

LEGISLATIVE ASSEMBLY OF THE  
NORTHWEST TERRITORIES  
9<sup>TH</sup> ASSEMBLY, 4<sup>TH</sup> SESSION

TABLED DOCUMENT NO. 6-81 (1)

TABLED ON FEBRUARY 9, 1981

Tabled Document No. 6-81(1)  
Tabled Feb 9/81

Thorne  
Riddell  
& Co.  
CHARTERED ACCOUNTANTS

THORNE RIDDELL & CO.

REPORT

Prepared For

NORTHWEST TERRITORIES HOUSING CORPORATION

AUGUST, 1980

REC'D. FROM M. HALLAT  
OCT. 1/80 EDMONTON ALBERTA

## INTRODUCTION

In June, 1980 we were retained to conduct a review of the Finance Division of the North West Territories Housing Corporation as outlined in our proposal letter of June 12, 1980 attached hereto as an Appendix.

The terms of reference for this review included providing assistance to Corporation management in reviewing the preliminary accounting for capital and operating fund transactions and providing an initial report dealing with this and the following specific items:

1. The work required to:
  - a) complete the accounting and meet reporting requirements for the fiscal year ended December 31, 1979;
  - b) complete the accounting to date so that the reports required by management are made available to meet current responsibilities;
  - c) assess and detail the job responsibilities and functions of the senior financial executive and support staff of the Finance Division.
  
2. An outline of the terms of reference for a study to deal with the establishment and implementation of improved accounting and management reporting for both internal and external purposes.

Thorne  
Riddell  
& Co.  
CHARTERED ACCOUNTANTS

- 2 -

Accordingly, this report is organized under the following major headings:

- A. Preliminary attempt to account for capital and operating fund transactions 1974 to 1979 inclusive;
- B. The status of accounts and financial reports as of December 31, 1979 (item 1 a) above);
- C. Our findings, conclusions and recommendations pertaining to the immediate and future needs of the North West Territories Housing Corporation as outlined in items 1 b), 1 c), and 2 above; and
- D. The terms of reference for an action plan to deal with their implementation.

- 3 -

A. PRELIMINARY ACCOUNTING FOR CAPITAL FUND AND OPERATING FUND  
TRANSACTIONS 1974 - 1979

The Office of the Auditor General of Canada is responsible for auditing the accounts of the North West Territories Housing Corporation ("the Corporation") and in the process of their examination of the 1979 accounts provided the Corporation with a preliminary determination of capital and operating fund transactions for the years 1974 - 1979 inclusive to:

- . attempt to identify and illustrate the key issues that have to be resolved before finalizing the 1979 audit, and
- . to assist the Corporation in the resolution of these issues so as to permit the Corporation to finalize its 1979 accounts.

The major issues to be resolved are:

- . to determine whether, over the years from 1974 - 1979 inclusive, the Corporation has used capital surpluses to fund operating deficits and if so, to what extent,
- . to determine the balances in operating and capital funds so as to identify amounts receivable from or payable to the Government of the Northwest Territories as of December 31, 1979.

We had a number of meetings with senior officials of the Corporation and with officials of the Edmonton Regional Office of the Office of the Auditor General of Canada and reviewed such documentation as was available.

- 4 -

We found that we could not precisely determine capital and operating fund balances as of December 31, 1979 primarily because there has been a lack of clear and consistent definition of capital and operating expenditures (particularly with regard to Extraordinary Maintenance) both for budgeting and accounting purposes.

Ideally, the process that should be followed to determine the precise capital and operating fund balances as of December 31, 1979 would be:

- a. To reach agreement between the Corporation, the Government of the North West Territories and the Office of the Auditor General of Canada on the precise definition of items to be classified as capital or operating fund transactions, including Extraordinary Maintenance,
- b. To ensure that there has been a consistent application between capital and operating transactions both for budgeting and accounting purposes for the years 1974 - 1979 inclusive.
- c. To determine work in progress as of December 31, 1979 so as to identify the funding received which has to be carried forward to complete projects in the following fiscal year.

However, based on our preliminary discussions and the information provided to us, we feel that in all probability a careful examination in depth would indicate that a detailed reconstruction of the accounts would be time consuming, costly and indecisive basically for the following reasons:

- 5 -

1. The difficulty in obtaining adequate historical documentation on final budgets by year as approved supported by schedules which clearly identify each item by project or program and following through the related funding,
2. The difficulty in obtaining appropriate documentation for all expenditures so as to ensure proper actual accounting of capital and operating transactions in a manner consistent with both the agreed upon definition of the classification of these transactions and with approved budgets.

We therefore suggest that the Corporation consider adopting a more practical approach in the interests of resolving the problem:

1. Accept the analysis of operating and capital fund transactions for the years 1974 - 1979 inclusive attached hereto (Exhibit - "Summary of Capital and Operating Transactions") as being a reasonable accounting approximation under the circumstances, of:
  - . the operating fund balance as of December 31, 1979
  - . the capital fund balance as of December 31, 1979 before adjusting for work in progress.

This analysis was prepared from information and explanations available to us and was reviewed and agreed to by Mr. D. Bogda of the Edmonton Regional Office of the Office of the Auditor General and Mr. John Verhappen, Controller, North West Territories Housing Corporation.

- 6 -

2. Determine the status of all Work in Progress for each capital project or capital program as of December 31, 1979 together with a reasonable estimate of the costs to complete these projects or programs after December 31, 1979.
3. Complete the accounting approximation for capital fund transactions by applying the estimated costs to complete capital projects or programs to the capital fund balance identified in the Exhibit.
4. Conduct a meeting between the Corporation and the Government of the North West Territories (assisted by the Office of the Auditor General of Canada and ourselves) to -
  - reach final agreement on the acceptance of the accounting approximation of capital and operating fund balances and amounts due to or receivable from the Government of the North West Territories.
  - obtain approval for transfers between capital and operating funds as may be appropriate.



NORTHWEST TERRITORIES HOUSING CORPORATION  
SUMMARY OF CAPITAL AND OPERATING TRANSACTIONS  
FOR THE FISCAL YEARS 1974 TO 1979 INCLUSIVE

EXHIBIT

	1974	1975	1976	1977	1978	1979	Accumulated total to December 31, 1979
<b>CAPITAL FUNDS</b>							
Capital funds received from Government of The Northwest Territories	\$3,618,870	\$3,382,738	\$ 4,571,309	\$ 5,000,000	\$ 5,892,000	\$ 6,077,000	
Proceeds from long term borrowing	1,873,501	5,414,037	8,496,870	12,814,177	8,391,594	14,443,377	
Capital project expenditures	5,492,371	8,796,775	13,068,179	17,814,177	14,283,594	20,520,377	
Acquisition of fixed assets	(4,535,858)	(8,272,718)	(12,003,732)	(18,019,189)	(10,778,317)	(16,754,829)	
	(87,510)	(68,762)	(468,472)	(316,912)	(83,637)	(261,339)	
	<u>869,003</u>	<u>455,295</u>	<u>595,975</u>	<u>(521,924)</u>	<u>3,421,640</u>	<u>3,504,209</u>	\$8,324,198
Items authorized in capital budgets, expended from capital funds but reclassified in financial statements and included herein as operations and maintenance expenses:							
Extraordinary maintenance	175,215		845,019	1,852,407			
Small settlement homeownership assistance grants	69,645	173,073			125,096	108,476	
Sitework, start-up and improvements					802,000	424,195	
	<u>244,860</u>	<u>173,073</u>	<u>845,019</u>	<u>1,852,407</u>	<u>927,096</u>	<u>532,671</u>	4,575,126
Surplus (Deficit) Before Adjusting For Work In Progress	\$ 624,143	\$ 282,222	\$ (249,044)	\$(2,374,331)	\$ 2,494,544	\$ 2,971,538	\$3,749,072
<b>OPERATING FUNDS</b>							
Net expense for the year (1)	\$3,801,140	\$5,748,042	\$ 8,448,154	\$11,619,939	\$16,438,495	\$19,332,390	
Items not involving in outlay or receipt of funds (net)	(12,125)	(4,704)	(63,840)	(74,597)	(167,473)	(247,107)	
	<u>3,789,015</u>	<u>5,743,338</u>	<u>8,384,314</u>	<u>11,545,342</u>	<u>16,271,022</u>	<u>19,085,283</u>	
Operating grants received	3,811,250	5,587,261	9,381,820	11,399,069	11,134,200*	16,573,569	
	<u>(22,235)</u>	<u>156,077</u>	<u>(997,506)</u>	<u>146,273</u>	<u>5,136,822</u>	<u>2,511,714</u>	\$6,931,145
Items authorized in capital budgets, expended from capital funds but included above (1) as operations and maintenance expenses (see Capital Funds section above)	244,860	173,073	845,019	1,852,407	927,096	532,671	4,575,126
Deficit (Surplus)	\$ (267,095)	\$ (16,996)	\$(1,842,525)	\$(1,706,134)	\$ 2,209,726	\$ 1,979,043	\$2,356,019

\* Includes an amount of \$2,155,700 which was subsequently  
(1979) received incorrectly by the Corporation as a  
loan payable to the Government of The Northwest  
Territories.

- 7 -

B. STATUS OF THE ACCOUNTS AND FINANCIAL REPORTING AS OF DECEMBER 31, 1979

At the time of our review the financial statements for the fiscal year ended December 31, 1979 had been prepared in draft by the North West Territories Housing Corporation after extensive adjusting entries by the Auditor General.

We have been advised that the subsidiary ledgers in support of the general ledger accounts for mortgages and advances from CMHC, Accounts Receivable and Accounts Payable, although not completely in balance, have been accepted by the Auditor General for year end audit purposes. We also understand, from our discussions with Mr. D. Bogda of the Auditor General's office, that the loan amount of \$2,153,769 (referred to in the previous section) previously shown as a grant in the 1978 audited financial statements but reclassified as a loan in the draft 1979 financial statements, should be reversed. It is also our understanding that a loan balance of \$4,842,000 (which includes the amount of \$2,153,769 referred to above and which is classified in the 1979 draft financial statements under the heading "Due to the Government of the North West Territories") is to be reviewed in accordance with the Financial Agreements, the Ordinance, and the determination of the balances in capital and operating funds as of December 31, 1979.

We understand that the accounting staff of the Finance Division is in the final stages of completing the balancing and reconciliation of subsidiary ledgers to December 31, 1979.

C. FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Findings

As of the date of our preliminary review of the Finance Division of the North West Territories Housing Corporation (conducted July 7 to July 10, 1980) we found the following to be pertinent:

1. The accounting records were not up-to-date to June 30, 1980. Although the general ledger had been posted to June 30, and some account analyses had been completed, the balancing and reconciliation of major subsidiary accounts (e.g. mortgages receivable, claims receivable, loans payable to CMHC, accounts receivable) had not been done since December 31, 1979. In addition, not all bank reconciliations were completed to June 30.
2. The usefulness of monthly internal financial reports prepared for management is questionable. The following major deficiencies are evident:
  - . As the accounting records of the North West Territories Housing Corporation are not prepared on a full accrual basis, the monthly financial statements do not reflect full accrual accounting. Therefore, asset and liability accounts are not accurately stated on a monthly basis and comparison of O. & M. expenditures to budgets show wide and significant variances. Significant adjustments are made at year end which materially change the representations made in monthly financial statements.

- 9 -

2. (Continued)

- . Work in Progress reports do not indicate for each project the percentage of completion or estimated costs to complete. In our opinion this substantially reduces the effectiveness of this report for management control purposes.
- . Monthly reports are extremely voluminous and detailed. Approximately 30 copies in varying levels of detail are distributed throughout the Corporation to the Board of Directors and management. We were informed that significant staff resources are expended to produce these reports (the General Accounting Supervisor spends approximately two weeks each month preparing these reports and a large amount of preparation and production time is also spent by other staff).

The major question here is what use, if any, is made of these reports? Do they provide control? Do recipients understand them? Do they read them?

Our initial enquiries of some management personnel indicate that little or no use is made of these reports for management control purposes.

3. The accounting policies of the North West Territories Housing Corporation do not clearly define the accounting concepts to be utilized by the Corporation for fund accounting as referred to in sections 20 and 21 of the Ordinance.

.../10

- 10 -

3. (Continued)

While we have no specific concerns at this time as to the general requirements of these sections, other than to suggest that the question of fund accounting be resolved by the N.W.T.H.C. with the G.N.W.T., we feel there is a deficiency in the accounting and reporting of capital grants. At present, the N.W.T.H.C. accounts for capital funds on the basis of total funds approved and received without distinguishing between budgeted items, and attempts to control capital expenditures through individual work in progress accounts for internally approved projects.

No attempt is made at present to account for capital funds on the basis of units of housing (number of units, location and estimated costs as included in approved "Estimates" versus number of units built, location and actual costs to date plus estimated costs to complete) nor are other items specifically identified in capital estimates (e.g. E.O.M., "fire insurance", etc.) accounted for on an item by item basis.

4. The accounting staff find present accounting systems inefficient, difficult to understand and, therefore, extremely ineffective. Accounting personnel interviewed suggest that systems could be significantly streamlined.

.../11

- 11 -

5. There appears to be a serious deficiency in the organization and management of the Finance Division. This is evident by the following:

- . Individual responsibilities are not clearly defined. No up to date job descriptions exist for Finance Division staff and there appears to be confusion as to the areas of responsibilities of certain staff members. We were informed that changes in individual employee duties have been made without consultation with supervisors and that decisions regarding functions are often reversed. Responsibility for providing complete job descriptions in the G.N.W.T. format for each employee in the Finance Division (other than the Controller) has been delegated to the Chief Accountant.
- . There appears to be no effective program of staff training. There are no up to date and effective procedural instructions available to describe each major function within the Finance Division. A "Policies and By-Laws" manual exists pertaining to broad policies (Regulations) and contains some additional procedure descriptions which vary in detail depending upon function. However, in no case are these procedures sufficiently comprehensive (so that precise step by step detail of each major function is explained) to assist in staff training and to provide an easy reference for staff in the day to day performance of their duties.

The rather heavy turnover in staff experienced recently within the Finance Division has placed a significant work load on supervisors and made on the job training, and guidance, even more difficult. As a result, existing accounting

.../12

- 12 -

5. (Continued)

staff generally are not well trained.

. In June, 1980, the organizational chart of the Finance Division was changed so that all accounting staff report to the Chief Accountant. Previously, the "Cost Accounting" (budgeting, loan accounting, project accounting) personnel reported directly to the Controller. While this is probably a valid organizational concept, we believe the timing to be inappropriate in that the result has been to place an even greater burden on the Chief Accountant during a time when he needs direct senior management involvement and support.

. The overall staff morale in the Finance Division appears quite low and our interviews with certain accounting staff indicate that unless some of the problems outlined above are resolved, a serious turnover of staff will result.

Conclusions and Recommendations

It appears to us that the fundamental accounting and management information requirements of the North West Territories Housing Corporation are not being properly provided. Furthermore, we feel that the overall organizational, technical and management leadership within the Finance Division should be significantly improved upon.

- 13 -

We have discussed our findings and conclusions with the Managing Director and have verbally recommended a course of action designed to resolve the problems. We have outlined these recommendations, in the following section of this report, in the form of the terms of reference for a plan (Action Plan) to deal with:

- . Completing the accounting to date;
- . The establishment and implementation of improved accounting systems and financial and management information reporting;
- . Improving the organization within the Finance Division including staff procedures, training and job descriptions.



- 14 -

D. TERMS OF REFERENCE FOR AN ACTION PLAN

As outlined in the previous section of this report, there are several problems within the Finance Division which must be resolved. These problems can be categorized as follows:

1. General Accounting
2. Budgeting and Finance
3. Financial Reporting
4. Organization and Systems.

Each of these areas requires a substantial overhaul but in order to proceed in a logical and orderly fashion we believe priorities must be established so that fundamental requirements can be addressed in the initial phases. Furthermore, the plan must take into consideration the staffing available in terms of complement, capability, and availability. We should point out at this time that in order for the N.W.T.H.C. to realize longer term benefits, it will be necessary to develop internal staff resources during implementation.

The following Action Plan is presented in our perceived order of priority.

1. GENERAL ACCOUNTING

- 1.1 Establish proper books of original entry to be used to provide a proper basis for full accrual accounting.

.../15

- 15 -

1. (Continued)

- 1.2 Establish standard monthly journal entries to facilitate accrual accounting (e.g.: interest, accounts receivable, accounts payable).
- 1.3 Establish standard control procedures to ensure that general ledger control accounts are balanced with subsidiary ledgers on a monthly basis and properly approved - including:
  - . subsidiary record trial balances
  - . bank reconciliations
  - . critical account analyses and reconciliations.
- 1.4 Establish proper accounting concepts and procedures for work in progress incorporating percentage of completion and estimated cost to complete.
- 1.5 Implement fundamental improvements to existing accounting systems so that they are more efficient and effective.
- 1.6 Establish day to day accounting routines and work schedules.
- 1.7 Develop specific written procedures in sufficient detail to be used as a training tool and as a day to day reference for accounting staff.
- 1.8 Assign appropriate responsibilities to accounting staff including supervisory procedures and reporting standards.

NOTE: The above steps are required to bring general accounting up to date and to provide for basic staff training so that ongoing control over accounting is established in

- 16 -

1. (Continued)

the short term. Systems, procedural and organizational changes may be subsequently required during later phases of implementation.

2. BUDGETING AND FINANCE

- 2.1 Review procedures for establishing Capital and O.&M. budgets for purposes of G.N.W.T. "Estimates" and for internal control and reporting purposes.
- 2.2 Discuss requirements for Capital and O.&M. budgeting in terms of procedure and content with G.N.W.T. and N.W.T.H.C. management and staff.
- 2.3 Discuss with A.G., G.N.W.T. and N.W.T.H.C. the Ordinance and Financial agreements in order to establish a uniform basis of their meaning and related basis for accounting and reporting.
- 2.4 Establish the appropriate format for submission of the "Estimates", for reporting of Capital funds used, and for operations.
- 2.5 Incorporate the required accounting concepts and procedures into the general accounting routine.

NOTE: Development and implementation of the above steps most likely will not take place for the 1980 - 81 estimates because of time constraints, however they should be

.../17

- 17 -

2. (Continued)

implemented prior to the preparation of the 1981 - 82 estimates. We anticipate that the accounting and reporting of capital and O. & M. expenditures in the improved format could be implemented for the 1981 fiscal year of the N.W.T.H.C.

3. FINANCIAL REPORTING

3.1 Establish the information requirements of the various levels of management and Board of Directors of the N.W.T.H.C. and government.

3.2 Establish the priorities for providing information on the basis of:

3.2.2 . fundamental (absolute musts) requirements for immediate management control taking into consideration the ability of the Corporation to provide this information. This would be an immediate priority and would be addressed in Part 1- General Accounting.

3.2.3 . more sophisticated reporting which may be required under an expanded management information system.

3.3 Evaluate the systems and procedural changes which may be required to provide required reporting taking into consideration staff resources, time required and methodology.

3.4 Establish the structure and framework for reporting relative to any revised work schedules and accounting methodology and routines in order that reports can be prepared on a timely basis.

- 18 -

4. ORGANIZATION AND SYSTEMS

The implementation of the procedures and routines outlined in parts 1 - 3 above will have necessitated an ongoing modification to systems, procedures and staff functions. Staff training will have occurred as each step was implemented. To complete the Action Plan, the following steps are required:

- 4.1 Formalize detailed procedures into a procedure manual.
- 4.2 Develop jobs descriptions outlining areas of responsibility and authority for all staff.
- 4.3 Review incumbents against the criteria established in the job descriptions.
- 4.4 Make any necessary revisions to assigned positions.
- 4.5 Provide for an ongoing counselling and training program for the job positions as assigned.

- 19 -

CONCLUSION

We are confident that the Action Plan outlined in this report will provide a basis for resolving the problems presently being experienced within the N.W.T.H.C.

We suggest that management of the N.W.T.H.C. establish a schedule of availability of present personnel incorporating vacation periods, out of office work assignments, etc. in order that we can assess our undertaking to provide short term personnel as outlined in our proposal letter of June 12, 1980.

Thorne  
Riddell  
& Co.  
CHARTERED ACCOUNTANTS

APPENDIX A

Thorne  
Riddell  
& Co.

CHARTERED ACCOUNTANTS

June 12, 1980

Mr. George J. Forrest  
Managing Director  
Northwest Territories Housing Corp.  
P.O. Box 2100  
Yellowknife, N.W.T.  
X1A 2P6

Dear Mr. Forrest:

Early in 1978 our consulting organization was retained to prepare an initial report on the organization of the Finance Division of the Northwest Territories Housing Corporation. Later in that year we were retained to provide a conceptual design for a Management Information and Control System for the Corporation as the preliminary, but ultimately, integral part of an overall project to review, assist and make recommendations with respect to the Corporation's accounting and internal control systems as well as the financial and management information reporting systems.

OUR UNDERSTANDING OF THE PROBLEM

We are aware from our previous work that the present senior management of the Corporation has had certain concerns about the accounting and financial policies and the systems and procedures employed by the Corporation. We understand from our recent discussions with you that these concerns have been crystalized as a result of the recent report (April 1, 1980) to the Northwest Territories Housing Corporation from the Office of the Auditor General of Canada concerning deficiencies in your accounting procedures and systems of internal controls. These are:

- Whether the Corporation accounts for capital funds and operating funds and related financing on an appropriate basis.



Thorne  
Riddell  
& Co.  
CHARTERED ACCOUNTANTS

Mr. George J. Forrest  
June 12, 1980  
Page Two

- Whether there is a clear definition of required financial and accounting policies and procedures to ensure that appropriate and timely reports are presented to management for internal purposes and to governments as required.
- Whether the present senior financial executive of the Corporation has the skills required to effectively supervise, motivate and direct the accounting staff and sufficient knowledge of the Corporation's detailed accounting procedures and systems to effectively provide necessary direction on a day-to-day basis.

OUR UNDERSTANDING OF THE WORK TO BE PROVIDED

We understand that you now wish to retain our services, as the next phase of the overall project initially envisaged in 1978, to concentrate on resolving the issues of immediate concern, namely:

1. Provide the direct accounting capacity from our staff resources to:
  - a) review the accounts and related financial reports for the fiscal year ended December 31, 1979, including, amongst other things, the completion of all reconciliations for bank accounts and subsidiary ledgers.
  - b) assist in the completion of the accounts and related financial reports from December 31, 1979, to date including the completion of appropriate subsidiary ledgers and reconciliations.
  - c) ensure that appropriate segregation has been made in the operating and capital fund accounting as at December 31, 1979, and to date and assist Corporation management in preparing a response to the Memorandum from the Office of the Auditor General of Canada pertaining to the inappropriate use of capital funding for operating deficits.
2. Work with the Managing Director to establish the qualifications, experience and personal characteristics required by the senior financial executive of the Corporation and to assist, as required, in assessing the performance of the incumbent against these criteria.
3. Perform an overall review of the financial and accounting policies, systems, procedures, management and government reporting and to make recommendations so as to ensure that the Finance Division of the Corporation provides the controls and information required for

Thorne  
Riddell  
& Co.  
CHARTERED ACCOUNTANTS

Mr. George J. Forrest  
June 12, 1980  
Page Three

management purposes and to meet external reporting requirements.

OUR APPROACH TO THE ASSIGNMENT

We would work with you, other Corporation staff members and the Office of the Auditor General of Canada to independently assess the magnitude of the problem. We will submit a preliminary report to you covering our findings, conclusions and recommended course of action for discussion and approval. Our preliminary work to provide this report would involve:

- A review of the various government acts and regulations pertaining to the Corporation together with current policies and procedure manuals in order to gain an insight into the legal requirements and established policies and procedures.
- A review of all books, records and financial reports of the Corporation, and related clerical functions and procedures, together with recent auditors' reports to familiarize ourselves with these matters and to assess the current status of accounting records and to identify fundamental weaknesses in internal controls and systems.

The preliminary report will deal with the following specific items:

1. The work required to:
  - complete the accounting and meet reporting requirements for the fiscal year ended December 31, 1979;
  - complete the accounting to date so that the reports required by management are made available to meet current responsibilities;
  - assess and detail the job responsibilities and functions of the senior financial executive and support staff of the Finance Division. A clear outline of the responsibilities and functions of the senior financial executive would be a first step in establishing the necessary qualifications for this position.
2. An outline of the term of reference for a study to deal with the establishment and implementation of improved accounting and management reporting for both internal and external purposes.

Thorne  
Riddell  
& Co.  
CHARTERED ACCOUNTANTS

Mr. George J. Forrest  
June 12, 1930  
Page Four

If, during the course of our preliminary review, or our subsequent in-depth assignment, it is determined that the present financial and administrative organization cannot deal effectively with day-to-day requirements (or if staff attrition makes it necessary), we will undertake to provide the short term staffing required until appropriate replacements are hired and to assist you in locating and hiring these individuals.

TIMING

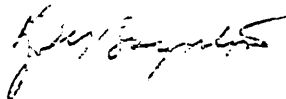
In order to provide us with the necessary time to do the preliminary organization for this assignment and because of your absence next week, it is our present plan to start this preliminary assignment on June 23 with completion hopefully at the end of the second week from commencement and, in any case, not later than the third week. Would you please ensure that this timetable is appropriate to and acceptable by the Office of the Auditor General of Canada especially with reference to the deadline for responding to the Memorandum referred to above from the Auditor General.

As you are aware, we had the advantage of discussing the preliminary draft of this letter with Messrs. D. Bogda and H. Hayes of the Office of the Auditor General of Canada and most recently with yourself, Margaret McGee and Eric Neilsen, Deputy Minister of Finance of the Government of the Northwest Territories. We are pleased that everyone was in basic agreement with the overview of the problem and our proposed plan of action.

We are most appreciative of the opportunity to continue to be of service to the Corporation.

The foregoing constitutes the proposed terms of reference for the assignment you have asked us to undertake. If you are in agreement, subject to resolving the matter of fees, would you kindly so indicate by signing and returning a copy of the letter for our files.

Yours sincerely



KFIB/eb

The proposed terms of reference for the assignment as detailed above are accepted.

*Original received by KFB on June 16/30 in Yellowknife.*