



**12th Assembly**

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**Standing Committee on  
Public Accounts**

Review of the Financial Statements  
of the Government of the Northwest  
Territories and the Report of the  
Auditor General of Canada on "Other  
Matters for the year ended  
March 31, 1991."

**Proceedings  
April 29-30, 1992  
June 1-2, 1992**

**James Arvaluk  
Chairman**



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Northwest Territories Legislative Assembly  
Standing Committee on Public Accounts

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LEGISLATIVE ASSEMBLY OF THE NORTHWEST TERRITORIES

STANDING COMMITTEE ON PUBLIC ACCOUNTS

YELLOWKNIFE, NORTHWEST TERRITORIES

APRIL 29 - 30, 1992

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Mr. James Arvaluk

Deputy Chairman

Mr. Henry Zoe

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Mr. Ernie Bernhardt  
Mr. Sam Gargan  
Mr. Fred Koe  
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Transcript

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The committee will go in camera later on this afternoon. The public hearing portion is concluded.

--ADJOURNMENT

**WITNESSES**

**Auditor General's Staff**

Mr. Roger Simpson  
Mr. Dale Shier

**Department of Health**

Mr. Bob Cowcill

**Department of Finance**

Mr. Eric Nielsen  
Mr. Jim Nelson, Comptroller General

**Department of Transportation**

Mr. Hal Gerein  
Mr. Andrew Gamble

**Department of Personnel**

Mr. Ken Lovely

**Legislative Assembly**

Mr. David Hamilton

**Department of Justice**

Mr. Geoff Bickert

**OBSERVERS**

Ms. Rebecca Mike

**CHAIRMAN (Mr. Zoe):** Ms. Biscaye.

**MS. BISCAYE:** The insurance is part of the general GNWT insurance. I am aware that there has been some discussion. I believe that the insurance company has put forth a proposal to give a considerable increase to the amount of the insurance. However, the museum staff has some concerns and have been trying to iron it out and come to a compromise on the amount of the insurance. But it is not necessarily based on the value because as I said we do not have a street value and that is part of the problem where there is a discrepancy between the amount of the insurance that they want to give us and the amount that we think we need.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** On page 34 and 35 they talk about the stuff in the warehouse and specifically the hundred or so boats and pieces that are stored there and there did not seem to be any inventory of what was in there. You talked about doing an inventory in the museum. Have you done it in the warehouse? And what about other communities, do you have stuff in the regions? Are they inventoried?

**CHAIRMAN (Mr. Zoe):** Ms. Biscaye.

**MS. BISCAYE:** The only artifacts that we would have in the communities are those that would have been loaned or given to the community museum or historical societies. But those would be documented. There is also travelling exhibits that we do send out to some of the communities but those again are documented. No, we do not have holdings in warehouses or storage in any of the communities the way we do here at headquarters.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Do you have an inventory of what is in the warehouse here or other storage areas away from the museum?

**CHAIRMAN (Mr. Zoe):** Ms. Biscaye.

**MS. BISCAYE:** Yes, we do have a complete inventory of the holdings over at the warehouse storage space. That was done after this report came out. That is the only other storage space where we have items.

**CHAIRMAN (Mr. Zoe):** Asset management includes inventories, proper protection of the assets, warehousing, et cetera. From your testimony I hear that the museum people have their own system in place, besides Culture and Communications having their own system in place too. Is there two separate systems in place currently?

**MS. BISCAYE:** Yes, there is. However, the museum follows the recognized inventory control system for museums. For example, they have a computer program that is called CHIN, Canadian Heritage Information Network, and it has all the assets that are put on there, the holdings and so forth, that the other museums can assess. So if there is any archival material that one of the museums in the South wants to access then they would be able to. They have a system that applies to museums in general.

**CHAIRMAN (Mr. Zoe):** Do the museum people give you their complete asset lists or inventory to your department to form part of your overall inventory?

**MS. BISCAYE:** Yes, they do.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Does your department have any plans to assess the artifacts that you do have?

**CHAIRMAN (Mr. Zoe):** Ms. Biscaye.

**MS. BISCAYE:** Appraisals are done on a periodic basis whenever we do acquire an item or a collection of items. We do have an appraiser who takes a look at it and gives us the value, especially if we are purchasing it. Paintings, other prints and things like that, we have had appraisers come in and give us an estimate of the value of some of the holdings. An example would be some of the holdings of the Inuit Cultural Institute. It may have been appraised, I am not certain about that. But the Cape Dorset prints is another one where we have had appraisers come in and give us an estimate of the value of those holdings. So, yes, it is done on a periodic basis.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** My question was more if you would plan to do a complete assessment of all your items. From the indications that you have had earlier and just now, was that there was only a partial assessment of the artifacts. My question was, is there a plan to complete the assessment of all artifacts at some point in time in the future.

**CHAIRMAN (Mr. Zoe):** Ms. Biscaye.

**MS. BISCAYE:** We can take that under advisement and take a look at it and see if it would be feasible. As I said, the vary, here are large items, small items, and then there are different artifacts. A little piece of bone or something might have an historical significance that is not classified as an artifacts but can you really attach a dollar figure on that. So we have to look at what we have and try to categorize it and see what it is that we want to have appraised and tag a dollar figure on those that are more of an archaeological find. So yes, we can take a look at that.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Simpson, you have heard the testimony of the acting deputy minister of Culture and Communications, do you have any comments or questions?

**MR. SIMPSON:** Thank you, Mr. Chairman. I do not think I have any particular comments. Certainly my knowledge has been improved this morning listening to the testimony. Perhaps one last question, we see around many government departments, art works, carvings, tapestries and various other cultural types of arts and crafts, all of which I know I could take to Edmonton and sell and get very rich. I guess my question is, who actually owns and controls those items that are not specifically in your department but are actually resident in the offices of other departments. Does your department actually have that responsibility to control, and if it is, perhaps you could tell the committee how you do it?

**CHAIRMAN (Mr. Zoe):** Ms. Biscaye.

**MS. BISCAYE:** As far as I am aware, no, it is not our responsibility. An example would be these prints here. I would imagine they would be the responsibility of the Legislative Assembly since they have purchased them. We are not aware of the value or the fact that they have it even. So no, it is not our responsibility.

**CHAIRMAN (Mr. Zoe):** Thank you. That clarifies a lot of things. These days wall hangings and pictures and so forth would have to be included in the department's inventory then. Thank you for appearing before our committee, Ms. Biscaye and your staff. Mahsi cho.



they were very valuable. The only items that are placed in the warehouse are those that do not require a specific temperature control or humidity. These are items that are replaceable I believe. An example would be an item that is made by somebody, a pair of moccasins let us say. Those might be stored there. That is easily replaceable.

As for the dirt saving the canoe, I do not know, maybe.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** I am just wondering if the storage is in fact saving this government money. You buy a moose skin boat and I would think that that does not need that temperature or humidity control.

It must cost quite a bit to store items. Are we saving money by just storing it?

**CHAIRMAN (Mr. Zoe):** Ms. Biscaye.

**MS. BISCAYE:** Some of the items in the warehouse are not necessarily items that we have purchased. We get a number of donated items. They vary. Whenever someone runs into an old item they think it might have some significance so we will give it to a museum and it is up to the museum to determine its value. Not all items are purchased.

Another point is that some of the items that are there that do not require a special kind of treatment can be donated or given to a community museum where they do not have the technical expertise that would provide for proper conservation. So an item can be given to a community museum to use in their facility.

Also, one other item I would like to advise you on is the museum, as a result of the territorial Audit Bureau's audit that was referred to, a work plan has been developed and this is one of the items that has been addressed. There are specific guidelines that have been developed and approved at the deputy minister level for the acceptance and de-acceptance of items and the disposal of items. Therefore this will be applied in taking a look at storage in the warehouse.

One final point, some of the items that are at the warehouse are items that are large in size and we do not necessarily have the room available at the museum. Mahsi.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** The other thing is with regard to stuff that is redundant. They refer to the 5000 sets of the 1974 statutes. I do not know that those are things that we need in the 1990s. I guess there is a lot of stuff that is in storage that is just material that really we do not need at this point.

**CHAIRMAN (Mr. Zoe):** Ms. Biscaye.

**MS. BISCAYE:** Some of these items go back quite a ways. The Dene/Inuit Series for example, does go back quite a few years. Since this report was released a number of initiatives have been taken for items that are relevant to our department. The territorial printer is responsible for the printing of materials for all the government. Orders may be placed through us but I believe a lot of the responsibility for the materials for specific departments lies with them.

With regard to materials within our department you will not by our management response that a system has been developed and is being implemented to monitor this. Different avenues of generating revenue through the sale of some of these items have been explored. One of them is Expo in Seville. We have sent a number of this series to Seville to sell. I know

that our territorial printer has been talking with other individuals and organizations to see if they could put some of this material on sale.

**UNIDENTIFIED SPEAKER:** What was that again?

**MS. BISCAYE:** There is a large abundance of materials that are available that may have been done quite a few years ago. I think there is a more realistic approach now to reproducing and the production of materials where we try to give it a good reasonable estimate instead of going overboard. So there is not that much materials that are in storage.

**CHAIRMAN (Mr. Zoe):** So you put a system in place where you monitor depending on sales versus the number of copies required, et cetera. You put that system in place so you will not run into the type of problems that have been observed in the Auditor's report. Am I on the same wave length as you are, Ms. Biscaye?

**MS. BISCAYE:** Yes. One other point is we have made more of an effort to advertise the items to sell the items. So there are more purchases being made and less items that are sitting there. Mahsi.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** I would like to find out if you have any idea of the street value of all your artifacts, which are overseen by the Department of Culture and Communications.

**CHAIRMAN (Mr. Zoe):** Ms. Biscaye.

**MS. BISCAYE:** No. I think it would be very difficult for us to determine the street value of our artifacts. There is so many and they are so varied that we would need an appraiser to come in and look at every item that is in the museum. That would be too much to do.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Do you have a full inventory of all the artifacts and all your assets in your department?

**CHAIRMAN (Mr. Zoe):** Ms. Biscaye.

**MS. BISCAYE:** Yes, we do. When the territorial auditor's report was done there were a number of deficiencies that were identified. This area is one of the areas that was identified. As a result of that the museum was directed to develop a work plan on how they are going to deal with this, which they have done and they have implemented it. I know that they have taken a complete inventory of all their holdings and have put them on computer data programming. That includes the archives, the archaeological holdings and so forth, all the collections that are necessary. Further, some of the items are insured. I know that is just being reassessed now, the value of the insurance and how much it is going to be. So there is a list of the inventory items and they are continuing to do it. There are new internal guidelines that have been developed for materials, how items are acquired, how they are catalogued, how they are stored and how they are maintained. I believe the list should be available. I am not certain on that but I believe there may be a list available on the computer on the holdings on the museum.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** With a complete list of the inventories that you have at the museum but not knowing the value of all artifacts, do you insure all the artifacts that are in the museum? If so, what value?

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

APRIL 29 - 30, 1992

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to appear before our committee on those issues that were raised.

Are there any comments or questions from the Auditor General's staff after hearing from Public Works? Mr. Simpson.

**MR. SIMPSON:** I do not think we have any further comments at this stage, Mr. Chairman. I think it is a good idea, as you suggested, to have a follow-up at the next meeting. By then, we look forward to hearing that just as much as you do. Thank you.

**CHAIRMAN (Mr. Zoe):** Thank you. On behalf of the committee, Mr. Doherty and staff, thank you for appearing before us.

#### Department Of Culture And Communications

The committee will now call on the Department of Culture and Communications with Ms. Elizabeth Biscaye, acting deputy minister. Do you have staff with you that you would like to bring forward? If so, kindly introduce your staff for the record.

**MS. BISCAYE:** Mr. Chairman, this is Bill Setchell who is the Director of Finance.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Simpson, could I call upon your observations in the report on other matters pertaining to Culture and Communications?

**MR. SIMPSON:** Thank you, Mr. Chairman. Again, so that Dale can bat a thousand this morning, I have asked him to give the committee a briefing.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Shier, kindly brief us, please.

**MR. SHIER:** I will make the briefing brief, Mr. Chairman. We have a few references to Culture and Communications in our report this year. The first one is very much a technical sort of point. We reviewed some controllable asset systems and found that Culture and Communications had not established a controllable assets system as required by government policy. Much more important than that, Mr. Chairman, the series of observations we have on page 32 through to page 34 on management of cultural assets is much more important because they have much more historic and important value to the government. You can always replace a computer that walks away, but it is harder to replace an historical artifact if it walks away. We point out that one of our observations was that their photo library was at risk because of poor storage. That put the entire photo collection at risk to the government. Also, we point out that when we did our work on Government Services' warehouse we observed that the museums branch had a number of artifacts in storage there such as skin boats and skin kayaks that had large amounts of dust and generally appear to be in a very poor state of repair.

As part of our work, we also reviewed an audit report prepared by the Territorial Audit Bureau. It was a large report in which they went into far more detail than we did. They point out a number of concerns they have over asset control in the museum system, including assets that were stored at the Government Services warehouse. I think that is our observations in a nutshell. Thank you, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Thank you. Ms. Biscaye, you have heard the observations from the Auditor General's staff pertaining to your department. Do you have any comments at this time?

**MS. BISCAYE:** If you would like I can give a summary of what has been done to date on some of the items that he referred to. The photos, for example, we agree with the Auditor General that the photos do have historical significance and that they should be protected. We have started looking at various options. One of the options that we have decided on in terms of the photos is store duplicates of the photos that we have on file, with Government Services. Government Services has a storage facility where they store important documents. An order has been placed with a local photograph company to order storage containers where large volumes of photos can be kept and we are planning to put copies with Government Services' storage facility for the time being, to ensure that there are duplicates available outside of the present premises.

For the artifacts at the warehouse, the museum staff have been over to the warehouse and have done a complete inventory and have cleaned up the items over there. I would just like to clarify that these artifacts are not necessarily artifacts that require specific conservation protection, a certain level of humidity and so forth. That is why they are kept at the warehouse. Those that require special treatment and attention are kept at the museum.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** One of the observations throughout this chapter is about storing and protecting cultural assets and comments were made about prints and wall hangings hanging up with staples or pins, the value deteriorating because it is not properly secured. Is your department responsible for these types of assets throughout government or do you work with departments in preserving and monitoring and maintaining the values of cultural assets throughout the government?

**CHAIRMAN (Mr. Zoe):** Ms. Biscaye.

**MS. BISCAYE:** No, we are not. If we are approached by a specific department that has an item of that nature then I imagine we would assist wherever possible. We have been approached by some departments to loan them artifacts for office decoration and we have refused because of the very reason that you have specified, that it does require some kind of control, it has to be monitored and the conditioning has to be watched. So the answer is no.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** So each department is responsible for maintaining an inventory and monitoring control and looking after these types of assets.

**CHAIRMAN (Mr. Zoe):** Ms. Biscaye.

**MS. BISCAYE:** Yes, it is. As I mentioned, if they let us know then we would be willing. But it is impossible for Culture and Communications, specifically the museum's branch, to do an inventory of the whole government's holdings. So the responsibility for the department advising us of any artifacts of this nature within their possession I think should lie with the specific department.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Gargan.

**MR. GARGAN:** One of the things that the Auditor General's office referred to was with regard to some skin boats and kayaks and it collecting dust. Does the dust protect the artifacts? Who does the required work to maintain them?

**CHAIRMAN (Mr. Zoe):** Ms. Biscaye.

**MS. BISCAYE:** They would not be put in the warehouse if

report on page 26, there are some specific examples of where inventory was not listed properly or was not legally described in a manner which the Auditor General's staff were not able to locate these assets. There is the cases of the airport assets in Fort Liard and Fort Wrigley and also in Yellowknife, in excess of 150 units, without proper legal descriptions. Have these situations been corrected?

**CHAIRMAN (Mr. Zoe):** Mr. Doherty.

**MR. DOHERTY:** It is agreed that our inventories are deficient in terms of the legal -- some information such as the legal descriptions. That needs to be improved. I think a lot of that has occurred over the last while as a result of land claims and preparing and identifying our assets by legal description. I would just point out again that because we do not have that information -- we do have legal descriptions on some of our assets. I do not know whether it is the majority of them or not. But there is a gap. That is not something that really causes a problem in terms of maintaining our assets. Certainly in managing the assets sometimes it can be a problem if we are transferring ownership to the wrong assets but I do not think that occurs very often. But it is an area that we need to improve.

In terms of the airports at Wrigley and Fort Liard, I think that was probably a bookkeeping type of thing. When this government took over airports it was to DPW and Transportation. Now Transportation is its own department and maintains its own inventory. It was a glitch in the paperwork that occurred there.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** The other example that was used was the boarding house in Montreal, completed in 1985. I do not know if this was the particular boarding house that you were talking about this morning when you mentioned the fact that it was around a million dollar building. In this report it indicates that your department has not put in a legal description, location or address listing on the asset. Is this something that the department has rectified? To have all these various assets and not have them properly documented is not right. I know you say you know where everything is but it is not properly documented.

**CHAIRMAN (Mr. Zoe):** Mr. Doherty.

**MR. DOHERTY:** Yes, Mr. Chairman. It has been pointed out through the report that these are gaps in the information that the government requires and is considered necessary to the overall management by government of these assets. It is being rectified. We are working to rectify those information gaps. I would, again, point out that our systems have been developed over the years, and our department probably works with more regard to our needs for information. There is all kinds of information in those inventories or data bases that we maintain about the particular facilities. But the lot description was never really built in as one of the pieces of information that we felt we needed as obscure as that may sound. We identify these assets by inventory numbers and a description.

In terms of the boarding home, for example, that information will all be contained on the files in Iqaluit. It just has not found its way, for whatever reason, into our inventory system. If we have to have that information of the legal description, for example, we can get that. That is no problem.

Mr. Clegg has reminded me that, regarding the Fort Wrigley and Fort Liard airports, has always been -- as long as I have been with this department -- a territorial government asset. They appeared on our inventory. When the territorial government took over the airports from the federal

government, all those assets were on a separate inventory. Again, it is just an oversight in not seeing that transferred over to the Department of Transportation with all the other information that came with the new airports.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Doherty, you are rectifying, at this point, all the gaps. How long do you anticipate you are going to rectify all the problems that have been pointed out? How long is this going to take you? You have your own system in place right now and that is what you are rectifying now besides looking at working in conjunction with MACA in trying to set up a new system.

**MR. DOHERTY:** I have set a target of April 1993 as the date to have our inventories up to date. If we continue with our current system, and if we decide to go into something with MACA, we need to also talk to DOT in which case it could take a little bit longer. The legal descriptions are being collected particularly through the land claims process and preparing for that. It is a matter of adjusting the data bases so that they will accept the information and actually putting it in. All things being equal, we continue with our own systems in April of next year.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arvaluk.

**MR. ARVALUK:** Thank you, Mr. Chairman. I do not know if this can be compared, but all I know is that the Department of Finance is having a hard time collecting \$32 million from the federal government due to the somewhat disputable transfer agreement. I see this as a similar possibility. A similar incident could happen with the Department of Public Works due to the oversight as you said. Some of these are not properly identified or a legal description has not been done because of oversights. You said you are working in conjunction with the possibility of transfers in the event of land claims but, in the meantime, we are putting ourselves in a very vulnerable position similar to that of Finance in the federal government's dispute over the receivable account.

**CHAIRMAN (Mr. Zoe):** Mr. Doherty.

**MR. DOHERTY:** Mr. Chairman, during the transfers from the federal government to the territorial government whether it was the fire fighting inventory or the airports or health, very, very extensive effort went into documenting the assets that were coming over. Every community was surveyed and the federal government gave us their asset inventories. We looked at them, and our department provided very detailed reports on the condition of those assets and the cost to bring them up. There were detailed negotiations with the federal government for funding to bring them up to standard. I think we had some fair degree of success in terms of getting funding because of the level of effort we put into evaluating the assets.

Every asset that we maintain is identified and well documented in terms of the information we need to manage that asset and look after it. If it is not on our inventories, we do not maintain it. There have not been -- in the time that I have been with the department -- instances of where we have not had our assets identified or something has come to my attention that was peculiar. It is all there; it is just a question of making sure all the information we need for the government to do its job is there. The only assurance I can offer is to work towards April 1993 to rectify the deficiencies such as they are that were noted by the Auditor General.

**CHAIRMAN (Mr. Zoe):** Thank you. Any further questions for the Department of Public Works? Mr. Doherty, our committee will be looking forward to a progress report on your dealings with coping with deficiencies within your own system and also a progress on how things are developing between your department and MACA. As a follow-up, we will be calling you

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

## YELLOWKNIFE, NORTHWEST TERRITORIES

APRIL 29, 1992

## Members Present

Mr. Arngna'naaq, Mr. Bernhardt, Mr. Gargan, Mr. Koe, Mr. Pudluk, Mr. Zoe

**CHAIRMAN (Mr. Zoe):** Good morning. I would like to call the meeting to order. My name is Mr. Zoe, I am deputy chairman of public accounts. We have with us today the public accounts Members: Mr. Sam Gargan, Mr. Fred Koe, Mr. Silas Arngna'naaq and Mr. Ernie Bernhardt; and our researcher, Mr. Bell; and our committee clerk, Ms. Rhoda Perkison. We also have with us today the Auditor General's staff. If I can call upon Mr. Roger Simpson to introduce the Auditor General's staff.

**MR. SIMPSON:** Thank you, Mr. Chairman. My name is Roger Simpson, I am principal in charge of the Edmonton office and responsible for the work that our office does in the NWT. To my left is Dale Shier, manager on the Government of the Northwest Territories audit team. Thank you.

**CHAIRMAN (Mr. Zoe):** Before I call upon the witnesses to appear, our committee today will be dealing with Public Accounts 1990-91, Volume I and Volume II and the Auditor General's Report on Other Matters. The first witnesses will be the Department of Health and Finance, deputy minister of Health, Mr. Bob Cowcill and deputy minister of Finance, Mr. Eric Nielsen. We also have the comptroller general appearing as a witness. I would like to ask the Auditor General if he could brief us on the report on other matters and give us a briefing on his findings and explain to the committee the substance that was reported in his report. Mr. Simpson.

## Briefing On Auditor General's Report On Any Other Matters

**MR. SIMPSON:** Thank you, Mr. Chairman. Chapter one of our report for the year ending March 31, 1991, deals specifically with two issues. The first issue concerns the amount of money that the Government of the NWT is showing in the financial statements as receivable from the Department of Indian Affairs in Ottawa; the sum of about \$45 million, of which about \$32 million of that sum is in dispute as of March 31, 1991. The government had booked the full amount as a receivable and taken it into revenue. The government has made no provision for the non-receivable amount, largely because at March 31, 1991, there was not sufficient evidence on either side to be able to say whether this amount would be received or would not be received.

In our audit report on the financial statements, Mr. Chairman, we included a qualification alerting the readers of the financial statements to the fact that \$32 million of the assets of the government may be in dispute, although it was impossible to say with any degree of certainty whether it would be or would not be received at that time.

The other part of chapter one of our report alerts this committee and the Legislative Assembly to the deteriorating cash situation of the government. The government has gone from relative riches a couple of years ago, to a chronic cash situation at March, 1991, and the presence of the deputy minister of Finance here today will give this committee perhaps an opportunity to get an update on the government's cash situation as of today. Thank you, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Cowcill, I understand you have a presentation to make to our committee in regard to the disputed claim.

## Department Of Health

**MR. COWCILL:** Thank you, Mr. Chairman. I have a short presentation to make and in addition a copy of the presentation as well as a copy of the agreements which you suggested: the health transfer agreement from 1988 with attachment J, which outlines the financial section; copies of the two agreements which we have with the Department of Indian Affairs and Northern Development, one pertaining to the payment of hospital services and the other pertaining to the payment of medical services.

## (Slide Presentation)

Mr. Chairman, in order for the committee to gain a better understanding of the overall dispute, I will run through the background to it and the areas I will touch on are the historical perspective of responsibilities, i.e. responsibilities of the territorial government versus the federal government; the changes of the transfer of health services; the consequences of transfer; a summary of current position; and the status of payment for hospital services.

Mr. Chairman, you will recall that pre-World War II federal involvement was limited to financial support of religious orders in the delivery of hospital services and national Health and Welfare was created in 1944 and in 1945 was given responsibility for native health. Medical services branches were created in 1954 with subsequent development of regions. Three levels of care linked to north-south travel corridors -- the Baffin, Mackenzie, Keewatin.

The GNWT created the Territorial Hospital Insurance Services Board in 1960 and the territorial government was responsible for funding and delivery of hospital services in Fort Smith, Hay River and Yellowknife.

In 1982 you recall the Baffin Hospital Board accepted responsibility for medical services branch, for administration and delivery of hospital services in Iqaluit. In 1986 the Baffin Regional Health Board was established as part of the agreement to expand coverage to all remaining MSB, Baffin health services; and in 1988 the responsibility for the remaining MSB health services was transferred to the GNWT.

Mr. Chairman, the division of responsibilities, pre-transfer, if you look over here was that the federal government was responsible for the funding and the administration and delivery of hospital services to status aboriginal residents and they had a very limited administrative delivery responsibility for non-status people. To give an example of their non-status involvement, there was a non-aboriginal person residing in Pond Inlet that went to the local health centre; they did provide a health service and then they in turn billed back the GNWT.

With the GNWT responsibilities in those facilities which we funded as hospitals, we had a limited administration and delivery responsibility to aboriginal people, and we funded and provided the administration and delivery to non-aboriginal people.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** When you say "non-status" you are not referring to native people who have lost their status, you are referring to white people?

**MR. COWCILL:** The definition would include aboriginal people who may have lost their status.

Post-transfer. Canada remains responsible through our cost sharing agreements, at least in the GNWT opinion, for the complete funding of hospital services to aboriginal people. They have no responsibility at all for delivery or financing for non-aboriginal people.

On the NWT side we are responsible for the administration and delivery of the total health care system and we are responsible, as previously, for the full funding and administration and delivery of hospital services to non-aboriginal people, non-status people.

The way the system ran was as follows: In this case service is provided by the federal government, Health and Welfare Canada. They bill the GNWT for Metis, non-native and other non-status people. Similarly, the GNWT bills DIAND for services provided to status Indian and Inuit clientele.

After the transfer, the GNWT runs the entire system but it bills DIAND for Indian and Inuit residents. One important point that has to be made here is that the billing which occurred after the transfer is a net billing. In other words, money that flowed to the GNWT in 1988 that was connected to services for aboriginal people is taken into account before we bill DIAND. They are getting billed now for the incremental costs. This has been a particularly difficult area of the debate. Retrospectively, it would have been simpler at transfer to have just left the aboriginal money in the DIAND base and bill them for everything. You will see, as I have outlined the arguments that have developed since the transfer, that some of them relate to confusion about what was in the base and what was not in the base, et cetera.

**CHAIRMAN (Mr. Zoe):** Can you run net billing by the committee again, please?

**MR. COWCILL:** In 1988, Health and Welfare Canada transferred across to us the money that they were using to operate the system. Some of that money was being used to pay for the operation of the hospitals and health centres on behalf of aboriginal people. In our bookkeeping at our end, we have had to track those dollars received. The billings, then, on behalf of all those hospitals which were transferred across to us in 1988, are billed to DIAND on an incremental basis. In other words, we take into account what we have in our base in 1988, and, if there are some incremental expenditures that have occurred on behalf of aboriginal people, we bill to them the incremental portion. The reason why it is important is that part of the debate is on a question as to whether they are being double billed in certain instances.

In the case of hospitals here in the West, which were never transferred and were in our base previously, we have always billed DIAND and we continue to bill them for the full cost of those operations on behalf of aboriginal people.

There were certain inescapable consequences of the transfer.

I am making these points because a substantial amount of our debate time with DIAND has, in fact, involved revisiting some of the issues which are mentioned here. For example, the creation of regional boards was really for aboriginal people, as you remember, a condition of the transfer; however, at early negotiation meetings, DIAND and Health and Welfare Canada tried to suggest it was simply an NWT policy initiative, and that any expenses related to boards are ours, et cetera. We were able to confirm that the 1982 transfer in Iqaluit, in fact, was a condition of an agreement which the federal government put upon us and, indeed, there was a related Treasury Board paper at the time indicating that this transfer to boards of management with aboriginal majorities, in the majority of cases, was in fact going to be a key feature of the NWT health transfer, and if successful in the East it would be used across the rest of the Territories. We spent quite a lot of time going back over history to remind the federal government that they, in fact, had established that as an early condition, and in addition the transfer would not have occurred without regional boards, which have had financial implications.

Correcting known shortfalls. Part of the negotiations leading up to transfer focused in on some areas where additional expenditures were going to be required when the GNWT took over the system; expenditures for things like setting up the new boards in the Kitikmeot and the Keewatin Regions. You will recall that those particular regions had previously been operated, one out of Churchill by the federal government, and in the case of the Kitikmeot it had previously operated under the Mackenzie region.

Responding to delayed demand, what is happening here and actually across the country, is that as more and more people become familiar with what their entitlements are by way of health services and so on and demanding those services, that in fact we are seeing increased demand for services.

New technology, whether it be ultrasound machines, new drugs, new tests, all of these things are resulting in increased expenditures in our health care system and in every health care system across the country.

Absorbing forced growth is another issue of concern to the GNWT. Again, the price of material supplies for hospitals has gone up significantly, and very importantly for the NWT. As you know we continue to be quite reliant on certain hospital facilities outside of the NWT; Montreal, Winnipeg and Edmonton. We are facing very substantial increased costs there for price alone, as well as volume considerations. To give an example, in the past year in the Montreal hospitals alone, a 20 per cent increase in the rates.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt, do you have a question?

**MR. BERNHARDT:** Thank you, Mr. Chairman. Going back to consequences of the transfer. A correction on regional boards, Mr. Cowcill, in the Kitikmeot Region we do not have a hospital, yet we have the creation of a regional board. What is their function? We have a head man and a whole bunch of employees working under him. I understand one is only for eye glasses and I really do not know what else. What is the purpose of these regional boards?

**CHAIRMAN (Mr. Zoe):** Mr. Cowcill.

**MR. COWCILL:** Mr. Chairman, there is a general philosophy I guess, not just here but across the country, that in services such as health that having the participation of residents in the overall management of the system, is a key feature in making it more responsive to the needs in the communities and so on. This, as I understand it, was part of the push which was

**MR. SIMPSON:** Again, speaking from recollection without having the benefit of the testimony in front of me, I would have to agree with you, Fred. The understanding I got, both from MACA and Finance, was that the process had gone a lot further than discussions. Again, I would have to qualify by saying I would have to look at the exact testimony to see specifically what was said. Based on recollection, I would agree with you, Fred.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** So I am surprised that you say, from your side, that things have not gone as what we heard yesterday. As long as you are committed to doing something, hopefully things will move more rapidly.

**CHAIRMAN (Mr. Zoe):** Mr. Doherty.

**MR. DOHERTY:** Yes, Mr. Chairman. Just to clarify, I believe the MACA system is quite advanced and I do have, for example, this record of a meeting that took place in March of this year between our respective staffs. It is a copy of their system such as it is at that point. It shows several computer screens so their system is quite well advanced. What I am speaking to specifically in terms of the status is our coming together with them to agree on how our systems should be integrated. In fact, our system is very advanced. Our system is fully operational, it just does not contain all the information that the Auditor General has pointed out is required by documentation. Both the MACA system development is advanced and ours is complete. What is in question is the process of us coming together and agreeing on where we should go. That is the thing that we have to get up and running.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** For the record, then, according to comments in the report and comments you have made, you feel the department's systems for managing and controlling assets is appropriate. For the record, can you assure this committee that the assets in the department's control are properly safeguarded, registered and well maintained, et cetera?

**CHAIRMAN (Mr. Zoe):** Mr. Doherty.

**MR. DOHERTY:** Yes, Mr. Chairman, there is no doubt in my mind but what the assets are properly managed and maintained. In terms of registry as required by the financial administrative manual and other documentations, there are some gaps that we need to address. The question is whether or not in enhancing our information base, whether it is best to do that by maintaining our own individual systems or integrating it with MACA so there will be a cost benefit kind of analysis that needs to be done there. I am saying that it seems to me there should be a benefit to having one system for the government. It is a question of how we get to that stage.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** You also heard from the Department of Finance or Comptroller General that all departments are presently doing inventory and getting some controls on their smaller assets such as calculators, computers, desks and chairs and other things that can be easily misplaced or taken out of a room. I think he said that within a year they would have all these things inventoried and controlled. I presume this is within your time frame internally.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Doherty.

**MR. DOHERTY:** Mr. Chairman, to my knowledge, those kinds of controllable assets in headquarters are complete and

are in their second or third generation in Yellowknife by summer students. It is proceeding in the regions, most of which are complete. We had a meeting last week with our senior managers to remind them of the need to complete that process. It should be completed within the time frame mentioned by Mr. Koe.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arvaluk.

**MR. ARVALUK:** Mr. Chairman, along Mr. Koe's line of questioning, I had a complaint from somebody in Coral Harbour that DPW personnel told us that they have received carpet for replacing another carpet and the doors are apparently half an inch off the floor and the storm comes right through it, and that is also being replaced. Both of them, three years ago. How do you ensure that your assets are properly kept and that your inventory is not just sitting in the warehouse when it is to be used? If you look at any kind of store, the longer things sit on the shelf, it is losing money. There is always a possibility of deterioration of that particular asset if it sits there too long. How do you ensure these are utilized once they are purchased with public funds?

**CHAIRMAN (Mr. Zoe):** Mr. Doherty.

**MR. DOHERTY:** That is a broad issue. We call the material, in our Public Works workshops, "bench stock." There is material that comes in directly for the projects, it is identified and goes directly to those projects. There is other materials that come in that goes on the bench. There is always a guessing game that you play. You make your best decision as to what you are going to need over the next year for material, whether it is plumbing materials or filters for your furnaces, and some you can determine more exact than others. But we do try to put in each community each year the amount of material that will meet the needs without having to incur delay or costs of flying materials in when something happens in the bench stock.

We have a maintenance management system that is the essence of our inventory system and it contains all the information about the facilities and the equipment and the materials and the parts that they require. Our managers review that information annually and develop their work plans and determine the materials that they need for the next period; we just use the 12-month period and order the materials accordingly. If they are doing the work and things are breaking down like they should or will, then we are using the material. The material that is in the warehouse is inventoried and inspected by the Department of Government Services on a regular basis -- I do not think it is very year but it is perhaps every two or three years -- to assess the value of the inventory that is sitting on the shelves and we take that list and look at it to see if all of the materials are indeed still relevant, do we still need them. They are either disposed of or kept on the shelf and then the materials that are ordered subsequent to that, the decisions that are made about ordering the materials, will reflect whether or not there is materials on the shelf.

So we do try to balance out what is on the shelf with what our needs are. But as you know, in these communities it is pretty tough to know exactly what is going to happen. If we make any errors and there is a cost to it, we err on the side of caution. I would rather have an extra couple of motors sitting there for a heating system than have us run out and have to wait and fly it up.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. From the responses I have heard it sounds like there is a system being created, or there is a system in place, which allows the department to keep an inventory. But in the Auditor General's

Montreal just to avoid spending an extra \$150 or whatever it was, in Resolute Bay, contrary to any initiative to spend money in the North. It was really mainly a question of the individual's time; an extra day on the road. Our people are quite busy. For example, the people who had to go on that charter were in Tuktoyaktuk a couple of days before. They do spend an awful lot of time travelling and there is a need to economize their time. That was really the initiative there; to save travel, plus link up with a number of other people that are necessary when we do these very complex inspections on these major facilities.

So just to repeat, we certainly support every initiative of this government to spend the money in the North. There is no question about that at all. But that does not mean that it is possible in every case to make decisions that will see all of the money stay in the North. But I certainly appreciate Mr. Arvaluk's concern.

**CHAIRMAN (Mr. Zoe):** Mr. Arvaluk.

**MR. ARVALUK:** If the Legislative Assembly makes a move to have a commission hearing then this will be easily defended by the government. I do not think we can ask for the person's name, relative in Montreal, or anything like that right now because that is not what we are dealing with. But the commission hearing probably would have to do that. Would DPW be able to defend that with the documentation, et cetera.

**CHAIRMAN (Mr. Zoe):** Mr. Doherty.

**MR. DOHERTY:** I have no concerns about defending the action in that respect, in that there might be some concern that the employees might have abused this trip to do some other business. I do not think that was the case here at all. I think it was just one of delay because of weather.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Doherty, you indicated earlier in your remarks that you are currently working with MACA and the Department of Finance to develop some sort of system so that there is no duplication.

**MR. DOHERTY:** Mr. Chairman, just to clarify. We are not as yet working with MACA to develop a joint system. We have had a couple of initial meetings to review the inventory system that they are developing. We do have our own inventory systems. We have several for different purposes. We have one for our controllable assets which is our mainframe application that is provided to us by Government Services. We have our fixed asset inventory system and we have our maintenance management system, one for buildings and works and one for vehicles. At the same time, MACA has their own system which they are improving. It is in a development stage. Mr. Clegg and his staff have met with MACA to find out what they are doing so that we can consider what they are doing as we look at how we can improve our systems in light with the comments that are raised by the Auditor General just to see how the two can come together and avoid an extensive re-write and redevelopment of ours if it can be done in conjunction with MACA's. And I believe it should be. We will pursue that further. But there has not been any real working together yet because their project is still in the development stage.

**CHAIRMAN (Mr. Zoe):** Mr. Doherty, yesterday the comptroller general indicated to us that there was emphasis put on MACA and your department to try to resolve this issue. He indicated to us that the two departments will try to come up with some sort of comprehensive system. They are looking at it to see if they can accommodate each other so that there is no duplication. You have just indicated that you have had initial meetings to see what they have and what you have, and nothing has come about yet. How long do you

anticipate this whole process will take?

**MR. DOHERTY:** I certainly think the process of finalizing the asset inventory and bringing them together after the decisions are made to bring them together if it is that way -- and it probably will be -- will take considerable time. I cannot guess how long it will take.

In terms of the process of reaching the decision where we combine our efforts, I think we are probably looking by the fall. It is a question of semantics in terms of whether we are working with them now or meeting with them to see where we have common needs. It will be an economic analysis of whether there is benefit to converting our system over to what MACA has or is developing, or whether MACA should bring their system into ours, or whether we should develop a new system. This is what we are looking at now, and I think that by the fall we will have reached some conclusion in that respect.

**CHAIRMAN (Mr. Zoe):** I asked for a time frame because some of the recommendations that we make in the House and the recommendations from the Auditor General seems to be that they are not moved on quickly enough. For instance, this morning we had the Department of Social Services. It took them five years to develop a system and they are finally implementing it. In my view, this is too long. I indicated that to the department. Maybe they ran into problems and this committee has not been on top of it. Further questions? Mr. Koe.

**MR. KOE:** On page 30, the management response says the Department of Finance will work in consultation with Public Works and MACA to evaluate current inventory controls. What type of work are you doing in conjunction with Finance and MACA in regard to this?

**CHAIRMAN (Mr. Zoe):** Mr. Doherty.

**MR. DOHERTY:** Mr. Chairman, that is more or less what we have just been talking about. We have had meetings with Finance and MACA to really get this process under way to look at our current individual systems in each department to see where we have common needs and are doing common things. In terms of a status report, there have been two meetings with Finance and two meetings with MACA to get these discussions under way.

We have two directives which are near final draft in respect to how we should be handling inventory management. This updating of directives will be given to Finance to look at to see how it might suit their needs as well as ours.

I take audit reports very seriously as a manager. I cannot speak for other people, but this is my first appearance at this committee and I have no intention of appearing here next year saying the same things. I am very committed to that kind of process.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** That is nice to hear and I wish all managers were as committed as you are. However, I heard yesterday the statements made by MACA -- maybe my auditor friends can help me here -- that talks and developments were much more advanced than what you are telling me. You are saying you had two very preliminary meetings, but from MACAs discussion yesterday, they seemed to indicate that they were much more advanced than the systems development and inventories development. Is this what you heard? Or did they qualify it somewhere and I missed it?

**CHAIRMAN (Mr. Zoe):** Mr. Simpson.

incorporated into the transfer negotiations; the fact that when transfer occurred in the NWT they did not want to simply pass it over to the GNWT to operate through a regular departmental system. They wanted to pass it through to citizen boards of management, which in most cases have aboriginal majorities to operate those services in their particular area. The legislation which provides for this is the Territorial Hospital Insurance Services Act, which establishes these boards in each region as boards of management. So they are responsible for the management of health care delivery in the Kitikmeot Region.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** I would like to see who sits on the board from my region, as well as other regions. My opinion is that why have a regional board if you do not have a hospital? Everybody comes down here to Yellowknife or to Edmonton. I know the head man is non-native; he is from down south again. Mr. Lyall is the chairperson, but I meant his employees. I think to put in a whole bunch of people in Cambridge Bay where the regional health board is, I think it does not -- I do not know, I am confused about this health. For me, health is our guarantee as natives; we are guaranteed that health service. But then the bureaucracy says, "We are going to make a whole bunch of regional boards." And it is just like it is creating more confusion.

**CHAIRMAN (Mr. Zoe):** Mr. Cowcill.

**MR. COWCILL:** Mr. Chairman, as you are well aware, the whole matter of boards is under review by the standing committee of the Legislative Assembly. My understanding is that the political decisions, in preparation for the health transfer, were that this was the way to go at that time. If that approach is no longer considered adequate or people have different feelings about it, then that is a structural issue that clearly will be receiving our guidance from the Legislative Assembly.

**CHAIRMAN (Mr. Zoe):** Mr. Cowcill, can we provide Mr. Bernhardt with all the various boards that we have and the make up of them?

**MR. COWCILL:** The membership on the various boards?

**CHAIRMAN (Mr. Zoe):** Yes.

**MR. COWCILL:** We will provide that information.

**CHAIRMAN (Mr. Zoe):** Thank you. Continue on with your presentation.

**MR. COWCILL:** If I could just quickly run through the position in relation to issues that have come up in the current dispute with DIAND. DIAND has suggested that the billings are not consistent with the Canada Health Act for health centres and other activities. What they are referring to here is that, in their minds, the cost sharing agreement should only apply to traditional hospitals such as the one we have here in Yellowknife, Fort Smith, and so on. Indeed, DIAND would like to believe that their only responsibility rests with the cost sharing of the three hospitals left in the West. You will be able to have a look at the wording of the agreement which was in place before the transfer and signed again after the transfer. You will see that in no area does it limit the federal obligation to two or three hospitals.

The other critical issue is that the agreement references the Canada Health Act and our Territorial Hospital Insurance Services Act. Our legal people have looked at both and believe that our community health centres, which are a form of hospital almost like an out-patient hospital, meet the

definition of our own territorial legislation and do not in any way conflict with the Canada Health Act. Our position is that health centres are fully cost shared under these agreements. From the economic perspective, we believe that this is one of the more cost effective ways of operating the system. Indeed, other jurisdictions are looking at this aspect of our model.

If I could just go back to the arrangements before transfer, the federal government had accepted the fact that there would be an exchange of funding for the services which they provided out of health centres to non-aboriginal people. Similarly, in the one or two instances where the GNWT operated health centres -- Pine Point and Tungsten -- we, in turn, billed them for those services when they were provided to aboriginal people.

The federal government, at various points during this dispute, has argued that funds in the GNWT base are included in the billings. We have gone to great lengths to show them that all of our billings are a net of base funding. One of the critical issues of confusion has been a six million dollar item -- a transfer. It was a time in which the federal government left us with the revenue which we were paying them previously for non-aboriginal people. They suggested that we had a windfall there. You will see from Appendix J in the agreement itself that that was netted out when the transfer occurred. We strongly feel that there is no base funding included in our billing.

The PL escalator not applied refers to an adjustment in our formula agreement which the GNWT receives annually to its base funding. The federal government has said that they should get full credit for that particular adjustment in relation to the hospital expenditures. Our position on this, because of all the other issues we are dealing with DIAND, has been that it is not required by the agreement. It is not mentioned at all in this particular agreement.

Another item which has been a matter of dispute is that DIAND has suggested that central administration costs have been included in the billings. Some of you may recall that the federal government used to call its headquarters a region when they had it here in Yellowknife. I believe that may have created some of the confusion. We believe that they now understand we are not charging them through these cost sharing agreements for any costs which occur in our own headquarters operations.

Next point, the position that DIAND's financial responsibility ended at transfer. This is a very important point. When we started this debate with them in February, 1990, the federal government was trying to suggest that they have nothing more to do with us. They said that we have the health responsibility now. We have a residual responsibility in the western Territory; however, after we had several meetings and presented the documentation that we had, in the fall of last year, and are now saying they still do have a responsibility, but it is being discharged through this cost sharing agreement and through the formula. Our position has been that we accepted only service responsibility and that the payment of total cost as specified in the agreement has not been made.

**CHAIRMAN (Mr. Zoe):** Mr. Cowcill, before you continue, I think Mr. Gargan has a question.

**MR. GARGAN:** Could you repeat that thing again with regard to the bottom one on the responsibilities? I am not too clear on that.

**MR. COWCILL:** The position that DIAND took initially in these negotiations is that they no longer have responsibilities for aboriginal people in the NWT regarding health, with the exception of a residual responsibility for those facilities in

which we funded service for aboriginal people before transfer. The three hospitals in the West and for hospital costs in southern Canada, and they are most anxious to wrap up the rest of the bundle.

After several months of meetings, they change their position on that to say that, "Well I guess we do continue to have a responsibility for funding services to aboriginal people, but we are discharging those responsibilities through the GNWT formula funding arrangement and through this particular cost sharing agreement." So in other words, "You guys have all the money you need to operate this; why are you hassling us on the contract obligation?"

Our position has been that the GNWT accepted only service responsibility in regard to aboriginal residents and that the payment of total costs, as specified in the agreement, is not made. In other words, they are obligated to pay the total costs as set out in the agreement.

I just want to reiterate why we feel strongly that the federal obligation continues. First of all there is a series of agreements based on total costs. The hospital services agreement and medical care agreements have been in place for many, many years. They were renewed before transfer and they were renewed again in 1989 after transfer. You will have an opportunity to look at the wording yourself, they all say the federal government will pay the total cost of hospital services.

The Baffin health centres were based on the basis of GNWT interpretation prior to 1988, no issues have been raised by DIAND, in fact I believe it was February 1990 that the issue really became one of concern to DIAND and they began to chase us. In other words, they discovered this problem well after the fact.

Another key point here is that prior to the 1988 transfer there was an exchange of correspondence between Bill McKnight, the Minister of Indian Affairs and Northern Development, and the Government Leader at the time who was Mr. Sibbeston, and subsequent exchange of correspondence at the bureaucratic level, where the federal government offered to have the GNWT take over that responsibility and the GNWT refused at the time. They felt that many of the aboriginal groups did not want the federal obligation to be let go and in addition the federal government was not prepared to address the GNWT's concern about future cost escalation. In other words we are worried about off loading, and for good reason.

In the many committee structures set up prior to transfer, representatives of the aboriginal groups time and time again said, "Do not let the federal government off the hook on their responsibilities to aboriginal people." Whether it be through the non-insured side or their responsibilities under related agreements.

There is an issue of indigency as a precondition for DIAND support. For many years both DIAND and Health and Welfare Canada have held the position that support under the hospital services agreement is restricted to indigent Indians and Inuit. In other words, Indians and Inuit who do not have sufficient money. The issue assumes new importance as DIAND seeks to limit financial obligations. You will notice, and I will bring it to your attention when you look at the agreement after, under clause 12 of the agreement there is a five per cent reduction made to our final claim, which is an historical item in there in relation to indigency. In other words they assumed that 95 per cent of the aboriginal population was indigent and therefore that is what they are paying. That five per cent item is a matter of concern to us.

Another item of concern is the billing of actual costs rather

than costs calculated on the basis of population distribution. GNWT claims would be significantly greater if based on actual costs. Initial technical and other difficulties in doing so have been resolved but we anticipate that DIAND will resist any attempt to change the calculation methodology, which will have financial implications for them.

If I could just give an example here of how this works. When an aboriginal person goes to a hospital outside of the NWT, we get a discrete bill on behalf of that individual. So we have a clear account of exactly how many aboriginal people receive what hospital services there. However historically in the NWT hospitals, the methodology which has been utilized is simply a calculation of what is the census breakdown of aboriginal people in the areas served. Now we know from the health status report which we did about a year and a half ago that aboriginal people whose health has been less good than the remainder of the population are in fact using the hospitals more than non-aboriginal people and hence we are in some ways absorbing additional expenditures which we believe rest with DIAND.

If you go to the other cost sharing agreement which we have with DIAND for medicare, there again we have a discreet track of individual billings on behalf of aboriginal people and hence we are able to calculate the exact costs. So this is another potential issue in our negotiations with DIAND which effects our financial position.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** Thank you, Mr. Chairman. Mr. Cowcill, you talk about indigenous people. Will the Metis people fit under this? Is there anything being done about the Metis born here in the NWT to be under this?

**MR. COWCILL:** Metis people who are eligible and have chosen to regain status under Bill C-31, would then become eligible for us to claim back under this particular agreement. But the federal position at the moment is that Metis people are not eligible for reimbursement under this particular agreement.

Secondly, if I could go back to the business of indigent. Indigent simply refers to the federal government's calculation of the income status of aboriginal people in the NWT. What they have been saying over many years is that we are only providing hospital care, financial support, to indigent aboriginal people. Now the term "indigent," whether you are poor or rich, has not mattered in the insured health care system for many, many years, since all Canadians have a basic package of insured health services. So the GNWT position is that that is an anachronism, something that should not even be in the agreement. We just have not been able to get them to draw it out.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** What are the other arrangements between the provincial and federal government? Is that term, "indigent" actually used?

**MR. COWCILL:** Mr. Chairman, I have not got the details of the different arrangements that other provincial governments have, but my understanding is that the perception on the part of many of the provinces is that the federal government has been trying to offload responsibilities in regard to aboriginal people on to the provinces. I believe the issue in the provinces is often if aboriginal people are off reserve, the federal government says they are no longer their responsibility, they are the provinces.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

travel? Mr. Gargan.

**MR. GARGAN:** Mr. Chairman, most of the people in the communities that are aboriginal people and are not GNWT employees usually do not prefer going south and prefer time out on the land. So they get the lesser amount than they would if they went down south. That is the amount I am referring to. I do not know how you have a check and balance because the person who does not go south could still vacation travel assistance and still benefit from using an unused travel ticket is what I am getting at.

**CHAIRMAN (Mr. Zoe):** Mr. Doherty, Mr. Gargan's line of questioning is geared more towards the Department of Personnel which administers all vacation travel, et cetera, but, you may like to comment on his question.

**MR. DOHERTY:** Mr. Chairman, I would agree that it is really up to the Department of Personnel to establish those rules and to track that kind of stuff, but I would say that as responsible managers of this government, we are all supposed to understand, to some degree, those regulations. If we see something like that, we would certainly want to take whatever appropriate management action that is necessary to void it or stop it from happening or to deal with it. I do not see it as being a problem that we have to deal with. I would just say that I spent four years in Iqaluit and travelled back and forth. I can tell you that there is no desire on my part, and I think most people are the same, to travel through the South to get to Iqaluit or Resolute Bay if they do not have to. Maybe some people do, but I think most people realize it is a big chunk out of your time.

**CHAIRMAN (Mr. Zoe):** Mr. Simpson, from your good office, do you have any comments or questions on the testimony you have heard so far?

**MR. SIMPSON:** Thank you, Mr. Chairman. I think there may have been a misinterpretation as to what this observation is all about. At issue here is a question of whether there is appropriate documentation to be able to see what has been approved both before the trip is taken and after the trip is complete. For example, I have a travel expense claim in front of me here for this particular individual who apparently spent two nights in Montreal, but there is nothing on the travel expense claims that shows accommodation costs in Montreal. That leaves two possibilities: one being that the individual got a travel warrant in which case the bill would come in presumably to finance and be paid; and the second being that he could have stayed at private accommodation.

The travel claim does not show any airfare to Montreal. What it does show is airline tickets for three people from -- return flights -- Iqaluit to Yellowknife. I guess my concern is, as we have discussed before in the committee, is the trip report should show the costs of the trip. The question of whether or not it is more economical to go via a southern or northern route is one that Mr. Doherty has pointed out. Supervisors should be looking at not only the time of the individual but also the out of pocket costs. I think that is reasonable to expect that some trips via the South may be more cost effective depending on the scheduling of aircrafts and various things. But when you look at travel claims such as this, it is very hard to prove anything because there is no cross reference to any travel warrants. There are costs relative to other people that are on this individual's claim and there are costs that you would expect to see for this individual that are not on this claim. So putting together a story and trying to make some sense of it becomes virtually impossible.

The claims is actually signed not only by the individual claimant, but also by someone for program spending authority. It is audited by someone with a signature and it is

signed under the Financial Administration Act for payment authority. So all of those three people, in addition to the claimant who signed it, did not seem to be concerned about whether or not the claim itself told a story. So I cannot tell from the documentation or anything that we have been able to find in looking at this case, whether it was more cost effective, whether it was a genuine trip via the South because of scheduling problems and more importantly, I cannot even tell what the cost of the whole trip is in any event because some things are missing and some things are included that should be on other people's claims.

So in essence, Mr. Chairman, our observation on this particular department, was similar to observations on other departments where no one really knows what the truth of the matter is because the documentation is so all over the map. Our observation and consequent recommendations, as you will recall from our earlier discussions, were that people approving trips should make sure that there is appropriate cost justification, taking into account the time value of people and all the out of pocket costs. That approval to travel should be authorized by an appropriate person. Mr. Doherty has already testified that that in fact does take place in his department. But after the fact there should be a trip report showing all the costs that that individual incurred on that particular trip. Then management and anyone else that is interested can look at the cost effectiveness as to whether that particular routing, whether that particular trip was an appropriate way to go. That really is the essence of the discussion, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Doherty.

**MR. DOHERTY:** Certainly the observation is a valid one on that particular claim. Since that time supervisors and employees have been told that this kind of documentation has to be provided, both up front in terms of justification to the supervisor and after the fact. My understanding is that in this particular claim, and it was probably practice at the time -- more common practice than it should have been -- a lot of this stuff was done verbally. Now the expectation is that it is done in writing.

All the cost that the employees incurs will appear on the claim. The other things that might not appear would be if they used a warrant for accommodations. That would not show on the claim, although some employees might make reference to it. But if that is the case when the warrant comes in now our finance division does cross reference that warrant to the particular claim so that the costs are all put together and shown in one place.

**CHAIRMAN (Mr. Zoe):** Mr. Arvaluk.

**MR. ARVALUK:** I just need a bit of clarification here on policy. The Buy North, Hire North policy of the Department of Economic Development, how does DPW coincide with that type of policy, or do they have their own policy in place? Because if you went from here to Resolute in one day you would at least spend the money in the North rather than in Montreal.

**CHAIRMAN (Mr. Zoe):** Mr. Doherty.

**MR. DOHERTY:** Mr. Chairman, the department certainly does support all of the policies of this government in respect to buying north, the business incentive policy. We are the administrators and the developers of that policy. I guess every decision has the economic consideration, the political implications and the policy implications in terms of buying north. I do not think that the cost of the travel itself was a major factor in deciding to go through Montreal as opposed to Resolute. I do not think they decided to go through

nights in Resolute Bay as opposed to one in Montreal. The cost of a hotel and one night in Montreal would probably be about \$75.00 plus food. This was 1990 when the meal rate would have been probably \$35.00 or so a day. That would have been one day and one night as opposed to going through Resolute Bay where I believe the hotel cost, including meals and everything at that time, would probably have been in the order of \$150.00 which would have been an extra day of hotel and meals. There would have been an extra day of time for this particular employee because he would have been sitting in Resolute Bay for Thursday which probably a day's wages plus the loss of his time. I do not think the cost of travelling through Montreal -- and, again, I am sorry I do not have the numbers -- is significantly different either way than going directly from Yellowknife to Resolute Bay. It would save the cost of a day's wages for the employee plus the time that he has lost plus the extra hotel, meals and accommodation in the order of \$150.00 plus the difference between the extra day that he did spend in Montreal between what it cost him to be in Montreal as opposed to what it would have cost him if he was in Resolute for that extra night, probably \$30-\$40.00.

Prior to the trip, I would venture to say that the analysis was more along the lines of gaining a day in terms of the project officer's time. Thank you.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Doherty, with regard to travel, what measures has your department taken so that the most economical way will be used by employees? Surely the department has put some sort of measures in place so that certain routing south would have to be verified by certain people.

**MR. DOHERTY:** I am not entirely sure that the observation was indicative of a pervasive problem within the department of not using the most economical way of travelling. Indeed, one of the additional things that have been done since then is that direction has been given to senior managers to advise staff to ensure that after travel, if there are peculiarities to the claim such as what occurred with this one when an employee went through Montreal and there was a delay that for audit purposes, they are to provide better description of just what occurred. That was a measure that was taken after the observation was made.

In terms of normal travel, employees are required to examine the most economical way of travelling. They call the travel agents, tell them where they want to go and when they have to be there, and the travel agents will advise them of the best opportunity. They are expected to try to plan their travel well enough in advance that they can take advantage of excursions if those are available.

Certainly, in terms of charters, no charter is approved unless a full analysis is done up front which shows the options that are available charter versus sched, and the cost of the two options.

Employees are required to submit their travel plans to their supervisor whether it is a project manager or project director or to myself or to a regional superintendent in advance for approval. When travel is complete, our finance division reviews the travel claim to make sure there are no odd things therein. If there are, they are followed-up with the employee. All the peculiar things that the financial administration manual and others require are built into the process.

**CHAIRMAN (Mr. Zoe):** With regard to travel, I believe that observation that was picked up by the Auditor General's staff was that when you are doing your claim -- there was documentation that there was a trip from Yellowknife to Resolute, but it did not indicate that you had to go all the way around the country before getting up there again. That

was observed. You are indicating to me that a process that you are implementing now is that they have to get approval from their direct supervisor from within the department. Is this correct?

**MR. DOHERTY:** No, Mr. Chairman. It is not a new procedure. The signing authorities for travel rest with project managers and above. Above the project manager would be an assistant superintendent or superintendent, assistant deputy minister or a director as the case may be. These are not new.

What is new is that the direction that has been given as a result of the Auditor General's Report; that is, when the travel claim goes to the supervisor, it must identify the routing that they will take so that in a case such as this where he says Resolute-Yellowknife, the supervisor can then question the routing. By and large, most employees have done that in the past. It is just that in this case it was not done. When one goes back, even though the routing options were not documented to the particular supervisor that approved this travel beforehand, and looks at the options and the facts of schedules and that, it is clear that the employee did try to identify the best option. But, as you know, weather is always an uncertainty.

**CHAIRMAN (Mr. Zoe):** Thank you. Does the committee have any further questions with regard to travel? Mr. Gargan.

**MR. GARGAN:** Thank you, Mr. Chairman. One thing that I understand with regard to the government employees has to do with the collective agreement wherein they can travel business or economy class without it being questioned. I do not know how they handle this, but I thought that is part of their collective agreement.

**CHAIRMAN (Mr. Zoe):** Mr. Doherty.

**MR. DOHERTY:** I believe the collective agreement requires that employees travel economy class. Where that option is not available and travel must occur on that leg or that time, employees are allowed to travel by an upgraded class, but it has to be substantiated by the employee that this is the only option that they had.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Gargan.

**MR. GARGAN:** There should be a check and balance. Does the situation ever occur where a GNWT employee can use one of their travel as holiday travel? If there is going to be business travel to a certain location whether in the Eastern Arctic or Western Arctic or vice versa, an employee could arrange is as part of his holiday so that he may be able to have his family meet him in a certain southern city and still claim. He could get holiday travel at less than economy fare so he saves on one vacation travel fare and gets the money back.

**CHAIRMAN (Mr. Zoe):** Mr. Doherty.

**MR. DOHERTY:** I guess there are probably ways an employee, if he is determined, can get around the system and abuse it, but I think the provisions that the government has set in place to avoid that are probably adequate. It has not come to my attention as being a problem. Certainly, if an employee does not take vacation travel, for example, if they were to do it as Mr. Gargan mentioned, he would not reap the benefits of vacation travel because they only get that benefit if you take it is my understanding. I think it probably does happen when an employee has travelled some place on duty and maybe takes a day off for some personal business on the way perhaps happens.

**CHAIRMAN (Mr. Zoe):** Are there any further questions on

**MR. KOE:** Are you telling us that someone in their wisdom negotiated this five per cent cost factor in the transfer agreement?

**CHAIRMAN (Mr. Zoe):** Mr. Cowcill.

**MR. COWCILL:** Mr. Chairman, no. There are a number of agreements we are talking about. You have before you the health transfer agreement, 1988. The DIAND agreement goes back as far as we can see to the 1970s and perhaps even before that, and historically it has had this five per cent indigency factor in that. I suspect, I do not know for certain, but I suspect that it may even predate the provision of fully insured health services.

The point is that the federal government now regards this as a kind of a cost sharing arrangement and at times they have wanted to increase the percentage of what they consider to be the indigent or non-indigent population, in order to transfer the responsibility onto the GNWT. We want the thing out of there because we do not think it belongs in there at all, but there is no budging on either side. So that has not been touched in perhaps 20 years.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** I am still confused. Is it in the transfer agreement?

**MR. COWCILL:** No, it is a separate agreement, the hospital services agreement. It is the memorandum of agreement, August 3, 1989, and it is in regard to hospital services. It says, "Whereas Parliament annually approves a payment of a contribution to the Territories in addition to the amount payable pursuant to the Canada Health Act, so calculated that Canada will assume the total cost of hospital care provided to status Indians and Inuit as interpreted in the Indian Act."

Based on the most up-to-date reading that we have on it from payments received from DIAND and so on, our projection is at the end of 1991-92 we would be out about \$49 million.

#### Steps Taken To Resolve Dispute

That is the essence of the dispute. To let you know what has generally gone on to try and resolve it, we have had more meetings of officials than I would care to mention, including three meetings of senior Health, Finance and Justice officials with the federal government last summer to try and make some progress on this particular issue. At the end of October of last year the previous Government Leader, the Minister of Finance and the Minister of Health met with Mr. Siddon and Treasury Board officials and others, in an attempt again to move the process along.

I can report that we are still far apart, but I just want to give you an idea of the magnitude that we are apart and let you know that the federal government is attempting to introduce the issue of medical care as well as the issue of hospital care. An offer made by the federal government in the late fall of last year would leave the GNWT accumulatively out about \$55 or \$56 million.

The federal government, it would appear, is trying to go back and do what they failed to do before the health transfer. I mentioned before that they wanted to, just before 1988, say let us get rid of this, what they were calling at the time, residual responsibility, by forcing the GNWT to take over these other areas of responsibility. As I said earlier, the GNWT rejected that notion because there were great concerns about escalating medical care costs and escalating hospital costs and it was rejected. But this is the direction they are trying to push for again; a direction that would raise not only financial

issues, but also constitutional issues in terms of who is responsible for aboriginal and hospital medical care. So we have not budged on that particular issue.

More recently the Minister of Finance, on March 17, has met again with Mr. Siddon to see if there is some way that we can move this process along again. I believe as recently as two to three weeks ago there was another dinner meeting with him and he is seeking a last official-type senior meeting to see whether the matter can be moved forward before they resort to other measures to try and break the impasse. But that is where it is at at the moment. It is being actively pursued by both the bureaucracy and through the political level.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** Mr. Chairman, the NWT does not have a strong tax base, 14 per cent, and yet health services for native people are so high. Is there a way of taking this department and giving it back to Ottawa? Because we are talking about \$49 million. Because whoever made this decision to take responsibility of health, which is already given to us by Ottawa, and yet we take it over with very limited tax, I think it is hurting our government as a whole. A lot of young people are having children and the costs are really skyrocketing. It is hard to come up with this funding.

**MR. COWCILL:** Mr. Chairman, certainly all avenues will have to be explored because this is a very serious financial crisis for our government. The anticipated federal position on this would be that under the NWT Act the GNWT has a responsibility for health care. So it is mixed up in the overall constitutional issue of what the federal obligations are to aboriginal people. But it is also tied into the legal aspects of the Northwest Territories Act which says we have the responsibility for the delivery of health care services. All options, from a negotiating point of view, are possible.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** Mr. Chairman, when this transferred occurred several years ago, I did not support it at that time, and I tried a number of ways not to let it happen until we were clear on the federal government's obligation to the aboriginal people. Members, too, at that time were having problems. They had a deadline to meet on a Thursday night. Most of the Members were pressured to support the transfer or else it would not happen, or we would have to wait a while longer. The nurses' union was having problems. They were in the courts at that time, and I tried to use a rule of the House to try to see if we could defer it because of the court dispute. But, it did not work.

Bob, I still have that funny feeling that in 1969, Stu Hodgson accepted a white paper to make aboriginal people like everybody else. Education is a good example where the responsibility of education has been lumped into territorial budgets and we cannot identify what there is for status people. I think we are now running into the same type of situation with this health issue. The government is now in a position to say that indigenous people should be paying. I say it is an entitlement. Mr. Chairman, it looks as if it is the same situation we are having now with the education issue. The housing issue is the same thing. What I am saying is that if we do not resolve this through the courts, then the government has a very serious problem with regard to the delivery and responsibility of health care to aboriginal people. As an aboriginal person, I feel strongly about it. The government has to do something and, if they cannot, it would boil down to whether or not the aboriginal people will be the ones that should be doing something also.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Cowcill, would you

like to respond to that?

**MR. COWCILL:** I can understand Mr. Gargan's frustration. We feel very frustrated about this particular issue as well. It has taken up hours and hours within the department. We believe we should be focusing on program-kinds of issues and, certainly, the aboriginal organizations -- the Dene Nation, the Metis Nation, the Inuit Tapirisat and so on. We, through our Minister, have consulted with them on this particular crisis and they are supportive of the fact that it must be resolved. We are having a difficult time now, as you know, affording the kind of health care system which we have in the Northwest Territories. But we believe that the model we have is, overall, more cost effective than the kinds of models that are causing the big problems in the provinces. In our minds, it is unrealistic that we cannot get the necessary financial support for this program.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Cowcill, do you expect this dispute to be resolved? If so, what time frame are you looking at?

**MR. COWCILL:** Mr. Chairman, it is very difficult for me to say whether it will be resolved. The matter has been at the political level in recent weeks. Certainly, we are very concerned about it because we have the reservation in the audit provided this year. All I can say is, if there is no movement over the next couple of months, then, clearly, our government will have to examine the issue carefully with the Auditor General to determine how we will deal with the matter in future years' budgets. I cannot call whether we are going to have a solution to the problem in the very near future. I would say that the key issue is whether the GNWT will "win it all." If there is any area that we may have to give on it is in relation to the application of the PL escalator which I had mentioned earlier. We believe that from a legal and moral point of view, and from all the understandings that I understand occurred before transfer, the federal obligation clearly remains.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** It is nice to say what you just said, but with all the high-priced help we have in meeting with federal high-priced help at the ministerial and deputy minister levels and the issue cannot be resolved, what are we going to do? We cannot continue meeting, knocking heads and not getting anywhere. At the end of this year, there is a potential of a \$55 million contingent liability in this government's finances. This concerns me and all of us because it is a double deficit which we are projecting right now if it is a real liability. How are we going to resolve this? What are you going to do? We can continue talking, but nothing is happening.

**CHAIRMAN (Mr. Zoe):** Mr. Cowcill.

**MR. COWCILL:** Mr. Chairman, I really cannot speak to the current political strategy to resolve this particular item, but, obviously, if talking does not bring the thing closer to conclusion, the government has to consider other options whether, on the one extreme, it is trying to return the service responsibility to the federal government or, on the other extreme, taking the matter to court or a mediator for resolution. These are the kinds of possibilities which our political leaders will have to determine. I believe they are going to determine that in consultation with the aboriginal groups that are affected as well.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** Bob, before the transfer occurred, we used to have non-insured and insured health benefits. Under the insured health benefits, the territorial government has to

budget for that portion of it. It is the non-insured benefits that is the responsibility of DIAND. Every time we have a base budget for health, the non-insured health benefits for aboriginal people is the portion that comes from DIAND. That is the portion that is being transferred, right? Under the NWT Act, it says we are responsible for health. I assume that most of the transfers that occurred are for the hospitals as well as the responsibility of the delivery of services to aboriginal people.

**CHAIRMAN (Mr. Zoe):** Mr. Cowcill.

**MR. COWCILL:** Mr. Chairman, the GNWT position is that we accepted responsibility for delivery of the insured services to aboriginal and non-aboriginal people, but that the funding responsibility for insured services to aboriginal people remain with the federal government.

With respect to non-insured services, which are special entitlement to status Indian and Inuit for things like glasses, teeth, et cetera, the GNWT has a contract with Health and Welfare Canada to administer those benefits on their behalf. They pay fully for the non-insured entitlement for status Indian and Inuit under an agreement with the GNWT. That money is flowed to us and approved in our main estimates annually. They pay the total costs, through Health and Welfare Canada, of that particular item in accordance with the rules which they set nationally.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Cowcill, going back to my previous question when I asked you if you expect this dispute to be resolved. The Auditor General of Canada picked it up in the year ending March 31, 1990-91. In his report that \$32 million goes back for two years, according to the schedule that you have given us. This is a year ago. We are now into the third year with this dispute. How much longer is it going to take us? That is why I questioned you to see what time frame. It has got to be resolved sooner or later. It is going to have a tremendous impact on our overall financial situation. You are projecting for the year ending March 31, 1992, \$16 million. It could be higher. In 1990-91 we had almost \$21 million. So I am projecting a little bit more than what the government is. I am pretty sure it is going to be almost identical to last year's figure. It has gone on too long. Have the feds made any proposal to you guys?

**MR. COWCILL:** ...over time. It started out being a dispute about hospital services and whether the federal government had any responsibility at all. Once we presented our evidence that there is clear documented agreements here and so on, the federal government shifted and said, "Well yeah, I guess we do have some responsibility and we are exercising it. We give you some money through this agreement; we give you all kinds of money through the formula; we are fulfilling that responsibility."

I also mentioned to you that before transfer the federal government wanted to get out of this whole business of its financial obligation to aboriginal people. The GNWT said, "No, we are not going to do that." But this is what they are coming back at again. The kind of proposals the federal government is putting forward are not that "Yes, we have looked at this and we will pay our obligations under that hospital services agreement." They are saying, "Well gee, remember we wanted to give you all this before transfer. We would like to pass on to you hospital services and medicare as well. We will just put it in your base and it will be looked after from that point on by the annual adjustments which you get." But you know, and we know, that the ceilings imposed on the annual adjustments that the GNWT receives through the formula are not going to be able to absorb the kinds of incremental costs which are occurring in the health care system, so we regard it as, frankly, simply off loading. This

**CHAIRMAN (Mr. Zoe):** Thank you. Since there are no further questions I would like to thank Mr. Dunbar and his staff for appearing before our committee. We will take a short break before we call our next witness.

---SHORT RECESS

#### Department Of Pubic Works

I call the committee back to order. We are still dealing with volume I and II of public accounts for the year ending 1990-91 and the report on other matters. The committee would like to call Mr. Bob Doherty, deputy minister for Public Works. Mr. Doherty, can you introduce the staff members with you?

**MR. DOHERTY:** On my right is Les Clegg, assistant deputy minister of operations; on my left is Dave Waddell, director of finance.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Simpson, in the report on other matters, could you brief the committee on your observations in the report with regard to Public Works.

**MR. SIMPSON:** Thank you, Mr. Chairman. Again, my colleague Dale Shier, who has just jotted some notes here about the same length as the Gettysburg Address, will brief the committee on this.

**MR. SHIER:** Thank you, Mr. Chairman. I will be a little bit briefer than the Gettysburg Address, hopefully. We have a few references to Public Works in our report to the Legislative Assembly, the first of which is a brief reference on page 17 in our travel chapter and the issue there is documentation; reasons for unusual routing of trips. In this particular case an employee went from Yellowknife to Resolute via Montreal and when we did our audit work we really could not tell why it was necessary to route via Montreal. There was no documentation of the fact.

Then there are other more substantive references to DPW in our chapter on assets. On page 26 we have a brief mention of the fact that there is no independent check of their annual inventories of controllable assets. Then more substantively, on pages 27 and 28, we bring up the issue that DPW and MACA have similar systems to manage and track capital assets, and we raise the issue and make a recommendation that the two departments examine the feasibility of operating one system rather than trying to operate two different systems with very similar designs and objectives. Thank you, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Doherty, the observation by the Auditor General's staff that you have just heard, do you have any comments with regard to that?

**MR. DOHERTY:** With respect to the travel to Resolute Bay when our people travel, whether by charter or by scheduled air, they are required to examine the various options for travelling and to take the most economical. In this particular case three options were looked at: that is to travel directly from Yellowknife to Resolute Bay; to travel from Yellowknife to Iqaluit direct and then up to Resolute Bay; or through Montreal. The purpose of the travel was to do an inspection. It was a final inspection on the health centre which was a major project of over one million dollars, and required the co-ordination of several people: health people from Iqaluit; technical officers from Yellowknife and Iqaluit; and the consultants that were working on the project. So this one particular project officer had to travel from Yellowknife to Resolute, co-ordinate his travel with other people going there as well and catch a charter into Grise Fiord. The most expeditious route was through Montreal because of the various schedules to match up with flights out of Iqaluit. He left Yellowknife on Thursday night with the expectation of going

to Montreal, overnighing and flying up on Friday, meet up with the other people in Iqaluit, and carry on to catch the charter in Resolute Bay on Friday and return on Saturday.

Because of weather in Iqaluit and Resolute Bay at the time his departure from Montreal was delayed. That is the reason for - I guess the observation really was that it took extra time because he went through Montreal, and in fact it would have been the quickest route if it had not been for the weather. The option of going from Yellowknife to Iqaluit was out because they could not make the connection on Friday with the flight going from Iqaluit to -- the flight would go from Yellowknife to Iqaluit on Friday and he would not be able to make the connection to the flight to Resolute Bay from Iqaluit. So that option was not viable.

The only other option would have been from Yellowknife to Resolute direct. He would have gone up on Wednesday and it would have been an extra day and the associated costs. So that is the reason why that route was taken.

With respect to the annual independent checks of controllable assets, we do do checks each year on our controllable assets, usually it is a summer student who is given the inventory and the task to go around during the summer in each location and check on the assets. I guess it is not an independent check and I am not sure what is expected there in that independent would be outside the department.

In terms of the third item which is working with MACA, we have a copy of the system that is currently under development by MACA. We have had discussions and are looking at how our two systems and requirements can be meshed together. I believe we should, if at all possible, have a combined system because over time, the assets that we maintain will be transferred or are being transferred to communities. Once the go to the communities, they are on MACAs inventory as opposed to ours; therefore, there is benefit to working together.

One of the inferences the committee might draw from the observations is that the information that is not contained within our current assets and which is required by the various administrative policies and directives, might suggest that we are not able to properly maintain our assets without that information. I do not think that is correct, if the committee does draw that inference.

We have detailed asset inventories and information. They provide a great assist to us in maintaining those assets. We recognize that there are some gaps in the information as required and as properly noted by the Auditor General. We will work to resolve those deficiencies. Thank you.

**CHAIRMAN (Mr. Zoe):** Does the committee have any questions? Mr. Arvaluk.

**MR. ARVALUK:** Mr. Chairman, I have two questions. The first one is regarding travel. How much cheaper is it if a person from Yellowknife would have travelled on a Wednesday and stay in Resolute Bay until Friday before the rest of the party arrives in Resolute and takes a charter to Grise Fiord versus over nighting in Montreal and the cost of travel through the southern route? From Yellowknife-Edmonton-Montreal-Iqaluit-Resolute versus Yellowknife-Resolute plus extra days; if you subtract this, how much cheaper would it be? If it is cheaper that way, I will travel that route from now on.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Doherty.

**MR. DOHERTY:** Mr. Chairman, unfortunately, I do not have the exact numbers, but there would have been an extra night in the hotel at Resolute Bay so that would have been two



**MR. DUNBAR:** Thank you, Mr. Chairman. I am not sure I can answer the question as fully as Mr. Arvaluk would like. The projects are proposed in the regions and are approved in the regions. Most regions have committee structures in place that are comprised of people from various departments in the government. I believe they also have involved in some instances, people from hamlets or town administrations.

In terms of the individuals working on these projects see a finished product will depend on the project. Many of the projects involve upgrading of educational skills, first of all, that will assist the individual to be more competitive in the work place, or to assist the individual to be able to move on to take the type of trades training of other type of training for the type of work they would like to be involved in.

Other ways in which this co-operative venture is happening, certainly the Strength at Two Levels Report has referenced areas in which there could be greater co-operation, and there is an effort being made to improve this. We are working much more closely with Education which has a responsibility in the training field. We are also participating in a committee with the NWT Construction Association in that we are trying to maximize the opportunities for our residents to be aware of and to be competitive for jobs. We have been working closely with the Department of Public Works in certain project instances trying to identify people who could perhaps be eligible, making sure they have the referrals and can get into those types of jobs that are available. I think, as a government, there have been initiatives under way to make portions of some of the major projects smaller and over a longer period of time. I am sure this is ultimately going to result in more people being employed and, certainly from a social service perspective, we are interested in ensuring that as many of the people who have become dependent on social assistance get into that work force and attain their independence.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Gargan.

**MR. GARGAN:** Thank you, Mr. Chairman. With regard to writing cheques and the checks and balances, I would like to ask Mr. Dunbar if, while there have been some problems in the department with regard individuals writing cheques, there has been a process in place now for checks and balances? Has this been answered or not? The requirement is for maybe two signatures or maybe an annual visit by headquarters staff to different regions to review the assistance that is given out and whether this is legitimate assistance?

In order for this government to ensure that there is no wrongdoing, do you have to be able to identify what you are looking for within the government? Maybe some people were caught with regard to that. Mr. Chairman, last week, I read in the "Edmonton Journal" of social assistance employees in Alberta who were writing cheques to themselves through the assistance program. If you want to identify a wrong, you have to be able to know what you are looking for. Previously, it was fraud. There might be cases where social workers are writing advance cheques to themselves, and whether the intention is to pay it back or not would be difficult to prove. In Alberta, the individuals that wrote the advance cheques to themselves did not return the moneys. I am wondering if the checks and balances are in place and whether or not the department is looking at all the different ways in which an individual could rip-off this government?

**CHAIRMAN (Mr. Zoe):** Thank you. I have been very patient listening to the comments of my colleague here. I just want to caution you before we get into certain areas, I know what Mr. Gargan is referring to, but I would like to advise the witnesses and my colleagues to avoid making any comments about certain matters that are before the courts at this time.

It is not our mandate to make reference to things that are before the court. I have been listening very carefully to my colleagues. Mr. Dunbar, can you answer Mr. Gargan's question in a general sense with regard to checks and balances that you have put in place?

**MR. DUNBAR:** Thank you, Mr. Chairman. I will certainly try. I think that at the very outset it is very important to realize that whatever systems are put into place or designed by people, I do not think you can give an absolute guarantee that you have covered off all possibilities. In designing this particular system, we have endeavoured to take into account and cover off as many of those possibilities as we could, but we are dependent upon the basic honesty of people who are applying, and the basic honesty of people who are taking those applications, making the decisions and issuing funds. I believe we have a population who is basically honest and we also have a staff who are basically honest. I cannot give you an absolute guarantee, but I certainly think the majority of our staff are very vigilant in their efforts to administer these programs according to the acts and the regulations that are established by this government.

In terms of this particular system and the checks and balances, some of the features that have been built into the system to address some of the issues Mr. Gargan has raised includes a client identification aspect to the system in which there are cross-references to birth dates, social insurance numbers and THIS numbers in an effort to ensure that you cannot create an applicant that does not exist. There is a component of this system in place that allows us to keep track of the cheques that are issued, both those that are issued to staff for the purposes of completing and those that have been completed. There is a batch system in place that is reviewed in which once you have issued social assistance, the copies of the cheques are attached to a copy of the application form and, ultimately, you receive a copy of the cancelled cheque back. These are all tracked to ensure that we do not have outstanding ones. There is an annual inventory built into this system to ensure that we have a track of what is in this system.

As I indicated earlier in the development of this social assistance system, we work closely with Government Services, Finance and with the Audit Bureau to address many of the issues that have been raised to ensure that we have a system that is as complete as can be to meet their needs. I can assure you that the representatives of the Audit Bureau, Finance and our own Director of Finance and Administration and his staff have been very concerned about these issues. There have been many lengthy meetings and various options developed to address them. The system has now been signed off by the comptroller general as fulfilling the conditions that he felt were important to be fulfilled.

**CHAIRMAN (Mr. Zoe):** Thank you. Any further questions from the committee? If not, Mr. Dunbar, I wonder if we can get a progress report, say within a year or so, on how you are doing with this particular system.

**MR. DUNBAR:** Mr. Chairman, we would be pleased to provide that information to you. It would be useful if you are in a position to identify to us the types of areas you would like us to report on.

**CHAIRMAN (Mr. Zoe):** What I was suggesting was on the system that you are implementing now, just to give us an update, progress report, on how things are going with the new system within a year or so.

**MR. DUNBAR:** We would be pleased to do that, Mr. Chairman.

gives you an idea of how much we are apart.

Our projection is that with their current proposal that we would be out approximately \$55 million, and that is unacceptable. This is why we have moved it into the political realm to try and get some resolution of this; if not through negotiation, then through alternative means.

**CHAIRMAN (Mr. Zoe):** It has been three years now and I think this whole issue has been going on a little too long. I would have taken drastic action if I was running the government. I would have taken legal action. I am not even sure if the government has even considered taking legal action. Now, how much longer are we going to continue talking with the federal government? I know they are throwing in other stuff as you just indicated, which the bureaucracy and the government is rejecting. The billings that were done for the last two years, that is an issue that should have been resolved by now. Here we are projecting again, another \$16, \$17 million, and this whole dispute has been going on a little too long in my opinion. I think my committee Members here too, feel the same way. It has been brought to our attention by the Auditor General's staff.

Has our government even considered taking the federal government to court to take legal action? Mr. Cowcill.

**MR. COWCILL:** Mr. Chairman, the legal option of going to court, the possibility of trying to return the service to Canada, all these possibilities are actively under consideration. I cannot really speak for the very recent political negotiations. You might have to have the Minister of Finance comment on that particular aspect, but I believe we are at the end of the road in terms of negotiation routes and that the Minister is pursuing a final effort to see if there cannot be a negotiated end to this business. But these other options are very much on his mind as well.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** In the consolidated financial statements, volume I, you have, under note three, accounts receivable: "Included in the above amounts due from Canada, \$45,096,000 in receivables from the government's claims for hospital care to Indians and Inuit. Canada disputes \$31,942,000 for current and prior periods. The Government of the Northwest Territories is vigorously pursuing its claim and maintains the view that it will collect the full amount and therefore considers that a provision is not required." The provision, I assume would be the allowance for doubtful accounts; all or some portion of it, I guess, should be identified as a doubtful account if we are not going to collect it all. I guess we do not have the March 31, 1992 statement. Will there be a change in this position at the end of this fiscal year? I guess that question is for Eric.

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, I think if you refer to the Auditor General's comments in chapter one of the report, which I guess is forming the basis for this discussion, I think that the wording that they have identified and the summarization of the issue is quite well done. They identify that the issue is complex, that there are many interpretations, many calculations that have been made. In the government's view -- and that was expressed in the statements -- there is no doubt the position of the government is correct. We are very confident of that position, and we feel that the full amount of the account receivable is due. Having said that, being correct does not necessarily mean that the government of Canada will pay. The government of Canada has, as Mr. Cowcill mentioned, off-loaded expenditures from the Government of Canada to the provinces. We are not any different. They

have done it to us in other areas. This happens to be the one under discussion and perhaps the most significant one, with perhaps the most severe political implications.

There is no doubt in my mind that these negotiations will be vigorously pursued over the next couple of months. In fact, I think that more so at a more senior level than has ever been done. I can assure that our Minister of Finance is giving this the highest priority of just about any other area that he has. Having said that, it is difficult to evaluate the success of his negotiations at this time. Most of the officials, in fact none of the officials in this room have been party to those political negotiations, and while we have provided material for them, we cannot really judge, not having been in the room, what the likelihood of success is or what the receptivity of the Government of Canada has been.

However, as Mr. Cowcill has pointed out, the Minister of Finance is vigorously pursuing them, and I would suggest that over the next couple of months our Minister will learn what kind of reception he is getting. If he views that reception as being negative, then our government will have to reconsider the position we put forward last year and will have to determine whether or not an allowance for doubtful accounts is necessary and if so, what amount. As Mr. Cowcill has pointed out, we had put one position on the table which was indicating that we would be prepared to give up one issue, and that was related to the escalator. That would account for some \$15 million. But, having said that, the other areas -- as I said earlier, we are very confident we are correct in our position, and I think we simply await to find out whether or not the Government of Canada is willing to accept correctness or is simply going to continue to address the issue of off-loading regardless of whether we are correct or not. I do not know if that answers the question or not, Mr. Koe, but that is really the position that we are in.

**CHAIRMAN (Mr. Zoe):** Thank you. Just to continue on from what Fred was saying, I wonder if I can ask you, Mr. Nielsen, the disputed amount, \$32 million. When you bill somebody and they do not pay within a certain time frame, we usually charge them interest, right? What is your estimate as to what it is costing our government in lost interest?

**MR. NIELSEN:** I do not have an estimate exactly, Mr. Chairman. Having said that, up until this year it really has not been a problem, because under the Formula Financing Agreement, the arrangement is that if we earn money one our interest, it is simply a reduction of the grant from Canada. So while we have been in a surplus cash position, and as long as we have been in a surplus cash position, it is really costing us nothing to carry those accounts. I should mention that I appreciate your concern with the timeliness of this, but having said that, I think we have to keep in mind that in 1989-90 a number of those claims were made subsequent to the year; so when we start talking about the disputes, we are really not talking a full three years; we are really talking about two years, the claims that were made about two years ago or a little more than two years, then were subsequently disputed. This has been under some discussion for some time. But the real negotiations have really taken place in the last two years. It has been in the last two years where in fact there has been sort of an indication that they are definitely not going to pay. The Government of Canada started giving that indication before, but it was on different bases. In fact, I think, perhaps, if it was not clear in the presentation, we have to some extent been addressing a moving target. The original position of the Government of Canada was that some of these issues were really not eligible. It was not a case of not having residual responsibility. It was a case of eligibility in some of the amounts that had been claimed; and as we have moved on and addressed their concerns, they have addressed new concerns, and in fact, when we think we have addressed

those, they have gone full circle and come back and started over again and started talking about the original concerns that were on the table.

As I say, it is not as though there has not been an awful lot of attention paid to this. There has. The department has been very actively pursuing this, and as Mr. Cowcill has indicated, these things take time. We put a position on the table; then we have to wait for the Government of Canada to respond to that, and that might be several months before they do that. So I appreciate the concern and I appreciate that it has been a long period of time, but I do want to make certain that the committee is aware that the government has given this a very, very high priority both at the officials and political levels.

**CHAIRMAN (Mr. Zoe):** I am just curious here in regard to billing. Are we still continuing to bill as we have been billing before, even though this dispute is going on? Mr. Cowcill.

**MR. COWCILL:** Yes, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Good. I would not change my stand, either, if I were you. May I ask you a question? Mr. Cowcill, you indicated that five per cent, earlier on, in indigency -- is that in accordance with the Indian Act?

**MR. COWCILL:** I do not know, Mr. Chairman. What I was referencing was the clause 12 of the hospital services agreement, which nets out five per cent from the DIAND obligation on that basis that DIAND, in this historical agreement, at that time felt that five per cent of the status aboriginal population were non-indigent. What I am saying is that the issue of indigency no longer has any meaning whatsoever in the modern context of insured health care services, and even that five per cent should not be in the agreement. In our minds this is an obligation of Canada to pay for hospital services to aboriginal residents, and I think if you reference the medicare agreement you will notice there is no reference in the 1989 agreement in the medical care agreement to the issue of indigency.

So we believe it is an anachronism there that may have been in for many, many years, that they have from time to time wanted to adjust upwards so that they would shift financial responsibility to the GNWT, and the GNWT's position is that it does not even belong in the agreement.

**CHAIRMAN (Mr. Zoe):** That is the reason I asked, because under the responsibilities in the Indian Act in regard to health, I am just wondering if they cross reference it to make sure that if it is in accordance with the Indian Act. You just indicated you are not sure.

**MR. COWCILL:** I would have to take the question on notice, Mr. Chairman. My belief is that there is no reference to indigency in the Indian Act, but I am not certain. Our understanding of the federal obligation is that it is an obligation to aboriginal people. Indigency is a separate issue.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Yet our officials signed this agreement with that clause in it, referring to the indigency aspect and it is in the calculation in the back. So something is not making sense to me. That clause 12 you referred to takes that five per cent factor to cover cases of non-indigency among status Indians and Inuit and then they show the calculation sample. This was signed by a Minister of Health and the Commissioner of the NWT accepting that. So I do not get your argument. I think somebody screwed up here, if this was accepted way back then.

**CHAIRMAN (Mr. Zoe):** Mr. Cowcill.

**MR. COWCILL:** Mr. Chairman, all I can say on that point is that that particular item in the agreement has been in for as long as we have any records of the agreement, and I understand from my officials that from time to time an attempt has been made to raise the issue again and that neither side would sort of budge on the matter. It has become a cost sharing instrument of the government. So you are correct; the agreement in its present form has been signed for many years. I have indicated that the issue of indigency was one that we are concerned about and is on the table in the current negotiations.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** A question to Eric about the \$45 million accounts receivable. In the even that we do not receive that, that \$45 million would also become a deficit, right?

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, if the full amount of \$45 million was not received then it would have to be written off and it would be charged against the deficit.

**CHAIRMAN (Mr. Zoe):** A question to the Auditor General, from the comments you have heard from the committee and the staff, can you comment on the indigency? Mr. Simpson.

**MR. SIMPSON:** Thank you, Mr. Chairman. If I understand Mr. Cowcill correctly, this is an historical reduction in the amount that DIAND reimburses the Government of the NWT, because it considers that five per cent of eligible patients can afford to pay for the health care themselves. So I think question number one is whether or not this is in the spirit of the Indian Act in terms of health services to aboriginal people. But a second question, if it is not, why has the government really not done anything about it over the years? Because the billings that have been made, as provided by Mr. Cowcill today, since 1985-86, come to \$160 million. Has the five per cent been taken off before that figure was billed? Because it comes to about eight million dollars that this government has perhaps lost as a result of that five per cent clause that is in this historical agreement.

So I think it is an important issue in the sense of, is it legal that it is in there or is it just something that someone gave up some time ago? But in any event it has been an expensive decision as far as this government is concerned.

**CHAIRMAN (Mr. Zoe):** Mr. Cowcill.

**MR. COWCILL:** Our position as a government is that the indigency factor does not come into play at all for insured services now that we have an insured health care system in Canada. As I understand it the federal government has not been prepared to step back on that particular issue. They regard it as simply picking up additional financial responsibilities through this historical agreement. So that is my understanding of it. And we remain concerned that they may want to re-examine the application of that particular issue in light of modern day realities and income levels of aboriginal people. So I agree it is a worrisome issue, but as is the case with our formula financing agreement, the federal government is simply not prepared to do anything that is going to cost them more money. On the contrary, they are looking for ways to pay us less.

**CHAIRMAN (Mr. Zoe):** Mr. Simpson.

**MR. SIMPSON:** Can you confirm that the amount billed, the \$160 million, over the last six or seven years, represents 95

**CHAIRMAN (Mr. Zoe):** Mr. Arvaluk.

**MR. ARVALUK:** Thank you, Mr. Chairman. How much is this system going to cost the government in terms of hardware? I presume you will probably be using a modem service or other form of long distance communication.

**CHAIRMAN (Mr. Zoe):** Mr. Dunbar.

**MR. DUNBAR:** The system is not costing anything with respect to the hardware because we are using the government's mainframe hardware. The Department of Government Services covers the cost with relationship to the use of the modems into that. We have incurred some costs in purchasing equipment for the offices, the personal computers that are placed in the offices and the monitors. This system was also developed under a cost sharing arrangement with the federal government, so the territorial government has received funding from the federal government for part of that.

I am sorry I do not have all of the information in front of me but I would be pleased to provide you with more information of a more specific nature related to this if you desire it.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Dunbar, the observation was made five years ago with regard to the problem within the department. Why did it take so long to implement it?

**MR. DUNBAR:** Thank you, Mr. Chairman. The department did go forward in previous years requesting appropriations to do this. I believe it was the year 1989-90 and we were turned down. We did receive the appropriation in the year 1990-91, and that is when the system development began.

So an effort was made by the department to respond in a more timely fashion, but in the overall allocation of funding, it was not until 1990-91 that we were provided the appropriation that allowed us to do the systems development work.

**CHAIRMAN (Mr. Zoe):** I recall, Mr. Dunbar, when this item was reported in 1987-1988. It was a simple matter in terms of forms being developed and checks. Surely this can be accomplished within a year. Why do you need five years to undertake this thing?

**MR. DUNBAR:** Thank you, Mr. Chairman. The time frame is a difficult one to deal with in that sense. It seems to be very simple when, in fact, it is not quite that simple in terms of trying to put a system into place that meets all of the needs both of the program in terms of servicing clientele, in terms of the audit requirements, and in terms of the checks and balances that you refer to. We took a fair amount of time to develop this system, and we involved various parties in that development in order to ensure that when the system was on line, it was going to fulfil the requirements that will allow for timely reporting on matters in the expenditure of social assistance funds. We worked very closely with Government Services, Finance and with representatives from the Audit Bureau to ensure that when that system was finally in place, they would be able to use it for their purposes as well.

It also has to be borne in mind that, yes, the observation was first brought to our attention in 1987-88. We do not receive that report, of course, until approximately a year later, 1988-89. I believe that in moving forward we endeavoured in 1989-90 to seek the funding that would allow us to address the issues that were brought to our attention.

**CHAIRMAN (Mr. Zoe):** Mr. Dunbar, earlier on you had indicated that you are implementing this new system. Is it just recently that you have implemented it?

**MR. DUNBAR:** Mr. Chairman, what I indicated was that once the system was developed we piloted that in the Kitikmeot Region to ensure that we were working out all of the bugs in the system before we went totally on line. This began early in 1991.

**CHAIRMAN (Mr. Zoe):** Further questions? Mr. Arvaluk.

**MR. ARVALUK:** Mr. Chairman, this may not be directly related to public accounts hearing, however, with the idea that the government needs to get a value for their money, I find, from time to time, that different departments do not want to co-operate with each other in getting the whole government to get value for their money. Has that slowly changed with the new government? Is there any plan to work with other departments to use social assistance funds to initiate funds or programs that can be of benefit to the employed, unemployed, and for the community?

**CHAIRMAN (Mr. Zoe):** Mr. Dunbar.

**MR. DUNBAR:** Thank you, Mr. Chairman. In terms of Mr. Arvaluk's question with respect to value for money, I believe we will be able to demonstrate that this system is doing that. Our preliminary analysis has indicated that approximately \$300,000 in the Kitikmeot Region and Yellowknife in the initial stages has been -- I do not know if the word "saved" is the proper word to use, but I hope you understand what I am trying to say. Three hundred thousand dollars has been identified that in the old system possibly would have been issued, but the new system has the features in it that these moneys were not issued. I think that once, overall, this system is fully operational, I would hope that we have a much more efficient and effective means of delivering the social assistance programs and is also economical to the government.

In terms of Mr. Arvaluk's second question related to the use of social assistance funds to generate employment initiatives - if I understood you correctly -- departments are working together. You may be familiar with what is referred to as the "Czar's Agreement." This is an agreement that is signed between the federal government and the territorial government, and within the two governments, Social Services and Education are involved on the Territorial side; CEIC or Canada Employment and Immigration Commission are involved on the federal government's side. As a territorial government, we are utilizing \$750,000 social assistance funding. The federal government has matched that, and the regions have committees in place that accept applications for projects that are designed to assist people who have been on social assistance to re-enter the work force. That program right now is capped at that amount due to the fiscal situation in the country.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arvaluk.

**MR. ARVALUK:** Thank you, Mr. Chairman. The joint issue, "Czar," is not lacking appreciation from the communities; however, this is a program that has been effective but my question is directed to the projects in the communities that are employable or unemployed or Czar participants can actually see and appreciate that they have produced something in the community for the community. I understand this is for the purpose of getting the participants out to work for some services such as the housing association, hamlet or other agency in the community, but do you have plans to actually have projects that these participants can see and appreciate plus you are getting something for the community for the amount of money you would have spent on social service pay-outs?

**CHAIRMAN (Mr. Zoe):** Mr. Dunbar.

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

## YELLOWKNIFE, NORTHWEST TERRITORIES

JUNE 2, 1992

## Members Present

Mr. Arvaluk, Mr. Arngna'naaq, Mr. Gargan, Mr. Koe, Mr. Zoe

**CHAIRMAN (Mr. Zoe):** Good morning. I have with me our chairman, Mr. Arvaluk; Mr. Gargan; Mr. Arngna'naaq; Mr. Koe. Our staff, Rhoda Perkison and Mike Bell. From the Auditor General's staff we have Roger Simpson and Dale Shier.

This morning we are continuing on with our discussion on the report of the public accounts for the year ending 1990-91, volumes I and II and the report on other matters. We have been dealing with a number of departments. At this time I would like to call on Mr. Blair Dunbar, acting deputy minister for the Department of Social Services.

## Department Of Social Services

**MR. DUNBAR:** Thank you, Mr. Chairman. I would like to ask that Mr. Dave Tyler, director of finance and administration for the department join me.

**CHAIRMAN (Mr. Zoe):** Agreed. Mr. Simpson from the Auditor General's office, could you give us a briefing with regard to the report on other matters, the observations that you have made in regard to the Department of Social Services?

**MR. SIMPSON:** Thank you, Mr. Chairman. In the interest of work sharing and equity I have asked Dale Shier if he will do this for me today.

**CHAIRMAN (Mr. Zoe):** Mr. Shier.

**MR. SHIER:** Thank you, Mr. Chairman. In our report there are two sections that effect the Department of Social Services. On page 3 of our report there is a brief comment on the section on over-expenditures that Social Services over-expended their correction services, O and M vote, by \$20,000, or .1 per cent of the total appropriation. Then on page 39 of our report there is a follow up item that dates back to our 1987-88 report, and the issue there reported originally in 1987-88 is that financial controls over payments to beneficiaries of social assistance programs are inadequate. We comment that it has been several years and actions were still under way by the department to resolve the problems. We conclude by saying the department has been working with Finance and Government Services to make the necessary change to the forms, checks and procedures. The issue remains to final resolution of some of the problems we noted in 1987-88. Thank you, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Dunbar.

**MR. DUNBAR:** Thank you, Mr. Chairman. Certainly in terms of the over-expenditure I can provide you with information related to that one if you so desire. In terms of the comment about previous issues I am pleased to advise you that the new system for the Department of Social Services social assistance is now completed. It has been piloted and we are in the process of implementing it throughout the NWT.

**CHAIRMAN (Mr. Zoe):** Mr. Dunbar, can I get you to elaborate a little further on page 3, the over-expenditures. What caused this?

**MR. DUNBAR:** Yes, Mr. Chairman. During the 1990-91 year we did in fact incur an over-expenditure in the corrections activity. The bulk of that over-expenditure was related to costs that we incurred in dealing with the aftermath of an incident to the Yellowknife Correctional Centre on New Year's day morning. In that particular instance it was necessary for us to relocate a number of inmates as we lost a major portion of the capacity of the jail, and the costs related to that where we had to purchase services from the province of Alberta; we incurred a cost of approximately \$138,300 for placements; \$9400 for travel; \$19,600 for overtime for staff; reimbursement to RCMP for approximately \$17,800; \$27,200 for furniture and equipment related to that.

Much of this is being recovered through an insurance claim that is being managed by the risk management section of the Department of Finance. Those revenues are then credited to the general revenue account of the government, not directly back to the department.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Dunbar, you have indicated that the items reported in previous years, you are in the process of implementing it. When did you start this new implementation process?

**MR. DUNBAR:** Mr. Chairman, the system has been under development for approximately two years now. We did this internally. The implementation of the system, we piloted the system in the Kitikmeot Region first in order to ensure that the system was going to deliver what we hoped it would deliver in terms of our concerns about the controls and expenditures in that program. The system is a combination; it is on the mainframe; we have 12 communities in which we are able to go live online with that particular system. In the other communities we will be moving towards implementing it on a desk-based system. Right now those communities send in their completed application forms and copies of the cheques to the regional centre for data input, whereas previously all of those were being sent into headquarters for data input. So what in essence is happening is that we are getting data inputted more quickly which allows the regional staff to check these things in those communities where it is not online, more quickly.

The online system itself has several checks and balances in it that assist staff as they are completing an application with a client to ensure that in fact all areas are covered in determining the eligibility of a person for social assistance. The system is designed in such a way that you cannot move through the application form without completing it.

We have certainly had an enthusiastic response from our staff who are finding the system very useful in working. It is also useful, in my opinion, for the client because it allows us to provide that individual with a copy right then and there of everything that is happening. It is an interactive type of system that appears to be an improvement over where the social worker used to fill out a form and in most instances never did give a copy of the form to the client. In this particular system the client receives all of the information.

per cent of what you consider to be the real costs? In other words, that you have billed in accordance with the agreement which takes into account the five per cent indigence factor? And the reality is that had you billed the full amount it would have been about eight million dollars higher.

**CHAIRMAN (Mr. Zoe):** Mr. Cowcill.

**MR. COWCILL:** Yes, Mr. Chairman, I can confirm that the indigency factor has been deducted, the five per cent. I cannot confirm your precise details of the calculation. But yes, we are billing in accordance with the agreement.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Is GNWT deducting the five per cent or is the bill at the full 100 per cent, and is DIAND deducting the five per cent?

**CHAIRMAN (Mr. Zoe):** Mr. Cowcill.

**MR. COWCILL:** My understanding is that we are deducting the five per cent.

**MR. KOE:** You are accepting the fact that some of our people, brothers and sisters are indigent.

**MR. COWCILL:** We continue to administer an agreement that has been in effect for 20 or 30 years, yes.

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, I think there are two issues here. There is the issue of what our government does versus what the Government of Canada is doing and I think, as Mr. Cowcill pointed out, these agreements pre-date the transfer of health services to the GNWT. But not only that they transfer any real financial arrangements that we had between ourselves and Canada. I think we really have to say that at some point in time, presumably in the 1969 transfer, there was this agreement put forward. Perhaps Canada and the NWT agreed at that time that this five per cent factor was in the base of the government's funding; therefore, the other 95 per cent would be paid by Canada.

I think, as Mr. Gargan pointed out, at that time there was an attempt to provide universal health care in the Northwest Territories. So the five per cent, presumably being in the base of the Government of the Northwest Territories, would accommodate the indigence factor. What we are doing now is saying that that factor has been moved along and is becoming more of an issue at this point in time. The question becomes one of whether anyone really knows. I do not think they do. The problem is that in 1969 there is nothing very clear to identify what the responsibilities of the Territories were and what the financial responsibilities of Canada were. There is no question that this thing has simply been signed agreement after agreement probably on the assumption that the amount is insignificant and the Government of the Northwest Territories will pick up the difference -- and they have. The GNWT has been paying that. So, it really has not had any impact on the recipient of the service.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Eight million dollars is not insignificant with a \$50 million deficit. I do not understand why it is an issue if we have continued to deduct it from our billings. Why is it in dispute if it has been accepted and signed in the agreement? You just told me that your annual billings or monthly billings at five per cent are taken off. Suddenly, you are considering it an issue or a dispute.

**CHAIRMAN (Mr. Zoe):** Mr. Cowcill.

**MR. COWCILL:** It is repeatedly an issue because every time the agreement comes up for renewal, the federal government, in trying to put more financial responsibility to the GNWT, would try to adjust that factor in its favour. Our position is to try to get out of it altogether because we do not believe it belongs in there, period. In the current context of the agreements, we have indicated that again. We believe there is no indigence factor that has any relevance to insured hospital services.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Gargan.

**MR. GARGAN:** Mr. Chairman, I guess, under the current agreement, I would not put myself in the category of indigenous because I can probably afford to pay my own health services. The fact remains that I do not pay for my health services, nor do any other status people. Somebody is making sacrifices of one per cent that is classified as indigent because nobody of status is paying for their health services. Someone is picking up the burden regardless of whether or not you can afford to. I am sure Fred would have a concern because we would probably want more programs for Metis people. While the five per cent may not mean much to the government, it does mean a lot to the communities. Either DIAND has the responsibility or it has not. The five per cent should not even be a factor. I agree, but, as Fred pointed out, it is in the agreement. So, someone must be picking it up. Certainly, the status people are not picking up the tab for their services.

**CHAIRMAN (Mr. Zoe):** Mr. Cowcill.

**MR. COWCILL:** Mr. Chairman, Mr. Gargan's position is precisely ours. We do not believe it belongs in the arrangement, but it has been in there for 20 to 30 years. The federal government is not disposed to remove it because it would increase their liability. Similarly, the GNWT is not disposed to let them increase it.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, I think a couple points of clarification are required. The indigence factor is not an issue insofar as funding historically is concerned. I think it is important to remember that. It is an issue insofar as the political and program responsibility is concerned. As Mr. Cowcill has pointed out, there has been a real attempt in negotiations to get it out. It does not belong there. It is not appropriate to have an indigence factor for the provision of health services to aboriginal people. That is the position of health in all their negotiations.

Going back to the earlier comments I made, I do not want to make light of the eight million dollars because that is a lot of money. Certainly, if we had not been reimbursed for that, then -- at least if I could prove it -- we would certainly go after it. The problem is that we do not know whether we have or not. That was the point I was trying to make. There may be no shortfall whatsoever. We may have been reimbursed for that. When I say that, again, going back to the original signing of these agreements which none of us in this room were around for, there were agreements signed and there was an understanding. Unfortunately, it is not a clear understanding. The best thing we have to go by is these agreements.

If you read the agreement and it says there is an indigence factor, and if there was funding provided to the GNWT and the base funding included the five per cent factor, then we have had it in our base, and the eight million dollars that has accumulated over that period of time, presumably, is in our

base. This does not make a lot of sense anyway because the bottom line is that it does not matter what our base is, the Government of Canada determines what that base will be annually. The Government of Canada provides us with a formula that puts limits on that base annually. Even though our health costs are growing, we still have a formula.

The eight million dollars is insignificant in comparison to what the GDP cap is doing to our formula. That is strictly a unilateral federal decision which limits our overall funding. It means we cannot even keep pace with the growth in health costs once we have the transfer. I do not want to make light of the eight million dollars because it is a lot of money, but, having said that, I do not think that is the real issue. The issue is the political and philosophical question of responsibility for indigence for aboriginals. It is not so much the historical issue as it is now the change in philosophy at the federal level with the federal government identifying that they are only responsible for indigent aboriginal people.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Gargan.

**MR. GARGAN:** Mr. Chairman, this has been a 30-year issue. I am wondering if you have ever sought a legal opinion with regard to the indigent clause? I am sure DIAND would look at the five per cent population of status could afford it and are not responsible for that. Again, I think it is clearly a legal, constitutional issue. I wonder if the government has sought to get an opinion on that. I believe it is a real responsibility issue. I think the five per cent amounts to a lot of money.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Cowcill.

**MR. COWCILL:** The department has that legal assessment. Our lawyers have reviewed the agreements themselves, but there has not been a legal investigation as to whether 20 or 30 years ago DIAND introduced that particular element to the agreement. They had the legal basis to do so. That is an aspect that we could try to investigate.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe, your final question on this disputed issue.

**MR. KOE:** I am looking at the March 31, 1988 transfer agreement, clauses 9.8 to 9.10. It discusses the no prejudice issue, recognizing aboriginal treaty rights qualified which is the constitutional issue across Canada and the Territories. But the year before we signed a clause saying there is an indigency factor and a year later we sign a transfer agreement with no prejudice. It just does not balance for me.

**CHAIRMAN (Mr. Zoe):** The Chair will take a five minute recess.

---SHORT RECESS

The committee will come to order. Mr. Gargan.

**MR. GARGAN:** I know this committee has been meeting on an annual basis but since the finances are so bad I think this committee will be meeting more than once a year. Just to let the departments know.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan is correct, our committee will be considering holding additional meetings where we will be calling back various witnesses. We may be calling departments back again. At this time I would like to thank you for appearing before our committee regarding the DIAND issue and the dispute between the Department of Health and the federal government.

The next issue is in regard to the cash position of our government. Thank you for appearing before us, Mr. Cowcill.

I would like to ask Mr. Jim Nelson to the witness table. I would like Mr. Simpson to recap the position of our government in regard to the cash position.

#### Comments On The Government's Cash Position And Borrowing

**MR. SIMPSON:** Thank you, Mr. Chairman. In the past few years this government has gone from a fairly wealthy government, in cash terms, to one that now is having to scrape the bottom of the barrel. The situation does not appear to be getting any easier. I understand there is a predicted deficit for this current fiscal year that will make the cash situation even tighter. But as of March 31, 1991, the government effectively had spent \$22 million more in cash than it had available. This issue on cash and any potential future borrowing for this government is an important issue for this committee to address with the officials for the Department of Finance, both in terms of the situation that existed March 31, 1991, and perhaps the situation that exists one year later at the end of the following year. And perhaps also getting some information in terms of how the officials see the cash situation of the government over the next 12 months.

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen, could you respond to the comments that Mr. Simpson just made?

**MR. NIELSEN:** Mr. Chairman, with respect to the government's cash position, Mr. Simpson is quite correct, there has been a reduction in the cash position of the government over the past few years. I think if we take a look at the government's operation overall, excluding 1991-92, generally speaking the government has had a balanced budget position. There has been a couple of years when there has been some deficits and some years when there has been surpluses, but generally speaking, over that period of time, it was a balanced budget. This was identified by Mr. Ballantyne in his last budget address.

There are a number of factors here. I think the first factor is the fact that the Government of Canada has never been very supportive of our government having a high cash position. In fact in our federal-territorial financial negotiations, every time we identified the fact that perhaps we are not getting funded adequately from Canada, the issue was raised the really you do not need it because look at the amount of money that you have in the bank. And in fact we have had some \$50 million in the bank at times.

In the last two years there has been a change in the government's financial position. That financial change has occurred largely, almost exclusively, as a result of a reduction in the grant from Canada and that reduction has resulted from two major issues. The first major issue being the introduction of a gross domestic product cap on the amount of funding provided to the Territories, the growth in the amount of funding. The second issue is the introduction of a tax effort factor into the formula, which means that if our tax rates do not keep pace with tax rates in provinces in southern Canada, then we end up having a reduction. Actually what we end up having is an inflationary factor applied to our own source revenues, which means that the grant coming from Canada is less than that which we would otherwise receive.

So those are the two major factors and as a result of those, the funding coming to the Territories has been reduced dramatically. That has been the major reason for the impact on the formula.

If the reduced funding coming to the Territories is not offset in other ways, then it would be only natural that we would have a deficit and as a result of that deficit, a deterioration in our cash and surplus situation.

per square foot for maintaining that building, in there is a component for them to buy insurance. We feel that it is adequate, especially in the new formula where we have allowed more money on a square footage for maintenance. In there is a bit of a component for every square feet for them to buy insurance. We think they are funded adequately for insurance right now. But we are still reviewing it because we are in the first year of our formula and we have to see what impact it has on the people.

**CHAIRMAN (Mr. Zoe):** Maybe the department feels that the funding is adequate but some would think otherwise. Mr. Arvaluk.

**MR. ARVALUK:** Good point, Mr. Chairman. You are saying there is no specific section or clause in your guidelines to guarantee or assure the municipality will be assisted in covering that necessary insurance in your transfer agreement.

**MR. MENARD:** No. In the agreement specifically all the agreement says is that the municipality must have insurance on the building. It does not say that we will give them any money for it. But as part of the funding formula when we start funding them for the building we do allow for insurance money in that. It may not be adequate from their point of view but we are reviewing it to make sure that it is, especially now we have to review it because in the new rates it might have come out at the assessment they did, all the inventory of all the equipment that they had, some communities were insuring for \$5000, some for \$20,000. So they were not all the same. We have to review that whole matter over the next year.

**CHAIRMAN (Mr. Zoe):** Mr. Simpson, on what you have heard, do you have any comments at this time?

**MR. SIMPSON:** I am sure that Al would feel very uncomfortable being called this, but that municipal inspection system sounds as though he has become an auditor to me. So congratulations, Al.

**CHAIRMAN (Mr. Zoe):** Any further comments? Mr. Arvaluk.

**MR. ARVALUK:** There is a concern in all communities that the O and M budget is designed specifically for operations and maintenance, but I assure you, coming from a small community, it costs us over \$30,000 a year for general insurance purposes. This is never specifically identified in the O and M. I think it is difficult for most communities. I think my comment should be seriously considered as part of the ongoing O and M in the communities, and identified.

**CHAIRMAN (Mr. Zoe):** Mr. Menard.

**MR. MENARD:** Your recommendation then, Mr. Arvaluk, is to identify it separately and not blend it in to the rate. I think we can look at that and it could be a special item in the funding formula that says "insurance this much money." Because all we do is take it from the other pot and put it into that pot. If that will make him feel comfortable to see that it actually is for insurance and then we will see to make sure it is adequate or sufficient, we can do that.

**CHAIRMAN (Mr. Zoe):** Mr. Arvaluk.

**MR. ARVALUK:** I think I am being misunderstood. Everything is being identified every year; water and sewage is being identified, administration is being identified, but there is no identification for insurance purposes. You cannot take it away from administration or fire prevention or things like that because these are already identified and useful and utilized to the maximum. Taking it away is not going to solve my problem.

**CHAIRMAN (Mr. Zoe):** Mr. Menard.

**MR. MENARD:** I think you are misunderstanding too. I did not say we would take it away. In the funding, let us say, that they get for a vehicle and they get so many per pound, let us say that they get one dollar a pound for maintenance of a vehicle. Well maybe 10 cents of that dollar is for insurance purposes. The same thing with a building. If they get \$20 per square foot for maintenance a year, maybe a dollar per square foot of that \$20, is for insurance. So every program area build into the square footage or poundage or whatever it is, there is a bit of component there for insurance purposes. So if they want to identify that separately we can identify it separately so that they can see how much the insurance part is for that component.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Simpson.

**MR. SIMPSON:** I do not know if any thought has been given to perhaps seeing if there can be cheaper insurance rates by insuring through the government's own risk policy that Jim Nelson's shop runs; an insurance system on behalf of the government and piggy-backing some municipal assets might just give a price break in terms of the coverage that you can get and the rates. I do not know if anyone has thought of that or whether there are any political impediments to doing it. But it might be something to look at.

**MR. MENARD:** I think it has already been thought of and looked at. It is being done through the Association of Municipalities where they have block insurance rates and everything else for all the municipalities. It is available to them by choice and I think most of them all use it.

**CHAIRMAN (Mr. Zoe):** Thank you. Any further comments? If not, I would like to thank Mr. Menard and his staff for appearing before our committee. We will reconvene at 9:30 tomorrow morning.

---ADJOURNMENT

difference between Jim's look at it and the individual departments. Again, that is just a presumption on my part.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Menard, on page 33 under 5.7.4, equipment usage. Could you give us an update on the observations that were made by the comptroller general and the response that was given by your department?

**MR. MENARD:** I assume you are relating to the control system of assets in the department. That was indicated a while ago. The update is basically we would move offices and when we move the offices our lockup that we used to have in our other office we went to a lot of places where we really did not have a lockup. But since the auditor brought it to our attention we keep all our stuff locked up. By doing so we also found as well that some of our equipment had lost its little inventory tag, and we have made arrangements for that. There was no serial number on a couple of them that we had recorded a serial number on and it was signed out. We have made corrections on that as well. We now have a good system in place where people have to sign out and it is well recorded. We make sure all our tags are back on our inventory.

**CHAIRMAN (Mr. Zoe):** I wonder if I can call on Mr. Simpson on 5.9, page 37, assets transferred to municipalities - Municipal and Community Affairs. Could you brief us on your observations there? I do not know exactly what you are saying there.

**MR. SIMPSON:** Clarity is our objective, Mr. Chairman. Sometimes we succeed, sometimes we do not. What we are after here is to try and look at the methods dealing with the assets that are constructed by MACA on behalf of communities, and ultimately passed over to communities, bearing in mind that although the title or ownership is passing to the community at some stage of the game, if that particular asset is not appropriately protected there may be a political claim on the government to spend more money to replace it or to repair it. So one of the mechanisms that we were interested in here is the transfer agreement itself. Does the transfer agreement actually set out the kinds of management regime that MACA or the government would like to see these hamlets and settlements -- I guess as the witness previously explained settlements do not get control of the assets because they are not yet municipalities. But the agreement that goes along with the transfer of that particular building, I presume an area or a swimming pool or something along those lines, does it set out the risks, how to maintain, how to make sure that those assets are adequately managed and protected. That is the underlying area behind this particular comment on assets transferred.

I believe that toward the end of our audit the department had informed us that they had a new agreement, that in their view, adequately protected the department's position in the sense of assets that are transferred. Perhaps we could get the department to give us an update on that.

**CHAIRMAN (Mr. Zoe):** Mr. Menard.

**MR. MENARD:** Thank you, Mr. Chairman. Our update is pretty comprehensive. We have a manual now that deals with all the turnover agreements with communities and it sets out the maintenance standards and insurance standards and everything else. It is quite comprehensive and has just been published. I think we responded very well to that question and very promptly. We have to do a few modifications because as we go through it we find a few things that could better it, but we hope we are on the right track. It has been used already.

**CHAIRMAN (Mr. Zoe):** If you department would kindly give

us a copy so we can review it. Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. Is this manual that you just mentioned consistent with the Department of Finance's? Not necessarily that they have a manual for the transfer of assets to municipalities but is it something that they comply with or was it upon the recommendation of the Department of Finance, or is it something that you created on your own?

**CHAIRMAN (Mr. Zoe):** Mr. Menard.

**MR. MENARD:** Mr. Chairman, it is something that we have been working on for quite a few years to standardize all our agreements. There is about six or seven different agreements in the manual. There is partial authority agreements; there is turnover agreements; there are four or five. It was strictly on our own doing and the Department of Finance was just given a copy of what we have done. I am told they were all vetted through the Department of Justice and the Department of Finance, as we were doing the manual.

**CHAIRMAN (Mr. Zoe):** Since you got this new manual in place you indicated that you started using it. What about all the previous stuff that we have given to municipalities? How is that reflected in the guidelines?

**MR. MENARD:** In the past, until 1970, we used to have hamlet turnover agreements. Every time a community became a hamlet we entered into an agreement turning over the assets and they were all listed in the agreement. They were not quite as comprehensive as these new ones but at least there was some kind of documentation. The way we keep up to date on it, as you know, every year there is municipal evaluations for example, and every time there is a municipal evaluation we go into the community and we check out their assets, we check out how they are doing their maintenance, we check out to see that they have insurance. So there are checks on a yearly basis. I think it is an evolution of the thing and now we are in the last years of the evolution. We have always have documents and it seems to have worked well.

The NWTAM also did an inventory of insurable assets in the communities and found that the very thing that the Auditor General is talking about, there was disagreement about prices. One community would say a cat was worth \$5000 and another community would say the same cat was worth \$20,000. Nobody knew the price on how to insure it. So they did a study through the NWTAM of all the municipalities, of all their assets, and now they are all insuring on the same basis and same values. So it is through our efforts that a lot of things have developed.

**CHAIRMAN (Mr. Zoe):** So you are telling me that with these new guidelines, you are implementing this now and you are monitoring it through your municipal inspections. Is that correct?

**MR. MENARD:** Right.

**CHAIRMAN (Mr. Zoe):** Mr. Arvaluk.

**MR. ARVALUK:** Thank you, Mr. Chairman. The communities right now are given capital assets or there is a transfer agreement but there is not O and M for insurance of those assets. Do your guidelines now include insurance under O and M to cover this?

**CHAIRMAN (Mr. Zoe):** Mr. Menard.

**MR. MENARD:** The notion of insurance in the funding to municipalities has always been there. When we give O and M, for example on a building, and we say they get so much

**CHAIRMAN (Mr. Zoe):** Thank you. Any questions? Mr. Nielsen, I am thinking of the overall picture. Besides the government we have the Power Corporation and Housing Corporation and all these agencies. I want an estimate on how much we will have to borrow over the next 12 months to carry out the same type of services.

**MR. NIELSEN:** First of all with respect to the Power Corporation, because that corporation has to be considered independently, it is a profit centre to the extent that it must get back in revenues what it spends. The only borrowing that the Power Corporation does is for capital purposes, for a new plant and equipment in particular communities. So that corporation really is quite independent of the borrowing of government. And while our overall order in council for approval of borrowing of the government does include that amount, generally speaking the borrowing of that government is self-financing to the extent that interest and principle comes back through the rates that are charged to the consumers.

With respect to the government, I cannot give you an accurate estimate on how much we would have to borrow. It depends on what the budgets are. Our Minister of Finance has indicated that it is his intention to achieve a balanced budget within two years; a \$25 million deficit for 1992-93 and a zero deficit for 1993-94. On the basis of that achievement, our government really would not be borrowing except during the last quarter of the year and that is primarily for cash flow purposes, not for overall budget purposes.

I suppose if we refinanced all our municipal loans or alternatively if we got rid of all our municipal loans, we really would not have that much borrowing at all. If in fact that target is achieved.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** If the Power Corporation or any corporation borrows money, does the government have to guarantee the loan?

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, in the case of any government entity, it is guaranteed, it is in effect an agent of government and would be covered by the Government of the NWT.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** So it is of concern to the overall financial position if the government has to guarantee these loans. How many of these types are out there? I notice in the statements that the Power Corporation is looking at a \$15 million debenture of sorts. Do we have an estimate of how much borrowing is going on that we have to guarantee?

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, with respect to the Power Corporation, you will recall at the time that the Power Corporation was purchased by the GNWT for approximately \$50 million. The borrowing was for a 10-year period. That borrowing is down to about \$37 million now. So that has been offset by increased borrowing for capital purposes. I do want to emphasize that it is for capital purposes, basically the plant and equipment for the operation of the Power Corporation. In total, including the original borrowing, it is about \$80 million. So since the Power Corporation was purchased, the total borrowings have gone up from \$50 million to about \$82 million.

I should mention that any borrowings of any corporation or agency of the government would have to be approved by the

government or reviewed by the government. In the case of the Power Corporation, the capital plan is approved annually to ensure that what is being put in for capital purposes, has been reviewed by the Financial Management Board.

In the case of the Housing Corporation, which is the only other agency of government which has loans. The loans that they have are loans that predate the 1980s. It was back in the 1970s when these loans were made. In the late 1970s there were write-offs as a result of recommendations by the Government of Canada of certain amounts and then there were other capital loans that were maintained which were expected to be received. So loans that the GNWT had with Canada at that time were written off, the only one that was left over was this CMHC loan with the Housing Corporation, which at that time exceed \$100 million. There has not been any additional borrowing undertaken, so that loan is now down to about \$94 million. So from \$100 million down to \$94 million. This is not anticipated to be paid off until the year 2025. These are very long-term loans.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** You did not give us a number, or maybe I missed it, on how much the government has to borrow now to continue operations. I know the Assembly passed a bill giving authority to borrow up to \$60 million. How much has been borrowed as of today on that? What I am trying to get at is, with all this borrowing and our poor cash positions, there is certain risk. How much risk exposure is this government at with guaranteeing certain loans and borrowing ourselves and looking at the balance sheets? There is not enough cash and if things turn for the worse, where will we be?

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, the borrowing that is currently done is only done for cash flow purposes. The cash flow we get from the Government of Canada, matched against our expenditure outflow, usually results and has in the past year, no requirement for borrowing until the fourth quarter of the year. There may be some temporary periods of time where if we do not exactly match our payments coming in from Canada with the outflow, where we have had to borrow temporarily. But at the end of the year we ended up with approximately a \$37 million borrowing as of March 31st. That is how much had been borrowed and the authority was \$65 million.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Okay, \$37 million being borrowed then there is a certain interest expense incurred on this borrowing. It is an expense and I am wondering how we are looking at financing this expense, it gets added to the deficit, I assume, it is another expense -- we are budgeting for it, but I guess we do now know how much we have to borrow until certain stages. If we keep borrowing we are going to keep incurring more expenses and just self perpetuate.

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, Mr. Koe is exactly right. In fact a supplementary estimate was put forward during the 1991-92 fiscal year for additional funding to provide for the additional financing cost, as a result of the anticipated deficit for 1991-92.

The government did take some action to try and reduce that borrowing and in fact negotiated arrangements with Canada to speed up some payments and Canada was very willing and very supportive and cooperative in this particular aspect and we did receive early payments of substantial amounts.

As a result of that the borrowing costs that were originally anticipated to be incurred were substantially reduced and I think we ended up with something in the neighbourhood of \$300,000 borrowing cost for 1991-92.

For 1992-93 obviously the borrowing cost will be based on the amount of surplus that the budget provides for. We have identified what the amount of cost for that borrowing will be to the Financial Management Board, based on certain scenarios of budget levels. So if, for example, we were to incur a deficit of \$25 million, we have identified to the Financial Management Board what the cost of borrowing for that would be, based on the projected timing of cash receipts from Canada and the outflow of expenditures. And we do that on a regular basis. We are constantly monitoring the timing and projecting the timing of receipt of payments not just from Canada, but from other areas. We are projecting or matching that with the timing of our anticipated expenditures. Around that area, we would be looking at approximately \$500,000 in borrowing costs for 1992-93.

**MR. KOE:** In the past three to four months, there was a restraint program imposed on government expenditures. Are you able -- and I know the year end is still being worked on -- to quantify the savings or the effect of the restraint measure in terms of dollars as of this date. Was there any significant savings to reduce the deficit?

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, during the last quarter of the year, it is my understanding that there was a noticeable decline in the number of purchases. There was a noticeable decline in the requirements for recruitment, but there has not been anything specifically quantified. There are some attempts under way at the present time to try to analyze whether it is possible to do that. Unfortunately, with the kind of budget we have and with the flexibility that is there, it may very well be that some decisions were taken prior to December and, as a result of that, the impact of the restraint program would not be noticeable. For example, what you would try to do is compare expenditures during the last quarter of the year with the last two or three years.

But I should also mention that we have had restraint programs in effect for the last couple of years as well so it is very, very difficult to identify how much was as a result of the restraint program or, alternatively, would have been the result had we not had restraint programs in prior years. No, I cannot quantify it, but I can advise you that the government is, at least, attempting to review it to determine whether or not there has been some impact or what the impact has been.

**CHAIRMAN (Mr. Zoe):** Thank you. Just to follow up on what Fred was saying, last year we had a bank overdraft of about \$22 million. As of the year end this year, March 31, what is our bank balance? Are we in overdraft? Are we to the good?

**MR. NIELSEN:** Mr. Chairman, the \$22 million is actually not a bank balance. The \$22 million represents the amount that is shown on the financial statements which is the net of the bank balance less outstanding charges against outstanding cheques. In fact, we had a seven million dollar bank balance at the end of 1991-92. We have, as at March 31, a borrowing of \$37 million at the end of the year. So there has been about a \$45 million reduction in the cash balance over that year from 1990-91 to March 31, 1991-92.

**CHAIRMAN (Mr. Zoe):** Mr. Simpson, do you have any questions or comments?

**MR. SIMPSON:** Yes, Mr. Chairman. I have to take exception

with what Mr. Nielsen said about the \$22 million not being a bank overdraft. The balance at the bank on that day may not have been \$22 million, but the government had drawn cheques which had not yet been cashed. They had drawn cheques on that bank account and I do not think it is fair, realistically, to say that just because the balance in the bank on a given day in relation to the cheques that were drawn changes the figure. The reality is that the government was overdrawn by virtue of the cheques it had written which had not been cashed.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, I do not want to get into a discussion of semantics so much as to simply indicate that there was a bank balance of \$77 million. There were outstanding cheques which would have reduced that to a level where there would have been a \$22 million bank overdraft had they been cashed prior to March 31st. The point is that I was trying to compare a bank balance year to year, not a book balance year to year. The reason I was doing it that way is that I do not know what the outstanding cheques were at March 31, 1991-92. Therefore, I cannot make a comparable representation, but I can between the actual amount that was in the bank versus the actual borrowing that we have this year. As I said, that is a \$45 million difference.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** I think you are dealing with thousands not millions, I hope.

**MR. NIELSEN:** No.

**MR. KOE:** Twenty-two million dollars?

**MR. NIELSEN:** That is correct.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. Mr. Nielsen had indicated that there was \$45 million dollars less this year than last year. What would you attribute that difference to?

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, as you may recall, at the time that the supplementary estimates were presented to the Legislative Assembly, there was a fiscal framework presented as well which indicated what the anticipated results for 1991-92 were. Those results indicated that there would be, instead of the projected budgeted deficit of approximately eight million dollars, closer to a \$50 million deficit for 1991-92. The result, essentially, is that the deficit would be larger. The reason for the deficit being larger, as I mentioned earlier, was the substantial reduction in the grant from Canada as a result of the GEP cap.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** How early in the year were you guys in Finance aware of the magnitude of the deficit? Did you know of it before October 15th or, subsequently, before December 15th or 16th?

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, the deficit projections were, again, primarily based on the anticipated funding received from Canada in the form of a grant. As I mentioned yesterday, the budget was presented to the Legislative Assembly for 1991-92 in the early part of the winter last year. At that time, it showed an anticipated deficit of eight million

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Menard.

**MR. MENARD:** If you are talking about departmental assets, we have a pretty comprehensive inventory of our own. We do this every year. The only thing is that we have been having a bit of trouble maintaining it because we just moved from one building to another. We have new assets; we got rid of old assets, and are in the process of bringing that up to date. We have a very good system in place for when assets are moved around or gotten rid of or whatever. We have everything numbered; our equipment is labelled and tagged. We have a good system in place.

The other system which is not quite in place, and it is the one we have turned over to the municipal, we are still working on the DPW part. But as far as the department is concerned, I think we have one of the better asset controls in the government.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. You mentioned the progress you are making on buildings and vehicles. What about other areas? Are you starting to work on utilities for municipalities and these kinds of issues which relate to land?

**CHAIRMAN (Mr. Zoe):** Mr. Christensen.

**MR. CHRISTENSEN:** Mr. Chairman, we are making progress in other areas as well. The whole infrastructure inventory system that the department is working on is to cover all municipal infrastructure which would include roads, water and sewer facilities, all of its public buildings and equipment, and sport and recreation facilities. In terms of where we are, we are working with the municipalities. We are trying to work at their pace as well as our own. The inventory we have at the present time is based on file record. The information base is there; it is just not as readily retrievable and perhaps the form that would be most desirable for management purposes, but there is inventory information available. As far as our data base goes and the system we are working on, we do have plans to expand it to include all those areas and set it up in such a way that the municipality can broaden the inventory for their own purposes to cover off all of their areas that are not covered by the data base we would want to maintain as a program funding department. To answer one point that you made, we have not forgotten about the other areas. We do have a plan and a framework to make sure we have covered the whole area off.

In terms of land we do have an inventory of land including Commissioner's land, which is funded by our land development program. So any developed or raw Commissioner's land under the administration of the department is documented and inventoried and we can provide any array of information really, associated with land from our inventory information system. We have also worked on the development of what we call a land related information system. There is a lot of information that is associated with land which is not just strictly the description of the parcel and how much it costs to develop, but also information related to the ownership of the land. There is quite a connection between our land asset information and our assessment information for instance, and topographical and other types of information, which all relates to an identifier which is associated with a piece of land. So if we know what piece of land is in question through our land-related information data base now we can pull up quite a bit of information that is solely related to that particular piece of land. So we have made a fair advance there. Again, that is in the developmental stage but we are fairly advanced with that project.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arvaluk.

**MR. ARVALUK:** Just a follow-up on Mr. Menard's answer. You said you are working with DPW on community transferred assets. When do you expect to get this done?

**CHAIRMAN (Mr. Zoe):** Mr. Menard. Mr. Christensen.

**MR. CHRISTENSEN:** I believe the point that was being made was that there are some communities that have municipal-type assets, settlements for instance, the parking garages, mobile equipment and community office buildings. These are assets which do not belong to the community because they are not municipalities yet. They are settlements and that infrastructure is an asset of the GNWT until it is turned over to them when they become a hamlet. So those assets belong to the GNWT. If on turnover when the community becomes a hamlet or charter community, it would be more efficient if all of that information was set up on an inventory-type system which would be compatible to the one that they would want to develop and maintain as a municipal government. I believe that is what the comments that were made on that point were relating to.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Menard, on page 30, management response, I think it is the comptroller general's response to the observation that we made, he indicates that the Department of Finance will work in consultation with Public Works and MACA to evaluate current inventory control system in determining their accuracy. What role has the Department of Finance played with you and DPW?

**MR. MENARD:** I think the role that they have been playing is giving us advice and play a sort of co-ordinating role to encourage us to hurry up and do it and make sure we do have an asset because I think he feels the comptroller general is basically and ultimately responsible for all government assets in one way or another. So he has been co-ordinating the role between us and DPW to make sure we get on and do it. I think all the other departments as well.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. In the questions that we raised with the comptroller general he indicated that there were some departments, and he did not specify which departments, but the indication was that the evaluation of some of these assets conflicted with the way in which his department valued certain assets. And again, "assets" was not really defined. Do you find that when you put a value to certain types of inventory that your evaluation of those inventories are differing with the Department of Finance or the comptroller general's office?

**CHAIRMAN (Mr. Zoe):** Mr. Menard.

**MR. MENARD:** Mr. Chairman, not that I am aware of, that there is any conflict between us. Our inventories and our costing are quite specific. We price land or a building, we go on construction costs. I do not think there are any differing opinions between our department and the Department of Finance. It must have been another department.

**CHAIRMAN (Mr. Zoe):** Any further comments? Mr. Simpson.

**MR. SIMPSON:** Just a comment on the last question. The confusion may have arisen in terms of the recorded value of a particular asset versus the insurance value. I am not sure if that might explain the difference. But Jim mentioned that there is a comprehensive insurance system now run by the comptroller general's office. I presume that he would be covering any risks on assets for today's price rather than yesterday's cost. That could account for where there is some

look at to achieve our needs.

**CHAIRMAN (Mr. Zoe):** Thank you. Do you have anything to add to duplication of efforts under 5.84? Is this happening?

**MR. HORN:** Mr. Chairman, yes, we are talking here about the receiving of goods into a central place and then transshipping them out again to the user department. This is part of the catch 22 that I was talking about earlier in that we have for some time now been ordering things and asking the supplier to deliver them directly to the departments. This makes it very difficult for us to capture the necessary information and put it into any kind of an inventory system. We are, generally, shipping things directly from the supplier to the department that has ordered them both here and in the regions.

**CHAIRMAN (Mr. Zoe):** Thank you. Any further questions or comments from the Auditor General's staff?

**MR. SIMPSON:** No, Mr. Chairman, I do not think we have any further comments. We had a pretty thorough meeting with Mr. Horn and his senior people at the end of the audit, and we were fairly happy with the discussions at that time. The update today, I think, has been useful.

**CHAIRMAN (Mr. Zoe):** Thank you. If there are no further questions from the committee, I would like to thank Mr. Horn and his staff for appearing before our committee. We will take a five minute break. The next witness will be Mr. Menard of the Department of Municipal and Community Affairs.

---SHORT RECESS

#### Department Of Municipal And Community Affairs

We are dealing with assets of management in government. The committee would like to call Mr. Al Menard, Deputy Minister of Municipal and Community Affairs. Mr. Menard, for the record, please introduce your witnesses.

**MR. MENARD:** Thank you, Mr. Chairman. On my left is Mr. Vern Christensen, Assistant Deputy Minister on the capital side. On my right is the Director of Finance and Administration, Mr. Jim France.

**CHAIRMAN (Mr. Zoe):** Thank you. As I indicated, we are dealing with Chapter 5 on asset management in our government. I would like to call upon the Auditor General on the observations he has made pertaining to Municipal and Community Affairs and asset management. Mr. Simpson, can you brief us on your observations?

**MR. SIMPSON:** Thank you, Mr. Chairman. There are three mentions of MACA in this particular report. The first one deals with the systems development issue. We pointed out that MACA and DPW are both in the throes of developing systems. We raise the question as to whether or not there could be any commonality of purpose and perhaps some savings there.

The second issue, Mr. Chairman, dealt with some items of tagging various pieces of equipment. I think, in that case, the department's response has dealt with that certainly to our satisfaction in terms of the audit office. It is on page 33, right hand column.

The third issue is on page 37 relating to assets transferred to municipalities. Our concern here is whether or not the agreements and passover arrangements had prepared the receiving communities to appropriately manage those particular assets to make sure they were properly protected. Thank you, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Menard, do you have any comments with regard to the observations the Auditor General's staff have made in their report?

**MR. MENARD:** I have no particular comments other than that we take all these errors very seriously. I will respond to questions on each item, but I have no general comments.

**CHAIRMAN (Mr. Zoe):** Are there any questions from the committee at this time? Mr. Koe.

**MR. KOE:** On page 28, the Auditor General comments about the need to infrastructure an inventory system. Where are you with that system? Is it in place? What is your relationship with Public Works and Finance in developing a co-ordinated system? We asked the Comptroller General the same question. Is this system functional and in place?

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Menard.

**MR. MENARD:** Thank you, Mr. Chairman. We have been working with Public Works in the preliminary evaluation of the systems that they have and that we have. We have a partial system, and they have a partial system. We have what you would call a community works management system from municipalities in which is presently in the development and partial development stage with communities. The system captures assets owned by the community and attempts for long asset life by sound assessment management and preventive maintenance, et cetera. We are forcing the communities to manage this system, to look after their assets and to plan to make sure they get a long life out of them. We are trying to work with DPW so that we all have one system. We are in the preliminary stage of discussing this DPW, but are co-operating very well as far as I know. Do you want to add anything, Vern?

**CHAIRMAN (Mr. Zoe):** Mr. Christensen, do you have anything to add?

**MR. CHRISTENSEN:** Mr. Chairman, where we are in terms of status, we have focused on mobile equipment and public buildings as the two main areas for working with the communities in setting up their formal inventories of their infrastructure. We are focusing our inventory within the department on those capital assets that we fund directly through our capital assistance programs, but, as Mr. Menard mentioned, we have a training effort which flows out of this community works management system. It is devoted to assisting municipalities to broaden their inventories to cover all capital assets under their municipal management which, in large part, if not directly funded, is indirectly funded by the GNWT. It makes most sense to try to make that inventory system as consistent as possible with the inventory system that DPW maintains for its government assets for many reasons, one of which is that some of those assets will eventually be turned over to communities. If the inventory systems for communities and government are as compatible as possible, it makes the transition that much more efficient. That is the vision we are working towards. We have focused on mobile equipment and buildings at this point. Our inventory should be in good form by the end of this year for those two program areas in particular.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** On page 30, recommendations were made about inventory planning systems and monitoring. The management response is that the Department of Finance will work in consultation with MACA and Public Works to evaluate current inventory control and determine accuracy. What has been done in this regard?

dollars. I mentioned that almost at the same time that budget was being presented, we started to see a change in the conference board forecasts for the gross domestic product. Unfortunately, the real impact of those conference board forecasts, and also the actual results, did not become clear until well into the summer. In fact, we saw a deterioration of our financial position almost on a monthly basis. Each time conference board results came out or there was some indication that the recession was getting worse, we started re-examining what the impact would be on the government. At each stage of the financial planning for the year, those figures became more apparent. By the time the fall came along when the first supplementary estimates were presented, it was the first indication to the Legislative Assembly that there was a substantial reduction in the fiscal framework.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** So, cabinet Members at the time -- October or November -- would have known of the magnitude of the problem. Is that right, based on what you just told me?

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, not the final magnitude. They would have been aware of the trend in the magnitude. They would have been aware that the recession was going to have an impact on the grant and yes, the deficit would have been larger than they originally anticipated.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Accountability and responsibility of managers, including Ministers, in managing the budget. I will question that later, but what I am getting at is if these cabinet Ministers who after the election in October still had the responsibility of their portfolios until the new cabinet was picked, knew the magnitude of the problem, yet in a lot of cases I do not think they gave full disclosure of the seriousness of the problem until after cabinet was picked.

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, I think in defence of cabinet, I think it is important to recognize there was a timing problem and while there was an awareness that there was a deterioration of the financial position, I think the timing is important, the magnitude is important. The full magnitude of this really did not become apparent until the last quarter of the year.

**CHAIRMAN (Mr. Zoe):** Thank you. Any further questions or comments? If not, I would like to thank Mr. Nielsen. I believe the comptroller general will be here this afternoon. We will break for lunch and return at 1:15.

---LUNCHEON RECESS

#### Comptroller General's Office

The committee will come to order. We are on the Auditor General's report on other matters. I would like to call upon the comptroller general, Mr. Jim Nelson. Can you introduce your staff, please?

**MR. NELSON:** Thank you, Mr. Chairman. To my right is Mr. Rob Bombay, director of government accounting and Connie Muise, manager of corporate reporting.

**CHAIRMAN (Mr. Zoe):** Thank you. I would like to call upon Mr. Simpson to brief the committee on your comments in the report.

**MR. SIMPSON:** Thank you, Mr. Chairman. The Financial Administration Act of the NWT has, until recently amended, established that departments should control their budgets at the activity level. As a consequence, when we do our audits, if we find that that control has been breached by overexpending at the activity level or at the total departmental level, we report those facts to the Legislative Assembly in our report. And it has been traditional for this committee to call the individual deputy ministers concerned to give an explanation as to why those overexpenditures have occurred.

So chapter two of this years report, Mr. Chairman, deals with the departments of the Legislative Assembly -- Personnel, Health and Social Services. However, the comptroller general has a statutory responsibility for establishing systems and for making sure those systems are following. And I think it is in that context, Mr. Chairman, that Mr. Nelson is called here this afternoon.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson, could you tell us your role to make sure departments do not overexpend?

**MR. NELSON:** Mr. Chairman, my office is responsible to provide the monitoring systems, the reporting networks and so forth that informs the program management of the government where they are in relation to their budgets in terms of spending. We have a financial information system in the government that also reports percentages of spending according to budget and we provide variance reports and special reports to managers on an ongoing basis, where their budget is coming close to being overspent. However the responsibility for the actual spending and any expenses in excess of budget, rests with the deputy head responsible. Our role is simply that of the monitoring and the provision of the control networks. The Financial Administration Act and the directives pursuant to that act clearly delegate the responsibility for the ongoing management of the budgetary levels to the deputy heads.

**CHAIRMAN (Mr. Zoe):** I realize each department head is responsible for their own department but also that your office has a responsibility to make sure they do not overexpend. What actions does your office take when a department overspends?

#### Financial Management Function

**MR. NELSON:** Perhaps I can describe a little of the organization of the financial management function. It was touched on yesterday by Mr. Nielsen in his presentation. The overall responsibility for the financial administration and control rests with my office under the Financial Administration Act. My office also delegates out, in the case of departments, a level of responsibility to departmental directors of finance who have the ongoing role of ensuring the budgets are maintained within the statutory limits.

In the regional operations, we have regional comptrollers who carry out that function and report directly to me. In the case of a regional organization where the budget is close to being exceeded, it is my responsibility to ensure that the expenditures are limited to what, in fact, the budget is approved. In the case of the departments, in Yellowknife, for example, it is the Director of Finance who is accountable or responsible to ensure that limit is not breached.

The dual relationship is common in any financial management setting. The program manager is ultimately accountable for the financial management of his organization. My role is to ensure that the tools are there so that he can monitor his finances accordingly and, also, to provide direction in the event that the budget is exceeded. In a case where the budget is exceeded, in Yellowknife, for example, my office

would immediately inform the deputy minister and director to stop payment until such time as the Financial Management Board or some other avenue is found to provide the necessary authority. In the case of the region, we would put the stop on prior to the expenditure being exceeded.

**CHAIRMAN (Mr. Zoe):** Any questions or comments? Mr. Koe.

**MR. KOE:** One of our concerns is, in terms of expenditures, the responsibility and accountability of managers for their budgets. A real concern is where we have incurred deficits. It indicates here that there is an overexpenditure by departments of \$6.2 million. The system does not seem to do anything about accountability by deputy ministers and even past Ministers. There is no corrective action or disciplinary action if somebody breaks the rules. In a lot of cases, I know it is hard to follow-up especially this year where we have new Ministers and there has been a lot of changes in the deputy minister positions so that people who are responsible for what happened here either get promoted or moved into another department. There seems to be an accountability problem with that. I would like your comments on what and who is responsible to ensure that deputy ministers or program managers who make decisions are responsible and accountable for the decisions they have made -- good or bad.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Thank you, Mr. Chairman. As Mr. Nielsen indicated yesterday, the ultimate accountability is to the Members in the Assembly. The Financial Administration Act and the financial administration manual, which is basically a policy manual of the FMB pursuant to the act, specifically lays out the accountable and management requirements for the organization. It has very clear statements of accountability in terms of ministerial accountability, deputy head accountability, program management accountability. Pursuant to the act we have the financial administration board policy on, for example, the role of the program manager. It lays out the responsibility of the program manager for his budget and spending. There are reporting mechanisms on cases where spending is in excess of approved authority or there are some difficulties because of some illegal action or some other spending problem.

For example, I have a report that is required by the act that goes before the FMB and a copy of which goes to the Auditor General's office every year which describes any area of concern that I might have vis-a-vis my statutory responsibilities. Any case where a department has exceeded its budget and any case where a contract has been awarded contrary to standard practice or policy or any other incident which I feel should be reported to the board, that is made available to the Auditor General, and I am sure is used in their annual review of the government's operation and, ultimately, the report to the Assembly.

There are a number of other linkages in internal reporting networks that the government has including, in some instances, a program called "management for results" which makes managers plan their operations in some way and account for them accordingly. The linkages are there.

The act also lays out how Ministers and deputies and their subordinates are accountable. The directives pursuant to that further describe those. The package is in place. I suppose it is up to the Assembly and up to Ministers to take whatever action they deem necessary where there are actions considered.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** Again, this raises the question as to what if they do not take action. Who polices the so-called policemen?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** I suppose the statute makes it clear that my role is to monitor the monitors that are out there within the organization. My responsibility is to ensure that I do make those reports to the correct individuals. I do liaise with the Auditor General, the internal audit bureau as well as with Ministers to indicate where I have concerns, but it goes back to my original statement in that I think the ultimate accountability is to the Assembly through this committee. That would be the final routing of any major concerns.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** The Auditor General's report indicates that the Department of Personnel overexpended by \$4.2 million which is quite a significant amount of money which was picked up at the end of the year. I am wondering how something like this would get through the system or controls and checks and balances that we have. I assume there was a supp through the system to approve this. This is a significant overexpenditure, I am not sure what their total budget would be, but do you have any comments on that?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, the large amount that is overspent for Personnel is mainly due to an accrual of employee benefits at year end, which was overlooked during the year. I believe it was the establishment of accrued liabilities for Baffin Education employees. Unfortunately that is something that would not be picked up during the normal course of events during the year. It is an accrual item that comes to light during the audit or at the end of the year.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Could something like this not be estimated during the year? We know it is going to happen. I am just curious that a large item like this would only be picked up at year end.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, the department has instituted plans to ensure this does not happen in the future. One of the major problems they were facing with this one is there was a special contractual arrangement whereby the Department of Personnel was required to establish the liability on behalf of the board, which is rather unusual. And it sort of fell between the cracks. In all other cases this government has, unlike most other governments in the country, established liabilities for employee benefits. In this case it was simply a case where the department I guess was not aware of the liability implications.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** That leads me back to the initial point. Did the deputy minister, whom I would assume would have responsibility with their staff to notice these things, do anything to those individuals other than getting promoted or transferred somewhere else?

**CHAIRMAN (Mr. Zoe):** Mr. Chairman, I am not sure of the impact of any action taken in the Department of Personnel, I will leave that to the deputy to speak too. But I am not aware of any promotions as a result of it.

right price versus getting a continuous supply of things, I do not believe you can really get into the same kind of "just in time inventory" control system. The fundamental point that Mr. Horn has pointed out is to continue to ask departments to make sure they minimize the amount of stuff that they have in the Government Services' warehouse and to keep on top of things that have become obsolete and get rid of things whenever they can. Perhaps coupled with that is to make sure departments -- I do not think this is Mr. Horn's particular problem, but through this committee -- when they do buy, that they have a better way of estimating what their needs are going to be for the foreseeable future. If a department is buying in bulk because they get a price break on something, are they factoring in the cost to Government Services for actually storing and handling that stuff for a period of time which is a fairly expensive process? I suspect they probably are not because they see it as a free service so to them, they do not even consider it in the cost.

What is probably needed is some sort of study of the economics of buying large quantities that might last for several years and getting a price break on those large quantities versus the cost of buying smaller quantities which will probably be higher, but having a more rapid turnover and perhaps less storage and handling space. It is a complex issue. Again, I have to restate that I am not a professional warehouse. Mr. Horn's colleague may be able to add a little more to this than I can.

**CHAIRMAN (Mr. Zoe):** Thank you. Any further comments, Mr. Horn?

**MR. HORN:** Mr. Chairman, we are not experiencing a problem with the things that we buy for government use. That is not a big problem in so far as our own revolving fund. Things we are having problems with are things we store on behalf of other departments where, for instance, they will go out and have several thousand copies of something printed because that is an economical order quantity. Then they will store them and they are used as and when over the next however many years, until they become obsolete and the new version is printed. The instance cited in the Auditor General's report about the Inuit/Dene Life Series is a prime example. It is dead accurate. The situation described in this audit report is what exists out here in the Yellowknife warehouse, but is repeated in each of the regional centres to a very large extent. It is a very common problem. People just collect things rather than throw them out with no thought to the cost of storing them. What the Auditor General said is absolutely correct.

**CHAIRMAN (Mr. Zoe):** On the same issue, Mr. Simpson.

**MR. SIMPSON:** Mr. Chairman, I empathize with Mr. Horn. I think the issues he has just articulate are bang on. Perhaps, through this committee, there can be some emphasis on departments' purchasing habits. If they are making decisions to buy large quantities because of the price break, perhaps one line of study might be to take some product lines or perhaps a department and find out how much obsolete stuff they are actually junking at the point when they re-order something that is more relevant because the cost of not only the purchase cost of things obsolete, but also the ongoing storage and handling costs could amount to a very significant economic cost to this government. The Inuit/Dene Life Series cost \$31,800 back in 1986 which is six years ago. I have no idea what it would cost to store and handle that, but you have ongoing costs of maintenance, heating, handling, et cetera. If the 10,000 copies that apparently are left cannot be sold or otherwise disposed of, presumably they will be junked, and all that money plus the hidden costs of storage and handling are also wasted money. Perhaps one way of dealing with this is to initiate some kind of study as to how much obsolete purchase stuff actually is junked by departments. Perhaps this

might help to focus a little more readily on the purchasing decisions that departments take when they are ordering in bulk.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arvaluk.

**MR. ARVALUK:** Thank you, Mr. Chairman. Teachers are allowed to keep personal items in warehouses in the South for up to four years. How much does this cost the government?

**CHAIRMAN (Mr. Zoe):** Mr. Horn.

**MR. HORN:** The storage of employee personal effects is handled by the Department of Personnel. This would be something they would have to answer. I have no idea whatsoever.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Horn, you have basically answered a couple of the management responses. Could I get you to respond to the other ones?

**MR. HORN:** Mr. Chairman, I really have nothing to add to the management response on page 35 of the report.

**CHAIRMAN (Mr. Zoe):** Do you have a management response to page 36?

**MR. HORN:** Mr. Chairman, we are going through it and looking at removing some of the obsolete items. As far as the arrangements for Economic Development and Tourism, they take large quantities. The large quantities have diminished considerably and ended up being a few boxes. There are still several pallets of these things out there. That is about all I can add to that particular management response.

**CHAIRMAN (Mr. Zoe):** Mr. Simpson, do you have any comments?

**MR. SIMPSON:** Not in response to that point, Mr. Chairman, but if I could just jump to the point we were talking about making sure that quantities are ordered in the right numbers, on page 36, there is an interesting case that suggests that whichever department is ordering some of these things, they are perhaps not making a good correlation between the demand and the supply. The 1974 Statutes which were reprinted in 1988, it is our understanding that after they ordered the reprint which, incidentally, was probably justified on the basis of changed ordinances, but nonetheless, 750 copies of the old ones were found tucked away in the warehouse which suggests that whichever department is responsible for that had not done a very good job of calculating who needed these revised statutes, printing 750 extra copies of things that are actually totally useless because they are obsolete and 14 years old. There is a very interesting economy and efficiency issues here in persuading departments to make sure that when they ask Government Services to do something on their behalf, that they are in fact ordering quantities which are going to be needed within a reasonable period of time to avoid obsolescence. A lot of money can be saved.

**CHAIRMAN (Mr. Zoe):** Thank you. Any comments?

**MR. HORN:** Mr. Chairman, certainly, the Auditor General's staff is very correct in making that observation. There is technology today available that really makes the ordering of large amounts of printed material ahead of time not required. We are talking about the revised statutes. There are very few people that want the complete bound set of the revised statutes. What they want is a copy of the Liquor Act or a copy of the Labour Standards Act, et cetera. There is technology now where all of that can be stored on hard disk and can be printed on demand. There are other ways we can



they definitely view as their province; however, if you see the number of kayaks out there that are completely dried out and the skin peeling off of them, it would make you wonder.

As far as other departments are concerned, yes, we do advise them as to what kind of load they can put on shelving and these kinds of things. We try to work them, but the generally hire an independent person or one of their own staff to come in to do it. We quite often have to have them come back.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** The POL inventories are valued at whatever evaluation you use, cost, I think, but there is no evaluation or comment on the tank farms, the trucks and the other equipment that is out there. Do you have an estimate of how much the other assets are worth? Do you think there should be a note on the financial statement saying what you estimate the value to be?

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Horn.

**MR. HORN:** Mr. Chairman, the pumps, fittings and things of this nature that we have on inventory, we keep track of the value of because this is something we purchased out of the revolving fund. It is something that will be used within the system.

Tank farms and trucks are not POL assets; they are government assets. As such, they are treated in the same fashion as all other government capital assets, and are all lumped in that nominal dollar. Certainly, if POL is ever privatized or becomes a utility, then all of that will very definitely have to be done. It will all have to be evaluated and very detailed capital inventories developed because that will be the basis or one of the criteria that the Public Utilities Board would use in determining appropriate pricing and things of this nature, just as they do with the Power Corporation.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** You must have some idea or some systems in place to start that process because privatization of POL is not a new item.

**CHAIRMAN (Mr. Zoe):** Mr. Horn.

**MR. HORN:** Mr. Chairman, we have no system of evaluating them. We have looked at them a couple of times to try to determine a way of evaluating them. The inventory in tank farms alone is worth well over \$100,000,000. There are trucks, et cetera on top of that.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Horn, you basically agreed on the observations by the Auditor General. Could you give us an update on the management response? On page 34, for example, you basically answered that when you said, with regard to the safety aspect, the department does not currently have the resources to manage specialty inventories for other departments. Is this still the case?

**MR. HORN:** Mr. Chairman, that management response would still hold today. We have been unsuccessful in getting any additional resources. We have approached a couple of the larger departments that utilize our services to a larger extent about the possibility of a half PY here and a half PY there with very little success. There has not been a great change, and that management response still holds.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. This

question may be better answered by the Auditor General's staff. When we talk about having excess inventory in some warehouses which are almost inaccessible -- when you are talking about trying to find something or get something which is two or three stories above my head -- I think this is a very enormous warehouse to have. But in order to be able to control something like this there must be a way to reduce the needs of the inventory of various departments. Is there any work towards that where you encourage various departments to reduce the amount of inventory that is required by a department?

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Horn.

**MR. HORN:** Mr. Chairman, a warehouse is a very big place and departments can lose things there. I am sure departments have things there that they do not even know they had. We require, we ask, we beg, we sometimes go out and drag by the hair, people from various departments into the warehouse and tell them this is their stuff, and we ask them what they want us to do with it. By and large, a lot of it has been reduced. A lot of it has been put into more manageable piles and into appropriate containers so that they are not lying loose on the shelves. Our own department, our own POL people, for instance, are very bad in that respect. You have valves, fittings and things on shelves, and now they are in bins. The inventory that we carry for other departments has been reduced over the last year, and, hopefully, we can continue to do that. There are some departments that because of the nature of their operation, it is very difficult to do that because more just keeps coming in.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. I think this part of my question was the area I was thinking of for the Auditor General's staff. There might be something that is used by other jurisdictions. Is there any way that in order to try to reduce or help reduce the amount of inventory that is required by departments, and also when this department, being a service department, indicates that they do not have the resources to handle all the services that they provide to departments? Is there any thought to creating a user-charge departments for using this department?

**CHAIRMAN (Mr. Zoe):** Mr. Horn.

**MR. HORN:** We thought about it; we may even have dreamed about it, but user-pay and chargeback is something that we are familiar with within our department. We chargeback for computer services. It is not an easy thing to get into. It is not an easy thing to get approved by FMB and other departments. It would be a difficult thing to get into, but that may be one way.

**CHAIRMAN (Mr. Zoe):** Mr. Simpson, I think this question was also directed to your office with regard to how other jurisdictions handle warehousing.

**MR. SIMPSON:** Thank you, Mr. Chairman. Like Silas said when he said this is not his line of business, I have to think the same professional disclaimer. However, materials management as a way of life or as a business has made very significant strides in the last few years. Certainly, the large industrial companies now have increasingly gone towards what they call a "just in time inventory system" in which you almost literally get the raw materials coming in one door, enough to supply that day's shift. The object of the exercise is to cut down on the stocking charges of keeping a lot of inventory that is very expensive stuff that you have paid for, and also to cut back on material handling and warehousing space. I think that in the context of government where the trade-off is probably one of buying sufficient volume at the

**MR. KOE:** We know the deputy minister moved.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** Mr. Chairman, these departments that overspend, to your knowledge have there been any hamlets that have overexceeded their budgets? Are hamlets allowed to show a deficit?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** I believe hamlets are not allowed to budget a deficit, but they oftentimes incur a deficit which is to be handled the following year by some means of internal control or negotiated mechanism. I would suggest that question be left for when MACA comes forward tomorrow. In Finance we do not get directly involved with municipal financing.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** Thank you, Mr. Chairman. There was fraud in some departments in the last few years. What has your department done to try to correct the situation? I understand in most cases there is only one signature required. In most municipalities and bands two signatures are always required in order to approve any kind of expenditure. They also have the mayor or the band councils go through monthly statements. There are a lot of social workers out there who operate on their own. I wonder if you have taken any corrective measures to try and address this whole issue.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Yes, Mr. Chairman, we are constantly reviewing our processes with respect to instances of fraud. There are cases where, because of the nature of a program, one signature is inevitably the only way we can manage the program. Social assistance, given the nature of the Northwest Territories, is, unfortunately, one of them. We are looking to try to improve the signing network. We have, I think, one or two other smaller programs where one signature is required simply because of the nature of the beast. In the case of the situation with Social Services, we have been working actively with the department on a new social services system which will, I think, greatly improve the internal control networks to ensure that the kinds of issues that befell us this last year will not be repeated, although in cases of special circumstances it is very difficult to protect yourself against fraud when somebody in a position of special trust wants to do something.

We look carefully at the various cheque issue systems in government, and we feel we have a fairly good control over them. But there are always going to be incidents where things happen.

Regardless of the one signature, we also have other checks and balances before the cheque is even issued. For example, it requires, in most cases in government, two if not three signatures to initiate a cheque requisition. The cheque then becomes simply a mechanical instrument. It is just issued as a result of those other three approvals. So there are the checks and balances within the process.

**CHAIRMAN (Mr. Zoe):** Thank you. I would just like to remind the committee Members, if we can -- I understand what area you are making reference to, Mr. Gargan; it is in regard to our last year's follow-up on Social Services -- that is under chapter six. Maybe if you could hang on to your questions in regard to Social Services, then we can ask Mr. Nelson to answer them.

The compliance issues, under chapter two, are what we are

trying to focus on at this point in time. If I can remind Members to keep their questions and comments to the reported item in chapter two for now, and then we will continue on through the book while we have Mr. Nelson here. Then when the other witnesses come in, we will go back to the various sections as required for them to be here. Maybe Mr. Gargan has further comments or questions under compliance issues in regard to overexpenditures. Mr. Gargan.

**MR. GARGAN:** Thank you, Mr. Chairman. It is just that the comptroller general is here and I thought that the question I asked was appropriate with regard to checks and balances. That is part of his responsibility. I was only referring to that, but I realize we are going to be dealing with chapter six and Social Services. It is not on our agenda; it is only part of the Auditor General's report. I just wanted to see whether or not there is a concern by the department that, I believe, there was a system established, but it is on hold at the financial management level, so the system that Social Services operates under is still the same.

**CHAIRMAN (Mr. Zoe):** Any comments, Mr. Nelson?

**MR. NELSON:** No, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Under the Legislative Assembly there is an overexpenditure of \$436,900. I think, related to, again, accrual costs for pension, similar to the amount in Personnel. My concern is who and why these amounts were not picked up earlier in the process. We know there are employees' special pension programs, and yet the system did not seem to pick it up until it was picked up under the audit. I am not sure who should have picked that up, and when. There is something lacking somewhere. I am grasping here.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Yes, Mr. Chairman. The responsibility for the operation of pension plan rests with the Office of the Speaker, Mr. Hamilton's office. The plan is new, and there were a number of misunderstandings with respect to the accounting treatment of the plan. The area is still under review at the moment. With respect to the liability, this was simply the accrued liability at the year-end it was finally decided upon.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** So after this year we would not get observations like this again, hopefully, on pensions? And other departments? How about the Power Corporation or Housing Corporation or WCB? Are there similar incidents there, or are they resolved?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, the other corporations will be receiving a separate audit opinion. They are audited separately by the Office of the Auditor General. So what they do with their pensions will be a matter of discussion at that point. In our case, we have, really, three plans. This is one of them, and there are two more. A new one is just being reviewed, the judges' pension plan. We will assure ourselves that the proper liabilities are established.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** In terms of health and social services -- and I know I will get into the social services issue more in chapter six -- I am not sure why these occur. I know increased cost is one reason, and some of the stuff we went through this morning on budgeting for the Department of Health. But, we

have to assume that these are not new. The department has been in existence since 1978 or 1979 when it became a separate department. We would have had some systems in place to enable somebody to make better predictions. I am wondering why these occur. What can be done to prevent this?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, the corrections services overexpenditure was due primarily to the expenditures they incurred as a result of the holiday riot and was a non-budgeted expense.

With respect to Health, which is the bigger problem, the majority of their overspending was a result of late billings from southern hospitals. They have a significant problem in receiving billings from the South. As was indicated earlier this morning, with the large increase in expenditures in this area, it was very difficult for them to predict the amounts outstanding. I believe they are looking very carefully in this area and will be estimating their liability as best they can. However, I do not think they are ever going to be close simply because of the significant delays in receipt of billings from the South.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** Again, something is wrong with the system because we must know which patients are sent out and which patients go where. We know that if a patient is sent south, we are going to be billed. There must be flaws in the control or accounting system in accounts payable or receivables.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, I think Health could better describe the process, but one of the problems is the significant cost per patient in southern-based institutions and even in our own hospitals. It is not unknown to see \$20,000 and \$30,000 per day charges for patients in southern facilities. So, it would not take very long to have hundreds of thousands of dollars in unbudgeted expenses. It is very difficult from a distance to try to manage those costs. The unpredictability and the long delays cause a significant problem.

In many locations in southern Canada, for example, the provinces simply estimate to their best ability as to what these costs will be. They are considered statutory, uncontrolled costs. In our case, we budget and plan to the best of our ability.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Nelson, earlier when I questioned you about the dual responsibility, I am not quite satisfied with the response you have given me. Section 12 of the Financial Administration Act, requires your office to ensure that all disbursements are properly authorized. Mr. Nielsen's brief which he has given to our committee indicates on page 10 that your office monitors and enforces the government's financial legislation and policies where required. In light of this, Mr. Nelson, how can your office avoid responsibility and accountability of section 32 for the FAA, which forbids expenditures that would result in overexpenditures? That is what I was trying to get at earlier.

**MR. NELSON:** Mr. Chairman, section 12 places the responsibility to the comptroller general to ensure that the systems and processes are in place. And that is exactly what my office does do. Section 32 states that "no person shall incur," and by "person" it means any program manager or any other officer of government must take the responsibility to ensure that they do not do anything contrary to that section. The difference between that responsibility and mine is that my

role is to ensure that the processes and systems are in place so that they have the information so that they can make the decisions knowingly at that point. My office also follows up and monitors any spending situation where they have exceeded the appropriation.

**CHAIRMAN (Mr. Zoe):** I need some help. Mr. Simpson, do you know what I am trying to get at here from my questions?

**MR. SIMPSON:** I can understand the confusion, Mr. Chairman, because the FAA, when it talks about establishing and maintaining systems and processes to ensure that all disbursements are properly authorized, I guess it raises the question, is it enough just to set up a system or is there a continued responsibility to ensure that that system is working. Apropos the information provided yesterday in the briefing of roles and responsibilities, the deputy minister of Finance gave this committee a paper, and on page 10 of that paper under responsibilities, item 5, which was ascribed as the responsibility of the comptroller general, indicates that the comptroller general is responsible for monitoring and enforcing the government's financial legislation and policies where required.

Perhaps it would be appropriate to ask Mr. Nelson what his understanding is of that monitoring and enforcing role that appears to be part of his responsibilities.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** I will try it. Mr. Chairman, as part of our operation we have what is called an internal control unit whose mandate is to go out, working with departments, checking the adherence to policies, procedures and directives and so forth, that are delegated through the financial management function. That is part of the monitoring role that my office does carry out. We also receive copies of the internal audit bureau's reports and where there are issues indicated that are of concern, we will take whatever necessary action we feel necessary.

With respect to the enforcement we are often put in the position of having to put a freeze on spending of a particular activity or a particular region budget or take whatever other action we have to take as a result of some issue or concern. So there is an ongoing enforcement responsibility as well. When things do come to our attention that are clearly outside of the area of either the law with respect to the act or some policy of government, we will take steps, as necessary to ensure that the proper procedures are followed.

**CHAIRMAN (Mr. Zoe):** It appears to me that the enforcement part of it is not really done because you are basically leaving it to the department head. You have certain statutory responsibilities under the Financial Administration Act that gives you authority to do certain things and to monitor and to enforce the financial legislation. To me, as Mr. Simpson has indicated, is it just good enough to set up the system? You indicate that if you catch it you may put a stop payment, but in my view the system that we have in place currently is not adequate, because we are not catching all these overexpenditures and nothing is happening. Nobody is enforcing it.

**MR. NELSON:** I think there is a fine line between my enforcement responsibilities and the accountability of managers to their supervisors, in terms of their day to day functions. The Financial Administration Act clearly identifies that the program manager is accountable for the financial management function of his operation and that they are required to follow certain processes in order to spend money.

Section 39 of the act specifies that responsibility further. With

extra boards to boost the power considerably, et cetera. You close it up, it looks like the same computer you bought, but it could be vastly different inside. We have not developed a way of monitoring that as yet.

Some of the departments, MACA and Renewable Resources notably, have their own departmental systems to monitor their hardware and software inventories. We found it difficult to take that information and put it into our system. It was not compatible in all instances.

We have the two systems: the controllable assets inventory system that we use for our own tables, desks, chairs, computers and all the parts; and the microcomputer inventory system which is just new. As I say, it is very user-friendly and gives a very nice report. I have some samples of the print-out. I just ran it on my own office, for instance. It tells me what I have in my office, the make, model, serial number and the government's asset control number. I also have the various kinds of software that I have available in my computer, the model, the serial number and the appropriate licence. Those kinds of things are available, but, as I say, they are just coming on and will be handed out to the various departments at the next microcomputer users group meeting which I believe is sometime this month.

**CHAIRMAN (Mr. Zoe):** Thank you. In looking back at the Auditor General's observations on page 26 where he mentions your department, Government Services, that although you have an inventory system in place, you still need improvement. From the explanation you have given, it sounds like the system in place still needs to be improved upon. What action is the department taking to improve the existing system that is in place? How long do you anticipate it will take to rectify the problem you have?

**MR. HORN:** Mr. Chairman, as I understand the Auditor General's report and the observations that he makes, the criticism he had of our system was that there was no independent verification of what was actually there. The report was sent out to my office. I could write down whatever was there; nobody actually came around to check that what I wrote down was actually there. There is now a process in place within the department to ensure that there is an independent verification of the form and the reaffirmation. This system and all other inventory systems in the government, though, still do not capture items as they are purchased. If this system is updated every six months, conceivably, I could buy something and have it in my office for three months or six months before it even appeared on the list. Lots of things can happen to assets in six months. That is a real problem and one that unless you have a central receiving where everything comes through and is put on the system as it is received, there is always going to be room for missing. I believe the Auditor General also says in here that central receiving may not always be the best way to do it. So it is a catch 22.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. I have a brief statement on what I have heard and observing about computer purchases. There really is no control over the influx of computers coming into the government departments or the government as a whole. It appears that each department is able to purchase the type of computer that they, as a department, are working with, but there really is no centralized controlling system of how computers are purchased or assessed. There is nothing set for the numbers nor the quality of computers or software that any government department could buy. I do not know whose responsibility it could fall upon to put some kind of controls into how computers are purchased, in what numbers and so on. Without a centralized system of controlling the purchase of

computers, there is really no way Government Services, who have not been given the mandate to control the number of computers that are coming into the system, to control this unless somebody puts that in. The catch 22 situation will continue, as expressed by Mr. Horn.

**CHAIRMAN (Mr. Zoe):** Any comments, Mr. Horn?

**MR. HORN:** Mr. Chairman, by and large, what was just said is correct, and I would agree with it. There are controls on how things are purchased or supposed to be. Generally, things must be purchased in a certain fashion; they must have certain authorities to them. Now, the Member is correct in that departments do not have to have a pre-approved microcomputer plan or a microcomputer acquisition plan or anything of this nature. This is not the case in the larger computers; the mainframes that we use across the street. We are talking about the little fellows that sit on your desk here.

As far as quality, yes, there are standards set by Government Services that departments are expected to adhere to as to the quality, type and compatibility, et cetera. There are instances when departments do not follow that, and for some reason or other they manage to get the necessary authorities to buy outside of that. By and large, the quality is determined -- and I think we keep fairly good tabs on that -- and the how they are purchased is prescribed.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** Regarding questions on the warehouse on page 34. The first statement says the warehouse is not being operated efficiently. Following this, there is a whole series of comments and observations. Do you agree with these observations, and how are the issues being addressed?

**CHAIRMAN (Mr. Zoe):** Mr. Horn.

**MR. HORN:** Mr. Chairman, yes, for the most part, we do agree with the observations. There are a number of things that we have done to try to correct the situation or make the situation a little better. We have been working with individual departments to try to bring down the level of material they store in our warehouses, and to keep that down to a more manageable amount. There are still some problems with people other than our own employees coming into the warehouse, stacking things and manipulating goods on the shelves. That is a very great concern to us. It is extremely dangerous. Many times, somebody will come in and go up to a third level shelf which could be a story and a half or two stories above your head and unstrap a bundle of boxes; take a box and come back down, and the bunch up there is sitting unstrapped. They could come down. These kinds of things are dangerous and we monitor them. We ask people to come back and redo them. We just quite simply do not have the staff available, and have never been successful in obtaining the staff, to provide this service on behalf of our client departments.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Is your department the lead department in terms of warehousing or providing advice on storage? This question relates to the problem with the museum and the Department of Culture and Communications storing their goods and valuables. Do you work with them in looking at how best to protect the assets they have and other departments as well?

**CHAIRMAN (Mr. Zoe):** Mr. Horn.

**MR. HORN:** We do not work with the heritage branch or with the museum people. I think they would be quite taken aback if we told them how to store historical things. This is an area

dollars?

**CHAIRMAN (Mr. Zoe):** Mr. Horn.

**MR. HORN:** Mr. Chairman, the section in the grey would be the approximate amount of money for the proportionate amount of expenditures where the money actually came out of O and M funds. The black would be where the money came out of O and M funds. It has nothing to do with the value of the computer. It has to do with the source of the funds.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arvaluk.

**MR. ARVALUK:** Thank you, Mr. Chairman. It is puzzling to me. Why, then, do we have capital budgets and O and M budgets when the government can simply do whatever they want to do according to this graph. Are you saying to me that anything under five thousand dollars can be charged to O and M? Are you telling me that the grey ones could also be under five thousand dollars but that it is up to government to do whatever they want to do? Why do we have this capital budget?

**CHAIRMAN (Mr. Zoe):** Mr. Horn, do you want to try to answer that?

**MR. HORN:** As you can see, there are very few purchased out of capital funds. I would suspect those were purchased as part of a capital project. For instance, I believe when some buildings such as schools are built, some of the furniture and computers, et cetera, may be part of the capital funds for that project. That would be the best explanation I could make. I really have no idea what the source of this graph was.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Simpson, I wonder if you could give us an explanation for Mr. Arvaluk.

**MR. SIMPSON:** Mr. Chairman, I will ask Dale to comment on the graph in terms of the information, but just to take this argument to its extreme, I presume you could buy a Rolls Royce, and as long as you bought it tire and wheel by wheel, you could actually get it all charged to O and M. It seems to me that, philosophically, the Legislature should know what it is approving in terms of capital, and should have a realistic accounting of what has been spent in terms of capital assets. Having said that, I will ask Dale to answer the specifics of this particular chart in terms of how it is made up and what it really means.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Shier.

**MR. SHIER:** Mr. Chairman, the source of this information is out of the government's own financial information system, FIS. This is based on the date that, to use an accounting term, unfortunately is when the expense is recognized and vouchers are set up to recognize a liability to suppliers. We do have a bit of difficulty extracting this sort of information from FIS so that is why, in the heading, we identified it as for 22 major suppliers or microcomputers. There are probably some small suppliers we have missed, but I think we probably caught most of the microcomputer purchases for the year.

The split between grey versus black, that is simply how the expense is charged to the government's accounts where one vote is O and M and another vote is capital. This is just based on how the payments are actually coded when they are put into FIS.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** I would like to move on.

**CHAIRMAN (Mr. Zoe):** Before we go to the warehouse

section, I have a question. Mr. Horn, you were in the room when we were questioning Mr. Nelson with regard to his role and responsibilities and the relationship between his office and various departments. There are certain rules that are set by our government. The definition of assets is already listed in the Auditor's report as well as the rules that are set by our government. I just want to get this whole business of asset management. With regard to asset management, what type of system does your department have in place? How is it co-ordinated between your department and the Comptroller General's office?

**MR. HORN:** Mr. Chairman, our department has quite a few asset systems. They have all been mentioned here earlier. The liquor inventory system, for instance, is a separate system. It is verified every year by the Auditor General's staff. We have a petroleum products inventory system which is also, at the end of every year, people go out and stand up on these tanks, stick sticks down there and actually measure how much is in the tank. There are independent observers. It is very carefully controlled. That is also audited by the Auditor General's staff.

We have warehouses within the government. Some of these warehouses have revolving funds within them for office supplies and things of this nature. Those are independently looked at at the end of every fiscal year. Independent observers go out and there is an actual count done. The actual count is reconciled to the computer records. We find that that system is very, very accurate. The counts are then verified by, generally, our audit bureau in the case of the warehouses.

We also have a departmental assets control inventory system. It is a system originally that our department, because we look after systems for the whole of the government, developed primarily for ourselves but with the thought that it might be suitable for others. We use it for things like tables, chairs, office desks, our own microcomputers and that kind of thing. That is on our asset inventory system.

In 1988, the Financial Management Board directed us to establish the format in which inventories are to be submitted for microcomputers, and to try to compile the first inventory of them. The Territorial Audit Bureau would periodically sample and verify the accuracy and completeness. We initiated the first inventory of microcomputer hardware and software in March 1991. Forms were sent to all departments asking that these forms be completed and sent back to us by April 1991. You could say the response was slow. It was not until February 1992 that we got the last department's data in. We have developed a very user-friendly inventory system on our mainframe so it is available to any department in the government. We have entered the data in it. We feel from the data entered and our own knowledge of what has been purchased over the years, that the information provided to us is about two thirds. We feel there is still about a third of the stuff that is out there that is not on the inventory system. Regional data is missing for some departments. A lot of the data reported was not reported in a consistent fashion from one department to another so it is a little difficult to determine just exactly what is there. For instance, some departments put the central processing unit, the monitor, the keyboard and other peripherals as computer while others broke it out into the separate units. Inventory tags were reported for less than 40 per cent of the hardware listings that we received from the individual departments.

It is almost impossible -- and this system does not deal with it very well -- but one thing you really have to watch in computers is what is internal to that little box that sits on your desk. There are all kinds of things that you can add or subtract from that. Just by opening it, a technician can put in

respect to enforcement, my office is almost like a police officer, in some respects. In many cases in the past we have had to take action which culminated in disciplinary action against employees or the termination of employees or the laying of charging against employees for infractions for whatever wrongdoing or something contrary to a statute or another problem. Where there is an issue with respect to a budget exceeding appropriation authority, those issues are immediately brought to the attention of the responsible agency or department and it is expected that the proper departmental authorities take their responsibility that is laid out under the Financial Administration Act and take the necessary action within the powers that they have.

My role ends when I have notified the director or the department head or the board as to the situation. It is then up to the Financial Management Board or the deputy head to take the appropriate action.

**CHAIRMAN (Mr. Zoe):** On these three departments overexpenditures, what steps did you take when those two departments overexpended?

**MR. NELSON:** Mr. Chairman, during the year we provide reports on an ongoing basis to departments which indicate the free balance that they have in each of their activities under their control. Toward the end of the year we monitor much more closely and provide them with reports when their expenses becomes a certain percentage of the actual approved budget, and it is expected that the executive financial officer in each department will then monitor their expenditures accordingly.

In the instances here where the overexpenditures were incurred, these were all expenditures that were incurred after the end of the fiscal year. For example, through either an accrual or late invoice or some other reason. As a result, it is my responsibility again, under the Financial Administration Act, to ensure that those liabilities are recorded, and they were, and unfortunately they exceeded the budget.

**CHAIRMAN (Mr. Zoe):** Now that we are in a restraint period, should your office not be more tough to enforce the responsibilities that you have, in terms of them overexpending?

**MR. NELSON:** Mr. Chairman, if you talk to some departments they would probably say were a little too tough in some instances. We look very carefully at the spending and we provide regular reports to ensure that they know where they stand. And through our internal control mechanisms, through either the internal control group or other ways, we are constantly monitoring spending in departments and advising any department that looks like they are going to have some difficulty. Of course the tighter the budgets get, which of course they are under restraint, the more information we are required to provide to management so they can manage within budgets.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. From the questions you have been asking, Mr. Chairman, and from the responses we have been hearing, to me it sounds like there is a definite flaw in our system. The way the system is set up, when expenditures are coming close to their budget, all you are doing is making a report on that and then it is up to the individual department to look after it. Would there be a way in which we could revise our system so that we are able to take action when you begin to realize that an overexpenditure is likely in any one department?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** There is a joint responsibility for budgets. One is the accountability of Ministers for their own programs and their deputies under them for their particular areas of responsibility. The other is my responsibility to ensure that the systems provide the information that they can work with.

We do have a system lock on budgets that says if a department is coming close to the total appropriation authority. For example if the Department of Education was coming close to zero, at the zero mark it is frozen, there is no further expenditure allowed. It is at the activity level where there is some flexibility and it is expected that the departmental financial officer and the program managers of the department would take the necessary action, based on the information that we provide, to go forward to the Financial Management Board and take whatever action is necessary to either get an additional appropriation authority or restrict spending in such a way that they do not exceed budget.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** You are telling us that there is a system in place for watching expenditures in each department, but is there not an overall office which will assist the department head in any activities where they are likely to overspend? Are you responsible for any of the overexpenditures of any department, in conjunction with the deputy head of that particular department?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** No, Mr. Chairman, I am only responsible for the expenditures under my particular area of responsibility. The deputy head is totally responsible for the expenditures under their budget. But as far as providing assistance or advice and guidance, we constantly provide staff to departments where they are having some difficulty in managing their finances or coming to grips with budgetary problems and so forth. So we do provide a level of service as well as the information and monitoring.

**CHAIRMAN (Mr. Zoe):** It is getting complicated again. You just said it was the total responsibility of the department head. But from the briefing that Mr. Nielsen gave our committee, it is your responsibility to ensure that the FAA is adhered to. So how can you say the total responsibility lies with the department head? I think some responsibility lies with your office.

**MR. NELSON:** Mr. Chairman, I was responding to the question about the budgetary limits and the Financial Administration Act places that role and responsibility under the department head.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** This issue of accountability in managers, and you made some reference to it, Jim, that if persons make decisions contrary to section 32 of the act, which is overexpending, I think, what kind of action do you take when you find out about these things?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, we could take a number of steps, depending on the severity of the expenditure. What we would normally do is immediately contact the financial officer responsible in whatever department, to determine exactly the nature of the problem. We would also advise the secretary of the Financial Management Board of the problem and if there was no immediate solution to the issue, I would very likely write a letter to the deputy head, with a copy to the Financial Management Board, indicating my concerns about the

expenditure. I would hope at that stage that the department head would be called before the board to account for the expenditure excess.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** During the last session the Minister of Finance said, in response to one of my questions, said that deputy ministers will be held accountable and responsible and decisions they make will reflect on their performance appraisals. Yesterday the deputy minister of the Executive reiterated that. So what you are saying is that you will write to these various individuals, and do you make recommendations to the board on their performance appraisals?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, again it depends on what the nature of the expenditure was, but I would either recommend an action to be taken or steps that should be taken, referring to sections of the act and so forth and procedures, and make recommendations as to what process should be followed to correct the overexpenditure or take whatever necessary actions to freeze further spending. As I said earlier, a copy of that would go to the secretary of the Financial Management Board.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** What if the culprit is a deputy minister? Does it then go to the Minister? Or if the Minister made the decision to do certain things, where does it go?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** The process would be that any overexpenditure like that would have to be brought before the Financial Management Board and some decision reached there.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** In my earlier remarks about overexpenditures and how there seemingly is flaws in the accounting system and not picking up these accruals, for instance accrual of pensions, occurred after year end. I assume there is an accounting or recording transaction recording this amount. My concern is that these things did not just occur March 31. It is something that is gradually incurred over the year. Why are departments not picking this up and ensuring that something is noted somewhere?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** The problem with the pension situation is that it is a new game and it is a very complex area. The department responsible simply did not pick up on the accrual situation. Unfortunately, my office simply does not get involved in a lot of these program management areas. As a result, we are not party to any of these concerns until after the year end. It is simply impossible for us to be out there in every program. So a lot of these kinds of situations sort of fall between the cracks. I am surprised to see the amount though, when you consider the government is spending in excess of a billion dollars a year, I think the numbers are very, very low.

It is something that we face every year. There are going to be accounting errors or something will be forgotten, particularly when you get something like a pension plan. But I believe that the department now has got the area under control and I hope we will not see a repeat of it.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** Thank you, Mr. Chairman. Mr. Nelson, under your role of comptroller general, I looked it up in the dictionary and it says you are a controller. In number eight it says, "disbursements are made promptly and in a manner which achieves and maintains effective relations with municipalities, organizations and individuals." I live in a municipality and if certain hamlets are known to go in the red, how closely are you monitoring these hamlets? Is your department assisting them in disbursement of funds to be spent in the way that you could see them go from fiscal year to fiscal year?

I am pretty sure, Mr. Nelson, that a lot of our hamlets probably go -- because it is part of your job to maintain effective relationship with municipalities, how many hamlets have there been not able to meet year end?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, this responsibility is really the spending of government money in payment of accounts to municipal governments. It is not the actual dealing with the financial affairs of the municipality. That role rests with the Department of Municipal and Community Affairs. What we do is process the disbursements, contributions and grants and so forth, to the municipal governments to ensure that their expenditure requirements are met. Our dealings with municipal governments are based on their cash flow requirements and we will provide them with whatever assistance we can as a service, but the actual linkage and responsible linkage to their spending is through municipal affairs under the Municipal Act.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** Mr. Chairman, on table 1 again, in regard to Personnel regional operations, I do not know, Mr. Nelson, what kind of systems the government has, but at least for the Members we do have a system so that we know each month what our expenditure was and how much we have left. It is based on that that we operate. Once you run out of your money, then it comes out of your own pocket. You cannot stop being a Member just because you run out of money, and it has been like that for many years now, but that does not stop me from doing my work.

Under regional operations, I would think it is a very simple process, because you are operating in an area in which, I guess, the expenditures are more obvious. And yet I see that that is not the case. You are still overextended by \$199,000. At one time, I guess, Mr. Nelson did say that being a financial wizard was not one of the factors when you hired deputy ministers, but it will be. But I would think that anybody who is hired and put in a position of responsibility would be very conscious of the expenditures that are happening that are under their control. If there is going to be a trip made and we do not have the money, then those trips cannot be taken. But it seems to me that regardless of whether or not, maybe the Minister is aware that maybe things have not reached his office yet; so they are spending money knowing that perhaps they are over. Has that ever occurred? I realize that regional operations, I would think, would mean that those people at the region would know exactly what their expenditures are and where their limits are.

The Housing Corporation is a good example. If I go to a district office they know exactly where their finances are. "We are sorry, but we do not have that money this year, or we will have to cut this program, or we have already allocated the money for that already. Sorry but we do not have any additional money to spend any more on your constituency."

March.

**CHAIRMAN (Mr. Zoe):** Thank you. I would like the Auditor General to comment on the testimony of Mr. Horn. Mr. Simpson.

**MR. SIMPSON:** I just want to clarify something, Mr. Chairman. In our report, we were very careful to point out on page 30 that year-end purchases are not necessarily bad. We also said it is not clear whether departments are spending year-end surpluses or not. I do not think we raised any accusations that government departments were dumping money at the end of the year; it just was not clear.

As far as the comments made by Mr. Horn about these being delivery dates, it is my understanding that this chart was actually based on payments. The payments in the last three months of the year came to \$1.55 million. I do not know how long the payable period is, but on the assumption that bills are paid normally within a 30-day period, it is still a lot of money that is flowing out at the end of the year. Thank you.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** In the numbers that Mr. Horn quoted, reflect that the majority are orders and payments, and that deliveries are in January, February and March of that year. I also understand there were two new systems that came on which increased that. Internally, are there any new systems or procedures in place to prevent another observation like this in future audits?

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Horn.

**MR. HORN:** Mr. Chairman, the department in particular does not have anything in place or any plans to monitor for year-end purchases. The first step would have to be that some kind of a yearly plan should be developed for micro-computer purchases. This plan could be approved along with the O and M budget. Based on that, systems and computer services could monitor purchases and make sure that the government's spending criteria met. Really, if a client department comes to us, we are a service department. We have to react to their request as long as it is a computer that meets our specifications and they have the necessary funding as well as the necessary signatures on the document, which at year end can include right up to Ministerial authority, then we have very little alternative but to purchase the piece of equipment for them.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** Just looking at the chart on page 30, the majority of the funds come out of O and M. There is a small component under capital. If it was more in capital, that is something that MLAs have some say and can observe or notice the trend. Under O and M, it is strictly within a department and how they spend. Why are departments buying components or computers to get under the capital mark, whatever that criteria is? Splitting your orders to follow one category rather than another.

**CHAIRMAN (Mr. Zoe):** Mr. Horn.

**MR. HORN:** Mr. Chairman, generally, each line on a purchase order determines whether or not it is a capital item. You could have a printer, keyboard, monitor, computer, all sitting at just under five thousand dollars, and they could all be purchased out of O and M. When you put them all together, that is a microcomputer system. Yes, the total value would exceed the five thousand dollars, but any particular line would be under, and, therefore, is an allowable O and M expenditure.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arvaluk.

**MR. ARVALUK:** Thank you, Mr. Chairman. This is following up to Mr. Koe's question. When you are deciding whether that item is a capital or an O and M purchase, anything that is under five thousand dollars, for example, if you ordered a computer for Social Services, can you get away by saying you are going to make a purchase order for a printer, monitor or keyboard rather than one purchase for Social Services offices as one purchase? Can you actually get away with that? Is there nothing in the FAA or management board to give you guidance as to what you should do with that kind of purchase?

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Horn.

**MR. HORN:** Generally, you can get a computer and a small printer as a unit for under five thousand dollars unless you get something that is a little more powerful or fancy. To answer your question specifically on the Social Services thing where, for instance, they implemented their social assistance system, yes, that all comes out of O and M.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. Regarding computer equipment, I know you mentioned you are a service department, but it is your department that is answerable for the purchases that are being bought by the various departments. Are there some kind of guidelines that you have laid out for the departments in terms of how to plan for the purchase of computers, what types are available, et cetera, so that the year-end purchasing does not reoccur? You have just assured us that it has not occurred again. Are there any guidelines or procedures whereby departments could be planning purchases of computers as set out by your department?

**CHAIRMAN (Mr. Zoe):** Mr. Horn.

**MR. HORN:** Mr. Chairman, we certainly do develop standards for the kinds of equipment that we recommend departments should buy. In fact, we require that they buy equipment that is approved by ourselves so that when things are purchased there is compatibility between one kind of system and another so that software can be used from one computer to another within a department. Things are interchangeable. You can make a document, read it to a disk, take the disk and read it in another computer.

Regarding the timing of the purchases, as Mr. Simpson said, I do not think there is anything wrong with buying it late in the year. I think the thing to do is to not buy it until you need it and make sure that you need. There has to be a legitimate reason for buying it at that particular point in time. I think it would be a grave error to buy computers in June because you knew you were going to need them in March and did not want to get into trouble for spending it in March. That would be rather foolish. But, we do not indicate to departments the best time or whatever to buy a computer unless we are also - as in the case of Social Services -- developing the system for them. Where we develop the systems for them, we are able to tell them at what point in the future we will be ready to start hooking these things up. If they do that work themselves -- and some departments do -- then we really do not have any say.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arvaluk.

**MR. ARVALUK:** For the purpose of clarification, Mr. Chairman, are you saying that the grey areas are the individual systems which are worth five thousand dollars, and in the black area, the systems are under five thousand

completely satisfied with. My question was, are there any other ideas or any other systems being considered.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, I really cannot answer for the two departments. I know that they are looking very seriously at the funding for their respective boards to see whether or not they could rectify the issue with respect to loss of interest revenues for example. I think those questions should be addressed to the departments.

**CHAIRMAN (Mr. Zoe):** Any further questions? Mr. Simpson.

**MR. SIMPSON:** If I recall correctly, this issue of surplus retention came up a few years ago with regard to Arctic College and Jim may remember the details as well. I think in the college's first year of independent operation they had a fairly large surplus that was brought to this committee and addressed by the committee. My memory may be a little faulty now, but if I recall correctly, Jim, were they not allowed a \$50,000 surplus retention, almost like a working capital advance which was a predetermined amount and anything over and above that had to come back to the government? That might be one possible avenue for the government to explore with the various boards as well to give them a working capital advance. At least then everyone knows where they stand. I will leave that on the table as a thought, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Any further questions from the committee? Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** With regard to the statement that Mr. Simpson just made, I am wondering if that type of system had been considered by either Mr. Nelson's office or by the departments mentioned in this report.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Nelson.

**MR. NELSON:** Mr. Chairman, I am not aware of what alternatives the departments were looking at.

**CHAIRMAN (Mr. Zoe):** Thank you. Any further questions? If not, I would like to thank Mr. Nelson for appearing before our committee. We will recess for 15 minutes.

---SHORT RECESS

#### Department Of Government Services

The committee will call Mr. Lee Horn, Deputy Minister of Government Services to appear before our committee.

Mr. Simpson, could I call on your office to give us a quick summary on Chapter 5 with regard to assets for our good friend, Mr. Horn, on the concerns you raised pertaining to his department?

**MR. SIMPSON:** Thank you, Mr. Chairman. In the work we did during this past year that has the interest of Government Services, we had some discussions towards the end of this with Mr. Horn, particularly concerning the question of year-end purchases of computers and the role that the systems and computer services branch of Government Services plays. It is my understanding that that branch actually had some functional responsibility for reviewing all government purchases of computer equipment.

The second issue we discussed with Mr. Horn and his senior people related to the government warehouse. The issues in the government warehouse, Mr. Chairman, are fairly clearly set out on pages 34, 35 and 36. Thank you.

**CHAIRMAN (Mr. Zoe):** Any comments, Mr. Horn?

**MR. HORN:** Thank you, Mr. Chairman. I wonder if I might bring two witnesses to the table to assist me in better answering the committee?

**CHAIRMAN (Mr. Zoe):** Does the committee agree?

**SOME HON. MEMBERS:** Agreed.

**CHAIRMAN (Mr. Zoe):** Mr. Horn, for the record, could you please introduce your staff that is with you today?

**MR. HORN:** Mr. Chairman, to my right is Sue Cunningham, Director of Finance and Administration for the Department of Government Services. To my left is Mr. Norm Phillipot, Director of Supply Services for the department.

**CHAIRMAN (Mr. Zoe):** Mr. Horn, do you have any comments after hearing the concerns raised by the Auditor General's staff?

**MR. HORN:** No, Mr. Chairman. I have no general comments.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** I would like to start with the observation on year end purchases of computer equipment. Generally, it is year-end spending. The Auditor General suggests that, in this instance, government departments are purchasing on the basis of excess funds at year end rather than good planning. Do you have any comments on this observation?

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Horn.

**MR. HORN:** Mr. Chairman, yes I do have some comments. Certainly in the time frame we are talking about -- the end of fiscal year 1990-91 -- there were some year-end purchases. However, the data as presented here in this particular graph which is for microcomputer and software purchases -- not all purchases -- appears to be based on the delivery date, and, as such, exaggerates the situation somewhat. For instance, in March 1991, hardware and software worth over one million dollars was received. This consisted of \$140,000 process in or prior to December 1990; \$408,000 processed in January 1991; \$377,000 processed in February, and \$133,000 processed in March. Thus, the data in the report is misleading. Vendors are aware that a purchase order might be cancelled if items are not delivered by March 31 and, as such, it is natural to expect a rush in March. This situation is not unique to microcomputer purchases.

Requests are reviewed by systems and computer services to make sure they conform to government standards, not for the delivery dates. For the last two years, the department has been asked by the Minister of Finance to question fourth quarter purchases which appear to be simply year-end purchases. If the client department has the required approvals, orders are processed. We do not stop, but we do question.

At present, most departments do not have any master plan for microcomputer hardware and software purchases. Hardware and software purchases appear to be based on immediate need. For instance, if a computer goes down, they buy one to replace it. In March 1991, Social Services, for instance, purchased 25 microcomputers and associated peripherals for the new social assistance system you were just talking with Mr. Nelson about. Transportation purchased 13 work stations to implement the new motor vehicles system. Both of these systems were planned by the respective departments earlier in the year. It is just that the time to buy them occurred in

I keep hearing that, too. So their must be some kind of a control system that suggests that those guys are pretty good at controlling their finances. I would think that regional operations are no different from a district Housing Corporation office. So I would like to ask what seems to be the problem that is causing regional offices to overexpend.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, this regional operations overexpenditure relates to the education board in Baffin. It was an accounting treatment problem. It was not something that was expended through the regional office. It just was charged to that activity. We do have in place at the regional level, by the way -- and that is my responsibility, for the financial operations at the region, similar to what a director of finance would have at departments in Yellowknife. At the regional level we do have systems to monitor.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** Could you clarify that, again? What is this with the education board in the Baffin?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, I think the question could probably be best asked of Mr. Lovely. I believe he is on this evening. He would probably have more details about that. I understand it is an accrual that was made on behalf of the education board, where the responsibility for the costs still rest with the Department of Personnel. It is leave and termination benefits.

**CHAIRMAN (Mr. Zoe):** Thank you. I would like to move along. Do you want a five minute break first? We will recess for five minutes, and we will continue with the comptroller general's office.

---SHORT RECESS

Mr. Bernhardt, do you have any questions?

**MR. BERNHARDT:** In the mandate and responsibilities of the Department of Finance there are some things you have to do. Some things come under FMB and some under fiscal policy and some under your guidance. I am wondering if there is any duplication of services between your department and the deputy minister of Finance. Do you always see eye to eye or do you ever come into conflict? Who overrides the other? Do you ever come to a conclusion on certain issues that relate strictly to the budget deficit we are presently in?

**CHAIRMAN (Mr. Zoe):** Good question, Mr. Bernhardt. Mr. Nelson.

**MR. NELSON:** We have some differences of opinion which is common in any organization. But with respect to the roles we carry out, my roles are established by statute and the comptroller general's responsibility are fairly clearly outlined in terms of the statutory responsibilities. The basic difference between the two positions is the deputy minister of Finance has the planning financial framework role, the planning of the framework, the federal-territorial fiscal negotiations and the policy side of Finance. My role is the ongoing financial management operations; the payment of disbursements in the controlled manner, the collection of accounts, the collection of taxes, the day to day financial administration, making the place run.

There is obviously going to be an overlap between our roles, as there is between myself and deputy heads in departments where they have a financial management function to fulfil, as

do I in terms of the organization. But they are generally few and far between.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** Do you meet very often with Mr. Nielsen or only when you come in this room? From what I understand you are just like a deputy minister and you bypass everyone and go to the top. I think like the dictionary says, you are a controller and that is what I want to know.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, we meet regularly, at least once a day, if not more, to talk about various things. With respect to the budgetary deficit and the fiscal framework, my operation provides the financial information input to the development of the overall government position and we provide the financial statements and so forth. So we provide advice and guidance from a professional point of view to the input to the budget decisions. But the overall function responsibility for the budget and fiscal policy rests with the deputy.

If there is a difference of opinion with respect to statute, however, that is where my role is clear, and that is that I report to the Minister and the board with respect to statutory situations that are outlined in the Financial Administration Act. If anything comes before me for a decision under the statutory side, then that is where I put my other hat on and take necessary action without necessarily input from the deputy.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Nelson, the comptroller general's office, the way it is structured in the government structure we have in place, in your opinion, do you feel the set up that we have now in terms of how your office is set up and the roles and responsibilities that are given to you is the way it should be?

**MR. NELSON:** Mr. Chairman, the responsibilities of my position, as outlined in the Financial Administration Act, worked upon myself and the Justice department for about three or four years, so I personally feel that the responsibilities as outlined in the act and in my job description are appropriate for the position.

In respect to the reporting linkages and the functions that we fulfil, I think those are best left for the decision of the Minister and cabinet. If you go across the country and in other organizations, both in business and in government, there are no two financial administrative organizations that think the same. It all depends on the players and the organizations requirements and so forth. I believe our organization is functioning effectively and as far as the reporting linkages and so forth, they seem to be working fine as they are.

**CHAIRMAN (Mr. Zoe):** More and more we are asking you questions in terms of enforcement and the way the FAA is written, I am having more and more concern about the responsibility and role of your office, the working relationship, the enforcement part of it, the dual responsibility between department heads and your office, the overall. I am just thinking that maybe that whole area has to be seriously looked at. When we finish with the public hearing I will be raising it with my committee here in terms of what I think should be done in regard to your office.

I am not too sure how they operate in provincial settings but do you think it would help your office more if we pull your office on the side? Centralize it so you can have more stronger enforcement capabilities? Like right now you cannot really do anything in terms of the senior managers and DMs if the overspend. Your hands are tied, but if you were set

aside on your own, at arms length, because technically you are supposed to be monitoring everybody, enforcing, safeguarding all the financial resources and so forth, but it is all complex and hard to understand who to nail. If between the deputy ministers -- I do not even know why we are calling you "comptroller general" when you are not controlling anything, especially in terms of overexpenditures. I do not know why we use that term. It appears like you do not have any control over expenditures. That is why the more and more I think about your role, you cannot do anything to DMS and you have no control. So would you feel that your office would better serve us if it was centralized?

**MR. NELSON:** Mr. Chairman, that is a very difficult question for me to answer. I think the role the comptroller general plays in the organization is a policy decision of cabinet. I do not think it is my place to decide the linkages within that organization. But having said that, I do not think a reporting change would necessary change or improve the operations of my function.

One thing I would like to make clear is that I have no direct responsibility for the operations of departments. The deputy heads do not report to the comptroller general, they report to the Ministers. As a result they are accountable and responsible to the Ministers for the operations of their functions, that includes the financial management function. My office is responsible to ensure that the rules are known, that the processes are in place, that the procedures are in place and reports are being provided regularly and action in terms of internal control mechanisms, are appropriate.

It is a very fine line between service and control and possibly the word "control" is misused in a lot of cases in reference to the comptroller's role. It certainly is not overall management of the organization. It is to bring some semblance of control of the way finances are organized, spent and recorded within the organization. We are providing the framework and then ensuring that there is some kind of reporting framework to ensure that the policies and procedures are being followed. But the ultimate responsibility still has to rest with the ministerial organization; the Minister, the deputy and his staff.

So I do not really know that any change in reporting would necessarily change my particular role.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** Mr. Chairman, Mr. Nelson, I understand that this department, Finance, was adopted from BC -- the comptroller general and the way it is set up. Is that right? The way the finance structure is set up.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, the Financial Administration Act is modelled on the Province of British Columbia. We felt that the act was probably one of the leading ones in the country in terms of its organization and philosophy.

The organization of the department is similar to British Columbia in that they do have a comptroller general and a deputy minister of Finance, but there are distinct differences between whatever their financial management organization is and what ours is, as there are differences right across the country between the provinces in terms of the organization of the financial function itself. But the act is very close.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** Mr. Chairman, Mr. Nelson, have you ever tried other provinces, like maybe BC or maybe Newfoundland? We do not have the resources like BC has. If we look at the

budget and maybe compare it to the Yukon or Province of Newfoundland or the Atlantic provinces where our resources might be different but are so limited. Have there been any thoughts of getting the acts from the Maritime provinces to see if we could adopt some of their ways of revenue, cost-sharing, or that kind of financial thing?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, I think both our fiscal policy organization with respect to provincial taxation and organization as well as our own accounting groups are constantly looking at what is being published and reported on in the provinces, various organizations, like Newfoundland or Ontario or any other place where they are making changes to their financial acts. We are constantly linked to them and are made aware of whatever those changes are; and if we feel it is appropriate, we would certainly consider changes to our act, if it looked as though it would improve it.

**CHAIRMAN (Mr. Zoe):** Any further questions? Mr. Gargan.

**MR. GARGAN:** Mr. Chairman, I do not know whether it is appropriate or not, but I asked on March 9th a question to the Department of Finance with regard to providing me information on a non-audited financial statement to the end of February. And I also asked with regard to revenues, just an explanation of where departments may have overexpended. I just want to know if I could ask a question on that. It is really about a written question I did on March 9 with regard to a non-audited financial statement.

**CHAIRMAN (Mr. Zoe):** Ask the question and see if we can answer it. Go ahead, Mr. Gargan.

**MR. GARGAN:** Well, Mr. Chairman, I just asked whether or not -- I have got the response I got from the department. If I look at the figures themselves, it looks as though they are pretty close, the annual budget and the operations and maintenance expenditures to date. It does not look as though we are in a deficit. That is the way I read it, but it is going to be April 30 tomorrow, and you must have now a pretty good picture of what our fiscal situation looks like. Do we have anything like to the end of March? What is our non-audited financial situation to the end of March, the end of our fiscal year?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, we do not have a clear picture as of yet of the financial picture as of March 31. We should have by probably the middle of May a fairly good feel for what the number is. There are a whole number of things that are taken into consideration before we can actually figure out what the numbers are. It takes quite a while for the numbers to start floating in from all over the organization. I think Mr. Nielsen indicated already that it looks as though our cash position has deteriorated some \$55 million from last year. It gave the amount of the borrowing with respect to the deficit position. I know the budget division is looking carefully at that at the moment. But again, they cannot really predict what it is until we finalize at least the end of April's statement. So it would probably be mid-May before we have a tentative number to work with.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** Could we have a good financial picture for when we get back in June; an unaudited financial statement that shows what our financial situation was for the last fiscal year, 1991-92?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

not there has been any diminishment of year end spending.

It is an interesting topic because other governments have successfully attacked the idea of year end spending. The federal government had a serious problem in year end spending a few years ago, but the climate has changed and as a consequence now there is very little year end spending in the federal system, compared to what there was a few years ago. There used to be a philosophy that managers had to dump all their money out of their budgets at the end of the year, otherwise they did not get the same budget in future years. I think there is an understanding now that management rewards come through being prudent and careful with public funds, rather than just spending the money to make sure that they get the same budget in future years. The climate of restraint that you now have in your government will hopefully also encourage managers to be more conservative in the way that they spend.

Jim also pointed out, and I agree with him, that computers are absolutely important for the future of every organization these days. Certainly from an audit point of view we are interested in computer acquisition, not only in the sense of year end spending, but also in making sure that there are compatible systems across departments so that you can get the benefit of common software, common operating systems and common training. At some point in time we will probably do an audit on this issue.

#### Items Reported In Previous Years

**CHAIRMAN (Mr. Zoe):** Chapter 6. Mr. Koe.

**MR. KOE:** There has to be caution that we do not use 1991 year end spending as a base, as you reflected in your report. But the circumstances in 1992 year end has changed considerably because there was supposedly a spending freeze on. So of course if management says, "Look, we have controlled this aspect of your report," I do not think it would be a fair reflection of circumstances or reality.

I have a question for Jim on chapter 6, items from previous years, and it is regarding the Department of Social Services financial controls. Three years ago the Auditor General noted deficiencies in controls in the Department of Social Services and there is a special committee in place involving your department with this department. New systems are suppose to be developed and signed off. Can you tell me where this new process is at this time and whether it has been signed off by all departments?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** I am happy to report it is in place effective April 1 -- signed, sealed and running.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** If these concerns and departmental controls were noted three years ago, I am wondering why it took so long to do something and get an agreement between the departments to deal with it. History shows certain incidents have happened that shows there was poor controls.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** The Social Services system is one of the bigger ones that we have in the government. It is spread right across the NWT in every community and it is extremely difficult to administer from an internal control point of view. So we looked and worked very carefully with the Department of Social Services to ensure that we were satisfied that the controls that they were putting in place in terms of the new

system of procedure, would answer the concerns of the auditors and ourselves. It has taken at least the last 12 months of review between our corporate control staff, our systems people, and Social Services staff, in the final implementation of the process. As I indicated, it is up and running April 1 and we will be looking at it very carefully and following up at the end of the first year, just to satisfy both the Department of Finance and the Audit Bureau, that the systems are effective and working effectively as intended.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Simpson.

**MR. SIMPSON:** I know this committee, on a number of occasions, has expressed significant concern about how long it takes to get things done. This particular issue was raised in our report for the fiscal year 1987-88. It is really five years since the events that took place that we commented on. That is quite a long time to get a system fixed and up and running; five years to fix a very serious financial control problem. I just wondered if Mr. Nelson could perhaps comment on whether or not there is any effort to speed up the process of making sure that departments do work together constructively to fix serious problems in a shorter time period.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** It is certainly our intention to co-ordinate with the departments and ensure action is taken in a reasonable time frame. It is unfortunate that this took so long but I know the system itself was under development by Social Services for about 24 months so it took them at least two years to bring a new system into play. It effects all the social workers across the North in terms of training, systems management, the use of micro-computers and the modern technology required that we feel is necessary for the internal control improvements. I know five years seems like a long time but sometimes these systems take that long to really get into place.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. In chapter 6 there is mention regarding the surpluses of the delegation to health and education boards. I know that there is a system whereby -- there is a policy which tries to define how surpluses should be used, or regarding previous year's surpluses, how they should be funded the following year. Are there other alternatives being considered for the use of surpluses by the boards, or by departments?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, the issue with respect to health and education boards was addressed this last year in terms of contributions in advance of need. I think one of the significant issues that was raised by the auditors in prior periods was the fact that we were providing indirect funds by providing quarterly payments up front. That now has been rectified and the contributions are down on a monthly basis.

With respect to the use of surpluses, those are policy issues with respect to the Departments of Education and Health. I know the Department of Health has a policy with respect to the retention of surplus and I believe the Department of Education now does as well. I am afraid I cannot answer what the policies are.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** I realize that these are one way of solving problems. What I am concerned about is that it was a policy which was created maybe on the recommendation of the Auditor General, but one which I think the boards, and maybe even the departments of this government, are not

certainly, all our property, schools, hospitals, boards and agencies assets, employee theft and liability, liability -- we do not lose roads, but we might have some difficulty with an accident on a road, so that is covered -- et cetera. It is a very, very broad scope coverage.

**CHAIRMAN (Mr. Zoe):** Mr. Arvaluk.

**MR. ARVALUK:** Thank you, Mr. Chairman. Mr. Nelson is probably aware of the Minister's statement called "Living Within Our Means." He is also probably aware of the Minister's request for appropriation. How do we understand those statements and requests by the Minister, yet we show 31 per cent in March of micro-computer and several purchases in March? How do we make these two agree?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, I think this should be left for Mr. Horn to describe. I understand there are some reasons for the late purchasing of micro-computers simply because they were budgeted in that particular cycle, but I think he would probably be able to answer the question better.

**CHAIRMAN (Mr. Zoe):** Thank you. Any further comments? Mr. Nelson, you indicated that the comptroller general's office is looking at trying to improve the system that we have or creating new ones. How long do you anticipate these systems will be in place. You indicated MACA and Public Works are working on a system, and I assume you are looking at other departments as well unless they already have an adequate system in place. Are you going to be looking at trying to have one uniform system in place to try to accommodate -- maybe the liquor system and petroleum will be slightly different? How long to you think it is going to take you?

**MR. NELSON:** Mr. Chairman, I would expect to see a process for the office inventory control systems within 18 months. We have just completed a first plan and will be looking to probably get some contract assistance to see what kinds of systems that are out there that we could utilize and what the cost would be, which is a significant factor here.

With respect to MACA and Public Works we will be working with them simply because they do have inventory systems. My understanding is that MACA is looking at a change to their system which we may want to consider for the capital inventory systems of both departments. I would hope that that would be also over the next 12 months or so.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arvaluk.

**MR. ARVALUK:** I understand that Mr. Nelson is saying 31 per cent in March alone, because they were budgeted for. But in reality in February capital appropriations we knew that the government said they were in trouble. I do not get it. When you budgeted for something, even if there is no money, you still spend it like you did in March. Is that what you are saying?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** No, Mr. Chairman. Remember this is back in 1990-91 now so this is the previous year, and the issues with respect to the budgetary deficit were not in place at the time. Certainly departments would not just simply spend because they had some money left when the government is in a deficit position. I think we will find that if we look at the 1991-92 year end and the year end just coming up, there will be a significant reduction in year end spending.

**CHAIRMAN (Mr. Zoe):** Mr. Arvaluk.

**MR. ARVALUK:** I am aware it is 1990-91. Can Mr. Nelson tell us if we are going to see this kind of graph in the 1992 auditor's report

**MR. NELSON:** Without a detailed review of year end spending I could not confirm that but indications are that there was a downturn in spending toward the end of the fiscal year.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** In that area of computers, because computers are a very useful tool, they also vary in the types that you have, the peripherals that you can get on computers and the way that computers are defined and the way that they are purchased and the prices that do vary. You could, in today's day and age, buy a computer at a reasonable price but you could get some really extravagant computers, by following the definition that is given for capital items or capital equipment, which is limited to \$5000. There are people that may be able to go in and buy a piece today and a piece next month and make a very nice computer for their office. Is there a defined way in which a government employee could be able to purchase computers today?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** I am not sure what the standards would be in some departments but there is an equipment standard for the government; I believe that Everex and MacIntosh are two of the models as well as Hewlett Packard. In the Department of Finance we do a business case on every purchase. The manager is required to support the spending and show a pay-back. In other words you are not just buying a machine to put on a desk and look pretty. On the other hand I must also indicate that with the changes in administration in this organization, without micro-computers, this government could not survive.

**CHAIRMAN (Mr. Zoe):** Further questions on chapter 5. If not, could I ask the Auditor General's staff if they have any comments or questions with regard to the testimony that has been given to us by the comptroller general's office. Mr. Simpson.

**MR. SIMPSON:** Thank you, Mr. Chairman. As Mr. Nelson has pointed out, it is a vast and complex area out there. The situation on inventories is probably a little easier to deal with, inventories of consumable items, is probably a little easier to address than some of the other items like office inventories and capital assets that he mentioned. The inventories of oil and fuel in petroleum products in the Power Corporation and the inventories of liquor in the liquor system are actually separately audited by our office. We do not have any significant concerns over those issues.

Jim also mentioned that he is working with MACA and DPW on capital assets control systems. He mentioned that he has not lost any houses but I guess they are the fixed ones, not the mobile homes. However, he did mention that he expects some solution or actions within 18 months, and similarly on the office inventories, within about 12 months. So I presume that within those respective time frames Mr. Nelson will be able to come back and tell this committee exactly what has been achieved.

With regard to Mr. Arvaluk's question on whether or not there will be a similar graph in next year's audit report, we certainly will take a look at year end spending, and obviously we have no idea either any more than Jim does at this stage in terms of what year end spending has taken place. But we certainly will take a look at it. We will do this as a follow-up item during our current year's audit and we will come back to the committee in our next year's report on a story on whether or

**MR. NELSON:** Mr. Chairman, it would be very difficult to come up with something that soon, which I would put any credulity to. We certainly will take a look and see what could be provided and I will discuss that with our Minister.

**CHAIRMAN (Mr. Zoe):** Before we continue on to the travel portion of the report -- Mr. Gargan.

**MR. DENT:** I am having some difficulty, as you are, with regard to the response by the comptroller general's office. The government has operated for a very long time now and we have gone into the computer age. Our fiscal year ends at the end of March. There must be some indications by now what the financial situation looks like. I find it hard to accept that we have to wait so long, the middle of June when we start our session -- that the department finds it difficult to come up with even a rough picture of what our financial situation might look like. I think I am being reasonable. I would think that with the technology that we have in place now that those things would come out automatically. But it does not seem to be that way. I find it difficult to accept that it takes so long to get a picture of that.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. DEPUTY SPEAKER:** Mr. Chairman, we are a billion dollar business, and we have also multi-units out there, boards and agencies that we require accountings from, prior to us completing the financial statements for the government itself. In addition to that there are upwards of 10 to 20 per cent of the Health expenditures that flow in after March 31 that are unknown at that time, which causes further difficulties. So it is very difficult to come up with a number that is defensible before at least mid-June or July.

We do provide, and we have included in the Financial Administration Act, the requirement for an interim financial report by my office by the end of September. That is pushing things to try and complete in time. That report has provided, this committee particularly, with information on the budgetary side of the spending program, prior to the tabling of the accounts, usually in the following February. But to try and speed up the financial statements much sooner than that would cause all sorts of problems.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** Mr. Chairman, with regard to agencies, boards and committees, there has been contribution agreements signed in the new fiscal year, so we know what we have given out to the education boards, without going into auditors statements and things like that. The place where we might have difficulty is with regard to the Department of Health, but even there we should be able to come up with some rough estimates on how much people are out there. Some of them are out there permanently and we have to pay for their costs, whether it is for disability or rehabilitation or treatment. So the department must know what the costs are. I am having difficulty that we do not actually -- I am sure the government must have a computer system where they press a button and all the figures come out. But if that is not the case, maybe I am expecting too much, but I would think it is the case, that a lot of it is in computers and could be accessed into a centralized computer that does the figuring.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, with respect to the actual expenditure in comparison to budget by program, we certainly would have that information. The difficulty is, if you are talking financial statements and deficit, there is a whole number of complicating factors, not the least of which is the formula arrangements with Canada which require all sort of

information to flow into it, to come out with the final number of the grant calculation which is the final item that we calculate in closing our financial statements. That number is usually not calculated until well into the late part of the summer. That has a significant effect on the deficit surplus decision.

With respect to expenditures, certainly we would have a fairly close number with respect to spending per budget by program and again like I said earlier, we could probably undertake a review and just see what could be provided and those could be discussed with our Minister to see what he would be interested in tabling.

**CHAIRMAN (Mr. Zoe):** Would the committee allow the Chair to ask Mr. Nielsen appear as witness while he is in the room. I need some clarification in regard to that briefing paper you have given our committee. Particularly in regard to item five on page 10 of the paper. I think it is critical that we know what you mean by monitoring and enforcing the government's financial legislation and policy where required. I am having difficulty in the area of enforcement. Could you elaborate a little on that.

**MR. NIELSEN:** Mr. Chairman, I think in my remarks yesterday I went over the organization of the financial function in government and one of the things that I emphasized was that the Financial Management Board has the responsibility for the overall financial administration in government and the reason for that is because of the decentralized nature of the government, the fact that department heads, through their Ministers, have been allocated certain responsibilities in the Financial Administration Act and it is not the role of the Department of Finance to reprimand or to be in a position of carrying out any penalties or that sort of thing with respect to departments.

I would suggest that the comptroller general's responsibilities in the act are fairly closely comparable to those of a police officer. A police officer can give a ticket, he is a law enforcement officer. He gives a ticket to somebody if that individual does something wrong, parks in the wrong place. But he is not in the position of being able to enforce that penalty in the courts or being the ultimate authority on that. It is really the Financial Management Board in our case, similar to a court or a municipal authority in the case of a law enforcement officer.

So I think that he cannot allocate penalties. He is not in a position of going to a department and saying there is something wrong, if you do not do this I am going to fine you \$500. Having said that, as an enforcer he has the opportunity in the legislation to have his staff go into departments, they examine the transactions in those departments, if there are difficulties in those transactions with respect to his responsibilities, he has the opportunity of bringing those to the attention of the department head and in the event that the department head does not act, he has also the opportunity to withdraw the authority for some of the signing authorities in the authority. For example, the payment authorities for the officers that are responsible for approving the payment on transactions.

The ultimate authority however is the Financial Management Board. So if things do not work out in the department, then he has the opportunity to go to the Financial Management Board, just as a department head has the opportunity to go to appeal to the Financial Management Board in the event that they disagree with the withdrawal of that payment authority.

**CHAIRMAN (Mr. Zoe):** I think it is clearer to me now. So the comptroller general cannot take any type of disciplinary action against anyone.

**MR. NIELSEN:** Mr. Chairman, with the exception of the withdrawal of payment authority, no. He can discuss it with the deputy minister but remember that the comptroller general has deputy minister status, therefore he is equivalent from the point of view of dealing with another deputy minister, but he certainly does not have a position that is a higher elevation of another deputy minister, and that is true even as Mr. Alvarez who is the senior deputy minister in government indicated yesterday, he does not have the authority to reprimand another deputy minister. It is at the ministerial level. All the deputy ministers report to their Ministers. The Ministers have that authority to reprimand their deputy ministers in the event that there is a problem. The Ministers are accountable to their colleagues within the Financial Management Board for the financial administration of their own departments to ensure that that happens.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** Regarding the financial statement to the end of February. I asked a question on March 9th and I got it during the last week of March. So it took the department about three weeks to respond to my request. I guess that is what I was asking for but it does not show any revenues, but I wanted for the session to give some financial picture to the Members so they have the opportunity to discuss it.

**CHAIRMAN (Mr. Zoe):** Mr. Nielsen.

**MR. NIELSEN:** Mr. Chairman, I was not in the room when Mr. Nelson gave his initial response on this. All I would say is that some of the adjustments that are currently being made to financial statements are of such a substantive nature that I think if anything was provided at this point in time it would probably be misleading. The most misleading figure right now would be the revenue figure. There is substantial adjustments that are likely to be made to the revenue figure as a result of the census.

**CHAIRMAN (Mr. Zoe):** When I asked about disciplinary action you gave me an answer saying the comptroller general has certain powers that he can use, like stop payment or send somebody in, all these types of things. Those powers that you mentioned, has the comptroller general ever used them?

**MR. NIELSEN:** I think that is the comptroller general's question really. I have indicated that he has the powers in the act but he is really the one who should respond to whether or not he has exercised those responsibilities.

**CHAIRMAN (Mr. Zoe):** Have you, Mr. Nelson?

**MR. NELSON:** Yes, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** When and how many times?

**MR. NELSON:** On several occasions I have taken certain action with respect to fraud and withdrawn authorities accordingly. In cases where expenditures were being charged that we felt were inappropriate, I have withdrawn payment authority as well. I would say it has been in several instances.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** How about recoveries where there has been overexpenditure by the departments? Have you made any attempts to garnishee wages on overexpenditures?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Where there were cases of fraud or theft or other reasons where we would take legal action, I have taken the necessary steps to recover moneys. In cases where

employees owe the government money and have not paid, then I will take necessary action under the authority of the act to recover those dollars as well.

**CHAIRMAN (Mr. Zoe):** Thank you. I would like to thank Mr. Nielsen for appearing briefly. I caught you while you were in the room.

**MR. NIELSEN:** Mr. Chairman, thank you. It is always a pleasure.

**CHAIRMAN (Mr. Zoe):** We will move right along. I believe our committee does not have any questions on chapter three. Chapter four with regards to government travel. I wonder if the Auditor General can give us a briefing on their findings on government travel?

#### Government Travel

**MR. SIMPSON:** Thank you, Mr. Chairman. As we point out on page 11 of our report, we estimate that the government spends about \$70 million each year on travel from people in the NWT. That does not include the travel of the various boards and agencies. In our report we comment on what we consider to be serious problems in the management and control of travel. I would make the comment that we have deliberately not included anything here on health travel, which we will be reporting as part of our Health comprehensive audit.

Our methodology here is very interesting because instead of looking at one department we tried to get a picture of travel across the government. So we selected a random sample of about 94 items, and we have put those 94 items through a series of tests. The results of those tests indicated that in many cases documentation was missing; there were incomplete stories; there were changes to the travel plan. People had gone their own sweet way; we found management was not properly approving travel in advance of the actual trip being taken, and certainly did a generally poor job of approving travel claims after the fact; we found in that 94 sample item incidence of duplicate payments and various other things. We have articulated these under individual headings throughout the next 10 pages or so.

If you want I can go through the individual sections, but I think since the committee has already had a briefing on this, perhaps it would be wasting time this afternoon to go over it all again in detail. I would be happy to explain any particular points that you might have.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Nelson, your office, the comptroller general's office, I would like to know the responsibilities of your office in terms of the responsibility for government-wide travel and how it differs from what Personnel does and what each individual manager does. Can you give us the differences?

**MR. NELSON:** It is a very complex area, Mr. Chairman. My role is to provide the reporting framework and the control mechanisms to ensure that the government's travel policy is properly managed. The policy is established by cabinet and the main travel directive or policy of this government is established through the Department of Personnel; for vacation travel, medical travel and business travel.

A further complicating factor is that the travel policy for the majority of our employees is included in the union contracts, which makes it very difficult.

The department has provided, through my office, an expenditure directive in the financial administration manual, which lays out the parameters for the management of travel

they will sit down with the departments and confirm inventories if they have them or processes and procedures for internal control if they do not have the inventories. But again, it is a very large process and it is something we are looking at for the future but it is taking a long time to produce.

**CHAIRMAN (Mr. Zoe):** Mr. Arvaluk.

**MR. ARVALUK:** Does the auditing include the examination of assets such as, for example, a snow mobile of Renewable Resources. I think auditing should also include examination of, if for example the renewable resources officer has not been active, moving out on the land and policing the wildlife management. Sometimes when the snow mobile is replaced it is practically new. Does the auditing include examination of those assets?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** No, Mr. Chairman, that scope of audit is way beyond the capability of my office. That is an expectation of senior management in Renewable Resources or whatever department has the responsibility. I would assume that management in those departments should be doing that on a regular basis.

With respect to the confirmation of assets, one of the local area offices, unless there is some comprehensive audit undertaken by the Audit Bureau or someone, that simply would not be confirmed.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. You had indicated that there are various types of inventories that are used by this government and you sort of categorized them earlier, that is to say bulk, consumable items, capital items, small other inventory items. If they are not away, I can imagine there are all these different kinds of items in our inventory within our government, but just to be able to define area or category of inventory. You have mentioned you are creating a system whereby you are working with all the departments to be able to give a broad definition of each inventory category, are you not able to create a system which will be used by all departments to make it into one system where laymen like ourselves could understand that your office could be working with? Is this what your office is already working on?

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Nelson.

**MR. NELSON:** As I indicated, we are looking at things like office furnishings and supplies as a category. This is one area of inventory that is not recorded and has a high profile, and could tend to disappear. The other one is the major capital works and land which could be another system between MACA, Public Works and Transportation, and utilized by all. Without having a detailed review of the area, it is very difficult to see whether or not one system could serve all purposes. Certainly, that will be reviewed over the next little while.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Thank you, Mr. Chairman. In your statements and management responses, you mention that your department is working, in consultation with Public Works and MACA, to evaluate current inventory control systems and determine their accuracy. Are you also working with other departments? Other departments have been cited in here for lack of controls and inventories, but you seem to focus a lot on the two big departments.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, the reason we are focusing on those two departments is because they have, by far, the largest need for inventory control, asset control and reporting. They also have probably the most advanced system that is in place now with their particular areas. The other system we would be working across government on would be the office environment which could be something worked on by ourselves because if it is good for one, it should be good for all departments. Our major concern right now is the direction that MACA and Public Works are taking with their particular systems.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** You also mentioned a couple of times that the value of government assets is estimated at three billion dollars. I assume this includes all your buildings, properties, gravel pits, roads, et cetera.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Yes, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Section 5.5 of the report talks about year end purchases of computer equipment. The auditor noted that there was a high incidence of purchases at year end. Seemingly, this is a thrust by various departments to spend excess moneys. Do you have any comment on this observation?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, I think Mr. Horn is on this afternoon, and this is his area of responsibility. My comment would be that the government is taking a very interested look at this area. Direction has been given that the Department of Government Services is to evaluate year end purchasing.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Nelson, when I was talking about inventory lists for each department, can you give me some specific examples of where you have taken action and what you have done to the list that they gave you?

**MR. NELSON:** Mr. Chairman, I will have to dig that material out and get back to you.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Regarding values of inventory, I know it has been past practices not to ensure our inventories. Is this still current practice? Is insurance bought by this government on any of its inventory?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** No, Mr. Chairman. Following our experience with a couple of schools in the early 1980s, we went into the market for property insurance. Since that time, we have expanded into a fairly comprehensive insurance program including liability insurance, and so forth.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Does this cover all assets including highways, bridges, ferrys, pictures, et cetera?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** It would cover a broad scope of assets;



system. Then there are land inventories which have a different need than the regular kinds of inventory systems. Public Works has buildings and lands which is a significant inventory. They have special needs for their particular inventory systems because of management information for their own maintenance systems. So there are a number of inventory systems out there. I think it would be an almost impossible dream and far too complex to tie them all together.

What we are looking at right now, the initial step in our inventory review, is the office environment which includes computers, chairs, desks and other attractive kinds of assets that are included in the office. We think we can come up with one system. The other areas are the capital infrastructures. We could probably tie in the land inventory systems to Public Works and Transportation. Each system will probably be a stand-alone.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** Regarding the study that the CAs are doing, I assume governments have some input into it, and I assume they will be on that committee. You mention you feel that nothing will take place for 10 years. I hope this does not mean this government is going to sit idle for 10 years and wait until you get another consultant's report. You mentioned certain things are happening. Maybe this government can be a little bit pro-active and take some initiatives.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** We are not going to wait 10 years for improving our inventory systems. I am happy to be on the CAs committee. It is just that it is an extremely complex area in government as you can well imagine being a fellow professional. We will be intending to improve our own internal control systems. In talking to my colleagues on the committee, we are advancing in the approach that we are taking and in the controls that we now have in place to most other governments in the country, but we are not that far that we are satisfied yet.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Nelson, did your office know about all these problems with regard to assets management before the Auditor General reported it?

**MR. NELSON:** Mr. Chairman, we have been having difficulties with assets in this government for the last 20 years for a number of reasons: the nature of this organization. We have been aware of it. We have been moving to try to improve things parallel to the Auditor's own report. We have issued directives in the financial administration manual in this area. We have undertaken a various number of reviews to see if we can come up with some sort of co-ordinated office environment system and we are just aiming to improve this whole area as fast as we can. It is something that both the auditors and ourselves have been talking about for a number of years. It has not been a significant issue because we have not lost many houses or other things like property. We have felt that the control systems in place were adequate to the times. Both the accounting profession and governments are now moving in a different direction and they are looking to improve their systems. That is the direction we are following.

**CHAIRMAN (Mr. Zoe):** So in other words your department was aware of all these problems before it was being reported by the Auditor General.

**MR. NELSON:** Not to the extent that the report provided but we were certainly aware of problems.

**CHAIRMAN (Mr. Zoe):** If you were aware of the problems before the report on it why was your office not doing anything

about it to improve it?

**MR. NELSON:** As I indicated, Mr. Chairman, we have been developing procedures and processes and we have been working with departments, but it is a very big areas and the department simply does not have the resources to take a lead role in this at the moment.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson, the lead role ought to come from your department. You have got to ensure that all these things are properly controlled. On page 26 of the report you have certain rules that are in place but nobody is following them. I just wonder how you ensure that these departments are following all the rules that are set out by our government. Reading this report tells me the government has set up rules but these are not being followed. My understanding from reading the FAA is that you are suppose to ensure that these departments do look after all our assets properly. You have certain rules in place now but they are not being followed.

**MR. NELSON:** Mr. Chairman, as I indicated, this is a very vast complex area. As indicated in the report, certain departments have now established, pursuant to what they call FIS-130 in the financial administration manual directive, inventories; they are not quite satisfactory yet. As indicated at the bottom of the page we followed up with a letter to the various departments, again, taking as much effort as we are physically capable of doing, and we certainly are moving to improving it even more, but it is a very, very big task administratively. As I indicated in our response on page 27, our risk management staff are working this year and one of the areas of responsibility is to evaluate some alternatives and things we can do, given the nature of restraint in government and given the fact that there are other controls than some complex inventory system, such as checks and balances by staff on a daily basis. There is lots of ways of controlling inventory, outside of the bookkeeping effort.

**CHAIRMAN (Mr. Zoe):** You have done all this by FIS-130 and so forth and you have sent letters asking the departments to do certain things. Once you receive all this information what do you do with it?

**MR. NELSON:** My corporate control staff review the responses and determine whether or not follow-up is required, copies of the reports are available to the auditors, both our internal and external auditors, to ensure that proper process is followed.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson, you indicated that you do follow-up on the inventory lists that are sent to you, say the inventories from MACA or any other department. Do you have a system in place to check to see if they are accurate? How do you check the information. Any department can give you a list and say, "Here, this is our inventory." How do you verify it?

**MR. NELSON:** With respect to the controllable inventory such as the liquor system revolving funds and so forth, those are audited and confirmed. There is an annual inventory taken. Physical tests to ensure that the bookkeeping is correct. With respect to the other inventories and the ones of concern, it is very difficult to follow-up and confirm it because there simply is no bookkeeping for the assets in the accounting system. That is an issue that the auditors have raised and we are looking at very seriously. We expect the internal audit bureau to review these areas when they go through, but unfortunately they have something like a seven year audit cycle. So the resources simply are not large enough to meet the confirmation demands.

Our corporate control staff go out as time is available and

and indicates what program managers are responsible for with respect to how they should be authorizing travel and what should be properly claimed against travel. Again, my role is the provision of the process, the procedures and the control mechanism, and also sort of recommending on certain policies for the travel philosophy of the government.

**CHAIRMAN (Mr. Zoe):** Any comments or questions? Mr. Nelson, you just indicated that you have the financial administration manual that guides employees on what to do and so forth. You also have the collective agreement that tell you what employees are entitled to. I am a little confused. That is policy. Why is a policy issue in the collective agreement?

**MR. NELSON:** Mr. Chairman, that is an issue that I have raised with the deputy minister of Personnel and it is under review at this moment. It is an unfortunate situation because it causes us a lot of difficulty because it becomes an employee entitlement, as opposed to some sort of policy of government. It is causing us some problems.

**CHAIRMAN (Mr. Zoe):** You just indicated that Personnel is undertaking some sort of study? You said you were working on something. It did not quite catch it.

**MR. NELSON:** Perhaps I should explain, Mr. Chairman. We in Finance have as much concern over the overall travel management philosophy in this organization as the auditors have and, indeed, probably many of the things that were raised by us over the last few years were picked up by the auditors in their report. Resulting from our own reports -- we have issued some 28 reports since 1985 to various departments and regions concerning travel and misuse of travel and misuse of the forms, and so forth, in addition to any number of other pieces of correspondence, trying to indicate to departments to be more careful in their review of travel policies. Resulting from that plus the high incidence of misuse of travel policies that was brought to our attention, we initiated a review of the whole area with the Departments of Personnel and Government Services about a year ago, actually in June of 1991, and we developed the committee with a mandate to take a look at our travel policies and procedures and to come back with a recommendation as to where to improve both the processes and the forms, et cetera. About a month ago, they had completed their initial draft report, and we have now had some response in from various departments, and so forth, with respect to changes to the various policies.

Personnel is looking at it with respect to what they can do with the policy that is attached to the union contract. Unfortunately, they are bargaining issues, so there is really not much that we on the administration can do with them so far as policy goes. But certain issues within the travel philosophy itself are being addressed and may well be negotiated with the union this year.

**CHAIRMAN (Mr. Zoe):** Maybe I will stop here, because I have another question relating to the follow-up that you have just given us in regard to the policies and the report that you have been working on. Is that the multidepartmental committee that has been set up -- is that the one you are making reference to?

**MR. NELSON:** Yes, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Is your office taking the lead role in this committee that has been developed?

**MR. NELSON:** Yes, Mr. Chairman. We initiated the review.

**CHAIRMAN (Mr. Zoe):** How far is the report? Did you say

it is concluded now?

**MR. NELSON:** Mr. Chairman, the committee itself is made up of the Departments of Personnel, Finance, and Safety and Public Services, with input from all the department regional comptrollers, and a copy, I believe, was sent to the Auditor General for comment, as well. They have concluded a draft summary report for our review, and I have met with the deputies of both Government Services and Personnel to discuss further steps that we can take. We have also now received copies of the policies for several provinces to see whether or not we could utilize some of the ideas they have in their management of various travel directives. What I have done is I have passed the information on to our director of management accounting services, whose mandate is the financial administration manual, and given them the task of reviewing our draft as well as considering any input they could have from the other provincial policies. We expect to complete the review, including the necessary changes to our systems, if necessary, and the forms, our warrants, our travel claims, and so forth sometime this summer, probably towards the middle part of August.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Bernhardt.

**MR. BERNHARDT:** Thank you, Mr. Chairman. Mr. Nelson, on duty travel, the region I come from is serviced by two airlines, and it appears to me that this government is taking the most expensive airline instead of the cheapest one. Is it your policy to take the most expensive airlines rather than the most economical one? Even for patients to go out, somehow they take the most expensive airlines. It is a waste of money.

I think there is a conflict between the travel agencies -- like Air Canada and Canadian with the agents. Yet you fellows still seem to fund the crooks. For me, that is not good government. I am getting complaints from people who want to go the cheapest airline, yet they are told by this certain agency, "You go with this airline." I have no choice; I have to go with the most expensive airline because the airline I prefer does not go on those days. I would save the government money if I came one day or two days early, but yet I have to take the most expensive airline. We have to look at the whole travel -- the duty travel, vacation travel, the whole shooting-match, because I think it is getting out of hand.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, we do not regulate which airline our employees utilize, but what we do say in our policies -- our policy says, "The most economical means." If certain of the government areas are not following the policy, then those problems should be addressed to my office for investigation.

We do try to ensure that employees make the best deal in their trip, and that is, the best air fares they can take; and any other kind of expenditure they can reduce by taking the best deal, that is exactly what the government's philosophy is. We certainly are not looking to the most expensive airline, and there is no directive that I am aware of that indicates otherwise.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Gargan.

**MR. GARGAN:** Mr. Chairman, yes. With regard to that, I guess Ernest is using an example from his area. Yesterday, when we met, an individual was going on duty travel with a certain travel agency, and his wife wanted to go too, so she bought a ticket, too; but the government employee had to pay \$600 more than the wife had to pay. Somehow she saved \$600 to travel with her husband. This was on personal money; I am not questioning that. But I am questioning the

fact that the travel agency charged the government employee I believe \$600 more than, in fact, he should have been, because the government is using that agency, that they would not try to save the government money. I do not know whether you are aware of it, but I think you are being ripped off by the agency, too, and I am just wondering if there is any way of keeping track of that.

The other thing is with regard to excursion fares. Again, I have to use the Auditor General's own report with regard to that. Most government employees that travel on duty travel do not use excursion fares. Out of 93, a very small percentage use excursion fares. At the same time, when you go on your vacation travel, there is a high number of maybe the same people using excursion fares. This was pointed out by the Auditor General's office, and I am just wondering whether or not you enforce -- government travel should be economical. That is to say, it should be done at the least cost which is reasonable to the circumstance.

The other thing is that we still see a lot of government employees on duty travel go by southern routes. You are going against your own preference policy in regard to using northern airlines, and we do have flights that go from Yellowknife to Rankin to Iqaluit on maybe every second day or whatever is the case. You still have people going the other way around.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Nelson.

**MR. NELSON:** Mr. Chairman, we are aware of some problems with travel agents, and just recently I have written to all of them with respect to some concerns that the government has had with special favours provided to government employees. It is a fairly widespread memo. I am sure it is going to surface all over the NWT. We have had to put them on notice to deal professionally with employees properly and charge the government to write them off.

With respect to special bills, like charging an employee more versus the wife, those things are almost impossible for us to find out about unless they are brought to our attention. Certainly there is no system that we have that would pick that up. We are concerned, but there is not much we can do about those kinds of things.

With respect to the northern-southern travel, it is the general philosophy that if there is a flight that is available and it is travelling across the North and it is cheaper than the southern route, that is the route that should be followed. Certainly it is in our department.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** This employee was on duty travel and so because he is on duty travel I believe the agency said he is an employee on duty travel so they charge him a bit more. His wife wanted to go with him, a private citizen. She was able to go on the same flight, same route, but still save \$600. The travel agencies are also abusing this government. It was still duty travel and I did not know that travel agents apply favours to government employees. Which agency is that?

--Laughter

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. An area that has concerned me is duty travel, where employees do not have to account for meals. As long as they are travelling they are able to receive a certain per diem per day for when they are travelling. Because of this, employees who are travelling will skip meals because they make more money. Right now

an employee does not have to provide receipts for any meals that they eat when they are travelling. Why is that?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, there is a general philosophy in duty travel around the country that it is cheaper to pay a per diem that is reasonable than to have to account for all the receipts and process the receipts and checks and balances required to manage the receipts. As a result what we do in the NWT is we follow the federal Treasury Board guide on travel and we follow those per diem that are allowed and it is up to the employee to eat at MacDonalds or dining out in the sky if they want. The per diem is fixed. Our policy also states that if you receive a meal by way of a conference you are attending or on the airline or for any other reason, as part of your travel package, then you do not get the per diem for that meal. But it is cost effective the way it works right now, to provide a per diem. And it is also, unfortunately, negotiated in the union contract.

**CHAIRMAN (Mr. Zoe):** Thank you. Last year when the Auditor General's office reported on boards and agencies and so forth, the government hired a consultant to look at the problem that was reported. To me it appears that the government is always responding to -- every time we have asked the Auditor General's office to look at a certain area for us and if he finds something wrong, then you guys are always reacting to it.

I will give you an example. Last year we asked them to look at government travel. As soon as they started looking at government travel you guys set up and committee in June, the multi-departmental committee. Do you ever do studies on your own? It seems like every time they are looking into something you guys are either hiring a consultant to do a report for you so that when you appear before us you can say you are doing something. Do you ever do your own investigation so your office ensures that those systems we have in place are working properly? Every time we send someone to look at things, especially on other matters, the government is reacting to what they are looking at.

**MR. NELSON:** Yes, Mr. Chairman, as a matter of fact in the area of travel we have been working on it since 1985. I have been dealing with the Department of Personnel in a number of areas here. The 1991 start-up of a committee is the finalization of a number of issues that came to head before then, none of them related to the auditors concerns. We have our own concerns. And we had undertaken 20 various reports of our internal control group that went out to departments and regions, issuing concerns about travel and misuse of travel.

One of the major reasons we undertook this total review was the significant increase in the misuse, by employees, of our travel directives. That is what precipitated the actual review process itself. It had nothing to do with what the auditors were doing. It just so happened it was quite timely as well. If I recall during the audit I spent some time briefing the auditors on some things to look at which were of concern to me. So we worked very closely on some of these things. As well as our internal audit bureau reports are all made available to the Auditor General's office and in those reports several of them had concerns about travel. We are undertaking other reviews constantly. Our internal check group is out in departments regularly, taking a look at compliance with the Financial Act, making sure they understand the procedures, investigating any weaknesses they may have in our administrative processes. It is the group that finds out the problems before somebody in the audit bureau or the Auditor General actually has to report on it, try to solve the issue before the year end happens instead of after the year end takes place.

the various agencies, boards and corporations, they have different ways of accounting for assets. The Power Corporation values assets at different levels, the liquor commission values inventory but not their buildings, Arctic College has furniture and equipment but no buildings. They are all doing different evaluations. Is there any move, change or review taking place to standardize some of these or not?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Thank you, Mr. Chairman. We are undertaking a review of the various systems. A lot of the various asset methodologies in place are there because of the business that the corporate entities are in. The Power Corporation, for example, charges for its services; therefore it capitalizes, borrows for the purchase of capital, and so forth. The liquor system is, again, another charge system where the cost of inventory is controlled and charged out. It depends on the nature of the business.

In the case of the government, at the dollar, that reflects the basis way governments do this in the country because we do not have a comprehensive inventory control system. A major study is now being undertaken by the Institute of Chartered Accountants where it is looking at governments' evaluation of assets, the accounting and control of them, the reporting of them, and so forth. It is probably going to be 10 years before it comes to its fruition, but there is a serious move in the profession itself to move to control government assets in terms of the accounting and recording of them, but at full value.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Nelson, while Mr. Koe is still digesting what you have just said, I would like to back to when I asked you about your role. You indicated that you advise departments. Is there anywhere within the system any documentation in, for instance, MACA or Government Services, each department as far as a department's role is with regard to asset management?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, we have the parameters of asset control included in the responsibilities of the various deputies under the Financial Administration Act which is the first place that it is laid out in very general terms. We also have a very thick administrative manual which is a policy directive on financial administration in government in which asset control and procedures are outlined. What we do not have is the detailed procedural kinds of systems that we can provide to the departments. That is why, in many cases, these departments have provided their own. We do not have a central government asset inventory system.

**CHAIRMAN (Mr. Zoe):** I am having a little difficulty as to who has the ultimate responsibility. I have a copy of the FAB where, under Section 12, it says the comptroller general shall establish and maintain systems and procedures to ensure that all public property is properly controlled. The question is, how do you ensure that all these things are done? From what I am hearing now, there is no assurance.

**MR. NELSON:** With great difficulty, Mr. Chairman. We have a number of processes in our financial administration. One is an act that lays out responsibilities at a very senior level. We have systems of internal control such as the Audit Bureau. In the case of the Legislative Assembly, we have the external auditor. We have, in our department under my office, a corporate control section. All these groups undertake reviews of internal control. There are many more things about internal control and simply an asset control. We have banking systems with methods of control. We have expenditure reporting systems that ensure that even if we do not record the asset, the proper controls are in place for the purchase

and acquisition of the asset. Even if the asset is not recorded in our books, there are still methods of control internally to ensure the asset is protected. So there are various means and measures by which we constantly monitor the control systems of the government. But, it is a very large and complex area and very difficult to effectively manage.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. Mr. Nelson has indicated that there is a system which is being worked on and being carried on at this time, and assists in the management of present assets. It will be another 10 years before we are likely to be able to understand to manage our assets in a manner which is consistent with all levels of government. With that, how long or when do you expect that this government would be able to put together a system which could be used by all departments?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** As I indicated earlier, Mr. Chairman, I do not think we will ever have a system that is going to be consistent. What we will have is varying systems that provide the effective level of control. The 10-year project that I referred to is something that is being done by the Institute of Chartered Accountants of Canada which is a professional institute. They are looking at this very carefully. It has very far-reaching implications to governments because of the nature and complexities of the systems they are dealing with.

As far as this government is concerned, we have already undertaken, over the last couple of years, some steps to improve our own internal accountability and control. Just recently, as I indicated earlier, we have met with Public Works and Municipal Affairs who have two systems; we have a third. We are undertaking a combined project which is probably going to be over the next year or two to see if we can come up with some more controlled and co-ordinated asset inventory system.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** I do not understand where you have inconsistencies with departments, you can put them together and say that you will be forming a system. Maybe it is my misunderstanding in that we are probably going to be using something that is formulated by chartered accountants which will likely be used across Canada, and we form something similar to that following their recommendations. My question was whether this government be forming a system which would be consistent within all departments? The answer I received sounded like there are several different systems which are used by various departments. Are we not going to bring those systems together to form one way of managing these assets?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, there are several categories of inventories. Some we control much closer and better than others such as the fuel system. We have a fuel inventory system which is a stand-alone asset inventory. We think it is working fairly well. We have a liquor system which has its own methodology and process which we think is working very well. We have inventory systems -- revolving funds as we call them -- which are kept in a set of books and are effectively accounted for.

There are some other systems out there that are causing us some difficulty in terms of consistency. One is office supplies, office inventories, desks and chairs, which is consistent across government. This is one area we could look towards one

comptroller general with regard to asset management in our government?

**MR. NELSON:** I will try, Mr. Chairman. I have the central administrative responsibility for development a systems of control which I am supposed to provide to departments who have the management responsibility of actually operating those systems.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson, if I am correct, it specifies in the Financial Administration Act that the comptroller general shall establish and maintain systems and procedures to ensure that all the asset management is done. I understand that various departments have their own -- there is no one system in place. For instance, MACA has their own inventory system in place; Public Works has their own; Culture and Communications has their own; Government Services their own, et cetera. Who co-ordinates all this? My understanding is that it is supposed to fall under your department to co-ordinate and put those systems, practices and procedures in place.

**MR. NELSON:** Mr. Chairman, our responsibility is to provide the assistance to those departments in the preparation of their particular operating systems. It is a very large and complex area. As Mr. Simpson indicated, there are some three billion dollars in assets out there. Several systems that are in place right now have been developed over many years. It is very difficult for a central agency to provide a general control over a system so large.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson, maybe I can ask you another question. You assist the departments in developing various systems and procedures. My understanding is that the overall responsibility falls under your shop according to the FAA. Although you are advising each department as to the systems, et cetera, what I do not understand is why we do not have one system in place so that each department can have a general system rather than MACA having their own system, et cetera? I do not know if this is workable or not. We do not know if it is working or not. Why do we not have one comprehensive system in place which each department can utilize?

**MR. NELSON:** I think the complexity is the problem. We have several systems. We have a liquor system with a very specialized nature; we have a DPW buildings and works system which, again, is a very specialized area; each department has its own office equipment and supplies; we have inventories on public works garage supplies. It is almost an incomprehensible package of supplies and materials to bring together under one system. I am not aware of any similar comprehensive systems out there in the country. There are several systems in place now which we feel are managed effectively. There are a few, as the auditors have pointed out, that are having some difficulties. We are working together with Public Works and Local Government to try and see if we can come up with some more comprehensive system between land inventories and buildings and works. That is one of our major goals over the next year.

**CHAIRMAN (Mr. Zoe):** Mr. Arvaluk.

**MR. ARVALUK:** Mr. Chairman, the Government Leader is answerable to every action the government takes whether it is capital assets or O and M. When the government fails to properly manage its assets, the Government Leader is answerable. Why is there not a system set up within the government -- when the Leader herself is answerable to that, why is it that different departments are being held responsible rather than just one government?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, the Government Leader is responsible to the Assembly. There are central agencies in the government that are accountable through their Ministers for the processes that are in place. It is very difficult for the Government Leader to be in charge of everything. That is why we have these sub-systems out there. I do not know if this answers the question, but each department has a special role to play in it. The Department of Finance, for example, has a role with respect to the management of assets.

**CHAIRMAN (Mr. Zoe):** Mr. Arvaluk.

**MR. ARVALUK:** Than you, Mr. Chairman. My question was, "Why not," not "how." Why is the Government Leader answerable to the House and the government in total is not. They are only answerable department by department. Why is that?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** That is very difficult to answer, Mr. Chairman. It is the nature of the organization that we are dealing with here. It is a government run through Ministerial portfolios, answerable to the Assembly. That is the way the organization is established. There are very acts -- the Financial Administration Act, the Municipal Act, and so forth where certain Ministers have direct Ministerial responsibility and accountability for their actions. That is the nature of government organization.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** In the comptroller general's report and the management responses to the observations, in one of the responses you have asked all departments to comply with the requests, and you have asked asset lists and inventory lists. What departments have complied with this and who has not?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, I do not have that information available. I could find out and get back to the committee.

**MR. KOE:** Have many of the departments complied?

**MR. NELSON:** They have provided us with a copy of their system, or lack thereof. I would say in that respect, all departments have complied with my request, but it is just as the auditors have pointed out, there are some departments where the systems are less than adequate.

**MR. KOE:** By complying, is it just a paper exercise; something deputies and departments have to do because you have asked for it and the auditors have noted it in their report? Or is something more meaningful going to happen?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, we have worked together with MACA and Public Works as I have indicated. Our corporate accounting staff have developed a long-term plan because of the nature, size and complexity, to bring together some central control over the total asset inventory system of government. It is not going to be a comprehensive plan as you had indicated earlier, but it certainly will be systems and procedures to ensure accounting does take place effectively and that reports mean something when they are made.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** In the consolidated statements, the government's current accounting practices value capital assets at a dollar, a nominal fee of a dollar. Yet, in Volume II where you have

**CHAIRMAN (Mr. Zoe):** So you also try to fix the system too at the same time. Just recalling the last few years I have been here, it seems the government is always responding the other way around. It does not seem that you guys were taking any initiatives to go out on your own to try to fix something that your people find, until it is reported by the Auditor General. Mr. Koe.

**MR. KOE:** What is happening with the multi-departmental committee that was established in June? When can we expect a report?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, as indicated before, they have completed their initial report, the committee basically is disbanded. The report is before myself and the deputies of Personnel and Government Services. We have also received copies of provincial directives on travel and the policy is now before our management accounting services division who are looking at it in light of any systems changes that are required, the auditors comments and concerns as well as any forms that might be required to be changed as a result of bringing all the information together in various ways. The expectation is that we will have a new policy and procedures and forms prepared by August.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Once you have all this in place, will there be some kind of implementation plan to provide proper training for all people that deal with travel, including managers? The policy is nice if everybody knows what it is and can interpret it properly and use it properly. It is not so good if it is just another manual.

**CHAIRMAN (Mr. Zoe):** It is nice to have a manual but if you do not use the manual it does not serve any purpose. Mr. Nelson.

**MR. NELSON:** Mr. Chairman, as part of the package we are planning to implement a training process within the resources we do have, which are fairly limited, but we will also have procedures and they will be well established throughout the organization.

We have already taken steps to make sure that the directors of finance, regional comptrollers and deputy ministers are fully aware of the policies we do have in place at the moment and that they are properly enforced. A number of issues were raised by the auditors that sort of flew in the face of existing policies and we have, as of yesterday, I sent a document around to all financial officers and deputy ministers outlining concerns of the auditors and re-establishing the fact that we do have a policy and a financial manual to follow in the interim, until such time as the new policies and procedures are in place.

**CHAIRMAN (Mr. Zoe):** So you issued some sort of letter to these people informing them of all the problems that were raised and at the same time your committee has finalized the policy and is going for some kind of approval and you are hoping it will be in place by August.

**MR. NELSON:** One other thing we are going to do with this is we will bring it before the Financial Management Board which will clearly identify the responsible agencies for the policy.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** Do you only use one travel agency?

**MR. NELSON:** No, Mr. Chairman, the travel agencies are at the discretion of the deputies responsible.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** Employees are entitled to two southern trips a year but under your point system they could be entitled to three or four, depending on the amount of points they get. We are the only government, including Prince Edward Island, that allows government employees on duty travel to collect points for themselves. Why can the government not collect the points themselves and use those points?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, I think as the Auditor General even pointed out in the report, it is a very difficult area to manage and when you have as many employees as we do that are travelling, the way the point structure and the bonus system work, it is very, very difficult to try and track and manage points. The key is to ensure the employees do not misuse the travel system at the expense of government, just to gain points.

Just watching television the other night, I think there is about 50 different corporations, including banks now, that provide airline travel bonus points for utilizing their services. It is just part of society today and this government has taken the decision by cabinet that they would allow it.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** What are the other jurisdictions doing?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** I believe there is a study that is undertaken by Government Services in this area that you may want to ask of them, but there are more government's than just PEI, I know there are other government's across the country that do allow the bonus points and some that just ignore them. They would rather ignore them than try to deal with them. Since the points cannot be given to the organization, but their individual points, for example yourself, gets the points, not the organization you work for. The only way you can manage it effectively is on the honour system with the offsetting threat that if you use points for your own use then that is contrary to management philosophy and you can be fired. So it becomes a question of taking away what some employees would consider a benefit and really it is a benefit of no cost to the organization.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** It is good to have it on the honour system, but when there is abuse then it should be brought out. What the Auditor General is suggesting here is that most duty travel is not done on excursion fares because you get less points. So the incentive would be for the government employee to go on executive or business class in order to gain those points for a free trip. So that is where I am having difficulties, because nobody is using excursion travel on duty travel.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** The Executive Committee directed last fall that all business class travel is no more for anyone in the organization. With respect to the use of excursion versus economy, again I will refer back to the union contract. The union agreement states that the employees are entitled to at least full economy air fare and first class when necessary. So we have sort of a caveat there in that the contract itself is often used as a reason why an employee can go full economy

as a benefit as opposed to a government policy of travel control.

**CHAIRMAN (Mr. Zoe):** Mr. Pudluk.

**MR. PUDLUK:** Thank you, Mr. Chairman. When guaranteed reservations have been made by the government for air fare or hotel, what happens if they are not used? Does the government still have to pay?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** If you do the same thing on your own personal travel card for a late arrival and you do not arrive, your travel card will be charged for the room regardless of whether you stay there. So we do have to pay.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Would you not find it ironic that in terms of government spending money, and travel is about \$70 million worth of expenditures. When we have to purchase paper and other material and supplies, there is an elaborate process of tendering and different suppliers get to tender. If you want a two dollar pen with engraving you have to go to different companies to tender on that, yet if I want to make a \$3000 trip, I can go to whatever and make whatever deal I want. Controls do not jive. Hopefully your new manual policies is going to resolve this.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, the Department of Government Services did undertake a review, as I indicated in the reply here to the comments of the Auditors, the review was with the Minister of Government Services and that included some alternative to the present system of using various airlines and/or travel agents at the whim of management and to look at either buying bulk tickets or tendering the services. There are a lot of complicating factors, particularly in the NWT, not the least of which there is not many excursion fares, for example. The airlines are not really excited about selling bulk tickets to a government that they have already got us guaranteed to travel with them on anyway and as far as the tendering of our services, I think there are concerns that whoever would be awarded the contract would be the sole business left after the rest went out of business. So there are concerns there from an economic standpoint. There is a package with the Department of Government Services now and they have looked at those alternatives.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Earlier on you mentioned that you had some 28 reports on this issue, you issued a letter to deputy ministers, you have issued a letter to travel agents and a draft report of this committee is in the system. Can we get copies of all these for our information?

**CHAIRMAN (Mr. Zoe):** I think it would be useful. Mr. Nelson.

**MR. NELSON:** Yes, Mr. Chairman, we can provide them. Recognizing that the corporate control reports are internal government reports, these things are between ourselves and the deputies normally and they are not used for more than just correcting an issue or a problem at the time. We certainly can undertake to review that. As far as the letters, certainly we can provide those as well.

**CHAIRMAN (Mr. Zoe):** How are travel agents paid?

**MR. NELSON:** Mr. Chairman, primarily there are two ways.

One is through a travel card where we use En Route primarily, where we issue a warrant under the En Route system. The tickets are issued and the travel agent then puts a slip in and deposits that against their account -- En Route is like a Visa card for example -- and they are paid directly by En Route.

In the case of other agencies, we would provide them with a travel warrant and they will bill the government directly. The way business is in the North now, we usually have the invoice the afternoon the warrant is issued. It is about a 50-50 split between using the En Route system we have for payment of the airlines and direct payment through the agencies themselves.

**CHAIRMAN (Mr. Zoe):** Discount air fares were raised in the Auditor General's report. How can we get the more cost effective air fare rate? If you leave it to the individual, the system does not make sure -- for instance Mr. Nelson is travelling, I do not know who authorizes his form, but how do we know that the travel agent is getting him the most cost effective rate, to ensure us that we are paying less. Especially in a time of restraint.

**MR. NELSON:** Just to add confusion to the fire, there are 3.5 million published rates in North America for airlines. So it is very difficult to get the same rate on the same route the same day. There are all sorts of variation of routes. There are mid-week flights, there are special discount flights, there is 30 day flights, there is 15-day flights and no two travel agents will provide the same person the same cost, necessarily. What we try to do is we will go to one travel agent one time and another travel agent the next time for the same routing and see if the fares are equivalent. But we do not have any published tariffs to look at. The fares in the airline industry, as I am sure we are all aware, are changing every day. I know the US government is trying to go to some sort of standard triple fare structure, but as of last week anyway, there was some 3.5 million different fare structures, including Canada, across North America.

**CHAIRMAN (Mr. Zoe):** There may be that many rates around but the majority of our travel is here in the NWT and it is primarily the senior management that travels south and people like the medical patients and stuff are the ones that usually travel south. Other than that, most of our travel, especially with our supervisor positions and all our other staff, like engineers, consultants, inspectors, they fly around the North. There are only two major airlines up here, maybe three -- First Air, NWT Air and Canadian and surely it should not be that hard to get a cost effective air fare from a travel agent.

**MR. NELSON:** Mr. Chairman, it sounds reasonable to me. I know in talking to my colleagues in Government Services, it is a little more complex and they have looked at various options and I suggest that maybe the matter be raised with Mr. Horn. But from our own experience in the department, I know for example like excursion fares, wherever possible if a trip is known well enough in advance, then we will try to use the excursion fare. In many cases though we found that the trade-off of costs because of the mid-week requirements to travel is offset by the overnight stays that are required of the trip. So they are few and far between. The North does not have a whole lot of excursion fares available, particularly when people need them. And unfortunately we have often found with Ministers and senior management that the possibility of using excursion fares is very limited because of the demands placed on their offices and often it would cost us more money trying to cancel the trips or change them then it would to pay the extra cost.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** With regard to vehicle rental, I understand the

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

### YELLOWKNIFE, NORTHWEST TERRITORIES

JUNE 1, 1992

#### Members Present

Mr. Arvaluk, Mr. Arngna'naaq, Mr. Dent, Mr. Koe, Mr. Zoe

**CHAIRMAN (Mr. Zoe):** I call the meeting to order. We are reconvening our meeting from our last gathering. We were discussing the public accounts for the year 1990-91, volumes I and II of the report, and also the report on other matters. We postponed our discussions on section 5 of the report on other matters pertaining to assets management in the government.

In attendance we have our chairman, Mr. James Arvaluk, but I am currently chairing this session on his behalf; Silas Arngna'naaq; Fred Koe; Charles Dent; myself; our staff, Rhoda Perkison and Mike Bell. From the Auditor General's staff we have Roger Simpson and Dale Shier in attendance.

Before I call on the Auditor General's staff to give us a summary of chapter 5 on the assets management in the government, I would like to call on the first witness, the comptroller general, Mr. Jim Nelson, to appear before the committee.

Mr. Simpson, I wonder if your office could give us a summary of your findings in chapter 5 of your report.

#### Asset Management In Government

**MR. SIMPSON:** Thank you, Mr. Chairman. This I believe is the first time that our office has taken a conscious look at other assets in the GNWT; but other assets, I mean items that are not recorded in the books of account as financial types of assets. We intend to continue to study or review the issue of assets, Mr. Chairman, because although there is no hard definitive value in terms of knowing exactly what these assets are worth, we have heard that the replacement value of the assets is likely over three billion dollars. This represents a very significant series of items that your government has responsibility for managing on behalf of the people of the NWT.

Assets are categorized into three subcategories:

1) Inventories, being inventories of those items that are held usually for use or for re-sale. Examples being fuel held in inventory for petroleum products revolving fund and liquor for the Liquor Commission.

2) Controllable assets, which are those items which are not consumable in the normal course of events, have a life normally of over a year, has a cost of at least \$200 but is an attractive item and could be susceptible to theft.

3) Capital assets, which are the things that most people tend to think of in terms of the large buildings, major pieces of equipment such as graders or snow ploughs or bridges and roads and those kinds of things. The government's definition calls a capital asset anything that is not intended for re-sale and has an estimated cost of \$5000 or more.

Since 1981 the government has spent over \$1.1 billion in capital items --that is just in the last 10 years -- not including the Housing Corporation, Power Corporation, Arctic College and Worker's Compensation Board.

There are a number of departments that have responsibility for managing assets: MACA, Public Works, Government Services, Culture and Communications, Renewable Resources and Finance.

Assets also cover the cultural assets of the NWT, such as carvings, pictures, tapestries and various other things that represent the cultural fabric of the people of the NWT. These of course would be highly attractive items with a street value and we have some concerns over whether or not those assets are effectively managed.

This report, as I mentioned, is a first attempt to look at assets in any systematic way by our office. We do intend to re-visit this area in the future. We started off by looking at some of the systems and processes used to control physical assets in the Government of the NWT, starting off with the responsibilities under the Financial Administration Act, then at some of the policies and practices that are in place in individual departments.

We have dealt with a number of the high level types of issues, the control related issues in the first part of our report including capital assets inventories, central agency controls and various other things, Mr. Chairman, and moving on to some specific examples where we have concerns over the way assets have been procured and are managed, such as year end purchases of computer equipment, which is on page 30 of our report; some control areas over computer items; cultural assets including photographs and video collections of the government and how they are managed and controlled. We consider them to be at some risk; systems in some departments for equipment usage; and we also took a look at the Government Services warehouse where we had some concerns about certain inefficiencies. We had concerns about the heritage branch storage of their assets. We had some concerns about obsolete items being included in the warehouse. There is also an indication that efforts are being duplicated and as a consequence maybe costing more money. Finally, we took a look at the process whereby assets are constructed by government departments such as MACA, on behalf of communities and hamlets, and ultimately transferred to those communities for usually for a nominal amount, to see whether or not the transfer agreements adequately alerted the communities to their managerial requirements to preserve and protect those particular assets.

I would be pleased to answer any further questions, but I think the starting point is the high level authorities as set out by the financial administration act. Thank you.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Nelson, do you have any comments?

**MR. NELSON:** No, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson, maybe I will start off the committee questioning. First of all could you indicate to the committee your role as the comptroller general with regard to your responsibilities and relation to departments. Let me rephrase that. Could you tell me what your role is as the

department has to authorize that before an employee is allowed to rent a vehicle. This is a report from the Auditor General's office with regard to that. On several occasions employees have rented vehicles without prior approval. What does your office do with regard to that? Is that normal practice or I guess the Auditor General is using an example of a travel to Sanikiluaq. The government went over there to check out the feasibility of docks. I guess they brought some picks and shovels and they brought them back and because of the bulkiness of the tools they decided to rent a vehicle to store those tools in. But I understood that is why they rented the vehicle in the first place, but then the story was changed because the employee said he needed to look at some docking facilities. So the requirement is that it has to be approved before a vehicle is rented.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Our directive on duty travel indicates that, as I believe the union contract even states that approval has to be received in advance. Where there are circumstances where that cannot be done because of the nature of the trip then each case is looked upon individually by the department head or the individual responsible for approving the reimbursement under the travel claim. But the reasons should be given as to why the car was required.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** In a case where the rental is not required, what does your department do?

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, in most cases something like that would never be brought to our attention anyway unless we picked it up by way of an audit or review of expenditures in a particular area. Where it did come to our attention we would probably bring it to the attention of the deputy minister, indicating that proper process should be followed and that would probably be the extent of it. But certainly we would hope that the deputy would investigate to ensure that it was proper in the circumstances and proper supporting documentation was on file to ensure that the vehicle was used for proper purpose and was required.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** I do not see the reason for an employee renting a vehicle to store tools. The other situation the Auditor General has brought to our attention is an employee who decided to stop off in Toronto, and it was perhaps for personal reasons, but it was still charged to the government. In this case the reason why the employee rented a vehicle was to look for accommodation, as opposed to using courtesy vans that they use. In Toronto, for example, I have been there several times and they have a big wall full of hotels and there is a phone there that you just press a couple of buttons and you could ask for reservations and make accommodations through that arrangement, as opposed to renting a vehicle and driving all over the city to look for accommodation. The rental there was not warranted. I know you say you would deal with it accordingly, but what are you doing with the two that are mentioned. Are the employees then responsible for those expenses? There is abuse in the system but nothing is being done. There does not seem to be a concern.

**CHAIRMAN (Mr. Zoe):** Mr. Nelson.

**MR. NELSON:** Mr. Chairman, in my opinion, I think some of the reasons here are light as to purpose of the rentals, but the matter would probably be best left for discussion with the deputies involved, since they are particularly knowledgeable

of the incidence and I would not be. As I mentioned, it is very difficult for the comptroller general's office to be aware of these incidence unless they are brought up by way of an audit or somebody brings them to our attention. In those instances of course, we do bring them back to the deputy head. I will say that in the past years many cases such as this have been brought to our attention. We have written to the deputies, in certain cases employees have been reprimanded and in other cases they have been terminated as a result of misuse of the travel policies. In these particular cases I am not aware of the circumstances behind the situation and I think the deputy should best be questioned.

**CHAIRMAN (Mr. Zoe):** At this time I would like to thank Mr. Nelson and his staff for appearing before our committee. We may call you back if we have time. But for the time being we have other witnesses scheduled. Thank you for appearing before our committee. I hope you adhere to all the reports and letters.

**MR. NELSON:** Thank you, Mr. Chairman. Mr. Bombay and his staff are available throughout the session to provide liaison with other departments or deputies that are required, as well as any support that you require for the committee.

**CHAIRMAN (Mr. Zoe):** As I indicated to the other deputy ministers, our committee will definitely be holding more than one annual meeting. We have not decided when we are going to do it. It may be three or four months from now, where we will call departments to appear before us to give us an update as to how things are progressing. We will take a short break before we call on the next departmental witnesses.

--SHORT RECESS

#### Department Of Transportation

##### Government Travel

I would like to call upon the former deputy minister of Transportation, Mr. Gerein, and Mr. Gamble, acting deputy minister for the same department. We are dealing with chapter four, government travel. Could I call upon the Auditor General's office to give us a quick recap as to what we were discussing with regard to the Department of Transportation portion of government travel? Mr. Simpson.

**MR. SIMPSON:** Thank you, Mr. Chairman. As we mentioned before, in conducting this government-wide study of travel, we selected a sample of 93 items. We tested these items against various criteria. One of the examples that we looked at was travel claims related to the Department of Transportation. We have some fairly serious concerns about this trip as pertaining to a number of different questions on the pre-authority for the trip, and the after-the-fact approval of the trip.

What made us particularly interested in this, Mr. Chairman, was some of the reasons we were given for the decisions that were taken by the travellers. Some of the answers we were given seemed rather strange so we decided we would report this issue and let this committee have an opportunity of questioning the witnesses directly. Mr. Gerein, who no longer is the deputy minister of the department, was the deputy minister at the time we had discussions with him on this issue and may be in a reasonably good position to answer questions.

**CHAIRMAN (Mr. Zoe):** I know you are trying to save time, but I think it would benefit our committee, Mr. Simpson, if you could go over what you have reported on those two incidents.

**MR. SIMPSON:** Yes, Mr. Chairman. Our basic concerns in the particular case where we looked at the travel expense

claim of one employee who went to Sanikiluaq apparently for consultation on a dock. On his way back -- and maybe even on his way there -- this employee stayed over in Montreal. During his time in Montreal, he rented a car at government expense and we could not find any justification for the car rental. On enquiry and discussion with the department, we were originally told that the employee was carrying bulky tools from Yellowknife to Sanikiluaq. When we enquired as to the nature of those bulky tools, I think picks and shovels were mentioned. As a consequence, a car was needed in order to carry these bulky tools around. Later, when we asked further questions about this case, we were told that they needed a car in Montreal because they were visiting floating dock manufacturers. It was rather interesting because the car was rented over a weekend. We called as many floating dock manufacturers as we could find in the yellow pages and I do not think they are open on the weekend.

In looking at this, we also found out that the department provided us certain information that the individual had not travelled to Sanikiluaq alone. There were actually two other people from Yellowknife who had also gone on this trip. I gather the total cost was in the order of \$12,000. Ironically, the reason for the weekend stay in Montreal is not entirely clear to us. Two of the three employees actually flew back to Edmonton on the Friday night and, subsequently, travelled to Yellowknife on the Saturday morning. The one employee actually stayed over in Montreal. As I mentioned, he rented a car at government expense which was approved by the department as a valid travel expense.

The same employee, on another occasion, was going on vacation travel assistance to Montreal and stopped over at a conference in Saskatoon. I think we have to be fair and say that the employee got a reasonable deal on the air fare there; however, there were a number of ticket change fees because the employee changed his plans several times in transit. The ticket change fees totalled \$262.00. Apparently, on flying from Saskatoon en route to Montreal, the employee's plane stopped in Toronto and he made a decision at that time to sleep over in Toronto because he was tired. He rented a car at the Toronto airport apparently to drive to the hotel. We checked and found that this particular hotel has a free shuttle service from the airport to the hotel and back to the airport.

Our concern about this case, which is somewhat typical of other cases we have found, is that the employee seems to have been able to do what he wanted without getting prior approval. After the fact, the case was approved without any serious challenge to the things that the employee had done. I think it raises a number of interesting control and management issues, Mr. Chairman. We articulate the case on pages 17 and 18 of our report. I do not want to go into any further information than that, but perhaps you could let me know if you do.

**CHAIRMAN (Mr. Zoe):** Mr. Gerein, do you have any comments with regard to what the Auditor General has reported in his report?

**MR. GEREIN:** What would be the nature you would be asking for? A rationalization or justification?

**CHAIRMAN (Mr. Zoe):** Both.

**MR. GEREIN:** I will ask Mr. Gamble to do that, Mr. Chairman.

**MR. GAMBLE:** I am acting deputy minister and was not deputy minister at the time. I was an assistant deputy minister and did supervise the individual referred to. I am fully aware of the circumstances. We have investigated it several times. We cannot find any evidence of misuse, wrongdoing or over-

compensation by staff involved. What is clear, I think, from the audit observations is that our processes and documentation of approvals did not leave a clear audit path. It was, therefore, natural that audit questions would be raised. Apparently, your auditors have not been satisfied with our explanations. They have referred to them as after-the-fact rationalizations.

We have taken steps to ensure full prior authorization of travel, including the details of their purpose; itinerary, including stopovers; car rental justifications and estimated cost of trips is all documented and approved prior to the trip taking place. It is also our procedure to attach ticket stubs and hotel receipts to claims even where travel warrants and/or accommodation warrants are used to allow reconciliation of the claim against billings later received. This is the basic position that we have on the audit observations.

**CHAIRMAN (Mr. Zoe):** Mr. Gamble, first of all, it was a one-day trip to Sanikiluaq for consultation on the dock. I do not know what they mean. Are they inspecting a dock? Are they there talking to the hamlet council with regard to getting some sort of dock? What do they mean by consultation on the dock?

**MR. GAMBLE:** Three staff travelled to Sanikiluaq to conduct the consultations regarding the development of a community wharf facility. These include the senior transportation planner, the head of structures who is responsible for the design and project management, and a structures engineer who would be responsible for the implementation of the project. That is the reason for three people.

The consultations included talking to the community as well as collecting data and presenting plans to the community on the proposed works for community approval. The project is a multi-year project valued at over \$500,000. Construction, in fact, began this last year. I think our position is that the circumstances justified the cost. The fact is that it costs a lot of money to get to Sanikiluaq. It is one of the most difficult locations to get to. You have to travel through Montreal. The fact that it is a difficult place to get to does not mean, in our view, that we simply do not go to save money.

**CHAIRMAN (Mr. Zoe):** I understand that. I know that your department does these types of things. There is no question that it costs a lot to get to Sanikiluaq. That is why I suggested that we call your department in so that if it is just to talk to the community, why send three people? They are also there collecting data. They are showing them new plans. The planner and the engineer were telling them about the type of structure to expect, and so forth. Am I correct?

**MR. GAMBLE:** Yes. The meeting included consultations with the hamlet, finalization on the design proposal and approval by the community.

**CHAIRMAN (Mr. Zoe):** Any questions from the committee? Mr. Gargan, earlier when the comptroller general was here, you were asking a question pertaining to the same incident. I am sure you are itching to ask a couple of questions.

**MR. GARGAN:** I think the Auditor General covered that fairly well. The only difficulty I have with regard to the trip itself is the timing of the trip. It was in October which would probably mean the middle of the winter in Sanikiluaq. I am wondering why the trip was taken at that time of the year.

**CHAIRMAN (Mr. Zoe):** Mr. Gamble.

**MR. GAMBLE:** Sanikiluaq is our most southerly community. October is before freeze up in Sanikiluaq. There may be snow on the ground but the water was open. The reason for

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getting it in late in the year as opposed to early the next year, was to allow us to finalize the design work based on the final data collection and community approval so that we could order materials to begin the project the following season.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** In the government's position with regard to travel to justify the reasons for travelling, I see that three of your employees have gone to Sanikiluaq to consult with them. Does it take three people to explain things to the community? I would think you would have made several trips over there to do engineer work. You would have collected the necessary data in order for you to come up with a design. Once a design is established, I would think it should take only one person to go down there to explain the design, et cetera. Then it would be a matter of tendering. I am not an expert in this area, but I would think this is the way I would see things going. After the consultation occurred, the community decided what to do that there was a catalogue of docks which your staff had to go to Montreal to get it. I have difficulty with regard to three people going to Sanikiluaq.

**CHAIRMAN (Mr. Zoe):** Mr. Gamble.

**MR. GAMBLE:** I can understand your position. I guess if three different trips would have been made separately it may not have looked as bad. The senior planner was responsible for consultation and community approval. What they went in with was a proposed conceptual design. He could have had that consultation, noted community concerns, come back out to talk to the structural designer about those problems, made some modifications and gone back in. I think the reason for three of them was to save some of that time and problems because with the transportation planner responsible for consultation having the structural designer with him, they could discuss what would be feasible and what kind of changes could be made. They did agree on a final concept so that they can go into the final design. The project engineer went, and he did not need to be there for the consultation, but it was felt prudent that he should come to the site and see it. This was a good opportunity to do so because he would be responsible the following season for supervising construction. He had not been there before. I think it is only fair and reasonable that he should be familiar with the availability of equipment, labour, accommodation and the things he is going to need next year to undertake the job. These trips could have been broken up, but it would not have cost less. I do not think it could have been done more effectively by doing that.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** Mr. Chairman, we do have telephone services and faxes that would have done just as well. I am not too sure if this was considered by the department before they decided to travel.

**CHAIRMAN (Mr. Zoe):** Mr. Gamble.

**MR. GAMBLE:** Yes. I am sure there was a fair amount of correspondence exchanged by fax and, certainly, by phone.

**CHAIRMAN (Mr. Zoe):** Any further questions? Mr. Simpson, any comments?

**MR. SIMPSON:** Thank you, Mr. Chairman. I would like to ask Mr. Gerein if he could clarify something for me. We spent an hour or so on the phone discussing this issue. We were told there were tools involved; hence, the need for the rental of the car. Later, we were told that it was because, in Montreal, the individual concerned needed to visit floating dock manufacturers. I realize Mr. Gerein was not personally

involved in the project in a hands on sense, but from what we have heard this afternoon, it really gives me a slightly different picture of the reasons why this happened. I wonder if he would like to comment on those two previous positions that his staff gave to us.

**CHAIRMAN (Mr. Zoe):** Mr. Gerein.

**MR. GEREIN:** Mr. Chairman, I will ask Mr. Gamble to answer that again. Thank you.

**MR. GAMBLE:** My understanding is that there are two issues with regard to the tools which I have no reason to doubt. They had with them some survey equipment and the necessary gear for site survey work which were the tools referred to. It would include things like an axe as well as survey gear, et cetera. I did check into the stay in Montreal which was not a weekend. It was one extra day en route. The individual rented a car and stayed in Montreal overnight on Friday as opposed to Edmonton. He spent the day, Saturday, in Montreal returning Sunday morning. It is really one extra day, not a weekend. During that day, he visited the individual involved who had worked in Montreal. We have been having a lot of steel fabricating of bin walls, floating docks, et cetera, done for communities in the Western Arctic. He felt that he would take advantage of the trip and advantage of the fact he had to be in Montreal on the way through, to discuss the possibility of having some of this material produced in Montreal for Eastern Arctic communities. In fact, as a result of that, he determined that it would continue, in fact, to be cheaper to have these materials produced or supplied out of the West, even though they are going to the East. We felt, and I feel, that obtaining that information was worth the marginal additional cost of a couple of hundred dollars for accommodation and car rental.

**CHAIRMAN (Mr. Zoe):** Thank you. Any further questions or comments? Mr. Gargan.

**MR. GARGAN:** They spent one day in Sanikiluaq with survey equipment. I cannot see any engineering work or survey work being done in the span of one day. What was the purpose of the surveying equipment? I would think that when you went over there -- I understood you to say that you had the designs and everything else. The surveying must have been done prior to going to the community. Are you suggesting that you had the designs and you went over there with the surveying equipment -- to do what, exactly?

**CHAIRMAN (Mr. Zoe):** Mr. Gamble, any comments?

**MR. GAMBLE:** Well, not having been there, I have to speculate a little bit. I know they took survey equipment. I suspect that there was some preliminary information available, either from the mapping, the topographical Canadian mapping. I would suspect that if they are making that trip and considering, perhaps, design changes or modifications, even if they did have a survey it would be prudent to take the equipment in case they had to respond to a request for change. It may be -- and again, I am speculating -- it may be that they did not have the final information. But it would be quite easy to survey the site for a breakwater in a day. In a couple of hours, in fact. It is not a case where there was not any useful work that could be accomplished in a day.

**CHAIRMAN (Mr. Zoe):** You indicated earlier, Mr. Gamble, that there are various steps that you have taken in the department so that these types of things will not occur again. How did you implement so that these types of incidents do not happen again? It is ridiculous that the AG's office just happened to pick it up, and hearing from you today, I could quite understand. I know that if your Department of Transportation is building an airport -- I have three airports

being built in my region -- I like having those types of people at the table explaining to the community. I have been involved in those types of consultation, and it is nice to have the engineer there so that if we want to ask specific information, we get it rather than waiting. What types of steps have you taken so that these types do not occur, like going on a side trip. You indicated that you have taken certain measures. What measures have you taken?

**MR. GAMBLE:** What we have done, and I guess as a result of the audit observations, as I mentioned, obviously our approval procedures were somewhat information and, I guess, based to some extent on the trust we have in our staff. There is no reason for auditors to trust my staff. As a result, we do not leave a clear audit trail of approvals. We have instituted a form that really expands on the original travel authorizations. All these trips were approved in advance. Specifically, car rentals were not approved; specifically stopovers were not approved. I can pass samples. These are blank forms. When getting travel authorization now, the traveller includes a separate attachment to his authorization stating the purpose and the substantiation for the travel, itinerary of meetings and stopovers, car rental justification if he feels there is justification. So all these approvals will be obtained in advance of the trip's being initiated.

**CHAIRMAN (Mr. Zoe):** Thank you. Any further comments or questions from the committee? Mr. Gargan.

**MR. GARGAN:** Do you include, in fact, visits to floating docks? He spoke to some people about them.

**MR. GAMBLE:** He did not visit any plants. He spoke to two people whom he knew from his work experience. He had been building bridges in Montreal at one time before he moved north. He did speak to a couple of individuals in that business about the logistics and the costs and the contract approach which might be taken to have this material produced in Montreal.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** How about the one in Toronto in which he rented a vehicle when he did have a shuttle service? All I ask, Mr. Chairman, is that the justification for a car rental was to look for a hotel, but in this case there was a shuttle service, so I do not think the rental was justified.

**CHAIRMAN (Mr. Zoe):** Mr. Gamble.

**MR. GAMBLE:** Yes, I did discuss this with the individual involved and again what was explained to me, and he explained at the time of submitting the claim, was that he arrived in Toronto late, used the phone at the counter, the direct lines to several of the airport hotels, none of which had room available. He then rented a car and then proceeded, I think it was to the Mississauga area, and found a room at, I think it was, the Delta.

**CHAIRMAN (Mr. Zoe):** I think we have been on this issue long enough. Final comments from the AG's office, if they have any.

**MR. SIMPSON:** Mr. Chairman, like all of you, I guess, I am pleased to see that the department has initiated new processes to deal with this. Again, I have some questions about the individual and the individual's preferences on the road, but I think I will just let sleeping dogs lie on that. The department has assured this committee that it has taken steps to make sure that these things do not happen again. Just a little parting shot, though; renting a car to look for a hotel seems like an expensive option when it costs 25 cents to make a phone call. Thank you, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Anything further from committee Members? If not, I would like to thank Mr. Gerein and Mr. Gamble for appearing before our committee. We will recess until 7:00 because we went half an hour late. So I will give committee Members extra time, and we will reconvene at 7:00; and our clerk can notify Mr. Lovely about the time that we are going to reconvene this evening. Thank you.

---DINNER RECESS

#### Department Of Personnel

**CHAIRMAN (Mr. Zoe):** Our witness this evening is Mr. Ken Lovely, Department of Personnel. Ken, I wonder if you can introduce your staff member that you have with you.

**MR. LOVELY:** Thank you, Mr. Chairman. The staff member is Stewart MacNabb, the director of finance and administration.

**CHAIRMAN (Mr. Zoe):** Thank you. Our committee has been reviewing three documents: Volume I and Volume II, Public Accounts, 1990-1991, and the Report on Other Matters. We have called in your department because there are a number of issues that we would like to discuss with you. In chapter two of the report on other matters, the compliance issue. We will deal with that one first, but before I start questioning the department, I would like to ask the Auditor General's staff to give us a short briefing on the compliance issue in regard to the Department of Personnel. Mr. Simpson or Mr. Shier.

#### Compliance Issue

**MR. SIMPSON:** Thank you, Mr. Chairman. As the committee knows, it is under the Financial Administration Act. Overexpenditures at the activity level or at the total departmental level have to be addressed to the Legislative Assembly, and particularly to this committee. In the fiscal year 1990-91, four departments overexpended, one of the departments being the Department of Personnel. At the activity level, there were overexpenditures in regional operations, employee benefits and staffing, all of which, no doubt, the witnesses can give this committee information on. But perhaps more significantly, the Department of Personnel overexpended its total O and M budget by \$4.2 million. I think that is perhaps the more serious issue that this committee will be interested in. Thank you, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Mr. Lovely, maybe I can start off with a question. As the Auditor General has pointed out, the FAA requires that he reports these types of overexpenditures. Now, \$4.2 million is a large sum, especially when you are overexpending in your O and M. Could you give us an explanation of how this \$4.2 million got overexpended, Mr. Lovely?

**MR. LOVELY:** Thank you, Mr. Chairman. The majority of the overexpenditure for 1990-91 was in the employee benefits activity. Of the total \$4.2 million overexpenditure, \$3.858 of that was the accrued liability for leave and termination benefits, retirement benefits -- benefits for those people who retire at some point in the future, ultimate removal benefits for which the government would be liable if employees left, federal and furlough leave, and lieu time, which is a form of overtime.

The Department of Personnel accrues the liability for the entire government. So if an employee in the Department of Justice has annual leave credits at the end of the fiscal year, those annual leave credits are rolled up with all the rest of the government's leave credits, and they show it as a liability on the books of the Department of Personnel at year end. It is very difficult to control that sort of thing because the amount of leave, for example, at year end, which is accrued, depends

#### WITNESSES

##### Auditor General's Staff

Mr. Roger Simpson  
Mr. Dale Shier

##### Department of Finance

Mr. Jim Nelson, Comptroller General

##### Department of Government Services

Mr. Lee Horn, Deputy Minister

##### Department of Municipal and Community Affairs

Mr. Al Menard, Deputy Minister  
Mr. Vern Christensen, Assistant Deputy Minister

##### Department of Social Services

Mr. Blair Dunbar, Acting Deputy Minister

##### Department of Public Works

Mr. Bob Doherty, Deputy Minister

##### Department of Culture and Communications

Ms. Elizabeth Biscaye, Acting Deputy Minister



on how much employees used during the course of the year. If they choose not to use very much of it, then we end up accruing most of it.

The accrued liability for 1990-91 exceeded the 1989-90 liability because of the fact that we discovered an oversight in the previous year's accounting for these benefits. The Baffin Divisional Board of Education and the Yellowknife Secondary Board of Education were on different financial arrangements than the other divisional boards of education, who accrue their own liabilities in these areas. The administration in the previous year had missed the fact that we were required to accrue the liability for these two organizations, and when we did the calculation for 1990-91, we found that we had to add \$1.5 million to the liability as a result of that oversight from the previous year.

The liability in other areas was largely as a result of an increase to the number of employees on staff and an increase in the salary budget for the territorial government. The salaries were increased in 1990-91 by 4.5 per cent, which had a corresponding effect on the liability.

So the majority of the deficit for 1990-91 related to the leave and termination benefits liabilities, over which we do not really have a lot of control. The remaining deficits were in the regional operations area and in the staffing area. Both are activities where we have a large component of non-discretionary money; in other words, money we have to pay out because of our obligations under collective agreements. We do not have any choice.

Over the course of the year we had projected a small surplus in the total departmental budget, and we did not request supplementary appropriations because we did not feel we needed them. By the time that we came to grips with the deficit at year end, it was too late to request supplementary funding. In addition, Mr. Chairman, both the director of finance and myself were relatively new to the department, both having started in mid-1990. We had no experience with the expenditure patterns in the department over the course of a year and were not familiar with the pattern of expenditures. So we had a little trouble projecting, forecasting the expenditures to year end.

Since that time, we have made some fairly major changes to our systems which have allowed for better control, but we were not successful in coming within the budget in 1990-91.

**CHAIRMAN (Mr. Zoe):** You have just indicated, Mr. Lovely, that you have taken measures. What types of measures have you taken in order to make sure that these types of things do not occur again?

**MR. LOVELY:** Mr. Chairman, one of the major problems that we had in the department in forecasting our liabilities is the fact that every year we have to get the information from a variety of government departments and so by the time that this information all comes in, it is often too late for us to request supplementary appropriations if they are necessary. It is very difficult for us to forecast what we are going to require for funding in the area of leave and termination liabilities. In 1991-92 we established a leave and attendance system, a computerized information system that provides all that information to us automatically. We do not have to ask the departments for it. We get the information as quickly as we can get the reports issued from the computer. That has improved our ability to forecast.

We have gone through a major restraint exercise over the course of the last year. As part of that restraint exercise, we restructured our budget so that we could keep better track of each of the tasks in every one of our activities. So we have

a very accurate accounting of where we spent our money and where we are spending our money over the course of the year. That makes it easier for us to forecast. For 1991-92, we are projecting a surplus of approximately \$750,000. This is the figure at the end of the first run.

We implemented some major controls in our staffing area because, as the Auditor General's report indicated, there were some areas where controls could be tighter. As a result of those changes -- and those changes included a lot of telephone interviews and restricting the numbers of people who travel for interviews, both government employees and applicants -- we have cut back our costs in that area by about \$1.5 million. These controls have made a big contribution to our ability to live within the budget.

This year, for example, in the leave and termination liability, we are in a surplus position of approximately \$18,000. As a result of correcting an error in 1990-91, we had enough money to get us through the 1991-92 fiscal year. In fact, the liability decreased over the course of the 1991-92 year.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Lovely, it appears, in my view, that the department is having trouble in budgeting or forecasting in the liability area in terms of what you have just indicated. In 1988-89, your department overexpended by half a million dollars. Surely, there must be a trend that you can go back and try to budget properly. In 1990-91, you just told us that you missed \$1.5 million that you had to add on which was a big increase into this year's overexpenditure because of the school boards that you had to bring in which you missed in the previous year. But, it appears to me that the control and the budgeting in the department is not working. All those steps that you have just indicated to us which you have taken do not assure me that this type of incident will not happen again. I am not quite satisfied because you are not giving us any assurances that these types of things are going to work.

How could you assure us by putting those measures in place? How can you qualify it? Are you making sure that you are telling the key people you have in place that these types of things that you have put in place will have to be followed? Are you retraining them or giving them extra instructions? Can you comment on this, Mr. Lovely?

**MR. LOVELY:** Thank you, Mr. Chairman. In the leave and termination liability, I can only say that we really do not have a lot of control over that area. It is a liability that we accrue on behalf of the entire government. We are not allowed to budget for it either. All I can tell you is that we are in a position where we can track it more effectively so that at year end, if we need to ask for more money, we can. But, we do not budget for the liability.

In other areas -- I should have probably given you more detail -- we have implemented some fairly major changes and training programs that have had quite an impact on our budget. In 1991-92, we implemented medical travel guidelines that were designed to cut back on the extremely high costs that we incur for medical travel which is for sending people from Iqaluit to Montreal, from Cambridge Bay to Yellowknife, and those kinds of things. This has meant that we have had to train our staff to be more demanding in terms of the expenses that they will approve. It has meant that we have had to travel to regional offices on an almost monthly basis to make sure that our staff have the skills that they need to deal with medical travel claims. At headquarters alone in 1991-92, as a result of the implementation of the new guidelines, and as a result of the training that we provided to our staff, we cut costs by over \$300,000. We are required to pay medical travel benefits so they are non-discretionary funds of a sort.

What we have done is implemented some controls so that we

at least limit the costs in those areas. We are paying only the most economical air fares. We are telling people they cannot have an overnight hotel when they can get back to their home community in the same day they receive the medical treatment, et cetera.

But there are some areas, Mr. Chairman, where we do not have a lot of choice. The collective agreement requires us to pay vacation travel benefits according to the system that is outlined in the collective agreement. We cannot really implement cost-saving measures in those areas because we would be violating our agreement with the unions and could be subject to arbitrations or court actions if we do not follow through.

Some of our budget can be controlled to a certain extent whereas other parts such as vacation travel assistance are almost entirely uncontrollable. The other difficulty we face, for example, with vacation travel assistance is that we never know how many people are going to take the benefit. Last year's experience, in terms of the number of people who went out on travel, is not a good indicator of the numbers that might go out next year. So it is very difficult for us to forecast.

The other area that has an impact on us is inflationary increases to air fares. We typically get a supplementary appropriation every year for air fare inflation which has an impact on us in removals, vacation travel assistance and medical travel assistance, as well as applicant travel.

Another major cost saving initiative that we will be implementing in 1992-93 to provide better control over our budget, is in the area of removals. The Auditor General's report indicated that more extensive controls were necessary in that area and that there were significant cost savings to be achieved by establishing controls. We have prepared a removal tariff that is patterned along the lines of the federal government's removal tariffs, that we expect to save from \$800,000 to a million dollars in 1992-93. That removal tariff establishes the rules for removals; it outlines how much money we will pay; and it imposes penalties if carriers do not abide by the rules.

So I am fairly confident that with the controls that we have established in those programs where we can achieve some savings, that we will be able to live within our budget for 1992-93. I think 1991-92 is a fairly good indicator. We have come in with a reasonable surplus this year and significantly cut back in those areas that were identified as problem areas.

**CHAIRMAN (Mr. Zoe):** Thank you. That is the next area that we are going to touch on, government travel. I notice that you have been speaking to some of the comments from the Auditor General. I just wanted to stick to the compliance issue here with regard to the overexpenditure of \$4.2 million. Later on we will move along to government travel. I know it relates to the overexpenditure. Any questions? Mr. Bernhardt.

**MR. BERNHARDT:** Mr. Lovely, your overexpenditure of \$4.2 million, is that part of staff training, like attending college or university?

**MR. LOVELY:** No, the majority of the overexpenditure was in the area of accrued liabilities for leave and termination, resignation, that sort of thing. The other areas of overexpenditure related to things like overexpenditure as a result of vacation travel assistance, non-discretionary benefits. We were also over in the staffing area.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** I was a civil servant for about 18 years. I never went out on the land. I was privileged to take my VTA

and go to Edmonton. Why is it that native people who are employed by the government have only a portion of their rates as opposed to non-natives; like you pay them the full value of their ticket and yet us natives are entitled to only so much for on the land travel? I worked long enough for the government yet I was kicked around and I do not want to see this happen to our native people again. Why is it that they are not being treated the same as non-native civil servants?

**CHAIRMAN (Mr. Zoe):** Mr. Lovely, I will let you answer once we get into the specific overall government travel. I would like to remind committee Members to try to stick to the general compliance issue of overexpenditure. Mr. Lovely, I will let you answer this one.

**MR. BERNHARDT:** Mr. Lovely, ultimate removal, it must be 99.9 per cent for people who served their 20 years and took all the money and ran down to the Okanagan Valley or southern Ontario or wherever. I do not think we can afford that kind of ultimate removal. It is too expensive for us now because we are too far in debt. We have to readdress this.

**CHAIRMAN (Mr. Zoe):** Mr. Lovely.

**MR. LOVELY:** Mr. Chairman, both the removal and the vacation travel benefits are ones that are provided for in the collective agreement; both the collective agreement with the NWTTA and the collective agreement with UNW. We do pay removal benefits for staff who move from the North to the South but those benefits are also paid to people who move around within the North. So if a person moved from Yellowknife to Cambridge Bay or vice versa, those people would also be eligible for removal. But we recognize the problem; the inequity in the vacation travel assistance benefit; the fact that we are spending incredibly large amounts of money on removal. As a result of that we have tabled proposals with the unions to make major changes for 1992-93. I can provide you with details of that perhaps when we get into the detailed questioning.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Just to try and wrap up this compliance issue. In the March 31, 1991 consolidated statements you have this contingent liabilities of \$15.852 million for employee leave and termination. Are you assuring us that with adjustments for the current year, that this is fairly close and that we will not have another three million dollar overexpenditure item in the next audit?

**CHAIRMAN (Mr. Zoe):** Mr. Lovely.

**MR. LOVELY:** Mr. Chairman, the liability for 1991-92 was decreased by \$18,000, and with restraint hitting us and person years being reduced and the fact that we are not expecting major increases in salaries for 1992-93, I am confident that we will be able to live within this appropriation.

**MR. KOE:** With all the DMs leaving it should make for further reductions.

--Laughter

Can you assure us that these types of overexpenditures will not occur in the magnitude that they occurred in this audit report?

**CHAIRMAN (Mr. Zoe):** Mr. Lovely.

**MR. LOVELY:** I can assure you that the controls are there to make sure that the money is expended effectively and efficiently. We will continue with the controls that we implemented in 1991-92. I am comfortable that we are going

## LEGISLATIVE ASSEMBLY OF THE NORTHWEST TERRITORIES

### STANDING COMMITTEE ON PUBLIC ACCOUNTS

#### YELLOWKNIFE, NORTHWEST TERRITORIES

JUNE 1 - 2, 1992

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growth year as we have been in the past, unless we either dramatically reduce the service or do something of that kind, it is pretty tough to control some of those expenditures. So that is why we are trying to get a very clear handle on the tariff of fees and have some clear definitions as to what is covered and what is not, so that if we are coming back to the Legislative Assembly reporting on what legal aid is costing, we can better describe why it is costing that; and if it is a case for more resources, we can make that case. Or if it is a case to change what is covered and what is not and make some hard choices there in tight financial times, we will have the information to help assure people of what the information is and what the decisions ought to be.

**CHAIRMAN (Mr. Zoe):** Thank you. Any further questions?

**MR. BICKERT:** In short, we will be better off a year from now than we are now.

**CHAIRMAN (Mr. Zoe):** Okay, if there are not any further questions from the committee, I would like to thank Geoff Bickert, the deputy minister of Justice, and Louise Dundas Matthew for appearing before our committee. We will reconvene at 1:30. This concludes all our witnesses to deal with this report, and we will go in camera at 1:30.

--ADJOURNMENT

to come close in 1992-93. If we are going to have any kind of deficit we are going to be in a position to predict it and request supplementary appropriations where we need them. In some areas that is going to be pretty difficult to avoid because of the non-discretionary aspect of the expenditures. But I am confident that we will come in within budget in 1992-93.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** I guess we should ask the Auditor General's staff if they are satisfied with what they are hearing.

**CHAIRMAN (Mr. Zoe):** Mr. Simpson or Mr. Shier.

**MR. SIMPSON:** Actually, what I have heard this evening, Mr. Chairman, makes me feel quite good; that the department has taken some positive steps to improve on deficiencies that have been observed. Mr. Lovely mentioned a specific saving of \$1.5 million as a result of tidying up those controls. I think in that context he should be commended.

In terms of whether or not what we have heard tonight will give us enough audit satisfaction that overexpenditures will not occur in the future, I do not think Mr. Lovely could give that because of the fact that the employee leave and termination benefits is a function of employees in other departments, that he says he does not have control over.

Perhaps one question, Mr. Chairman, might be: Is there any requirement for employees of this government to take their annual leave entitlement? How much can they carry forward into the future? Because contingent liabilities for unpaid vacation time can rise to a very significant amount if there are not controls to make sure that people do not take their leave.

Just to give you an example. In our own office a couple of years ago we introduced a rule which said you cannot carry forward from one year to the next more than one year's annual leave entitlement, which for most people is three weeks. So at the end of any particular fiscal year it is very easy then to calculate what the maximum exposure might be in terms of a financial liability to pay for that unused leave. And perhaps Mr. Lovely could comment as to whether or not that sort of initiative is in place here or might be considered to be put into place here to minimize future risks.

**CHAIRMAN (Mr. Zoe):** Mr. Lovely.

**MR. LOVELY:** Mr. Chairman, the government has a similar role that prohibits an employee from carrying over any more than one year's accrued leave credits. So we are limited in our liability.

**CHAIRMAN (Mr. Zoe):** Mr. Simpson.

**MR. SIMPSON:** As the liability for unpaid leave is limited, I guess the next step is whether or not the department can institute a reporting mechanism through the other departments back to Mr. Lovely's department, in terms of their estimates on a departmental basis throughout the year, so that there are no surprises at the end of the year. It seems to me this is a question of information flow more than anything else, in order to value and predict what the year end situation might be. Is that possible?

**CHAIRMAN (Mr. Zoe):** Mr. Lovely.

**MR. LOVELY:** Mr. Chairman, I mentioned the computerized leave and attendance system that we implemented in 1991-92. That system is being used by all government departments and we can get monthly printouts of the leave credits that are outstanding at any point in time. So I am pretty confident that

we will be able to forecast much more effectively than we have in the past.

**CHAIRMAN (Mr. Zoe):** Mr. Simpson.

**MR. SIMPSON:** Given what I have heard here it would seem to me that the likelihood of large overexpenditures will be significantly reduced in the future. But if I am hearing correctly, because of other factors perhaps outside the direct control of the department, there is the possibility that there will be overexpenditures in other areas, but because of the early warning systems that the department has now built in, they hope to be able to anticipate these and if necessary, go to the Legislative Assembly for a supplementary estimate.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** Mr. Chairman, regarding leave. I know when I used to work for the government I used to cheat a lot.

--Laughter

I could say that. But unexcused leave by employees is quite a bit in small communities and yet the government seems to let it go. Like unexcused leave, like hangovers or still being drunk. Because I know this is still happening right across the Territories and yet you are still enforcing the employees to drink and miss work and it is not marked on their attendance sheets. Could the government really start looking into this? Because we are throwing away money that we really did not earn for that day. I know it for a fact because I see it in my region. This is where some of that money could be recovered. Do not pay them when they do not go to work; unexcused attendance or having a hangover or just being lazy because you played bingo or something and decided to sleep in and take advantage of the system. I think that is where we have to start looking. We will see who is committed to working for the government, because this has been going on for too many years.

I did that a lot. I did that for about 15 years. That is something your department should really push for, especially at the area service officers position. Look at the attendance record and see if somebody is ripping off our government and I am sure you are going to find out that attendance is going to be a lot better. But this government better start looking at the guys who misuse being a government employee. There are a lot of people unemployed who would be just as competent working in there. But because they like to lie, they get away with it. I do not like it any more.

**CHAIRMAN (Mr. Zoe):** Mr. Lovely.

**MR. LOVELY:** Mr. Chairman, my experience is that it really varies from one location to the next and depending on who the manager is who is monitoring the persons leave and dealing with disciplinary issues, in some places it is fairly tight and in other places it is not as tight as it could be. I know that in my discussions with my colleague, the comptroller general, one of the biggest complaints that he has is the volume of requests he receives for leave without pay, for money that he has to recover from employees pay cheques because they are not at work on time or they are not at work at all. It causes a great deal of work for him to have to go back and recover all this money.

To a certain extent that is a negative thing when it comes to the systems but it also says there are some controls there to make sure that when people do not come to work they do not get paid for it. So in some ways it is being handled and in other areas, I agree with you, we do need to tighten our controls.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** It is not hard to have a punch clock. We do that at the hamlet council in Coppermine. You go into work and punch the clock. If you are not there you do not get paid. That is easy. We should be doing that with the government. I do not know how it is going to work around Yellowknife because it is going to be a long lineup, but in small communities it would work. If you want to phone Coppermine or Cambridge, you will be sure then to have somebody answering the phone at 8:30.

#### Government Travel

**CHAIRMAN (Mr. Zoe):** I think we have covered chapter two, compliance issues. We will carry on to chapter four, government travel. I think the first item is duty travel. Mr. Simpson, could you give us a briefing on this?

**MR. SIMPSON:** Thank you, Mr. Chairman. In chapter four on travel there are four topical areas that we refer to Mr. Lovely's department. Duty travel on pages 12 and 13 where we raise the question of all the policies of the government being spread between two manuals and two collective agreements.

The second issue in the travel chapter is on interview trips which is on page 20 of the text. In particular, we raise the question of whether or not the department could introduce video interviewing techniques as a possible way of saving money.

The third issue is employee benefit travel which we have already had some discussion about in our report on pages 21 through 23.

The final section is on relocation costs on page 23 -- on which Mr. Lovely has already made some reference to those sections. Each of the issues of travel and control of travel, and management of travel throughout the government, have some bearing on the Department of Personnel.

**CHAIRMAN (Mr. Zoe):** Thank you. Do you wish to respond to those four areas which have been addressed in the Auditor General's report?

**MR. LOVELY:** Thank you, Mr. Chairman. The observation that the duty travel area is one which is regulated by a number of different documents is very accurate. We have regulations in the collective agreement; we have regulations in the personnel manual, and we also have regulations in the financial administration manual.

#### Duty Travel Directive

We recognize the need to develop some stronger controls over duty travel last year just because of the confusion that was being generated by these varying sources. A working committee was established consisting of representatives from Personnel and Finance as well as Government Services last year. They actually developed a draft duty travel regulation for consideration by the deputy ministers who were involved. We were not totally happy with that directive so we did some more research. As a result of that, we have found some regulations that are working well in other locations such as in Alberta and Saskatchewan, for example. We brought this working committee together and directed them to finalize a new duty travel guideline that would result in increased controls by the middle of August, 1992. The guideline or regulation will provide more detail and will eliminate a lot of the ambiguity in much of what we currently have so that there will be no doubt in anybody's mind as to what they can claim, who has to approve it and what is expected of the person

when they return from the trip.

As it stands now, there is a lot of leeway. I am confident that when this directive is implemented, it will be the overall guide to duty travel. While it may not solve all our problems, it will be clear when we have problems that employees are well aware of the rules and that we expect them to follow them.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** That, then, confirms what the comptroller general and the deputy minister of Finance have been telling us. We finally have a date pinpointed. I think that is good.

One of the areas of concern to all of us as MLAs because we have been getting letters from our constituents is the upcoming union negotiations. One of the problems with projecting these costs is that duty travel, leave travel and other provisions are included in the collective agreement. I do not want to tell you how to negotiate, but are you trying to negotiate these provisions out of the current agreement?

**CHAIRMAN (Mr. Zoe):** Mr. Lovely.

**MR. LOVELY:** We are trying to negotiate some of them out of the collective agreements. For others, we are trying to introduce some provisions that will cut our costs.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** I think that would be good. I am not saying you should take it away from employees, but I think it would save the government a hell of a lot of money in printing costs because a third of the union agreement is pertained to leave and travel which should be administrative issues. I am sure your printing costs would be greatly reduced.

**CHAIRMAN (Mr. Zoe):** Mr. Simpson, do you have any comments?

**MR. SIMPSON:** Mr. Chairman, I am not sure that the committee has been told, and I am not sure that we know as auditors, why those travel related issues were first put into the union agreements. Perhaps Mr. Lovely could comment on that.

**CHAIRMAN (Mr. Zoe):** Mr. Lovely.

**MR. LOVELY:** Mr. Chairman, I have to rely on memory that goes back many, many years because this have been in the collective agreement for a long time. At one time, the philosophy of the negotiators was that it really did not do any harm to put it in the collective agreements. I do not think they recognized at the time that once it goes into the collective agreement that you almost need dynamite to get it out. Every year that you negotiate, there is pressure to increase whatever benefits are in the agreement. I think that if the negotiators that had done it were still with us, they would recognize the error of their ways. No doubt about it.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Bernhardt.

#### Vacation Travel

**MR. BERNHARDT:** Mr. Lovely, do you think the unions would be willing to cut back to one trip out a year? It would not affect us natives, but maybe the other bunch might bark.

**CHAIRMAN (Mr. Zoe):** Mr. Lovely.

**MR. LOVELY:** Mr. Chairman, we have tabled a proposal with the union and, by now, it has been circulated to almost everyone in the known world. That proposal tries to

need to even keep up with the work that is there now, again I would say the Auditor General's comments are well taken. If we are going to do it properly, there has to be that follow-up. Follow-up takes time and effort so then that has to be factored in as to making it meaningful.

Beyond that, the only other comment I would make is that the executive director who was there for a long time has gone elsewhere and we are in the process of recruiting a new executive director. We have one person on an acting basis now and he has assessed the scene on a very short-term basis and realized there are some problems in terms of the amount of information collected by the legal aid applications and his ability to assess whether it is accurate or not and to follow-up on an ongoing basis with, for instance the lawyers, to say, "Has your clients financial situation changed since the initial application, is there some update?" In other words if they were completely out of work and had no prospects at the time they first applied and no contribution was assessed, is that still the case or have they come into some money. That kind of follow-up and reassessment is something that he is saying right now they do not have the resources to do and wishes that they would have. I think that is part of the process. Management information systems, sufficient clerical support and follow-up.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** There are systems in place, obviously there is interdepartmental consultation and you used to have, not so much today, native courtworkers systems in each region that would do a lot of this preliminary assessment and you also have social service workers in just about every community that would have some idea of the individuals wealth or stature.

**CHAIRMAN (Mr. Zoe):** Mr. Arngna'naaq.

**MR. ARNGNA'NAAQ:** From what we have heard from the Auditor General and the comments you are making, it appears that a lot of problems legal aid runs into is the way the system has been working. And I think you partially answered the question of how the communication system is being improved. Could you elaborate on that a little more, how this executive director is trying to improve the system by doing some follow-ups. Is that the only way you are working on improving the system?

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** The Canadian Centre for Justice Statistics tries to collect data from across the country on legal aid and we are providing them with some of the basic information they require so that helps us in some respects and in some respects which are even shown in the Auditor General's report where they are able to compare in a general way, some of the costs of legal aid in the NWT versus elsewhere. So at a very rough level that gives us some useful information to see how we are doing in comparison to costs elsewhere and then to try and factor in the differences between here and elsewhere in terms of travel costs and distances and so forth. So that is important.

Then there are statistics being gathered at home of a more detailed nature which has not been done in the past and which will require, we believe, some computer systems which are not in place now. There has in the past been some federal funding available for this that has not been accessed, which we want to pursue to see if there are some computer systems that will provide additional information there. If it is not accessible through the federal government maybe we can do some of these things ourselves.

We are also finding that the very basic computer programs

that they are using in the legal aid office now are overloaded and inputting the data is taking a lot of time and it is not helping them much, in a management sense, to provide current information. That is partly the problem of the systems that they have in place and that they are overloaded and that they are not the state of the art by any means. It is also partly the result of being overwhelmed with a large influx of files, and perhaps not the best method of handling those files to minimize duplication of effort, so they always seem to be behind the eight ball in terms of getting the stuff gone through, loaded into a computer, as an example, and providing the assistance to them.

Not a lot of that has been resolved yet. That is part of the agenda as a result of the reports that are before us. Some of the things are being done manually through our own efforts. As an example, we are now in a better position to know the outstanding commitments for legal work done at the end of a fiscal year so we can set aside sufficient money for that, and to record them in that fiscal year. So those things have come along in the last year, but much work needs to be done in terms of that kind of statistics gathering. As well, the acting executive director and ultimately his replacement will want to do some very careful internal management studies about the paper flow, which paper is important and which is not, I think factoring in the suggestions from the Auditor General about the cost benefit of contribution agreements -- all of those things are not yet resolved. We have taken on so much information and suggestions from both the Strength at Two Levels report and the task force report and now the Auditor General's report that we want to make sure we sort that out and do not go off in a new direction, finding out later that it is the wrong direction. There is a bit of work yet to be done.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arngna'naaq.

#### Time Frame For Improving Justice System

**MR. ARNGNA'NAAQ:** One quick question on what you are saying here. You are trying to improve the system. How long do you expect before you can say that it is improved to the level that we would like to see it improved, with the Strength at Two Levels and the task force and then the Auditor General's report? Do you have any time frame in mind?

**MR. BICKERT:** Yes, I have a time frame in mind, but whether we will achieve it -- I am a little cautious, I suppose, about predicting the time frame. I think some of the factors that go into it are clear decisions by the board with respect to staffing positions, as an example. We think that that will reduce some of the cost and some of the inefficiencies that may be inherent in having a large group of privately retained lawyers handling the work. If we have a smaller group of in-house people, maybe the communication systems internally will be easier and there will be some efficiencies there.

We are also having to restaff the clinics in both the Keewatin and the Mackenzie Delta/Beaufort Region; so there is some work there, and there are some obligations on the new people in place to make sure that they are reporting on a clear and accurate basis what is going on in those regions. So part of it is people-related in terms of getting in place the right people to do the job, with the right skills; and part of it is systems-related in terms of having both the staff resources and the technical support. I would say in a year from now we will have a lot better information as to what the system is costing and in what areas, and we will have new people in place, both at the executive director level here in Yellowknife and in at least two clinics and probably a third, being the Kitikmeot. That may help us in terms of solving some of those problems.

One very large issue we have to crunch is the inability to control the influx of cases. So if we are hit with another big

than what he responded to your questions. If you are going to get into a specific case, then I think there are different avenues that you can pursue rather than in this forum. Mr. Bickert has basically answered the question in regard to the conduct of -- we know there are discretionary powers that the executive director exercises. It is not for us; it is the Department of Justice. They control the program, and the executive sets various policies as to how certain people will work; and the current policy is that he has a lot of discretion. That is my understanding. And that whole area is being reviewed at this time and will be reviewed over the next little while. We know that. That is what we have.

Now, I think you are dissatisfied with the conduct of an individual, and I think your question has been answered.

**MS. MIKE:** No, it is not on a certain individual. I am talking about the executive director having such a huge discretion that he can use.

**CHAIRMAN (Mr. Zoe):** But there is a process. If the client does not like it, then he can appeal to the board.

**MS. MIKE:** That is fine and dandy, but it is not being used like that. That is what I am trying to say. There are certain protocols that he did respond to Mr. Koe's concern, but in a lot of the cases it is not handled like that. That is what I am trying to say. How can we prevent that?

**CHAIRMAN (Mr. Zoe):** Mr. Bickert. I will let this one go.

**MR. BICKERT:** If I can take one more attempt at this. It may be of some help, in answer to your question, that the whole area of which matters are covered by legal aid is one of the subjects that is being reviewed right now in the gender equality study undertaken by Katherine Peterson, who is a special advisor to the Minister of Justice. In my response to what I thought, initially, to what I thought was a specific case you were raising, obviously I have concerns about specific allegations. But in answer to your general concern about exercise of discretion and policies for eligibility and ensuring that those are applied fairly, I agree that any policies that are applied by an executive director where there is some room for discretion, the public is entitled to know that they are exercised fairly, and there has to be some way of scrutinizing that. In other words, it has to be more than just someone telling you, "Well, they are exercised fairly, so go away." There has to be some way of scrutinizing that.

So I agree with Ms. Mike that it is important to have policies in place which can be scrutinized objectively to determine whether they are applied fairly. We all know about, in terms of, say, discrimination, there are things such as systemic discrimination, where no one is doing anything bad, but the way that the system is set up and with the policies that are in place, people are not being treated fairly.

I am not saying that that is the case in legal aid, but I think her point is well taken that in a general way you have to have policies that avoid systemic discrimination. I think that is one of the aspects that the gender equality review is looking at. Is there a fair balance in terms of public support for those in need of legal assistance, between, say, those who are charged with criminal offences on the one hand versus, say, those who are in landlord-tenant disputes or seeking custody of their children or trying to get some protection from an abusive spouse. Those are valid questions in the Northwest Territories and everywhere. We hope to get some advice from the gender equality report on those kinds of issues. So if that is of any help in the sense that if we get something from that that we can convert into policy so that discretion is exercised fairly, we would certainly hope to do that.

**MS. MIKE:** Yes, that is a lot better. Because the impression I got when you gave Mr. Koe your response to his concern was lip service and I do not appreciate that, but this one I am satisfied with.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** A concern on assessing eligibility and then assessing amount of contribution is that we are all aware how the system works and you explained it before. The charter comes in with the court system, a lawyer, and then there is a court docket with a whole range of cases. The lawyer then usually gets his first opportunity to see the defendant or whoever has been prosecuted for the first time. So there is no process of really determining eligibility, no time. If you have 30 people lined up and the court is there for a day and a half. So I assume you are looking at this and what you have said, you have mentioned that and I am concerned about that. It is a statement of fact.

Now giving what you have heard today from the committee, the recommendations from the Auditor General on page 10, will you be in a position or will you change your management responses to those recommendations, given the statements and concerns by committee Members. Again, following Becky's comments, we want more action or some confirmation that you are doing something and not paying lip service, as she puts it.

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** Thank you, Mr. Chairman. I hope we do more than pay lip service to it. It is a big program and it is important and it is expensive.

In terms of Mr. Koe's comments about determining eligibility and the time frames of the scenario of a criminal court case or court circuit, that is difficult at the best of times. Years ago I did some legal aid work when I was in private practice in Alberta and go down to the city jail every morning to see all the people in the lock up and you would interview 20 or 30 people before court at 9:30 and you had standardized forms to try and pick out the financial criteria of those people and you were pretty well left with the assertions they made as to whether they had money or did not have money. That is tough and the services provided were provided on the spot that morning.

I think the comments that the Auditor General makes in terms of contributions is suggesting that we do some follow-up in terms of the ascertains made by clients as to whether they have money or do not have money or have ability to pay or whatever. I think those are fair comments and they are directly related to the whole idea of contributions. In other words if you are going to take the trouble to take contributions, if it is going to be meaningful you have to do some follow-up.

We agree with that and I had hoped that our management response was pointing that out, but if it is not, I mean we are trying to be responsive to that recommendation in the sense that yes, it is important for us to assess the cost benefits for contribution agreements at all, and secondly if it is determined to make an assessment for a contribution, yes we agree that it is important to verify the information in the application.

The ability to do that, of course, is not easy in the North in the vast territory that is covered, to check on someone's resources. If they say that they have so much income coming in from trapping or from fishing or from whatever, we do not have access to Revenue Canada information, that may not tell us. If it is a government job we could get waivers to get that kind of information. But given the amount of staff resources

accomplish a number of things. First of all, it tries to limit the costs by requiring employees to take excursion air fares. What we have implemented -- or would implement if we were able to get an agreement -- is that the money we would pay would be based on excursion air fares which would save us well over a million dollars a year if we are able to do this. The second thing that it does is deal with the issue you, Mr. Bernhardt, have identified regarding people who go out on the land receiving less of a benefit than the people who travel by air to southern Canada. The proposal that we have tabled would equalize the benefit so that whether you go out on the land or whether you travel south you would get a flat rate which would be based on excursion air fares. Even with this proposal, we still save over one million dollars. It is unlikely that the union would volunteer up one of their trips.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** Instead of making Edmonton your destination, why not have Yellowknife as your destination. You have everything here in Yellowknife, malls, beaches, theatres. Then you will get a lot of business with those airlines, NWT Air, Air Canada, Buffalo Airways. You will make a mint.

**CHAIRMAN (Mr. Zoe):** Mr. Lovely.

**MR. LOVELY:** Mr. Chairman, I think it is a good comment, because it is something that we have been considering in our negotiations. The intention when we are negotiating the collective agreement is to negotiate an agreement for a northern work force. In other words, aimed at people who live in the NWT, who come from the NWT and who want to stay in the NWT. We have told both unions that we want the benefits to be of maximum benefit to Northerners.

So one of the things we are doing with the VTA is trying to get it so that it equalizes the benefit when you travel on the land, and we are moving in the direction of using a northern point as the point of departure and we are trying to negotiate with the union to take ultimate removal out of the collective agreement so we do not pay people to go away. We might pay people to come to work with us, but we really have a hard time paying people to leave.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Gargan.

**MR. GARGAN:** Mr. Chairman, could you provide me with a copy of the differences in some of the benefits, and Ernie referred to the one with regard to out on the land as opposed to a southern person going down to Edmonton. You do have isolation allowance, people in the community do not get it; I think everyone gets living allowance, but I wanted to maybe look at the differences between permanent residents -- aboriginal people who will live up here and die up here -- and the benefits of people being attracted up here. I want to know what the benefits are. It just makes it a lot easier to write to those people who did write to me, if I was able to refer to those differences.

**CHAIRMAN (Mr. Zoe):** Mr. Lovely.

**MR. LOVELY:** We could provide the breakdown, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** Mr. Chairman, would it be possible for the government to look at government staff houses in isolation off the highway. Make the employees buy their own furniture instead of giving them furnished homes. Because The Bay and the coop, the stores up North have become quite modern and carry couches and chairs and dryers and everything. But

why is our government putting in these kinds of luxuries and the cost of maintenance. Let the employees pay for their own maintenance. If their dryer goes haywire and overheats, let them have that responsibility. And the same thing with furniture. Get out of the business because \$19 a month, you are better off buying your own and you take more pride in maintaining your home.

**CHAIRMAN (Mr. Zoe):** Agreed. Mr. Lovely.

**MR. LOVELY:** Mr. Chairman, we have no money in our capital budget for furniture. So any staff housing units that are leased or built are now provided without furniture.

**CHAIRMAN (Mr. Zoe):** In regard to the interviews, one of the items in the Auditor General's observation is the interview trips. If I recollect, he mentioned something about the technology we have in regard to telephone interviewing. When you are going out interviewing and bringing people in, how much of that do we do? How much money do we spend on this?

#### Cost Of Interview Travel

**MR. LOVELY:** Mr. Chairman, I have a fairly detailed breakdown that shows the vote 1 costs for staff travel related to recruitment, applicant travel in the North and applicant travel in the South. For 1990-91 we spent about \$830,000 on interview travel for employees. In 1991-92 that was reduced to about \$84,000. For a savings of about \$745,000. Applicant travel in the North, we spent about \$340,000 in 1990-91 and for 1991-92 we are down to \$84,000. We saved about a quarter of a million dollars in that area. For applicant travel in the South we spent about \$460,000 in 1990-91 and we are down to \$246,000 in 1991-92. We saved about \$216,000 there.

We were aided in that by the 90-day hiring freeze. But in spite of the fact there was a 90 day hiring freeze, these figures show that we could not have realized these savings over the course of just 90 days. It was restraint over the course of the whole year that brought us in at these levels.

**CHAIRMAN (Mr. Zoe):** That is a lot of savings, but in the report the Auditor General mentioned something about the interviewing techniques that they have in the South and I think your department responded by saying, "Sorry we are not interested" -- video interviewing. Did your department seriously investigate this option to see if we could use something like that up here instead of people flying in and out.

**MR. LOVELY:** Yes, Mr. Chairman, we looked into it in a bit of detail because we were as concerned about the costs as the Auditor General and of course the arrangements that we would make for video interviews in the NWT of people from other locations would be through CBC and for live two-way interviews. It is fairly expensive. A 45-minute interview through that mode is worth about \$2400. That is costed out about \$400 for each 15 minutes. When we took a look at the equipment that would be available, it would be available from CBC, but because of the fact that they are using the equipment most of the time, we would only be able to book it in the early morning or the evening. There is a convenience factor as well as the cost. We thought it was a good suggestion. It was a matter of whether it made good economical sense to us. When we did that and compared it to changing our procedures so that we limited the numbers of interviews that we did more telephone interviews and brought in only one or two final candidates to the interviews, we found we could save more money that way. We could get good savings that way and still have communication with the applicants. As a result, we came up with fairly significant

savings.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** Mr. Chairman, is this on interviewing? Mr. Lovely, we have colleges in Iqaluit and Fort Smith. We have a teachers program at both campuses. Yet, when we hire new teachers, we sent our board of education to Edmonton, Winnipeg, Toronto, et cetera. The chairman of the board, the superintendent and the supervisor of schools go. Yet, they bypass both colleges. Is your department, along with the Department of Education, not committed to hiring north first? This would save us a hell of a lot of money. Last year, there was an Inuvialuit, like myself, who is a graduate of the University of Saskatchewan, and yet, Mr. Lovely, he was not even considered for an interview by the Kitikmeot Board of Education for a job in Coppermine. That really burnt my ass. That is not fair. Yet, we talk about affirmative action. We talk about looking after our own people. He was so disappointed that he gave up. He was qualified; he has a Bachelor of Education degree. He made the effort to go to university, but the system denied him the right to teach in Coppermine. They never even sent him a letter of acknowledgement saying they received his resume. These things have to be looked at. I was going to bring this matter up in the Assembly, but I was waiting for the right time. Maybe this is the right time and place. Look after our own native people first. They should be qualified when they go to universities and come home with a degree. They should be the ones to be considered first. Look at both campuses, please, before you hire down south.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Lovely, any comments?

**MR. LOVELY:** I am not familiar with that situation, Mr. Chairman, but I agree that it is really important for us to be hiring from the North whenever we possibly can especially when we put money into training programs through Arctic College and increase peoples' expectations of being able to get a job. I will look into that and find out what happened. I will make sure the rules are followed which state that we do consider our northern candidates first, especially native candidates, because the rules on that which are provided to the boards for recruitment do specify that.

**MR. BERNHARDT:** He was afraid and did not know who he could talk to. Ever since I became elected and went to school with him, he thought he could use me but I did not want to mention it right away.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

#### Relocation Costs

**MR. KOE:** One last item which we have not touched on; that is, relocation costs and the seemingly apparent free reign that moving companies have when it comes to relocation costs. I think the policy is if there is a company in the community or region, they are given first chance on any relocation. If there are two companies, the business is split. There is no tendering and no rules to the game. In the union agreement, there are certain limits; \$15,000 if you are married, et cetera. Have you made any proposed changes to the process for controlling relocation costs?

**CHAIRMAN (Mr. Zoe):** Mr. Lovely.

**MR. LOVELY:** Thank you, Mr. Chairman. We have made some major changes because the problem we are encountering with the existing system is that moving companies can provide an estimate of almost any kind and they are really not held to account when they come in either

above or below that estimate. The rules are not particularly clear. Because the moves are rotated among the existing moving companies, there is no danger that they will be denied business if they do not come in within their estimates.

The changes we made are to implement are not in effect yet, but will be in effect approximately June 1. They involve the establishment of what we call a removal tariff which includes detailed rules and regulations that will regulate how we do business for removals. The government will establish the rate that it is prepared to pay, and it will deal directly with the moving companies to let them know we are prepared to do business with them according to the rules that we have established, and according to the rates that we think are fair. If they are prepared to do business on that basis and live by the rules, then we will establish standing offer agreements and continue to provide each mover with a fair share of the business. We have patterned our tariff along the lines of the one that is used by the federal government which the movers in the Northwest Territories are familiar with. It works quite well for them. They reduce their removal costs by about 40 per cent through the implementation of this tariff. We do not expect a reduction of the same magnitude because not all of our moves are done on the highway system and that is where the majority of their savings were. We should come in at at least 20 per cent which would save us about one million dollars a year.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Koe.

**MR. KOE:** I appreciate you being here, and I commend you on the action you have taken. I am pretty satisfied that the concerns raised in this report have been dealt with. I would like to report progress.

**CHAIRMAN (Mr. Zoe):** Mr. Pudluk.

**MR. PUDLUK:** Thank you, Mr. Chairman. I have a comment about relocation. There are a lot of people in the communities who have families. For example, people in Resolute Bay have families and schooling goes up to only grade eight. They do not want to send their kids out. They have to relocate their children to another community where the grade number is higher. There are a lot of people in the communities working for the government who should have that opportunity that others have. Just a comment. Thank you.

**CHAIRMAN (Mr. Zoe):** Further comments with regard to government travel? None. I would like to thank Mr. Lovely and his staff for appearing before our committee.

Before the committee runs away, I wonder if we can do a little recap. Thank you for appearing before us.

---ADJOURNMENT

discuss them. It would not be appropriate for me to do that without that permission, since it is a confidential matter for the client. But I am familiar with those facts and with your ruling I would prefer not to discuss them here.

**MS. MIKE:** From what she tells me it seems that the executive director does use his own discretion quite a bit. Whether it might be fair or not fair. Is there a policy that says the executive director does have a lot of discretion in handling applications for legal aid?

**CHAIRMAN (Mr. Zoe):** I think the deputy minister has basically answered that question. That is an observation that the Auditor General made too that there is a lot of discretion at the director level. My understanding from the comments that the deputy minister has made is that that whole area is in review at this point in time with the task force report that has been done and also through the Beatty report where they are going to look at the overall structure and also with the board sitting and so forth.

**MR. BICKERT:** I think the point that Ms. Mike makes is important and I do not just sort of want to leave it off to the side. I think I can help here without discussing a particular case. The answer in short is that there is a lot of discretion there. I am not sure it is discretion that we would necessarily want to take away and just have forms and little boxes where people fit into or fall out of, so it may be that the system will require a fair amount of discretion.

Maybe I can just discuss a little bit about how that discretion is exercised in family law cases generally. I am not talking about a specific one. In a criminal case it may be easier to assess whether a person is likely to go to jail or lose their employment if they do not have representation. So perhaps the exercise of discretion is less there. In some family law cases, the executive director seeks an opinion from a lawyer who has seen a client and says, "Is the application that the client wants reasonable and something that has some prospect of success or are they asking for something that is not going to go anywhere in the court room?" So that is the first thing that is asked. And assuming there is some prospect of getting the result that the client is asking legal aid for, then the next step will happen and the lawyer will be funded for a number of proceedings.

As you go along that is important to reassess and see what the rulings are from the court, what kind of reaction you are getting from the lawyer for the other side and go from there. Then there are issues involving how much money should be spent in a case. For instance is it a case where you have to bring in expert witnesses from down south or do we need to make all kinds of very complex legal arguments in court that will take a lot of time and cost a lot of money or it may be a question where the judge at the first level rejects the case and the question is this one where we should appeal it and try to go to the next level of court or the court after that.

At each of those stages it is important to assess the value of the case in the sense of whether it is likely to be successful or not and then decide whether it meets the criteria. So there will be a fair amount of discretion there.

At each stage of the way where legal aid is either granted or refused, the client has the right of appeal to the Legal Services Board. That does not cost anything, they do not have to file any fancy document. Basically they just give a note to the director saying, "I do not like your decision. I want to go to the board." They meet with the board, they can say whatever they think is important for the board to know about and the board can assess.

**MS. MIKE:** Mr. Chairman, if your ex-spouse has friends on

that board then a woman is disadvantaged. Personally I have gone through a divorce and at once point my lawyer dropped me for no reason. So I was without a lawyer for about two years, until I found a black lawyer and I was happy with him. As a native woman -- without any explanation my lawyer dropped me and just wrote me a letter and said, "I will not be representing your case any longer." No explanations whatsoever.

Now this particular case I am speaking about, it is kind of emotional for me to talk about it because I know what it is, as a woman. Her ex has contacts within the justice system and this is what I am talking about. How much can the executive director -- to me, when he used his discretion he used it a little too far, to the man's advantage. I may not be aware of the case very well, but this is what I am talking about. Should we have an executive director who uses an awful lot of discretion? Or will this be eliminated totally and have policies set in place so that things like this do not happen?

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** Mr. Chairman, I understand the frustration that is being expressed here, but I think you will also appreciate the difficulty I am in. I am hearing an assertion on one side of a case. I know both sides of the case. I have a different view of the appropriateness of the action taken by the executive director, and that the board -- and I have to reject that characterization of it. I absolutely reject it, but it is impossible for us to do it at this table, as Ms. Mike knows. So there is nothing I can say here...

**MS. MIKE:** But my question arising from this is legitimate. Will the executive director be allowed to have, or practise, or use such a huge discretion, or are we going to set policies?

**CHAIRMAN (Mr. Zoe):** I think it has been answered earlier on, where the review -- I think Mr. Bickert answered that on a number of times. And we also have in place an appeal board that clients can go to. Just before Mr. Bickert said that we are going to review that whole area, but rather than having set policies where people either fit in the tool box or do not fit in, the executive director should have some sort of discretion. That was my understanding. I do not know if you picked that up.

**MS. MIKE:** Yes, I did pick it up. But so long as your ex is not in close contact with that person, yes, that is fine. You are an unlucky lady if you are going through civil matters and your spouse is friends with a certain person within either the legal aid board or with the executive director. That is why I am asking about the policy set.

**MR. BICKERT:** Thank you, Mr. Chairman. In my view there is no policy which will address the allegation being made here. It is important, it seems to me, that if there are allegations of inappropriate conduct by public officials -- it is important that if allegations are going to be made that are made in a public forum about public officials, I think there is a duty of fairness to have those made in the appropriate way. I am not in a position to address here one side of a story, an allegation that a discretion has been exercised inappropriately because there are friends, or because a person is a woman. Those are things I cannot address here, and there is nothing I can do here. But I think there is an obligation on those who make such allegations to pursue them.

**MS. MIKE:** No. My question was to get your response about policies. This has to be looked into further. Should there be policies or not? He did respond, but...

**CHAIRMAN (Mr. Zoe):** Ms. Mike, I think he did respond; and I do not know if he can put his statement in any other context

**MR. BICKERT:** I have to accept Mr. Koe's characterization of it as "unacceptable", yes, I agree it is. The only point I would make, not in defence, but just to make sure it is clear to anyone is that the annual reports were prepared by the Legal Services Board, by the executive director and they were sent to the Minister, although I cannot say so. Certainly the department had them and they were available to the members of the public who asked for them and they were in circulation. But the formal step of tabling them in the Assembly did not take place and that was unacceptable.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** If that is the case, I sure would not mind having proof that the Minister had them in his hands and he did not table them. I would raise other concerns of a political nature.

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** We are talking about the years 1987-88 to 1989-90 and I do not want to cast dispersions or to suggest whether they were or were not, all I can say is that the obligation is to go up through the system from the executive director and ultimately into the Assembly and that was not done and that was unacceptable and that has been noted. The current report has been tabled.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** I am sure you are aware that one of this committee's responsibilities and other committees who were involved as MLAs, we have been pushing very aggressively the responsibilities and accountability of senior managers in this government. In this case, where the act says a report is to be tabled, and if it was not done, was the individual responsible reprimanded or disciplined in any way? Was this oversight reflected on the individuals performance appraisal?

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** I think because there was an oversight and it was not noted, obviously it was not brought up in any performance appraisal. The fact that the formal step of tabling had not taken place, was brought to our attention by the Auditor General and we thank them for that and that is why we have remedied it. The period in question, 1987-88 to now is the period in which I have been the deputy minister of Justice and I think the fact that I am here before this public accounts committee underscores that in terms of accountability, as the senior level of the civil service in the Department of Justice, I am the one responsible for that. So if it is unacceptable, it is unacceptable that I did not get it done. So in terms of other people within the system, no, no one else has been reprimanded. I take that responsibility from the independent board coming to me and not getting into the Assembly.

**CHAIRMAN (Mr. Zoe):** Ms. Mike.

#### Executive Director's Discretion Approving Legal Aid

**MS. MIKE:** Thank you, Mr. Chairman. Who is eligible to receive legal aid? The response you made to Mr. Koe on the assessment is not how I perceive that the legal aid business has been carried out. I have one particular case in mind, because it seems that the executive director used an awful lot of his own discretion on who is and who is not eligible for legal aid services. Is there a set criteria for people who are economically disadvantaged and you are economically advantaged?

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** If I can reiterate what I said before Ms. Mike was here. It is perhaps important to distinguish between two types of cases in a general way and those would be criminal cases and civil cases.

In criminal cases people are titled to legal aid where they do not have the resources for their own lawyer and the consequences for a conviction could be that they either lose their employment, if they have employment, or they could be imprisoned.

On the civil side it is different. There is a priority given to family law cases and in some of the provinces civil cases are generally not funded by legal aid, with the philosophy being that public money should not be spent on those cases for people, whether they are financial disadvantaged or not. But in the family law area, those are considered a priority for funding for legal aid, both here and elsewhere.

It constitutes a smaller proportion of legal aid expenditures each year and there are some demands to scrutinize that and to fund a broader range of family law cases. I think it is fair to say that we know that usually it is women who are disadvantaged in that area in terms of child support, custody, access and those sorts of things and funding for those cases is important and perhaps the priority should be increased even more.

In terms of financial eligibility, the theory is that those who cannot afford their own lawyer and would therefore be without legal counsel when their case comes to court, are entitled to legal aid for the specified things I have said, in terms of criminal cases in certain family law cases. Application of that to individuals certainly involves discretion. It involves taking a legal aid application and looking at the expenditures that a person has each month, their assets, their liabilities, their other sources of funds and whether their expenditures are reasonable, given the income that they have or do not have, and then an assessment as to whether they can pay for their own services.

As well in civil cases, the likelihood of success is one of the criteria which the executive director has to look at. In other words, if I wanted to sue somebody over my car breaking down, the legal aid office has to decide whether I have a decent case or a lousy case and to not give me legal aid if I have a lousy case. So the likelihood of success is thrown in there.

I would say in a general way that the criteria need review and tightening up in part to reduce the discretion but perhaps to also make people more comfortable that there is not an inconsistent exercise of discretion being used.

**MS. MIKE:** This particular case I am talking about, I am not going to mention who it is, I am sure there are more cases like that that has happened in the legal aid service. It is a civil matter and the husband who was economically advantaged received legal aid and the wife, who is disadvantaged economically, was not eligible. How much is the executive director allowed to use his own discretion in matters like this?

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** Mr. Chairman, I have a bit of a problem in that even with the limited facts that Ms. Mike has given me, I know the case she is talking about and it is one I am personally familiar with. It is one as well that an appeal was made by the unsuccessful legal aid applicant to the Legal Services Board. I sit on that board and I heard that appeal. I know the facts. If the legal aid applicant is prepared to give me permission to tell her the facts, I would be prepared to

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

### YELLOWKNIFE, NORTHWEST TERRITORIES

APRIL 30, 1992

#### Members Present

Mr. Arngna'naaq, Mr. Bernhardt, Mr. Gargan, Mr. Koe, Mr. Pudluk, Mr. Zoe

#### Legislative Assembly

**CHAIRMAN (Mr. Zoe):** Good morning. I would like to call the meeting to order. We are dealing with the Auditor General's Report on Other Matters. I would like to call upon our first witness, Mr. Dave Hamilton, Clerk of the Legislative Assembly. Welcome to the committee. We are dealing with the compliance issue in chapter two. Could I ask the Auditor General's staff to give us a briefing on this. Mr. Simpson.

#### Compliance Issue

**MR. SIMPSON:** Thank you, Mr. Chairman. The Financial Administration Act requires that the departments control their expenditures at the activity level. As we discussed yesterday, four departments did not fully comply with that requirement during the fiscal year 1990-91. One of those departments is the Legislative Assembly, which overexpended its budget, not only its activity level but its total budget, by \$436,900. In the past it has been the practice of this committee to call the deputy ministers of departments that have overexpended to give an explanation to the committee for the reasons why the overexpenditure was incurred.

**CHAIRMAN (Mr. Zoe):** Mr. Hamilton, could you tell us why the Assembly has overspent its budget by \$436,900?

**MR. HAMILTON:** Thank you, Mr. Chairman. I will endeavour to explain in as plain a language as I can why the Legislative Assembly overexpended its budget. I must admit at the outset that you need to be a bit of an accountant, or you certainly have to be an accountant, either an auditor or an actuary to understand the reason why this overexpenditure occurred. I hope I will be able to explain it to the committee's understanding and satisfaction.

The overexpenditure was directly tied to the method which was used by the Department of Finance to calculate and report the pension expenses and pension liabilities under the Legislative Assembly's Supplementary Retiring Allowances Act. I would like to add, Mr. Chairman, that the Legislative Assembly has two pension acts that administer its pension funds for the Members of the Legislative Assembly, one being the Legislative Assembly Retiring Allowances Act and the other being the Legislative Assembly's Supplementary Retiring Allowances Act. The Supplementary Retiring Allowances Act is tied to our government's financing, not the other act -- money comes from the Legislative Assembly but it is invested and reported in a registered fund, which the supplementary fund is not a registered pension fund.

The Department of Finance determined pension costs and liabilities according to certain guidelines which are set out and are called Public Sector Accounting Statement No. 5, which is prepared by the Canadian Institute of Chartered Accountants. This is the guidelines that the Department of Finance is required to use to report the activities of these pension funds.

The government, however, has chosen to stray slightly, and I mean the government, not only the Department of Finance, it was the Legislature's decision to go this method, by

amortizing the past service costs over six years rather than what is normally over one year. So this created a slight anomaly in the way the pension was administered. This is a decision that was made a number of years ago by the Assembly itself, when the Member's pension plan was enhanced to amortize the past service over a number of years, not over the one year.

When the Department of Finance calculated the expenses that caused this overexpenditure, it was recognized earlier than it should have been, as well as there were some errors in the way the calculations were made. When the calculations were done, this was where an overexpenditure showed up. It indicated that we overexpended our appropriations by the amount indicated.

The simple answer, Mr. Chairman, to your question is that it was a reporting method that caused the Legislative Assembly to overexpend. But it was an accrual that caused the overexpenditure, there was no physical expenditure of funds for the overexpenditure. This is the reason we overexpended our funds.

**CHAIRMAN (Mr. Zoe):** I am not too sure if all the Members understood it. Mr. Bernhardt.

**MR. BERNHARDT:** Mr. Hamilton, what do you mean by "accrual"? I never heard that word before.

**CHAIRMAN (Mr. Zoe):** Mr. Simpson.

**MR. SIMPSON:** Mr. Chairman, an accrual is an expense that pertains to a particular time period but where the bill has not necessarily been presented, but the liability exists for that prior period. So at the end of that period you have to recognize that you have the cost in your books.

Let me give you an example. If you get a utility bill on the 15th of the month but your year ends on the previous 30th of the month, you are going to have 15 days of utility costs that you have incurred, but you have not got a bill to say what those 15 days costs are worth. So make an estimate and then your accrue that. Almost like a payable. It is a kind of a payable that you put into your books for the previous period even though you are not expending any cash until some time into the future.

**CHAIRMAN (Mr. Zoe):** When the Department of Finance were doing their calculations they knew the Assembly was going to go over by a certain amount, even though their calculations had some errors. Why did they not come forward with a supp to cover that amount or estimate that amount? Then the overall amount would have been less.

**MR. HAMILTON:** Mr. Chairman, I confess I do not understand how you report pension plans and how they report in the financial statements. When it was identified there was this overexpenditure there was numerous meetings between the actuaries and the administrators of the pension plan with the Department of Finance because there was some dispute of what the amount of money would be that would be created

in an overexpenditure. So there was a lot of discussion back and forth and in my understanding, when it was identified in the accounts of the government that it would have been too late to go forward with supplementary requests to actually physically receive this amount of money. I may be corrected that there may not be a need to go for a supplementary because it is an accounting procedure, there may not be a need to go for actual physical money. It is a reporting method. But I stand to be corrected by those who prepare the reports in the Department of Finance.

**CHAIRMAN (Mr. Zoe):** Maybe I can ask the Auditor General, is this just a bookkeeping entry that is made? I understand it is an overexpenditure but it is an accrued amount. Mr. Hamilton indicated there is no physical cash per se. Could you explain it to us.

**MR. SIMPSON:** I will try my best, Mr. Chairman, one of the words that has been in continued use over the past three or four days is "complex" and I think this particular issue fits that definition quite nicely.

This government has a policy of recognizing its liabilities in a period when those liabilities are incurred and as a consequence it will book costs that have been incurred for a particular fiscal year, even though the cash to pay for those costs may come in a subsequent fiscal year. It is an accrual policy has as part of its accounting. And as Mr. Hamilton points out, this is a recognition that the government chose to make of a liability in the fiscal year 1990-91, but I agree with him, there was no cash expenditure and the \$436,900 did not represent cash that had flown out of the government. But because the accounting policy of the government requires you to record the costs when those costs are actually incurred or when an accounting policy says those costs should be incurred.

Last year \$436,900 was booked as a recognition of a liability in 1990-91, but the costs will be incurred sometime down the road. Mr. Hamilton has indicated that maybe there were some errors in the calculation of the figure, I think that is quite natural when there is estimates involved because no one can every accurately estimate what some costs are going to be.

Nonetheless your question, Mr. Chairman, about whether a supplementary appropriation should have been obtained, is a very good question, and I think as Mr. Hamilton has just pointed out, the recognition of this liability was not actually noted until the books had been closed for 1990-91 and it was too late to get a supplementary appropriation. I think the message for the future is that these kinds of liabilities have to be recognized by managers earlier in the game so that if an accrual of some cost for a particular year is going to put the departments budget over the top, they then should come back to the Legislative Assembly for a supplementary appropriation.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

**MR. GARGAN:** Thank you, Mr. Chairman. In the 11th Assembly -- most of the Members that served before that were paying into a pension plan but they were also paying into a pension plan over a span of two years, in the event that they did not get back in, in order to put in the six years. Myself, I think I was deducted about \$300 or more every two weeks to make up for those two years. This is not referring to that is it?

**CHAIRMAN (Mr. Zoe):** Mr. Hamilton.

**MR. HAMILTON:** No, Mr. Chairman. The aspect of the pension plan that Mr. Gargan is referring to was that when we enhanced the pension plan a number of years ago, it would allow Members to buy back that past service that they had in

the plan so that they could be eligible to receive full pension percentage, rather than just a lower percentage before the pension plan was enhanced. That was to allow you the possibility of buying back your past service. That has nothing to do with this particular pension plan. This was the government's share of the past service, which is administered through the Management and Services Board.

I would like to add too that also there are a number of legal areas in the supplementary plan and the financial area and the accounting area that has been brought to our attention by a separate management letter by the Auditor General when he audited our Members' pension plan. We are now working with the Department of Finance and our actuaries to bring forward amendments to the act to ensure that this situation does not occur in future years. Also, of course, this situation will no occur once the past liability has been paid off, which will be in a year's time.

**CHAIRMAN (Mr. Zoe):** Thank you. Any further questions. If not, I would like to thank you for appearing before us, Mr. Hamilton. We will take a short recess.

---SHORT RECESS

#### Department Of Justice

**CHAIRMAN (Mr. Zoe):** We have with us our witness, Mr. Geoff Bickert, deputy minister of the Department of Justice. Mr. Bickert, could you kindly introduce the other staff member that you have with you?

**MR. BICKERT:** Thank you, Mr. Chairman. I have with me Louise Dundas-Matthews who is the director of our finance and administration division.

**CHAIRMAN (Mr. Zoe):** We are dealing with the Auditor General's Report On Other Matters. Mr. Bickert, we have called you in with regard to chapter three, legal aid in the Northwest Territories. The Auditor General has observed in his report a number of areas in which he has concerns. I would like to call upon Mr. Simpson to brief us on their findings with regard to legal aid.

#### Legal Aid

**MR. SIMPSON:** Thank you, Mr. Chairman. If you do not mind, I am going to delegate this to my colleague, Dale Shier, who has been silent here for the last little while.

**MR. SHIER:** Thank you, Mr. Chairman. Chapter three, legal aid, was a limited review of certain aspects of legal aid. It was not intended or designed to be a comprehensive audit of the legal aid process. On pages five to seven of our report, we note that the rate of growth of legal aid expenditures in the Northwest Territories is high. We have an exhibit on page five that compares the rate of growth to other jurisdictions across Canada, and the rate of growth appears high. On page six, we have an exhibit that compares the rate of growth to other GNWT expenditures such as the total GNWT expenditures and court expenses in the Territories. Again, the rate of growth appears to be high. On page seven of our report, we attempted to analyze the high rate of growth in terms of the volume of legal aid cases and the average cost of legal aid cases through lawyers' billings. We were unable to do this because the legal aid statistics were not reliable and we were unsuccessful in our attempt to get a handle on the reasons for the cost increases. On pages seven to eight of our report, we reviewed the controls over legal aid payments to lawyers, and we noted that the controls were not well documented. We recommended that the controls should be reviewed by management.

#### Recoveries For Legal Aid Services

**MR. KOE:** Back to the topic at hand, regarding recoveries for legal aid services. The Auditor General has a whole page in the report on seemingly lack of effort in collection activities, starting with the so-called person who was hired to spend her efforts in pursuing contributions from clients. The intent of why that individual was hired is in question because apparently only five per cent of her time is devoted to this task. The amount of recoveries -- and you have mentioned that and there is a table exhibit, number four, which shows the amount of recoveries.

The other issue is the time; about 173 days to even get a billing out or whatever paper work is done. I would like some comments from you on this whole effort and maybe whether or not 10 per cent of this person's time should be devoted to it, or 100 per cent.

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** If I might just clarify one aspect. The full-time clerk was not hired to do recoveries. Recoveries were certainly anticipated as something that was not being pursued as aggressively as it ought to be but with regard to Mr. Koe's reference to the 173-day processing time for invoices, as that comment points out the paper work in the legal aid office is not getting done and was not getting done as quickly as it ought to be. So the clerk was hired to help in the processing of all of the aspects of administration, legal aid, and only five per cent was devoted to recoveries. Even that five per cent coughed up \$31,000 in that fiscal year. So the person was not hired with the intention of them being a recoveries clerk. In terms of devoting resources there was such a crying need for administrative and clerical support there that that is why the person was put in; to help with this delay in invoicing and processing applications, and in addition, to devote a little bit of time to recoveries.

The recoveries are marginally moving up. In fiscal year 1991-92 we show about \$38,000 in recoveries, versus \$31,000 the year before. I take Mr. Koe's point; if more time can be devoted to recoveries perhaps more can be recovered. But in times of tight money and lots of work over there, it is a matter of allocating those resources in the most effective way.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

#### Assessments For Contributions

**MR. KOE:** In terms of who is assessed to pay a contribution based on the services rendered, this seems to be left to the discretion of one individual, who is the executive director. From the comments in the audit report there is not any set criteria. Is there a criteria used or what methods are used to determine how much an individual should be assessed?

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** That is a good point. It is correct to say that the discretion is with the executive director to assess a contribution. To some extent the executive director has been relying on the advice passed on by the lawyers who are taking the applications, but not limited to that. The executive director looks at it as well. If for instance a person is assessed a contribution and they think it is too high or they cannot pay it, that person can appeal that decision to the Legal Services Board. There have not been many appeals from that so maybe it has not been aggressively pursued as much as it might be. In other words, if there were more appeals coming to the board from contributions being assessed, maybe it would show that they are being done right up to the limit.

In terms of the criteria, that is a tough one in that the kind of an example I was giving you it may be that a person has an income but if they are so close to the line they just cannot afford legal counsel. But where it has perhaps not been regularized enough in a way that it can be monitored and you can determine the criteria being followed, is on what basis do you do this. What the task force on legal aid, set up by the Legal Services Board, recommended is that they try to follow whatever changes that are necessary, the social assistance criteria for getting social assistance.

Those were established and I am not as familiar with them as some are, but I suspect under the Canada Assistance Plan and elsewhere there are some criteria. You look at the cost of living in the North and as those things change the levels of social assistance available to persons change. But at least it is an established criteria out there that the Legal Services Board could rely upon with some modifications to apply as fixed rates that change with inflation for providing legal services. So that was a recommendation of the task force which we hope to implement. To regularize that so you can monitor it more closely.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** When an individual is assessed to pay a contribution back to the system, I assume an invoice is sent or an agreement is made with that individual, then is there a bill, a formal invoice and if there is and it is not paid, are other departments involved in collection of this?

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** Yes, that is correct, there is a contribution agreement signed off by the individual who is assessed that contribution. If they do not pay it, ultimately it can go to collections in the Department of Finance and if they are unsuccessful in getting it directly, then it is pursued like any debt to government by way of small claims suit or a law suit for it or whatever other remedy is available.

I can think of a particular contribution which was assessed in a civil case in which a claim was filed against real property that was owned by the person in the hope that when some money became available, for instance if they sold it some day or if it was passed on, that the contribution would have to be paid off. So that was a low cost method for government to collect the money without spending a lot of time and effort chasing them out when they had to income but they had property.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** If that is the case and you have other departments involved then the amounts of revenues collected does not seem to warrant the effort, if two or three groups of people are involved in the process. That is just an observation. I think it has been brought out in the report.

#### Annual Reports

Another concern is with the annual reports. The Legal Services Act requires the preparation of an annual report and this annual report is to be tabled in the Legislative Assembly. The auditors said that from 1987 to 1990, three years, there was no annual report tabled and the management response was, "Yes, we are sorry, but it was an oversight." I cannot accept that, especially from the Department of Justice who should be setting the example and following the rules of the acts and statutes. A response like that seems frivolous and I am concerned.

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.



into a lawyer, they are not indigent in the sense that they are not unemployed, they are not on welfare, but their income and expenses are so close to the line that they have no free cash for these sorts of things. So the lawyer will say, "I would like to represent you but my practise is to get a retainer in advance to make sure that I get paid at the end of the day." The person says they have no ability to give any up front money and may not even have enough money to pay your hourly rates as it goes along. In that situation, legal aid may be available to that person, but what also may be required is that the person who gets the services enter into a contribution agreement, whereby they say that legal aid is covering expenses for the lawyer now because they do not have the cash to pay for it, but over time I have to repay a portion of those costs.

For instance, say the legal services cost \$5000 and if it appears that the person might be able to scrape up a few hundred bucks a month while the case is being done, they will have legal aid coverage for this person given, application granted, with a contribution agreement that they pay back some of the money that has been given to them.

I think what the Auditor General's report is making a good comment on is that we have to be able to assess what we are trying to achieve in terms of these contribution agreements. One concern is that if you say that everyone can pay something if you give them a long enough time. So if it is \$5000 and they can only pay \$10 a month, let us make them pay \$10 a month for 500 months. It is not practical for one thing in terms of monitoring it. And if you ever have to start collecting it the cost of collection is more than the contribution you are going to get back.

So in practical terms, what the executive director over the years has tried to do is establish contribution agreements that will be paid off before the services are finished. So in other words you have some sort of an incentive for the lawyer to do the next step in proceedings. Because they are paying back a portion while the case is ongoing over a number of months and if they stop making the payments, then the lawyer or the executive director can say you are not keeping up your payments so how serious are you about having this lawyer defend you. So that is the incentive and it does not involve a lot of costs of administering or collecting. But when you do it that way, sometimes cases do not take very long to proceed and that means the contribution agreement will have to be smaller.

The amount of money covered through contributions, compared to the overall expenditures for legal aid is quite small. So with that small of an amount it is important to look at the cost of administering that program and figure out what the goals or objectives are. The philosophy in most places is to instill in those who are getting financial assistance for lawyers, a reminder that this is public money which is being spent on them and that where they have an ability to repay it or repay a portion of it. But you have to balance that public notion with the costs to the public of collecting it.

One of the suggestions in the Strength at Two Levels report was to have a bit of a surcharge up front. So for instance when a lawyer goes into a community and there are 30 people who want legal aid, say to each of them "Before I will even talk to you you have to give me \$20." Everybody can find \$20 if they want a lawyer and readily acknowledge that that would not generate much money in the whole year, but it is something and it is a reflection that your services are being paid for by government.

I know the defence bar sort of rolled their eyes in dismay at this, saying the job of being a lawyer on the court circuit is hard enough as it is and you want to do the best you can for

the people by getting to the interviews and if all these people are constantly being hassled for \$20 and they have to rush around town and find the money, you create so much extra time and effort that the court circuit is delayed, and all these other people that are on salary, and the charter plane is waiting, is it really worth it? We will look at that but we want to be very careful before we do a major response in that way.

If I could move to your comment that it is sometimes hard to get legal aid. I think that is fair. In civil cases in some provinces there is no legal aid, other than family law disputes. Some provinces have simply made the judgment call that in terms of the expenditures of public money, in tough times we cannot afford to pay for civil suits. If you have got a law suit and it is worth anything then you should be able to fund it on your own or find a lawyer who will do it without a retainer and will take their money from whatever proceeds will come later. If no lawyer will do that then your law suit is not worth pursuing. That is a very rough and ready approach to it.

So in terms of the civil side, the NWT is not in that position. The NWT legal aid plan will still fund certain kinds of civil cases where there is a strong likelihood of success. Which means that those who are expecting the public to fund their lawyers will end up pursuing cases less often than those who have lots of money. So if Donald Trump wants to sue somebody he can do it any time he wants to so long as he can pay for a lawyer; if someone who is on social assistance wants to sue somebody using public money, much fewer cases will get through the system. It is a lot harder to get legal aid.

In terms of people who might be wronged by society -- and I know that is a general comment that you made -- I guess often those kinds of cases are not covered by legal aid. There may be a generalized complaint against some industry or corporation or government that may not fit within the criteria that is established to fund public money on for legal aid. But as you do know, there are some other sources, getting smaller. For instance, the federal government has cut back on some of its funding for court challenges. Our department has an aboriginal rights court challenges fund, which was established a few years ago on a test basis to fund certain kinds of cases where they might not otherwise go ahead, but if they were funded they might help to identify or define an aboriginal or a treaty right.

Some examples of cases include a hunter from the Keewatin or Kitikmeot who had been convicted of a crime of violence and was about to lose his permission to own a firearm because that was part of the order. The defence wanted to bring in an application under the Charter that this was cruel and unusual punishment to take away a firearm from this person. So money from the court challenges program was funded to bring in some experts and help in that defence.

The Dene Nation and the Metis Nation, in another case involving challenges to -- I believe it was an environmental case. It might have been the pulp mill one down the river. They got some funding for preparatory work. So sometimes if you are wronged by society in that sense there are other sources. But at the federal level they are drying up and our fund is not a big one.

**CHAIRMAN (Mr. Zoe):** Thank you. I wonder if the committee can concentrate a little bit more on the four specific areas that we are dealing with. Mr. Gargan.

**MR. GARGAN:** I thought I was addressing legal aid. Forget it then.

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

On pages nine to 10 of our report, we note that Canada contributes about \$1.8 million a year towards this \$4.6 million program. We also note that legal aid clients pay, on average, about one per cent of the program costs through their contributions towards the program. We noted that procedures and the purpose of these client contributions are not well defined, and we recommended a review of the purpose and the assessment of contributions against clients.

Finally, on page 10 of the report, we noted that the Legal Services Act requires that annual reports on legal aid be prepared and tabled in the Legislative Assembly. We noted that while they were prepared, they were not actually tabled in the Assembly as required by the act. Thank you, Mr. Chairman.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Bickert, would you like to respond to the comments made by the Auditor General's office?

**MR. BICKERT:** Thank you, Mr. Chairman. I wonder if I might first thank the committee for its indulgence in hearing from our department this morning rather than yesterday as you had originally scheduled. I came back on the plane from Edmonton this morning having had an opportunity to brief Mr. Kakfwi in relation to meetings with the constitutional multilateral committee. I thank you for that.

Secondly, I would like to thank the Auditor General's staff for what I think is a fair and accurate statement of the situation with respect to legal aid. We take no quarrel with the nature of the report and substance. It is on point.

Legal aid in the last number of years has, indeed, grown substantially in terms of the expenditures made. The costs, of course, have grown in a substantial way. Legal aid expenditures across the country are being reviewed by various governments and other bodies. Legal aid, in particular, in the Northwest Territories has been reviewed in a number of ways.

The first way was within the Strength at Two Levels Report, otherwise known as the Beatty report. The second way was pursuant to a task force established by the Legal Services Board itself. That task force report is now available. It was tabled in the Legislative Assembly as well. I have copies of it here if any Members wish to refer to it. Thirdly, legal aid has been reviewed in a limited way as Mr. Shier has described by the Auditor General's staff.

I think it is fair to say that legal aid grew from a small operation that was primarily based upon, initially, privately retained legal aid counsel; that is, lawyers in private practice who provided their services to clients throughout the Northwest Territories primarily in defence of criminal law cases.

Over the years, it grew through the various clinics that were established. One clinic has been around the longest and that is, Maliiganik Tukisiiniakvik in the Baffin Region. Clinics were subsequently established in the Tuktoyaktuk office as well as in Rankin Inlet in the Keewatin Region. The clinic is currently slated to open in the Kitikmeot Region as well. In each of these clinics, the model that has been followed has been a staff lawyer to run the clinic and to employ and train court workers to assist as well. We call that in the legal aid trade a mixed delivery model in the sense that it is partly done through staff lawyers working in clinics, and it is partly done through lawyers retained through the private practice of law.

Various studies across the country have questioned what the best method of delivering legal aid would be; one or the other, or a mixed system as we employ. I think it is fair to say that there is no simple answer to that. It depends, which

is often true in things of this nature. It also depends on what your objectives are. If they are pure cost containment, there may be some advantages in having an all staff lawyer system. If you are going to allow -- as is the practice across the country -- some choice of counsel in serious cases which allows a member of the public to choose a lawyer when they are facing a very serious criminal charge, for example, then you cannot have an all staff system. The direction in the Northwest Territories has been until now, at least, to keep the mixed model with clinics and with privately retained lawyers.

The cost of legal aid is primarily demand-driven in our estimation. In other words, it is affected primarily by the volume or work coming in and, in some respects, the nature of the decisions made by the lawyers who are acting for the clients. If I can just describe that a little bit, and I do not think it is news to Members of the committee, but I think it bears repeating. For instance, with the advent of the Charter of Rights in 1982, more opportunities for defences to criminal charges became available to clients charged with criminal offenses. In other words there were more technical defence available, charter rights might be breached by police officers or others. That gave rise to an increase percentage of cases that went to trial as opposed to going through by way of a guilty plea and a sentence. Obviously a trial takes longer and costs the system more, both in terms of lawyers, court time and everything else.

So even a tiny change in the ratio of guilty pleas to not guilty pleas can have a fairly substantial effect on the cost of the system. When you look at the total cost of having a Supreme Court jury trial in a community, with all the people having to be brought forward for the jury, all of the witnesses and experts, the length of time that counsel prepares. Sometimes in very serious cases second counsel are brought in, expert witnesses who are, in some cases, paid for by legal aid if they are a necessary part of a defence of a criminal case. All of those things in one trial can cost tens of thousands of dollars, versus a guilty plea that might be done on the circuit load of say 50 other cases and the guilty plea could be dealt with in half an hour.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** Thank you, Mr. Chairman. I know how the system works. I was a victim yet I used to help the court system. In many cases I see people who know they are guilty and yet they keep postponing, postponing. When they postpone or not enter a plea, say they want to see a lawyer. They see a lawyer and then they wait for the next circuit, does the Justice department charge the client for seeing that lawyer? Like if a guy enters a plea but has to talk to a lawyer, do you charge us for that hearing, just to talk to the client?

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** What happens on the court circuits, for instance the territorial court circuits, just to follow your example; the court party goes out with a legal aid lawyer with the court circuit and that lawyer, because he or she is away from their home community when they are travelling, is paid a per diem rate. In other words, instead of just being paid an hourly rate, they are usually paid a sum for the total day they are away. So whether there are a lot of cases or few cases may not matter much in terms of the total cost of the system.

Now if, in your example on the first time that person comes to court and they want to delay it and talk to a lawyer, then perhaps they have not seen a lawyer at that time. So there is no cost either to the system in the legal aid system or to the client, because there is no service provided by a lawyer. Obviously if there is a high rate of cases being adjourned or

put over, there is a cost to the justice system because all of those court staff and everybody else is waiting around and delayed if cases are adjourned. So if I followed your question, that is the cost that comes in. It costs the system if cases are adjourned extra numbers of times.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** Mr. Bickert, I know that system because my second time when I pleaded guilty and got thrown in the slammer, I know a lot of people adjourned their cases or asked for a later hearing because it was close to Christmas. For me that is playing around with the system and it costs if a person is guilty. If a person is guilty, do not mess around, just say "guilty" and get it over with, instead of messing around and costing the taxpayers money.

I think a lot of these cases could be heard by JP court, the B and Es and the stuff like that could save us a lot of money. If we had local JPs it could save our legal system a whole bundle.

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** I think both comments are well taken. I think the first one, Mr. Bernhardt will know from the court system that the primary method of control of adjournments is through the judge who is sitting. In other words the judge has to decide in each case whether it is appropriate to allow an adjournment and there are examples of situations where the judge may be suspicious that the person is just trying to put it off, whether it is over Christmas or for whatever reason, and judges on occasion will say, "No, you are not getting an adjournment. Talk to the lawyer now. This is your last adjournment." So that is the primary control, it is not a control by government or the department, it happens to be a control of the process by the court itself.

Your second comment with respect to the use of JPs is also well taken. And that is why the Department of Justice supports and funds the justice of the peace training program headed up by Sam Stevens who is the JP administrator reporting to the chief judge of the territorial court. And JP training programs are in place across the NWT with the goal of having local JPs in all communities to hear as many cases as is possible.

We have to remember, however, that in certain kinds of criminal cases, for instance, those who are charged have a right to counsel and secondly those lawyers do not live in all of the communities, they live in Yellowknife and in some other regional centres. So practically speaking, the fact that JPs might be able to hear the case does not help much when there is no lawyer there. So to make the system run, the JPs will then adjourn the case to the next sitting when the territorial court is coming through town because that is when the lawyer will be along as well. So practically that is the best they can do until we have lawyers in all the communities, I suppose.

**CHAIRMAN (Mr. Zoe):** Mr. Bernhardt.

**MR. BERNHARDT:** When I was in jail my last time, I bumped into a young guy, well I know him from long ago, and yet he was not given the opportunity to speak to a lawyer or to have his hearing. He was thrown in jail without seeing a lawyer. I asked him why he was in there not having appeared before the court. He spent two months in jail because the cops said he is a bad dude to society, therefore they were going to leave him locked in. That system is not fair. You say by the Charter of Rights we have rights to legal counsel and yet some of our own native people are not given that opportunity because the authorities like the RCMP label these kids and

then they have no way of going to the phone and saying they want to phone a lawyer and see why they are being incarcerated until the next sitting. That is costing us a lot of money, correction services. When the judge sends him they do not consider his two months he has already served.

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** I think it is important for us to take all criticisms and all allegations made against the justice system and any officials in it, take those allegations very seriously. I always take it seriously and I pursue vigorously an investigation of any specific complaint of misconduct. And indeed in addition to that you know that the RCMP have in place the public complaints commission to which complaints of misconduct by RCMP can be made and independent inquiries can be held to examine any allegations of misconduct by police.

Misconduct by other players in the justice system is also something which can be examined. I get very frustrated if we hear allegations without names and without facts that are hard to follow up. So I would invite you, Mr. Bernhardt, if you have a specific allegation and a specific case and the dates and places that you can give to me or some name so that I can follow it up, I will look into it. Short of that it is impossible for me to address.

**CHAIRMAN (Mr. Zoe):** I would like to remind Members, I know you are getting into specific cases, but to remind Members the legal aid...

**MR. BERNHARDT:** The system is not working.

**CHAIRMAN (Mr. Zoe):** That is why we brought them here; so they can explain the findings of the Auditor General. I want to remind Members to stick to the findings of the Auditor General. I understand where Mr. Bernhardt is coming from. He can use some of those examples when we get into the details, but if Mr. Bickert can continue on with your presentation.

**MR. BICKERT:** Thank you. In terms of increases in the cost of legal aid and the size of the system, I think one important point that the Auditor General's staff have made is the lack of reliable statistical information. And that is something we are addressing. But what we have learned from all elements of the justice system in the past few years is a fairly dramatic increase in the intact of cases. That is having effects all through the system. It has had substantial effects on the cost of the federal crown attorney's office; they have had to hire additional staff. They gave statistics of 36 per cent growth over the course of one year the year before.

The number of persons approved for legal aid increased between 1989 and 1990 by only one per cent, although the level went up by 21 per cent the next year. So there was a dramatic increase in the number of cases into the system. That same year the court circuits increased by 23.5 per cent, which I suspect is a direct correlation to the numbers of additional cases that they had to address. The numbers of days that the courts were sitting in that year were up 13 per cent and the numbers of criminal jury trials, that is trials where a person elected judge and jury, went up by 134 per cent, that is over 1988-89.

These kinds of outside pressures make it difficult to control. Not impossible to control but difficult to control the costs of legal aid. But I think the point the Auditor General's staff are making is that it is important to start from some hard statistical information so you can see what the nature of the pressure is before you try to make some responses to it.

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** I think the short answer is yes. I cannot give you a statistical analysis of that part of it but the example you gave of yourself, I am guessing it happened a long time ago, before the Charter of Rights, for example. It probably happened at a time where there were less opportunities to throw out evidence which was obtained in a way that was not appropriate. So in other words, now with more ability to throw out evidence which is obtained inappropriately, more defences are available to persons. So that is something which has changed. So with those more opportunities to address inappropriate exercise of force, as an example, more defences are available and that costs more than a simple guilt plea.

But the questions you are asking, some of them are very tough because for instance the comment about the person in your community who is a non-native person and the example you gave that he did not go to jail and you gave an example of other cases and you sense is that native people are going to jail longer. The trouble is that that sense is not shared by others...

**MR. BERNHARDT:** I agree.

**MR. BICKERT:** ...and I think Mr. Bernhardt will be interested by my next comment. Pauktuutit, the Inuit Women's Association, has for a couple of years now been considering a law suit against the federal Department of Justice to say that there has been discrimination against aboriginal people because jail sentences have been too short. In other words, down south non-native people are getting longer jail terms than aboriginal people are getting up here and that is discrimination against women, for instance, in a situation where there is an assault case. The suggestion being in this theory, that jail sentence for aboriginal people are more lenient than they are for non-native people, which is the reverse of what you are proposing.

So I do not know what the answer is. I know that you have two opposite theories and both sides are unhappy. Our noses are telling us one thing and somebody else noses are telling them the opposite thing. So I cannot explain or match up why your sense might be that aboriginal people are getting harder sentences and Mr. Bernhardt seems to be as well, where as Pauktuutit seems to think the reverse. They would reject that and say the opposite. So I do not know the answer to that one.

In terms of more demanding, Mr. Gargan, yes I think that was generally true throughout the system in that people are more aware of their rights than they were before and they are exercising their rights, which is appropriate. So I do not think we want to judge our justice system by the numbers of guilt pleas, for instance, versus trials. It is going to cost more for trials, but if it is appropriate to have a trial, then we should not judge an efficient system by one where they run through it quickly through guilty pleas and away they go. So that is a decision which we, as government, do not want to control. We want to make sure that people are defended appropriately and exercise the rights that are there in the constitution for them.

In terms of confessions. I know that when I was a prosecutor, the general sense of police officers who had been stationed in both the East and the West was that those who had less contact in with EuroCanadians were more often to confess to their crimes than those who had more contact with EuroCanadians. Maybe that is a matter of learning the system. In some cultures it is not appropriate to hide from the truth. In other words, if you did something you say so, you do not deny it or hide from it. And it is difficult when you come in contact with the justice system that says you are

presumed innocent, you have the right to remain silent. So you stand up in court and you plead not guilty when you know you did it. Well that is hard for some people to do because they get confused between thinking that is dishonesty, when all it is doing is requiring the system to prove its case. In other words the fundamental concept of the justice system is if an accusation is made by the government or the police against you, it is their obligation to prove it. You do not need to confess or prove anything. So that is what a not guilt plea is, it is not a dishonesty.

So people are more demanding, there are probably more not guilt pleas, exercising rights and that seems to be as people have greater and greater contact with the system.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

#### Eligibility For Legal Aid

**MR. GARGAN:** What is the criteria with regard to getting legal aid? I know you have to be indigent, but I see a lot of people are getting legal aid that do not need it. In circuit court the lawyers have all these applications and everyone signs, it is just like an assembly line. A lot of people sign these documents for legal aid. In some other cases it is hard to get legal aid for matters that need some time for lawyers to look into. What I mean is that when the court circuit goes around and does its work, you could get it within minutes, while on the other hand if a member in the community is wronged by society, you find it is a lot harder for them to obtain legal aid.

Geoff, you might be aware of a situation in Fort Providence which I brought to your attention. I have not heard anything sense and that was last fall I ask for assistance for an individual on that. So could you tell me if we have a guideline with regard to that? It is for people who have no money, who may be on welfare or have no sort of income are the ones who should be getting that. But at the same time it says that when an applicant is reviewed that their revenues, expenses, assets and liabilities are looked at. I guess even for a people who could not afford a lawyer now, could possibly pay back a lawyer later. So it is an open thing, anybody could access it and it really depends on the circumstances.

Geoff, you already said that for major crimes they deal with it. But for civil matters it is an ify thing and for law suits it is an ify thing. But the thing is that it is so broad that it is really up to the discretion of the executive director to decide whether or not this person deserves it. In my opinion there is a bit of favouritism with regard to who gets it and who does not.

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** In terms of the eligibility for legal aid, you are correct in saying it is for those who are indigent, but I guess it is never simple. Often the defence of a case, for instance if it is a criminal case, I use that example, it may be something that is going to require a lot of time by a lawyer which in turn translates into a lot of money.

In cases where people have their own financial resources, lawyers, in order to make sure they get paid at the end of the day, will often or will usually take a retainer, meaning they want a sum of money up front, which is put into a trust account, which they can then draw out once they render an account for the services as they go along.

So it may be that you have a person who has a job but their expenses are right up to the limit, they do not have a lot of free cash to give out to lawyers and if they are charged with an offence or have to go to court on something and they go

where they disagree, so we are not going off in different directions.

Some of the key areas, I would say, are in relation to the discretionary expenditures to lawyers. So in other words we have found that over the last number of years there was a fairly dramatic increase in the amount of discretionary time spent on cases, and we have to have some rules and some caps in that respect. Most other provinces have a system whereby cases either have a block fee -- let us say looking after a guilty plea on a theft charge, the lawyer is entitled to \$250, period. It does not matter how long that person spent. That is a block fee system. We are looking at implementing a block fee system for a number of cases where that makes sense.

In fact, we already have a bit of a block fee system in terms of court circuits because when you are away from your home community you are paid the per diem rate. But some of the problems even there have been the discretionary preparation time. Obviously you want the lawyer to go in prepared as best he or she can be so they spend time the week before preparing. We have noticed that in some unusual cases, perhaps there have been unreasonable amounts of time charged in preparation. We want to put some limits and caps on the amount of time charged for doing legal opinion work in preparation for cases. Those are hard decisions because for the most part we have been able to rely on the good sense of the lawyers to devote the amount of time to cases that the case requires. But in a modern world where all our social problems are being strained, we realize we have to put some limits on these things. That is where we are going to have to do some pretty careful fine tuning.

But since the fees and payment to lawyers is such a substantial part of the legal aid budget -- it is over two million dollars -- we clearly have to get a firm control on that, with some limits on the discretion if you will, some very clear cut rules as to what payments are available for what things, which will simplify the administration and scrutiny of accounts so that you do not have to spend so much labour intensive time analyzing whether it was reasonable or not. You basically say, "Does it fit the tariff?" So that is the main one, the tariff.

The second one is to examine very carefully the recommendations of the Strength at Two Levels report for a greater proportion of staff lawyers and some consistency of how they are employed across the Territories. We would like to have some consistency between the Maliiganik clinic, the Arctic Rim Law Centre, the Keewatin clinic and the Kitikmeot clinic, both in terms of their job descriptions and the rates of pay and the benefits, and also to look carefully at their recommendation to add a staff lawyer in Iqaluit and two staff lawyers in Yellowknife to do a greater percentage of the work than is now done in house if you will, by the Legal Services Board. So those are the key areas which are important.

Beyond that it is to put in place some computer information systems that will generate the kinds of data on the cost per case, the amount of cases, the workload, and the trends, so that we can accurately deal with those things.

**CHAIRMAN (Mr. Zoe):** I know you are looking at those two reports and you indicated that you are going to be looking at these certain areas that you just mentioned. You must have some sort of work plan as to how long it will take to do all the work you just mentioned, a work plan.

**MR. BICKERT:** Thank you, Mr. Chairman. There are a couple of time lines within the work plan that we are having to address. One is some direction internal to government in terms of some expenditure restraint and expenditure reductions we have to target for submission to the Legislative

Assembly. So in terms of our next years budget, we are trying to live within some targets which are going to be pretty tight. So we are working to that deadline in terms of the targets for that.

In terms of the legal aid tariff, we are going to try and get that done sooner. So we commence negotiations with the Law Society on the tariff. We had an initial discussion with them and we are putting together right now, over the next couple of weeks, the proposed tariff that we would put in place. The way the tariff is set it is perhaps important to note that generally speaking the operation of the Legal Services Board is supposed to be independent from government in terms of how they administer individual cases. And that is a very important principle so government is not controlling how people are defended, as an example, or how their cases are run.

But the Legal Services Act provides that the Commissioner, on the advice of the Minister of Justice, fixes the tariff and fixes the amount of disbursements that are payable under legal aid. So making it clear that that financial responsibility rests with government. So when I say negotiations with the Law Society, our obligation is to consult with the Law Society and the Legal Services Board before we just impose something and we would do that anyway. But that is an obligation of government to fix. But that is a shorter time frame because we feel that we can come to a conclusion on what the tariff of fees will be. That will give us some certainty in terms of projecting future expenditures and helps us where we can come in in terms of our expenditure constraints for the budget.

**CHAIRMAN (Mr. Zoe):** Mr. Gargan.

#### Equal Treatment For Natives And Non-Natives In The Justice System

**MR. GARGAN:** Thank you, Mr. Chairman. Why is this going up? Is crime going up or is it because there is more demands for trials as opposed to plea bargaining? Is it because there is less confessions? You get annoyed if Members refer to cases without any names, but a situation happened in Fort Providence with a gentleman called Roland. He is a white guy that caused assault on several women in the community. I believe he had a fine and probation on his first offence and on his second offence he had another fine, even though he breached probation. He never spent a night in jail or anything.

I can only use myself as an example, I spent 36 hours in jail for a crime I did not commit. But the reason I was in jail was for the police to gain a confession out of me, which they did not, because I did not commit the crime in the first place, so how could I confess to something I did not do. The evening of the same day I was literally thrown out of jail. I was told to "fuck off." That was the way it was expressed. Because I did not confess, but I could not confess to something I did not do. So I am just using that as an example.

But I know in the communities, the native people who get charged a second time, it is definitely jail. But it certainly touches every person in the community when a non-native person goes to court and he is sort of let off the hook. I guess this happened within the last year. My experience happened many years ago, I am just using it as an example.

What are the trends? Are native people more demanding now in wanting a lawyer before they confess? Human behaviour is something RCMP study before they become officers and I know behaviour of aboriginal people is different from the behaviour of non-aboriginal people. So are the native people getting smarter with regard to their rights?

As I indicated, because of the escalating costs related volume growth, the government's Strength at Two Levels report made some specific recommendations about how to control those costs and some of those recommendations are also consistent with the Legal Services Board task force report on legal aid and we are trying to implement all of those things.

One of the major issues that the Legislative Assembly may be aware of is the question of the amount of fees paid to lawyers, privately retained lawyers, the legal aid tariff. I believe a submission was made to the Legislative Assembly and was filed by two local lawyers who perhaps were concerned that the government was either going to cap the rates paid to lawyers or even reduce them, and they were making their pitch that the lawyers even now, in their view, were not paid highly for their services and should be paid more.

For the information of the committee, we are now beginning to look at a revision to the tariff of fees paid to lawyers. It is premature for me to say what kind of proposal we will make to the Law Society for the new rates. However what is very important in that process will be some controls over the discretionary expenditures within whatever rates are fixed. In other words, the amounts of times that are open to lawyers for briefing cases or opinion work will be controlled and laid out very clearly, so everyone knows what the rules of the process are.

In terms of other statistical information. In a previous year the Auditor General's staff made a comment in its report on other matters that expenditures were not being recorded in the fiscal year in which the expenditures are made. In other words bills were coming in after the close of the books for the fiscal year and we should have had an accrual in place to record those in the year in which the work was performed.

I can say that in response to that and in the general area of recording keeping and keeping track, that right now we have accrued an additional \$230,000 work of legal aid invoices for work performed in fiscal year 1991-92. And the reason we have done that is that we are now in a position, we have a system in place, to fairly accurately estimate the amount of commitments outstanding for the balance of last fiscal year. So that comment by the Auditor General's staff has been addressed, touch wood, we will see what the final figures are for the fiscal year.

Mr. Chairman, those are my general comments.

#### Process For Seeking Legal Aid

**CHAIRMAN (Mr. Zoe):** Maybe it would be useful, Mr. Bickert, I wonder if you could give us examples. Put yourself as a client seeking legal aid. What steps, when you walk into the legal aid office -- it could be in Iqaluit, because we have a clinic there -- what is supposed to happen? When you walk in and ask for assistance, what is the process? You get to meet a staff member there, whom we pay, the types of forms, and what is supposed to happen? Can you give us an idea? Can you run us through? I would like the Members to know exactly, and how things are supposed to work.

**MR. BICKERT:** Thank you, Mr. Chairman. I think what is probably important to know at the outset is that most of the legal aid applications are made, not by going into an office in Yellowknife and meeting staff persons and doing it in a nice fashion when you have lots of time to do it. The bulk of the costs in legal aid, firstly, are in the field of criminal law, as opposed to other areas such as family law, and that has been a concern of some members of the local bar who provide work to, for instance, women who are in family crisis and have custody disputes, and so forth. I think the typical case, to give you an example, is going to be a criminal law case in

terms of the bulk of the cases and the expenditures that are made. The bulk of those expenditures are made out of Yellowknife -- or at least the bulk of applications and the activity occurs on a court circuit basis in communities away from the home community where the court and the lawyers are.

The average court circuit encompasses three or four or five or six communities, depending on the volume of work in each place and the distance between them. The plane arrives in town; often there is either a local court worker or a settlement representative for one of the legal aid clinics, who has had a chance to look at the court docket -- the number of cases that are on it and who is charged with things -- and to give those people an opportunity to come in and indicate whether they wish to see a lawyer and get some basic facts of the case. They do a lot of very important advance work in terms of the system of justice and making things run properly, and also giving the opportunity to clients to get access to a lawyer. So that advance work is an important part.

When the court party arrives, then the lawyer will meet these clients, and often the court worker at the same time just to get a sense for what is there. Legal aid applications are taken either by the court worker in advance or, even more often, by the lawyer when they arrive. So they have a form that has a number of basic questions about the individual, the charge that they are facing, their financial status, to try to address their financial eligibility for legal aid.

You have to remember that legal aid is a form of social assistance. It is to provide social assistance for those who cannot afford a lawyer when they need one. Legal aid is provided under a federal/territorial cost sharing agreement, of course, and so there are certain criteria as to what kinds of cases are eligible for legal aid. I think a rough rule of thumb is to say that if a person is charged with an offence for which they may go to jail or lose their job, they are generally eligible for legal aid.

The application is taken there on the spot, and the individual lawyer has responsibility to decide whether that person meets the financial criteria and whether the case involved is one that is eligible for legal aid. So that is a two-part discretionary call that the lawyer is making. Those applications go back to Yellowknife and are scrutinized, but I think it is also fair to say that in the average case, when a lawyer arrives in town and they are looking at 30 to 50 cases on a docket and maybe, say, 25 of the cases are people who are asking to be assisted by the lawyer through legal aid, it is a pretty quick process of taking down an application, getting the basic facts, and then also getting the facts in relation to the case to defend that person; to either adjourn it for a trial or to plead guilty, and so forth.

It happens pretty quickly, and often the application for legal aid and the paper work, if you will, ends up in Yellowknife after the case has already been disposed of, in the sense that the discretion has been exercised by the lawyer to grant legal aid, to represent them in court that day, to complete it, and then when they get back to Yellowknife to report to legal aid with their statement of account for their services rendered, and the applications and all of the reporting there.

That is the general way it goes. There are a number of cases, as well, though, where people are charged with fairly serious offenses in communities where there are no lawyers, and they will then phone. Often the calls come in from the RCMP detachments if the person is in custody. Most or all of those detachments have fairly current lists of the lawyers who are on the legal aid panel and will provide assistance. So they will make a call in either to the legal aid office or to a particular lawyer and ask if they can get their assistance, and that works

from there.

In some cases, the persons actually show up in the legal aid office and apply. That is more often where time is not urgent. It might be where they are looking for some civil legal aid assistance, or they would like to have some assistance in a divorce or child custody battle or some other issue like that. In that situation, some of the staff people in the legal aid office will take the application and look at the financial eligibility and the eligibility of the case, as well. That staff is a small staff. It is headed up by the executive director, who is a lawyer.

Is that what you are looking for, Mr. Chairman?

**CHAIRMAN (Mr. Zoe):** Mr. Koe.

**MR. KOE:** Is it true that all persons charged under young offenders or youths are entitled to legal aid free of charge, in a sense?

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

#### Young Offenders And Legal Aid

**MR. BICKERT:** It is a good question. I think we have to start from a distinction between someone being entitled to counsel, on the one hand, and being entitled to publicly funded counsel on the other. In other words, the Charter of Rights guarantees everybody the right to counsel when they are charged with an offence. That means that if they come before a court and say they want to get a lawyer, the judge cannot say -- they never would, but they could not say, "You cannot have a lawyer; you are going to have to represent yourself." The Charter guarantees the right to counsel, but it does not guarantee that the government will pay for that lawyer in every case.

In the case of young offenders, I think it is fair to say that in practical terms most young offenders are represented by counsel, but that is not true in less serious offences, particularly, say, liquor offences or motor vehicle offences or territorial statute offences where a fine is more likely than anything else. In those cases they tend not to be represented. When they are charged with criminal offences where they may be put in custody if convicted, more often than not they are given counsel.

In a practical sense, often on the court circuits, just because I used to be a prosecutor and I know the system, often on court circuits the court is there for the day, the legal aid lawyer is paid a per diem, he or she is there for the day, and if there is time they will try to assist anyone who wants to have legal assistance. In other words, they will not say, "No. We have time to look at your case, but you do not fit any of the criteria; and even though it does not cost anybody any more, we are not going to represent you or at least assist you in some way.

Perhaps the eligibility criteria are relaxed somewhat on the court circuit system if time permits. But that is just a general observation. Young offenders, I would say, are represented, particularly if they are facing something where they could go to secure or open custody.

**CHAIRMAN (Mr. Zoe):** Mr. Pudluk.

**MR. PUDLUK:** Thank you, Mr. Chairman. I would like to ask the Auditor General, on the report on page 5. What are those figures? Are those a percentage or amount?

**CHAIRMAN (Mr. Zoe):** Exhibit 2. Can you comment on it, Dale?

**MR. SHIER:** Yes, Mr. Chairman. What exhibit 2 is is the cost per capita of legal aid expenditures in different jurisdictions across Canada. For example, for the year 1989-90, which is a black bar, in the NWT the cost per capita is, say, \$65 or so; so for every person in the Territories, legal aid is costing an average of \$65 or \$66.

**CHAIRMAN (Mr. Zoe):** Thank you. Mr. Arngna'naaq.

#### Justice System Not Working In The North

**MR. ARNGNA'NAAQ:** Thank you, Mr. Chairman. From what I just heard tonight -- I do not know anything about the justice system -- it sounded terrible, in my view, to have legal aid come in, meet me for an hour, and then to represent me in the court system in the community -- that sounds terrible. It is no wonder that we have so many people, too many people, in our corrections. Is there anything that you as a department are doing in terms of studying or looking at ways of improving how people are represented in our court system?

**CHAIRMAN (Mr. Zoe):** Mr. Bickert.

**MR. BICKERT:** I will say, only half facetiously, have you got a week? I think that is a very important question, Mr. Chairman. It is hard to know where to start, because I think across the country -- and let us focus on the North, and let us focus on the remote communities, and let us focus on the justice system as it affects aboriginal people, if I can, because for the most part that is what we are talking about in the North.

I would say almost everybody, both in the public and within the justice system itself says that the justice system -- to use that word, whatever it means -- is not working for aboriginal people. It is not working in our communities. In Canada we have the third highest rate of incarceration of any country in the world right now, that keeps those statistics. The Northwest Territories has in its prisons something like five times the national rate. So it does not take a rocket scientist to figure out that we have too many people in our jails.

But if you look at each and every case, and you ask, should this person be in jail or not? What are they in jail for? So many times they are in jail for crimes of violence, where the community and the public are expecting jail sentences, even expecting longer jail sentences. When we go on community visits and talk to the people about their perception of the justice system, they say, "The big problem is that people do not go to jail often enough, long enough, and the jails are too nice when they get there." That is speaking from frustration, I am sure, where in small communities violence is high and there are problems.

So if it is not working in the North and it is not working for aboriginal people in a general sense, then what are the problems? When we look at the current system, we see, for the most part, competent people working very, very hard with the tools they have available to them. I include everybody from police to judges to defence lawyers to prosecutors to court workers to legal interpreters to court staff, working well beyond the kind of hours most bureaucrats would be expected to work, in less than ideal circumstances and under great pressure, and yet it is still not working.

The kinds of alternatives that are available -- that is why I ask, have you got a week? I think Mr. Gargan and I and others have seen other systems of justice, for instance the Navajo tribal system -- maybe there are some things we can learn there. Certainly in our community visits, we have been invited to a number of communities in the last year, and we are attending all those who invite us as best we can to find alternative methods of dealing with crime. What we hope to see is communities regain control of the justice system, if you

will, and take both the power and the responsibility that goes with that power.

Because the high tech system, which I call it, flying around in a plane with lawyers going everywhere, is not solving the problems. Long jail sentences are not preventing crime. Giving more and more money out in legal aid is not solving the crime rate, the violence, the abuses, the problems; and in the communities some of the initiatives that we are trying to foster when the communities initiate them are things like community justice committees.

I have recently been to Fort MacPherson and to Fort Good Hope -- I was in Good Hope just last week -- and both of those communities, as well as Tuktoyaktuk, which springs to mind, and some in the Baffin Region, have established local committees of elders and respected people. In some of them they invite youths, as well, to sit on a committee. There are various things they can do. One thing they have done and are beginning to do more often is to sit with the territorial judge when he or she comes to town and hear the cases and give advice and direction and recommendations to the judge as to what an appropriate disposition would be. Because the range of sentences that are open in our high tech system is pretty narrow -- fines, jail, probation. So what other alternatives are open?

I know of some examples in both MacPherson and Good Hope where elders who have tremendous land skills, are saying one of the problems of our young people is they are losing their language, their culture and their sense of where they are from and where they are going. Even if they are going to be in a wage economy, and they need an education for that, they should be able to go out on the land. They should not be trapped in their little communities. So they are taking some of these young offenders out on the land and they are just teaching them the basic skills to survive; they are teaching them a little bit about their language and culture, where they come from. Some of those kids have come back tremendously changed. They are not all success stories but there are some out there to be had.

What does that take? It does not take a bunch of lawyers and a lot of money in that sense; it takes commitment and devotion by people in communities to solve their own problems. The justice committees are trying to support that by getting local volunteers and people who will come out and do exactly that. And do crisis intervention, where instead of always having to call the RCMP and throw somebody in jail if there is a family crisis, have somebody go over as a mediator and cool it off and try to prevent the continuing cycle of jail and that sort of thing. So there are all kinds of things that can be done.

Victim/offender reconciliation, where you try to get at the problem why these things are happening; or community service work where young offenders who are bored and lost and are committing break and entry crimes over and over and over again, and you could keep throwing them in jail over and over again; and they have propane sniffing problems; all the things that you all know so well exist out there, where people are now trying to volunteer and take part.

One of the problems in the past has been -- we all know that the justice system here was imposed. It came up with Euro-Canadian settlers. We brought in RCMP; we brought in courts and lawyers and we said, "Your traditional ways, for the most part, should not apply any more. We have got all the solutions here; everything from health and education to a justice system." It tended to break down the traditional dispute resolution mechanisms, the traditional social order. For one reason or another people lost the ability to solve their own problems. We cannot just say, "Okay, go back to the old

way and solve your problems." That is not going to happen overnight. But we have to make some start. We have to open ourselves and say, "Look, we have tried this one and we have spent millions on it, and we are not solving the problems." Maybe we can regain some community controls and solve some of the problems that way.

I am sorry I have gone on so long, but those are important changes in the system that we are trying very hard to generate. They will not happen overnight and they will not happen by hiring say, justice co-ordinators in every community. It takes a lot of hard work by people in the communities who used to have that ability and control which was taken away or lost, and they are now beginning to realize that they want to get it back. We are saying let us support that.

**CHAIRMAN (Mr. Zoe):** Mr. Bickert, you indicated this task force report, the latest one. What are the major recommendations from that task force?

**MR. BICKERT:** The legal aid task force report in some respects was a limited report in the sense that it was not trying to make judgments on the system, as it were, or major changes to it. It was taken as a given that right now we have a requirement for legal aid and we have a system in place, but the costs of that system are skyrocketing and we need to find some different ways of doing that administration of legal aid.

We have made a number of detailed recommendations with respect to the management and administration, financial and accounting practices. Some of its more important recommendations were, for instance, to bring in a greater proportion of staff lawyers as opposed to privately retained lawyers out there. To some extent with staff lawyers you can control costs. I am sorry, I am confusing something -- I am mixing up the Strength at Two Levels report with the task force. Strength at Two Levels recommends more staff lawyers.

The task force recommends a number of things in terms of how legal aid is structured. It proposed to strengthen the management by the board in terms of the overseeing of legal aid. Perhaps because legal aid has grown dramatically over the last decade, a great deal of management may not have been required initially because it was essentially a system driven by court circuits and criminal cases, lawyers representing people in scenarios where there was not a lot of room to manoeuvre. They basically provided the service and billed for the amount of time that they spent and away they went. But the mix of cases in terms of trials and the growth in the system was so great that now they have to apply the kinds of modern management tools to control those costs, especially with levelling off or even diminishing resources to be made available, and the pressure and demands have not changed.

So the task force report is very detailed. It tried to look at the internal workings of the legal aid office, as well as the structure of the Legal Services Board and how that works. But it does not really touch on the kinds of broader issues of the justice system and where it ought to go.

**CHAIRMAN (Mr. Zoe):** What is the next step? You have this report; you have made a number of recommendations; you have tabled it in the House. What is the Department of Justice going to do with regard to the task force report?

**MR. BICKERT:** I think what is important is for us to try and accommodate the direction given to us by the Strength at Two Levels report, and at the same time, to accommodate those aspects of the task force report. They are both sets of recommendations. We are trying to see where they agree and