives and to Council.

Budgetary transfers included in the Supplementary Appropriations should be accurately reflected in all of the related program budgets.

Yours very truly,



Rhéal Chatelain,
Deputy Auditor General,
for the Auditor General of Canada