

12th Assembly

Standing Committee on Public Accounts

A Further Report on the

Review of the Financial Statements of the Government of the Northwest Territories and the *Report of the Auditor General for Canada* for the fiscal year ending March 31, 1991.

Henry Zoe, M.L.A.,
Chairperson.

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Standing Committee on Public Accounts
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30 September 1992.

THE HONOURABLE MICHAEL A. BALLANTYNE, M.L.A.,
SPEAKER OF THE LEGISLATIVE ASSEMBLY.

Mr. Speaker,

Your Standing Committee on Public Accounts has the honour of presenting a Follow-Up Report on its review of the Financial Statements of the Government of the Northwest Territories and the *Report of the Auditor General for Canada* for the fiscal year ending March 31, 1991.

Henry Zoe, M.L.A.,
Chairperson.

PART ONE: INTRODUCTION

In Committee Report No. 13-12(2), tabled on June 25, 1992, the Standing Committee on Public Accounts indicated its intent to meet more frequently and to follow up on Departmental commitments to take corrective action.

With those stated intentions in mind, the Standing Committee on Public Accounts has held a series of meetings to follow up on key recommendations and directions from the *Report of the Auditor General on Other Matters*. Many of these were initially outlined in the Standing Committee's June report. The current report comments on outstanding issues relative to the Department of Health, the Department of Finance and the Department of Justice which have now been reviewed in additional detail.

The Standing Committee has, as always, appreciated the assistance of the Office of the Auditor General of Canada and acknowledges the particular contributions of Mr. R. Dubois, Mr. R. Simpson and Mr. D. Shier.

PART TWO: COMMITTEE ACTIVITIES

Earlier Public Hearings held by the Standing Committee on Public Accounts in April and June, 1992, have been summarized in the previous report.

To follow up on certain matters raised at that time, subsequent public hearings were held on August 10, 1992. At that time, the following witnesses appeared:

Department of Health:

Dr. D. Kinloch, Acting Deputy Minister of Health,
Mr. D. Bower, Director of Finance and Administration.

Department of Finance:

Mr. E. Nielsen, Deputy Minister of Finance.

Department of Justice:

Mr. G. Bickert, Deputy Minister of Justice.

In addition, the Standing Committee held a planning session from August 11th through 13th, 1992. Agenda items included debriefings on Public Hearings held August 10th, as well as discussions about reporting frameworks and priorities for future consideration. A formal workplan for future Committee review projects will be finalized and reported to the House at a later date.

The Standing Committee met on September 14, 1992 to receive a briefing from the Comptroller General and Director of Government Accounting with respect to the *Public Accounts Preparation Schedule*.

The Committee met again on September 22, 1992 to receive a further briefing from the Deputy Minister of Justice with respect to administrative aspects of the Legal Aid system.

The Standing Committee on Public Accounts wishes to express its appreciation to all Government officials who attended at these meetings and hearings.

PART C: THE "HEALTH BILLINGS DISPUTE"

The *Report of the Auditor General on Other Matters* for the year ending March 31, 1991 made note of a dispute between the GNWT and the federal government (DIAND) over health care billings. The amounts owing to the GNWT by the federal government have continued to increase and a reconciliation of the dispute through negotiation has not been possible.

Correspondence has been exchanged for several months between the GNWT and the federal government, and meetings have taken place between Ministers and senior officials involved. In the *Budget Address* on September 10th, 1992 the Honourable John Pollard announced in the Legislative Assembly that he had written to the federal Minister of Indian Affairs and Northern Development to indicate that the GNWT would file court papers by October 1st of this year.

In Committee Report No. 13-12(2), the Standing Committee on Public Accounts clearly indicated its position that,

"Government must keep the Legislative Assembly informed -- through regular briefings -- about the progress of negotiations with DIAND".

and that,

"It should tell the Assembly how the success or failure of the negotiations is affecting the government's overall financial situation".

Since that time, information has been forthcoming from the Government when its officials have appeared before the Standing Committee at successive public hearings, and officials have also submitted detailed accounts of the negotiation process.

The Standing Committee takes the position that, just as it was important for the Government to advise the Legislative Assembly and its Committees of progress during the negotiation phase, regular information updates on the status of court proceedings should also be provided.

With respect to the substance of the issue, members of the Standing Committee were of the opinion that the position taken by the Government of the Northwest Territories in this matter should be strongly supported in principle. Clearly, there are issues in dispute which pertain to the very core of our framework for the delivery of health care to native people in the Northwest Territories.

Indeed, from a Public Accounts perspective, the Standing Committee was concerned about the cost to the GNWT of participating in the failed negotiations and impending court action, not only in terms of specific expenditures but in person-hours devoted by senior professional staff and Departmental officials. The Standing Committee was of the opinion that the GNWT should consider including estimates of direct and indirect costs of these negotiations within its claim.

Primarily for the purposes of accountability and internal information flow, the Standing Committee would suggest that, in any future negotiations of this type, the GNWT should be more specific when informing the Legislative Assembly with respect to the composition and mandate of the formal negotiating team. A "Chief Negotiator" should be designated and held accountable for results, and a proposed time-frame should be announced at the outset to permit better evaluation of progress.

The Standing Committee was also mindful that the Auditor General's Report contained a *reservation of opinion* on the 1990-91 Financial Statements relative to this issue. The Auditor General noted that:

We do not disagree with the calculation of the Government's claimed amount but there is not enough audit evidence for us to conclude whether all this money will be recovered. The Government has not provided for any possible loss as it also does not know the future outcome of its claim.

The Standing Committee on Public Accounts continues to regard the Auditor General's reservation as an extremely serious matter and was of the opinion that the GNWT must develop a plan for dealing with the issue in its Financial Statements for the year ending March 31, 1992. Ideally, this plan should be available for review at the time when Unaudited Financial Statements are tabled at the end of September.

The Standing Committee on Public Accounts will continue to monitor this matter as it pertains to the Financial Statements and fiscal position of this Government.

ISSUES REGARDING OPERATIONS IN THE DEPARTMENT OF FINANCE

Roles and Responsibilities. Committee Report No. 13-12(2) stressed the need for a full review of roles played by senior managers in terms of the responsibility for Government-wide financial management. Specifically, the Standing Committee on Public Accounts stated that:

Government should strengthen the roles and responsibilities of the Deputy Minister of Finance and the Comptroller General.

The role of the Comptroller General should be made more independent of Finance -- and the accountability of the incumbent should be spelled out more clearly.

Both the Deputy Minister and the Comptroller General should become more proactive in dealing with spending problems, and they should ensure that all departments obtain value for money.

This recommendation was carried as a Committee Motion in the Legislative Assembly on June 25, 1992.

However, the Standing Committee was concerned that Government response in this area has been slow. At the August 10th public hearings, the Deputy Minister of Finance indicated that:

I can advise you that the concerns of the committee have been, and are being, considered by the political level of the government and that no decision has been taken as of yet, but I can advise you simply that it is at the political level.

The Standing Committee on Public Accounts reiterates that it is vitally important to see these roles and responsibilities clarified and restructured to deal more effectively with the financial restraint required in our current fiscal environment.

The Committee will continue to pursue this issue actively and urges the Government to complete its "*political-level*" review of this matter at the earliest possible opportunity. The Government will be held accountable for its decisions in this area, based on whether it is able to structure responsibilities within the Department of Finance in a manner which ensures a more efficient and effective management of public funds.

Earlier Access to Unaudited Financial Statements. Throughout its public review process, the Standing Committee on Public Accounts has been eager to access some indication of the Government's financial position prior to the tabling of the Unaudited Financial Statements on September 30th of each year. To this end, the Committee has reviewed the schedule used by the Department of Finance in preparing Financial Statements and Public Accounts. Discussions were held with Finance officials with respect to acquiring summary information in advance of the date required in the *Financial Administration Act*. These discussions are continuing and will be reported on at some point in the future.

LEGAL AID

A number of problems were identified in the Auditor General's Report with respect to program costs and information systems within the Legal Aid operation of this Government. The Standing Committee is aware that these problems are *not* unique to the Government of the Northwest Territories, but *is* concerned with the high costs of this essential program.

In seeking a solution, the Standing Committee noted that a number of studies and plans have already been completed at Departmental request. While each of these make contributions to resolving the current financial situation, the Standing Committee felt strongly that there should be a single document which synthesizes the various viewpoints and provides a clear basis for planning.

The Department of Justice has provided the Standing Committee with a copy of its *Legal Aid Action Plan* which accomplishes that function. The Standing Committee has now reviewed that document and has found that many of the needs outlined in the June Committee Report are addressed in the Department's current action planning.

Adequate Information Systems. In Committee Report No. 13-12(2), the Standing Committee on Public Accounts made a number of recommendations, including the development of adequate information systems within the Department of Justice and the Legal Services Board. Members have been somewhat disappointed with the apparent slow progress made in this regard.

The Standing Committee noted that, although the *Legal Aid Action Plan* does contain some discussion about the need for computerized information retrieval, no specific time-lines have been established. It appears as though the development of the information system has been delayed as the result of difficulties encountered in recruiting for the vacant Executive Director position with the Legal Services Board.

While the Standing Committee has realized that input from this senior position would be beneficial in the development of the proposed information system, members wished to reinforce the earlier recommendation that these systems should be developed "*at the earliest possible date*". Should it not be possible to recruit an Executive Director within the immediate term, the Department should find a strategy to nevertheless proceed with the project without further delay.

Eligibility Criteria and a "Means Test". The Auditor General's Report raised questions about client eligibility and cost recovery. Eligibility criteria for accessing Legal Aid and a "means test" to help determine how much individual clients can afford to pay for Legal Aid services were considered necessary.

In reviewing the Department's *Legal Aid Action Plan*, the Standing Committee was pleased to note that this issue was being addressed, and that the Department, itself, had also recognized that:

The criteria for receiving legal aid is very weak, and a great deal of discretion is applied. Due to other priorities, collection is not followed up as tightly as it should be, especially for civil matters where there is a delay in settlement.

Within the Plan, recommendations are included for the development and implementation of strict guidelines, perhaps by way of a regulation, to deal with these issues.

The Standing Committee on Public Accounts wished to urge the Department to proceed with the development of these guidelines without delay. The Standing Committee will continue to follow up on this issue from the perspective of the Government's public accounts, and will be seeking to review the Department's action on this issue in the months to follow.

Code of Rights. The Standing Committee on Public Accounts continues to be concerned about the fact that many residents of the Northwest Territories are not aware of their rights and obligations within the Legal Aid system. In Committee Report No. 13-12(2), the Standing Committee recommended that,

A simply worded code of rights should be drawn up and be translated into all official languages.

No progress has been made on this direction to date. The Standing Committee is still of the opinion that it is in the public interest to provide a single document which outlines what a Legal Aid recipient can expect with regard to confidentiality, quality of services, recourse to appeal decisions of the Executive Director, and so on. Indeed, it might also be advisable to indicate the obligations which prospective clients have to the system, including the responsibility to provide correct information to Legal Aid officials, and so on. The Department of Justice and the Legal Services Board should proceed immediately with the preparation of this document and should be mindful that the Standing Committee will follow up on the matter at subsequent review meetings.