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Response to the Standing Committee on
Accountability and Oversight's Report on the
Review of the "Report of the Auditor General to
the NWT Legislative Assembly for 2000 &
2001"

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Yellowknife, N.W.T.

The Committee on Accountability and Oversight tabled their report on the review of the "Report of the Auditor General to the NWT Legislative Assembly for 2000 & 2001" on February 28, 2003. The following is a summary of the responses provided by the affected departments to the issues raised.

AOC ISSUE	GOVERNMENT RESPONSE
<p>In the <i>Report of the Auditor General to the Northwest Territories Legislative Assembly September 2002</i>, the Auditor notes a number of factors relating to revenue risks and notes that managing funding risk closely and keeping the Legislative Assembly informed regularly is important for good revenue risk management. Many of these risk factors change based on information that will only become available at specific times of the year and are based on data that is difficult to determine in advance.</p>	<p>The Fiscal Policy Division, Department of Finance monitors, on a continual basis, changing economic and fiscal circumstances of all factors that could change the GNWT revenue forecasts. The Minister of Finance and the Legislative Assembly are informed at the first available opportunity of any significant changes to revenue forecasts that result from new information (for example, releases of Statistics Canada data, Equalization estimates, and income tax estimates).</p> <p>As part of its revenue forecasting, the GNWT incorporates, to the best of its ability, changes to revenues resulting from prior year adjustments and is looking for ways to improve this forecasting ability. In addition, the GNWT is working with Finance Canada to reduce the uncertainty caused by adjustments to prior year Grant estimates.</p>
<p>Federal Funding Agreement for Medical Services for Status Indians and Inuit.</p> <p>The Committee and the Auditor General encourage the Department of Health and Social Services to enter into an interim agreement with DIAND for the timely reimbursement of hospital and medical care costs for Indian and Inuit. The Committee stated there is no reason the Government should fund the program.</p>	<p>The GNWT is currently owed \$2.27M (or 10% holdback) under the terms of the 2001/02 Memorandum of Agreement with Canada pending audit of the 2001/02 Final Claim by the GNWT Audit Bureau. The Department prepared the 2001/02 Final Claim and forwarded it to the GNWT Audit Bureau on May 16, 2003. It is expected that the Audit Bureau's audit will be completed by August 15, 2003.</p> <p>In March 2003 INAC and the GNWT signed the 2002/03 agreement, which has a maximum value of \$23.2M for the year. The delay in finalizing the 2002/03 Agreement related to a federal Treasury Board requirement that the Agreement be in the national format used for First Nations funding; and the amount of time</p>

	<p>required to renegotiate wording to meet format requirements. The GNWT has not received any contribution funding under the terms of the 2002/03 agreement. The 2002/03 funds cannot be released until the 2001/02 audited claim is received by INAC.</p> <p>INAC and the GNWT are in the process of negotiating an agreement for 2003/04. An agreement should be in place by the end of June.</p> <p>In accordance with the Office of the Auditor General's recommendation, the Department requested INAC to enter into an interim funding arrangement until such time as a new Memorandum of Agreement is negotiated. INAC has advised that they will not enter into such an agreement.</p> <p>Costs to provide Medical Services for status Indians and Inuit continue to rise at rates higher than the escalator in the current agreement. Funding for:</p> <ul style="list-style-type: none"> • - 1999/00 the agreement was \$21.9M <ul style="list-style-type: none"> - Expenditures were \$28.5M - GNWT absorbed \$6.6M in costs • 2000/01 the agreement was \$22.3M <ul style="list-style-type: none"> - Expenditures were \$25.7M - GNWT absorbed \$3.4M in costs • 2001/02 the agreement was \$23.2M <ul style="list-style-type: none"> - Expenditures were \$27.054M - GNWT absorbed \$3.9M in costs
<p>Business Development Funding and Grants to Small Businesses</p> <p>The Committee stated there needs to be some form of accountability to ensure Government programs and services achieve their objectives.</p>	<p>The Department of Resources, Wildlife and Economic Development is currently undertaking steps to incorporate the recommendations and concerns of the Auditor General into existing procedures. In fact, the Grants To Small Business policy is currently being reviewed. One of the outcomes will be a definition of "Extraordinary Costs". Also, there is an accountability framework incorporated into each Contribution</p>

	<p>Agreement. However, the Department will endeavor to improve its efforts as per the recommendations of the Auditor General".</p>
<p>Northwest Territories Housing Corporation – Borrowing and Risk</p> <p>The Committee concurred with the Auditor General's recommendation that the Corporation seek clarification from the FMB and the Executive Council on whether they approved the assumption of mortgages at the same time as approving the Social Housing Agreement. Furthermore, Committee Members were in agreement with the Auditor General's suggestion that the Corporation should go back to FMB and the Executive Council to better clarify its mandate.</p>	<p>The N.W.T. Housing Corporation (NWTHC) has agreed to seek Financial Management Board approval when acquiring third party assets and debt as part of the mortgage default process. With the signing of the new Social Housing Agreement with Canada Mortgage and Housing Corporation (CMHC) in 1997, the NWTHC is required to indemnify CMHC against any mortgage losses.</p> <p>In regards to the Housing Corporation's mandate, the GNWT is currently undertaking a complete review of all programs and services offered by government, as well as, a Departmental and Headquarters Organizational review. These processes will help to define the future role of the Housing Corporation and options and recommendations will be forthcoming as part of the transition planning for the new Government this fall.</p>