

**LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES
10TH ASSEMBLY, 5TH SESSION**

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STANDING COMMITTEE ON FINANCE

**REPORT ON CONSIDERATION OF
BILL 10-85(2)**

1984/85 SUPPLEMENTARY APPROPRIATION #4

**RANKIN INLET
JUNE, 1985**

TO THE LEGISLATIVE ASSEMBLY OF THE NORTHWEST TERRITORIES

In accordance with its Terms of Reference conferred by the Legislative Assembly, the Standing Committee on Finance herewith submits its Report on Consideration of Bill 10-85(2), 1984/85 Supplementary Appropriation #4.

A handwritten signature in cursive script, appearing to read "Michael Ballantyne".

Michael Ballantyne,
Chairman,
Standing Committee on Finance.

STANDING COMMITTEE ON FINANCE

Chairman

Michael Ballantyne, M.L.A.

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On Friday, June 7, 1985, The Standing Committee on Finance met to consider the matter of Bill 10-85(2), Supplementary Appropriation #4. The purpose of the bill is to provide for additional expenditures for the public service for the 1984-85 fiscal year and to authorize the write off of debts owed to the Territories.

The Committee noted that this Supplementary Appropriation contained no Special Warrants authorizing expenditures and we wish to acknowledge the efforts of the Minister of Finance to curtail the use of this authority by departments. We do note, however, that pursuant to section 20 (6) of the Financial Administration Act, the majority of items identified in this Supplementary are deemed interim appropriations for the 1984/85 fiscal year.

DEBTS OWED TO THE TERRITORIES TO BE WRITTEN OFF

The Committee examined in some detail the following debts which are to be written off:

Altair Leasing Ltd.	\$ 23,925.85
Dave Anderson	\$ 22,656.24
Fort Good Hope Settlement Council	\$ 20,627.13
Charlie Hope	\$ 23,261.93
Lambair Ltd.	<u>\$ 23,806.90</u>
	<u>\$114,278.05</u>

The Committee noted that the debts in question related to the operations of the Petroleum, Oil and Lubricant Fund and included both distributors and purchasers of petroleum products. We were also advised that steps had been taken to attempt to recover these funds but it was determined that for various reasons, these funds were deemed to be uncollectable. The Minister also advised the Committee that write-offs do not extinguish the debt rather that these debts are merely "removed from the books". Subsequent efforts would be made to collect from these individuals and entities if it was later determined that this was feasible.

A major issue to the Committee was the status of these debtors. The Committee requested information on whether these individuals or any principals of any of the above Corporations were presently under contract with the Government of the Northwest Territories. It was

indicated that certain individuals were in fact contractors under a different corporate body but that as the right of action was against the previous corporate entity, the remedy of set-off could not be used, and that there was a similar case with respect to the Fort Good Hope Settlement Council.

The Committee indicated to the Minister that it felt that the Government should maintain a listing of all bad debtors to cross check persons who have had debts written off in their personal capacity or who have acted as principals in a Corporation, whose debts have been written off and to take such security as may be required on future contracts with such individuals to guard against possible future debts.

PERSONNEL

The Committee noted a Supplementary Appropriation to the Department of Personnel for \$14,801,000 of which \$14,500,000 was identified "to provide the appropriation authority required to establish an accrual of the liability for accumulated employee benefits earned in past years with respect to annual leave, removal, lieu time and severance benefits".

The issue of accrued liability for annual leave, removal, lieu time and severance benefits results from a recommendation in the Auditor General's Report on "Any Other Matter" for the fiscal year ended March 31, 1984, which in substance indicated that the Government of the Northwest Territories should move to recognize its accrued liability for these benefits to more properly reflect its financial position. The Committee supports this recommendation and acknowledges the efforts of the Government of the Northwest Territories to determine the extent of the liability and to take action to establish this liability on its books, however, we have a number of concerns with the use of the Appropriations Act as a mechanism to effect this change.

Firstly, the money in question will be identified as an expenditure under the Department of Personnel, Staff Relations activity for the 1984/85 fiscal year when in fact these funds will not and have not been "expended" in this fiscal year. The only actual "expenditure" which will have taken place is the pay out of funds related to the use of these benefits by employees. The

funds in question constitute a type of reserve from which benefits used will be debited and to which current year liability payments will be credited. The accrual of liability is a non-budgetary transaction since its object does not result in a direct expenditure to the operations of the government.

Secondly, we wish to note that the authority requested is a retroactive appropriation. Pursuant to the provisions of the Financial Administration Act, funds lapse at the conclusion of the fiscal year. Where there has been a previous appropriation and the funds provided are insufficient to discharge the payments or liabilities, the FMB may authorize such payments and the over-expenditure which results is covered by a Supplementary Appropriation. However, in the present case, there was no pre-existing appropriation authority for accrued liabilities. Thus, the legislature is being requested to give retroactive effect to this authority to bring it within the 1984/85 fiscal year to permit the appropriation of funds out of the surplus for this year.

PUBLIC WORKS

The Committee considered the supplementary estimates request from the Department of Public Works and Highways for \$565,000 in Operations and Maintenance funding and \$5,158,000 in Capital to reflect the transfer of responsibility for the Intraterritorial Roads Construction Program from the Federal Government to the Government of the Northwest Territories. We noted that the total funding for this program had increased substantially over the funding level of \$3,609,000 shown in the 1984/85 Main Estimates.

It was explained to the Committee that the transfer had been approved at a base level of \$5.7 million. The Minister indicated that the initial Government of the Northwest Territories request for base funding was \$7.8 million over 10 years, however, the Federal Government had approved the transfer at the \$5.7 million level resulting in a 15 year completion schedule.

The Committee was also advised that negotiations were ongoing with respect to the transfer of the balance of the Roads program.

Following discussion of the timing of a further Committee meeting and the availability of Ministers, the Committee agreed to conclude consideration of Supplementary Appropriation #4 and to consider any outstanding items as these were reviewed in Committee of the Whole.