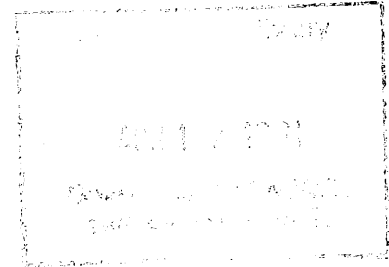




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11th Assembly

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, 1990"

Proceedings
January 29 - 30, 1991

Nick Sibbeston
Chairman



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LEGISLATIVE ASSEMBLY OF THE NORTHWEST TERRITORIES

STANDING COMMITTEE ON PUBLIC ACCOUNTS

YELLOWKNIFE, NORTHWEST TERRITORIES

JANUARY 29, 1991

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Mr. Nick Sibbeston

Deputy Chairman

Mr. Henry Zoe

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Mr. Bruce McLaughlin

Mr. Don Morin

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

YELLOWKNIFE, NORTHWEST TERRITORIES

JANUARY 29, 1991

MEMBERS PRESENT

Mr. Lewis, Mr. McLaughlin, Mr. Morin, Mr. Ningark, Mr. Pollard, Mr. Sibbeston, Mr. Zoe

CHAIRMAN (Mr. Sibbeston): I will just start by welcoming everybody here to our public accounts meeting. For the record I will just introduce the Members of our committee and then I will ask the Auditor General's staff to do likewise. We have John Ningark, Brian Lewis, Bruce McLaughlin, John Pollard and we will have Henry Zoe and Don Morin in the next while. Staff, we have Goo Arlooktoo on my right and Mike Bell on my left. Roger, could you introduce your Auditor General's staff?

MR. SIMPSON: Thank you, Mr. Chairman. I am Roger Simpson; to my left is Dale Shier and to his left is Ian Campbell.

Chairman's Opening Remarks

CHAIRMAN (Mr. Sibbeston): Thank you. I will just start by making a brief introductory remark about the purpose of our meeting. We are holding these public meetings today and tomorrow to consider the Auditor General's Report on the financial statement of our government for 1989-90, to look at the items which they have reported upon. We will be dealing with all of the matters reported on in the report to varying degrees of concentration or emphasis.

I will just summarize the report. In chapter one, the Auditor General recognizes the government's adoption of a new auditing system which consolidates some of the public corporations and agencies into its financial reporting. We compliment the Department of Finance, the comptroller general and all those that have been involved on behalf of our government, in producing the government's report. It certainly caught the attention of the Auditor General and so we commend you for taking the lead in adopting this new approach.

In the second chapter of the Auditor General's Report it reports on the overexpenditure by three departments and five activities to the tune of \$1.5 million. While we will not be calling the deputy ministers of Public Works and Health, specifically for these overexpenditures, the deputy minister of Finance and the Executive and comptroller general will be asked about these overexpenditures in the next day or so when they appear before us. We will be asking the deputy minister of Justice to appear before us for its overexpenditure in its department.

Most of our time will be spent dealing with chapter three, the issue of health and education boards. Our government contributes 37 per cent of its budget by way of contribution to municipalities and boards and agencies in the North. To both Health and Education, 16 per cent of our budget goes to fund these boards. Both the deputy ministers of Health and Education have been requested to appear before us to answer to the issues raised by the Auditor General. In dealing with boards and agencies we will be concentrating on five issues including the board's mandate, funding, operations, monitoring effectiveness and accountability to the Assembly.

Finally, we will review in chapter four, the items raised by the

Auditor General the year before and see what progress has been made.

This is the general outline of the work we have before us. Now, at this stage, we can begin by asking the deputy minister of Justice to come forward with his staff if he has any.

Department Of Justice

MR. BICKERT: Thank you, Mr. Chairman. I wonder if I might have to assist me, Louise Dundas-Matthews, my director of finance and administration.

CHAIRMAN (Mr. Sibbeston): Mr. Bickert, could you introduce yourself again as we need this for the record.

MR. BICKERT: Thank you, Mr. Chairman. I am Geoffrey Bickert, the deputy minister of Justice and with me at my left is Louise Dundas-Matthews, my director of finance and administration.

CHAIRMAN (Mr. Sibbeston): Mr. Bickert, do you have an opening statement? If you do, you may proceed.

Statement By Department Of Justice

MR. BICKERT: Thank you, Mr. Chairman. I thought it might help if I gave some brief opening remarks. I would like to make those remarks, of course, relating to the Auditor General's comments upon the Department of Justice expenditures for fiscal year 1991 which might have been made in fiscal year 1990.

The bulk of these expenditures relate to invoices received by the department from the Legal Services Board after the deadline for recording expenses had passed for the last fiscal year 1989-90. The invoices are for services provided by lawyers in private practice to their legally aided clients in civil and criminal matters. As you know, Mr. Chairman, legal aid is provided on the basis of financial need to residents of the Territories according to the criteria established under the Legal Services Act and Regulations. The rates or tariff of fees for such services are established by regulations made by the Commissioner after consultation with representatives of the private Bar. The Legal Services Board is a public agency created by statute with representation from the government and the regions. The legal aid plan is administered by staff who are effectively independent of the Department of Justice. I say effectively because by statute they are members of the public service but in all practical purposes they act outside the department.

The lawyers who provide legal aid are assigned to cases by the Legal Services Board's executive director. Invoices are received from the lawyers and reviewed by the board's staff and the executive director. They are then submitted to the Department of Justice for payment after any adjustments made by the executive director.

The Department of Justice also provides some financial and

administrative support to the board. The budget of the board, of course, is appropriated as an activity of our department.

Every effort is made by the executive director of the Legal Services Board and his staff to get the bills in from lawyers prior to the government deadline for recording expenses. Where, as often happens, cases extend over several months or a year, lawyers are encouraged to submit interim bills for their services. While it might be assumed that lawyers would be anxious to submit invoices promptly in order to get paid, many factors prevent all bills being submitted before the end of the fiscal year in which the services were provided. These factors include the burden of their other work for other clients, frequent travel on other court circuits and a tendency to postpone the preparation of detailed statements of account for services until the case or the legal work is finally concluded.

In the normal course, if it can be reasonably predicted by the Legal Services Board that these late receipts will be substantial, the board will advise our department so that an estimate of the amount of the outstanding invoices may be made for recording in the books. Last year the volume of work performed by legal aid lawyers increased dramatically and beyond all expectations based upon past experience or trends noted during the year. The lawyers' invoices in question were being received after the end of the fiscal year on March 31. They continued to be received after the May 4 deadline for government departments to make bookkeeping entries for invoices received after year end and they continued to be received well into June, July and August of last year.

In order to ensure that invoices for work performed in the old fiscal year, 1989-90 in this case, were properly identified, lists were made by our department in as timely a fashion as was possible, given when the invoices were being received, and the lists were submitted to the comptroller general. The lists were updated indicating each invoice received after the year end deadline, carefully distinguishing these listed invoices from invoices for work performed in the new fiscal year. This is of course consistent with proper practice followed each year.

The case load increases in legal aid are reflected throughout the justice system by case load volumes reported by the courts and the federal Crown Attorney and to some extent by the RCMP. Supplementary funding for legal aid was approved by the Legislative Assembly in the fall session. Additional funding needs will be reflected in the supplementary appropriation bills for the coming session as well. Every effort is being made to ensure that sufficient resources are in place for this fiscal year to take account of the 1989-90 expenses paid out of the new year's appropriation and to cover 1990-91 expenses which may not be invoiced until after March 31 of this fiscal year.

It is premature to state definitively the causes for the workload increases in legal aid today. However, since pressures from communities and the public are for more frequent court circuits and even greater access to legal aid and court workers, legal aid delivery and its costs are being examined carefully. They are being examined in one sense by a legal aid task force established jointly by the Legal Services Board and the Department of Justice and in addition, they are being examined internally by our department in terms of the documented invoice flow. In addition to this, and specific to this, the problem before you today, a specific computerized tracking system has been installed in the legal aid office, at my department's request. It will better record estimates of potential liabilities well before the invoices come in. This will allow more accurate recording of expenditures for the fiscal year in which the work was performed. Thank you, Mr.

Chairman.

CHAIRMAN (Mr. Sibbeston): Thank you. Are there any comments by Members? Mr. Lewis.

MR. LEWIS: Thanks, Mr. Chairman. The billing that is done by legal aid to the Department of Justice only reflects bills that were received in that year and I would like to ask if those bills in fact may cover services that are stretched over a long period of time.

CHAIRMAN (Mr. Sibbeston): Mr. Bickert.

MR. BICKERT: Thank you, Mr. Chairman. The intention is to have the invoices reflect work performed in that fiscal year. So if bills are properly indicating the work performed, as they should, it is possible to distinguish work performed in previous fiscal years or work performed in the current fiscal year.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: Is that the problem then, Mr. Chairman, that if you have a bulge this year it may be that you are being billed now for services which in fact reflect work that was done last year or the year before and not necessarily work that was done this year, and that is why you need this tracking system? Is that correct?

CHAIRMAN (Mr. Sibbeston): Mr. Bickert.

MR. BICKERT: That is part of the problem. It does happen that invoices reflect several years of work over an extensive case to the extent possible, as I say lawyers are encouraged to interim bill so that we can more accurately record expenditures for work performed in the fiscal year. But there is that bulge that occurs from previous years. That is not the full amount of the bulge though. A large part of the bulge, if you will, comes from increased volume during that fiscal year.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: Just to make it clear in the minutes for any general public that are here, maybe someone from the Auditor General's staff could explain to us the times that we are looking at here. March 31st is the end of the fiscal year but I know that for work that occurs before March 31st, bills can come in even after that date but still be paid I think, because usually the deadline is around the third or fourth week for that work. The invoice can come in but it will still get run through because at that stage people are stamping old year and new year on invoices that come in. I would just like an explanation of what type of bills we are talking about. When do they physically come in and how that system works so that any person from the general public who reads this or is here can understand what we are talking about; what those three dates are and why they are important.

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: Thank you, Mr. Chairman. There are a couple of key dates in the process and I believe May 4th was the cut off date for departments to make entries into the bookkeeping system to record liabilities for the old year. As Mr. Bickert has mentioned, many of these accounts became known after that time. There is a process to deal with late awareness, if you like, of accounts that do not get booked by that time. I believe the Department of Justice actually followed that process and that is to notify the comptroller general of the items that they did not receive in time to book themselves. Then it becomes the responsibility or the judgment of the comptroller general whether or not to book them in the public

accounts.

The fundamental problem as I understand it occurs not only in Justice for the pseudo statutory types of payments which the department has no direct control, but also in other departments that have similar types of expenditures, and that is whether or not there is adequate knowledge of the expenditures that are being incurred out there in the community that really comes out of the department's budget. As Mr. Bickert mentioned, the department has set up a computerized tracking system and we will be very anxious to review that in the future to see how much information it provides. If it works, quite frankly, this should solve the problem, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Any further comments, Mr. McLaughlin?

MR. McLAUGHLIN: I have one more. I could ask the deputy minister of Justice first. When you reach a point when you know that you are going to be over-expended in your department, because in this case you actually did report it to them and it was just a matter of how the comptroller general's people record it is the issue here, but the fact is that you knew that you had those liabilities so at what stage or who in your department would authorize specific contracts or other payments when you know that you are going to be going over budget?

MR. BICKERT: Thank you, Mr. Chairman. I think the point is that we did not know. Throughout the course of the fiscal year we do variance reports and we also do, internally, more detailed analyses of expenditures, commitments, and liabilities and try to determine what the bottom line will be on March 31st to ensure that there are sufficient resources there to cover them and go in for supplementary appropriations if necessary, either at the fall session or the spring session or both. In this particular case we were doing that same process and looking at our predictions as to how much work was out there by legal aid lawyers and others throughout the department to determine what our bottom line would be on March 31st. Our best estimate was based on past experience and based on all indicators we had from the board that we were not going to be over. So that is why we were in this position.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: I still have one more along the same line. Maybe the Auditor General's staff can help us out a bit. I think each lawyer has their own contract and they invoice as cases occur so there is not a specific contract for each case that a lawyer gets. Is that true? Okay, so on that basis then, this is not a very good one for the point I am trying to make, which we tried to pursue last year and did not seem to get anywhere with.

In fact I think in this fiscal year the Legislative Assembly was actually sitting on March 31, 1990. I think we took a break early in March and then we were physically sitting on the last fiscal day. And of course the government was here, the Executive Council was in town and the Financial Management Board as well, because the House was sitting. What we were trying to pursue last year was when some of these departments know they are going to go over budget somebody at some stage, has to authorize or make commitments that are going to put any department over. Can that happen internally in the department without FMB knowing? Because the Financial Management Board, according to the act, has to either do a special warrant or if the House is sitting they have to do a supp in the House. So if that is not happening is the act impractical? Obviously

somebody, somewhere in this government is breaking the Financial Administration Act, maybe not on purpose but it is happening. So is the act impractical? What I want to get specifically is who in the department has the authority to authorize expenditures that is going to put a government department over their authorized expenditure?

CHAIRMAN (Mr. Sibbeston): Mr. Bickert.

MR. BICKERT: Thank you. I do not think anyone. The financial information system certainly has internal controls that will shut you down if you try to make commitments beyond your appropriation. So this is certainly one check, plus of course all of the other bookkeeping and projections that we make.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: I would like a comment on that from the Auditor General's staff because we pursued that last year and we really did not get an answer; who makes the final decision? Somebody is knowingly doing authorizations in some cases. This is not a good example that I am pursuing but these other departments may be. Somebody knowingly makes an authorization and puts the department over budget. I would like to know who that is. Can it be done in a department without Finance or FMB and its officials knowing about it?

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: Thank you, Mr. Chairman. I think the simple answer is that no one has got the authority to do that. Section 32 of the Financial Administration Act says that no person shall incur any expenditures that cause the amount of the activity set out in the estimates in which the appropriation is based to be exceeded. So if departments are exceeding their activity level appropriation then they are in default as far as the act is concerned.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, I wonder if the deputy minister could tell us if these bills were eventually paid.

CHAIRMAN (Mr. Sibbeston): Mr. Bickert.

MR. BICKERT: Yes, they were.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, perhaps the deputy minister could tell us who authorized the payment of those bills. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Bickert.

MR. BICKERT: Initially our department authorized some, remembering that they came after the fiscal year, they were then paid out of new year appropriations.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Did that effect the new year appropriations, Mr. Chairman?

CHAIRMAN (Mr. Sibbeston): Mr. Bickert.

MR. BICKERT: Yes, for every dollar spent on work performed in the previous fiscal year out of the new year appropriation there was one dollar less to carry out the work

in the new year. That is part of the reason why in the fall we sought and received from the Assembly, a supplementary appropriation or sum of money for legal aid.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: So these payments were eventually recorded one year later. Am I correct, Mr. Chairman?

CHAIRMAN (Mr. Sibbeston): Mr. Bickert.

MR. BICKERT: They were not booked in the old year, they were booked in the new year, ultimately.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: I should know this, Mr. Chairman, but I confess I cannot remember. When the supp went through the standing committee on finance and then on to the House, was it explained to the House and to the standing committee on finance that part of the supplementary moneys were for payments of bills for the previous year?

CHAIRMAN (Mr. Sibbeston): Mr. Bickert.

MR. BICKERT: I am sorry, Mr. Chairman, unless I went back and examined the documents -- I know that in the Financial Management Board submission it was noted, but by the time it was translated to briefer and briefer lines to get into a supplementary appropriation bill, whether it was still showed, I cannot say.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: I think the issue here is not so much the department as how this was recorded. It looks like the department knew it was physically going to go over budget and reported that. I would like the Auditor General to comment on that. I guess it is the principle of that. Is that what they are primarily concerned about, the principle that even though the department knew they were going over and was forthcoming to the fact they were going over, the expenditure did not get recorded as an overexpenditure? Is that what they are mainly concerned about here? Because the other departments did worse and they are not here.

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: Thank you, Mr. Chairman. I think there are a number of issues surrounding this particular observation. One issue which Mr. Bickert has addressed is whether or not the individual departments know what kind of commitments they have from the community. Mr. Bickert has indicated that this is mostly a reimbursement on a cash type of basis and it is very difficult to predict volume increases. The new computerized system that Mr. Bickert has mentioned hopefully will go a long way toward identifying the possibility of an overexpenditure.

The second point, Mr. Chairman, is how long did it take to prepare and get a supplementary estimate through the system? I do not know the answer to that and perhaps the comptroller general can comment on that point.

Our particular concern in this issue is that the department did not book this. It was not booked by the comptroller general's office and the result was that had it been booked, the department's total expenditures would have gone over by the tune of about \$350,000. And it would have then been included in the previous comment 2.1, which as you know on an annual basis we report to the Assembly cases where

departments have overexpended, both at the activity and at the departmental level. In this case it would have pushed the department right over the top at the departmental level and that is what we are concerned about, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Are Member's interested in having the comptroller general appear as a witness since it was him that ultimately made the decisions as to how to handle this matter? Can I ask Mr. Nelson if he would come please?

Mr. Nelson, I wonder if you could explain your involvement in this. Obviously you were involved and made the ultimate decision to not record it as an expenditure in the Department of Justice but rather under your own responsibilities.

MR. NELSON: Mr. Chairman, perhaps I could just run through the year end process which might explain better for the Members. Our year end is March 31st and at that date we essentially close the books, except that we then try and track and record those revenues not yet recorded. Example, bills to Canada after year end -- excuse me, I am quite nervous at the moment -- and expenses where goods or services were provided but we have not received the invoices. This is basically what we call accrual accounting. Those revenues and expense items which were received until approximately early May are accrued and recorded as old year expenses directly into our system. Then we have departments continue the process by accumulating the old year items until the end of June. We then determine, in discussions with the Auditor General's staff, at what point we close the year and what significant items, if any, should be recorded. The timing is critical as we must complete the government's interim financial report by September 30th.

With respect to the justice item, it was decided and agreed to by our corporate accounting staff and the auditor that the amount was not significant to our bottom line. That is, our surplus or deficit position. This is essentially an accounting issue.

With respect to the budget expenditure issue, the comptroller general has authority to decide under section 36(2) of the Financial Administration Act whether or not to record a liability. If in doing so, the appropriation would be exceeded as was in this case. I think Mr. McLaughlin asked the question as to who could authorize the overexpenditure. If the liability was recorded and cause in overexpenditure it would be considered an interim appropriation, such as a special warrant, and would be tabled as a supplementary appropriation in February for 1989-90. I chose not to record the liability and let the expense be charged to the 1990-91 budget since I did not believe the amount was material. Under the act, I have that discretion.

In follow-up discussions with the Auditor General's staff and our corporate accounting staff and Justice staff, it became clear that the procedure for accruing and recording liabilities was not clearly documented or understood; 1989-90 was the second year with our new Financial Administration Act and accrual accounting and our procedures were still being modified. Mr. Chairman, as indicated in my reply to the Auditor General, I agreed to record liabilities resulting in an overexpenditure for 1990-91 and we have also provided instruction to departments in our year end procedures on accrued liabilities and we will review the process after the 1990-91 year end. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Thank you very much. Any further comments or questions arising out of Mr. Nelson's statement? You have a comment, Mr. Simpson.

MR. SIMPSON: Thank you, Mr. Chairman. There is just one point I would like to make, Mr. Chairman. It relates to the accrual of liabilities in the financial statements as a whole. The financial statements represent a billion dollar business effectively and the decision whether to accrue relatively small amounts of money in terms of unpaid bills at the year end, as Mr. Nielsen has pointed out, is clearly within his roles and responsibilities. Certainly, the way we audit, we audit to materiality limit. In other words we set a figure based on our own calculations as to what level of items that are not booked that we can still live with. In other words recognizing that no financial statements will ever be 100 per cent accurate. Frankly, if it were \$360,000 out of a one billion dollar business, we would not be all that concerned about it. But the issue, Mr. Chairman, is in this particular case failing to book that liability meant that the Department of Justice showed that it effectively balanced its budget. It in fact lapsed, I think, about \$1700. Had it been booked it would have put the department over the top and it would have been brought to the attention of the Legislative Assembly and in particular this committee. Mr. Nelson's assertion that, in future, any such liabilities albeit that they are small and do not really affect the total picture of the financial statements but that they will be booked to represent individual departmental overexpenditures, I think is a very positive sign and we will certainly work with the comptroller general to make sure that those items are adequately disclosed in the future. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Thank you. Any further comments? If not, I thank you Mr. Bickert and the staff and Mr. Nelson too.

Departments Of Health And Education

I would like to invite the officials from both the Department of Health and Education to sit at the witness table please and bring the staff you feel you need. I will just ask the witnesses to identify themselves for the record.

MR. COLBOURNE: Eric Colbourne, acting deputy minister, Department of Education.

MR. COWCILL: Bob Cowcill, deputy minister of Health.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne, we had written to the deputy minister of Education and I am wondering why he is not here and why you are here today.

MR. COLBOURNE: Mr. Chairman, the deputy minister is currently on vacation.

CHAIRMAN (Mr. Sibbeston): Can you tell us if that is something that has just happened recently? I am curious to know why he is not here because we specifically wanted the deputy ministers of departments to come when we ask them to appear before our committee.

MR. COLBOURNE: Yes, Mr. Chairman, his vacation had been scheduled for quite far in advance.

CHAIRMAN (Mr. Sibbeston): Do you feel that you are able to represent the deputy minister and the department with respect to the matters here before us?

MR. COLBOURNE: Yes, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Okay, then I will ask either of you, whomever wants to go first, to make a statement with respect to their department's responsibility for the boards. Mr. Colbourne.

Statement By Department Of Education

MR. COLBOURNE: Thank you, Mr. Chairman. I would like to give a brief presentation on the history and development of divisional boards of education, as requested. Under the Northwest Territories Education Act which was passed in 1977, there was provision for a system of local education authorities at the community level. Depending on the perceived readiness of the community, there could be varying levels of responsibility granted to the local education authority. There was a general feeling, however, across the NWT that these small community units could not, in fact, exercise any real control over the education system.

During the public hearings of the special committee on education, which was formed by the Ninth Assembly in February 1980, people across the NWT expressed a desire for much greater control of the education system. There was a common perception that an administrator controlled system of education could not adequately respond to their needs. A publicly controlled system had been in place in Yellowknife for many years and had been the norm in southern Canada for over 100 years.

Consequently a major recommendation of the special committee report was that the Minister of Education introduced legislation to create divisional boards of education. These divisions could correspond roughly to regional groupings of communities as they existed at that time. The enabling legislation was passed by the Assembly during the fall session in 1983. Under the legislation the Minister of Education could, by order, establish a divisional board where he was presented with a joint petition from all local education authorities comprising this proposed division.

While the new legislation provided for significant public control over schools, there were some major differences between divisional boards and the boards in Yellowknife. The divisional boards did not have a significant tax base and were funded 100 per cent through contributions from government. As well employees of divisional boards which were specified in the Minister's order, would remain employees of the Government of the NWT. They would, of course, be subject to the pertinent agreements reached with the NWT Teachers' Association and with the Union of Northern Workers.

In most other areas the boards have broad powers to administer and manage the educational affairs of the division. Divisional boards, for example, approve and supervise expenditures; they ensure that the basic instructional program as prescribed by the Minister, is provided in the school; and the superintendent of education reports directly to the divisional board.

In anticipation of the 1983 legislation, the Baffin Region local education authorities were already making preparation for board status and consequently they were the first jurisdiction to become a divisional board in 1985. This was followed by the Kitikmeot and Keewatin Divisional Boards in 1988; the Dogrib Divisional Board for Delta and Sahtu in 1989; and the Deh Cho Divisional Board in 1990. Only the South Slave and the community of Inuvik do not currently fall under divisional board status.

Over a period of five years there has been a major transition from what we refer to as an administrator controlled system of education to one which is certainly more publicly controlled. The future development of divisional boards will, to some degree, be affected by studies that are currently under way. These include the financial arrangement study and the review of education of financing in the NWT. More than anything

else, however, it will be dependent on the current public review of the Education Act and regulations. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Thank you. Mr. Cowcill.

Statement By Department Of Health

MR. COWCILL: Thank you, Mr. Chairman. With respect to the history of the health system and health boards and as all of you are aware, the first health facilities in the NWT were developed by the Roman Catholic and Anglican churches beginning in about the 1850s. Later the federal government assumed responsibility for organizing a system of facilities and services across the North. In three stages, beginning in 1982, and culminating in the transfer agreement of 1988, the network of hospitals and health centres established by the federal government was transferred to the Government of the NWT.

In 1961 when the hospital insurance program was established in the NWT, the most common administrative vehicle used by provinces was to establish a commission or board as their agent. A similar pattern was introduced in the NWT through legislation which created the Territorial Hospital Insurance Services Board. The THIS Board was made up of not less than five members to be appointed by the Commissioner. Its mandate was to fund and regulate the amount paid to NWT hospitals.

In the early 1970s, at a time when there was no legislation enabling the establishment of a board of management for health care facilities, the government entered into a 25 year management agreement with the Pentecostal Assemblies of Canada, Subarctic Mission, to manage the new Hay River Hospital on behalf of the government. I understand that within its structure it had a board operation at the time. Just as a reminder, in the federal system, which they did permit some citizen involvement in their programs, it was entirely advisory in nature.

An amendment to the THIS Act was introduced in 1976 to permit the establishment of boards of management for NWT health facilities. Boards of management are mandated by the act to manage, control and operate their health facilities. The first board of management established in 1977 under the THIS Act was the Fort Smith Health Centre Board which has managed the facility since its inception. The second board established, I believe in the same year, was the Stanton Yellowknife Board.

With the transfer of federal health responsibilities in the Baffin Region between 1982 and 1986, the Baffin Regional Board of Management was established with the responsibility for a broader range of treatment and public health responsibilities. In April 1988, at the time of transfer, four new boards of management were created: the Inuvik, Keewatin and Kitikmeot boards and the Mackenzie Regional Health Service. All of the boards created to date have broad representation through members appointed by the Minister from each community served. The Mackenzie Regional Health Service is administered by a public trustee pending agreement on the composition of the Mackenzie board.

Health system functions are distributed centrally and at the hospital and health board level. Central functions include legislative and regulatory functions, policy formulation, planning and evaluation, standard setting, insurance programs, board funding allocation, information collection and dissemination, monitoring and support.

Hospital and health board functions include operational policy

making, patient protection, service delivery planning, by-laws and organization, management of health service delivery, public relations and self-monitoring and evaluation.

Mr. Chairman, I have provided with the document, which you will receive a copy of, an overview of the key participants in the current structure and a summary of their roles which is set out in the document.

In terms of problem areas, specifically in relation to financing, implementing a more responsive budget preparation reporting and control system has been an ongoing challenge and will continue to require a collaborative effort between the department, the THIS Board and hospital and health boards.

The future, a continued focus on budget planning and control. In a climate of financial restraint and with concerns about the rising costs of providing health services in Canada generally, it is important that our system is managed in the interest of effectiveness, efficiency and economy. This is why we find the Auditor General's recommendations useful in helping the department to achieve those desired outcomes in the health care system.

Mandate

CHAIRMAN (Mr. Sibbeston): Thank you very much. The Auditor General's review of both the education and health boards breakdown the review in five areas. The first is mandate. In a general way, under this heading, the Auditor General has pointed out that there is inconsistencies between policy and legislation that govern boards. Obviously there will be some need to clarify and deal with this in the months and years ahead. And because the Executive is involved, because of its transfer policy, I am wondering whether it would be proper to ask Louise Vertes to join us since there may be some discussions about the Executive's role in dealing with the transfer policy. Eventually under the heading of funding the Department of Finance will be involved in our discussions so maybe for the time being if I can ask Louise Vertes if she can join the witness table and be of any assistance she can be in dealing with questions or statements. I will at this stage ask the Auditor General's staff, Mr. Simpson, if you can comment and focus on the first part of your report under this heading.

MR. SIMPSON: Thank you, Mr. Chairman. As you have already mentioned, our observations in the chapter are split into five areas dealing with the mandate, the funding, board operations, monitoring effectiveness and accountability to the Legislative Assembly.

I am going to ask my colleagues, Ian Campbell and Dale Shier, to talk to each one individually but before I do I would like to mention that this work by our office is something new in terms of the work that we have done in the Northwest Territories. We got interested in the contributions made to other parties who are effectively delivering government programs. Some 37 per cent of the government's one billion dollar budget is now spent by other agencies. Our interest in this, Mr. Chairman, was to try and identify at a relatively early stage, the kinds of problems that could occur so that preventative action could be taken to avoid problems in the future. This is much more of a pro-active type of audit report than the traditional horror story type of audit report.

In that context I will ask my colleague, Ian Campbell, just to introduce very briefly the section on mandate.

CHAIRMAN (Mr. Sibbeston): Mr. Campbell.

MR. CAMPBELL: Thank you, Mr. Chairman. The importance of this first issue on mandate is indicated by the large number of policies and acts which are currently operating in the board area within the GNWT. Our main concern and consideration in the discussion of this area was that there should be a clear and unambiguous framework for the boards to operate in as they report between themselves and the government. Our main conclusion is that the entire policy framework should be reviewed and be made more consistent within itself so that the boards and the government know what they are operating in. Our recommendations for this area more specifically are: that the government should review the consistency of the legislative framework and especially its applicability to boards and that where ever necessary, the policies and legislation should be updated. In a more detailed recommendation, we suggest the board should be provided with whatever policy manuals and other manuals that required and that apply to them. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Are there any questions or statements arising out of the deputy minister's opening statement and what the Auditor General's staff have provided us with thus far? Perhaps Louise, would you like to say something?

MRS. VERTES: Thank you, Mr. Chairman. I do not have any prepared remarks. You have given me an opportunity, however, and I perhaps would repeat the co-ordinated response that was given to the observations of the Auditor General in that I think all of us appreciated the observations. As the Auditor General said, it is something new and, in fact, I think that the work that we have done with the Auditor General has shown us that the issues they have raised are some that we have taken note of ourselves. I would very much see using the recommendations and the observations made to assist us in carrying out some of the initiatives that we have under way right now. I think our response made reference to the financial arrangement studies that some Members may be aware of that at the moment is in the hands of boards and agencies for their review and comment. We would look forward to receiving those responses and coupling them with the observations of the Auditor General to in fact carry out some of the recommendations. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Any questions or statements arising out of this? Mr. Lewis. Then Mr. Pollard.

MR. LEWIS: Mr. Chairman, first of all under mandate, the Auditor General has noted that under the transfer policy the work that is conducted by the health and education boards is really a delegation of the kind of work that the government by statute is required to do. This is just an agency approach to delivering the programs that government does. So there is a limited freedom to move I suppose in a sense. That also includes a limited freedom to move in funding that program as well. Under the transfer policy, item six says that there should be no net increase in costs to the GNWT. In other words, this is the program that we are delegating to you and you better do it within the kind of budget that we give you. Yet when we examine the various funding arrangements and I note now exhibit eight which is really the analysis of the financial statements of surpluses and deficits of the boards. This includes the nine education boards and the five health boards. Under the nine education boards you find in the final column that six of the nine boards are operating with an accumulated deficit. One board even plans an annual deficit. In other words, as part of its budgeting it automatically assumes an annual deficit. If that is to be a trend what is going to happen from what I can see is that every one of the boards in education will be planning its budget assuming an

annual deficit which will of course have a dramatic impact on the accumulated deficit for those boards.

With regard to health, the same thing applies. There is only one board in fact that has planned an annual deficit but it seems as if that could be a trend there too in the long run.

Without getting into the other comments that the Auditor General has made about reporting arrangements, financial reporting and so on, I wonder whether both deputies in fact could indicate how once you delegate an authority to a board do you have any kind of control to ensure that that board stays within the appropriations that has been given to it because that board has no means whatsoever to really raise revenue other than the manner which they have done to date which is to accumulate some interest on advance payments? There does not seem to be any other means by which they can raise revenue. That makes it a little bit different to the Arctic College system which only has limited statutory obligations to fulfil, if any. It has been set up so that it can take in revenue and produce a variety of programs. I would like to ask the department, once it has delegated this responsibility, stays on top of it, how does it do it because six of the nine boards seem to me to be headed the wrong way.

CHAIRMAN (Mr. Sibbeston): Who wants to respond first? Mr. Cowcill.

MR. COWCILL: Thank you, Mr. Chairman. First, just by way of clarification, I think it should pointed out that the principle of no increased costs reference in the transfer policy I believe was really meant to apply to the decision point at which you decide to transfer the responsibility. I do not think it was ever concluded that once the responsibility, for example for health services, was being operated under a board, that they would not require additional money from time to time, either because of increases in service demand or inflationary costs and so on.

The question is a good one though, particularly with respect to the health service. We have put in place a fairly extensive review process for controlling the budgets and so on, but it is quite difficult, particularly in the hospital settings for example, to control costs because 24 hour staffing is required even when your occupancy levels are down on wards and so on. The point is also well taken that at the current time there is really no mechanism there by which boards can raise significant revenues. So I guess all we can say is that we do our best by first of all establishing and negotiating with the boards, what we hope is a realistic budget within the resources available. We have monitoring processes in place throughout the year in terms of monthly financial statements, variance reports and so on and we try to work with the boards to deal with financial problems as they arise, either through suggested measures to them on how they might keep their allocation within budget or alternatively if there is a clear case to be made seeking the forced growth costs through the supplementary estimate process and so on. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, there are two issues I guess, to the points Mr. Lewis has brought up. One has to do with the monitoring of the Department of Education. Currently the department uses the payroll information costs at the start of each school year and uses the audited financial statements of boards. These are examined at the end of each fiscal year. The department's financial staff as well, visit each board at least once per year to work with the comptrollers of these boards and for new boards these visits are certainly more frequent. The department as well, is currently

developing a cyclical review process for board operations. The process was piloted last year with the Keewatin Divisional Board, a comprehensive review looking at all aspects of board operation. We will be doing one additional review this year in the Kitikmeot.

The other important issue, Mr. Chairman, with respect to the Department of Education, and the deficits showing for the various boards, has to do with the kind of accounting framework that is used by government generally. With your permission, Mr. Chairman, I would like to ask Mr. Devitt, my director of finance, to address that specific issue.

CHAIRMAN (Mr. Sibbeston): Okay. Mr. Devitt.

MR. DEVITT: My name is Paul Devitt. I am the director of financial and management services for the Department of Education. The matter that Mr. Colbourne was referring to was the accounting treatment of accrued vacation, pay and termination benefits, as shown in exhibit eight. First of all I would like to say that we agree with the accounting treatment suggested by the Auditor General's office in the exhibit and believe that with some minor adjustments that have come to light since the audit, that the numbers shown are correct.

The point that we want to make though is that they do not reflect the management of finances by divisional boards, in that these are long-term liabilities that were transferred from the GNWT when boards were created. In fact, there are only two boards indicated by number one and number three on the chart, that have actually managed deficit and of those two boards, only board number one has a significant deficit which is one per cent of their budget, which is a concern to us but we believe it is a manageable deficit. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): I note that we have got into the financial area and I think we ought to just wait until we get into the funding. So if Members could just deal with the mandate, the matter of policy versus legislation, it would I think, be best. Mr. Pollard.

MR. POLLARD: Mr. Chairman, firstly, I would thank Mr. Cowcill because it is always handy when they provide the notes they are going to speak from. So I thank Mr. Cowcill for that.

On his chart, "key participants, summary of roles", between the GNWT and the patient there seems to be a whole lot of layers of bureaucracy. I would just ask Mr. Cowcill, are the boards a hinderance or a help? Could you provide a better service without the boards? Could you provide a better service to the patient if you were dealing directly with the hospitals and so on? If you took out some of that bureaucracy would the patient get better treatment? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: I think I would have to say in terms of the responsiveness of the system, that probably one of the key benefits of having people within a local area or region participating in a health system is in fact, that I believe they are quite responsive to patient concerns and complaints and things of this nature. So I would have to say that in respect to the concern that patients be treated responsibly and with dignity and so on, that the boards obviously with participants at the local level, can contribute to that kind of accountability and responsiveness.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: So if the boards are doing a good job in that area, Mr. Cowcill, do they all operate under the same rules and regulations, the same policies? Do they all do the same things and have the same kind of resources to do those things with? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: First of all with respect to the program eligibility criteria in the health system, as all of you are aware, there is a universal program of benefits for people in the NWT. So in that sense for any programs that are territorial in nature in terms of defined benefits, there is a consistent approach across the board in that area. In respect to the issue of operating procedures within a particular facility there is a certain framework set down in the THIS Act which touch on standards, but the boards may have some variations on how within their facility, they address particular matters in terms of guidance to their staff. Whatever methods they put in place, at least in the hospital setting, all of those as you know, are evaluated when the hospitals are considered for accreditation and so on. So there is some variation I would say, in how various facilities might deal with their internal organization and staffing matters but the overall standard of evaluation is still the accreditation process which would look at how they are organized in respect to reviewing patient care and all of those kinds of things in a hospital setting. Does that answer your question?

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, Mr. Cowcill is telling us then that the deal is the same across the board for program delivery and as far as the operational end of things are concerned they are all doing about the same thing. Am I correct?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: I should have added that the nature of the service delivered in a particular region depends on the resources which they have locally so those regions that have direct access to a hospital would be able to deal with their clientele in a different fashion than those that have to send their clients out. But I would say that within the facilities that are very similar in nature, such as the community health centres, there is a fairly common approach to how people are received. Similarly in the hospital settings, depending again on the kinds of services which they are mandated to provide.

CHAIRMAN (Mr. Sibbeston): I would like to suggest a brief coffee break at this stage for 10 minutes.

---SHORT RECESS

CHAIRMAN (Mr. Sibbeston): I would like to call this meeting back to order. I would just like to centre in on the issues that have been raised by the Auditor General's staff under the heading of mandate. The big issue as I understand it is that for boards and agencies to operate clearly and effectively there needs to be clarity of mandate. What exactly is their mandate? There seems to be some confusion between the legislation which sets up the hospital boards and the school boards. There is confusion between these acts and the government's transfer policy. That needs to be dealt with. I think in a general way, I will ask Mrs. Vertes what the government is doing to clarify these inconsistencies? Obviously, if you want boards to operate effectively and know their mandate clearly, they need to be certain as to exactly what their roles and responsibilities are. The Auditor General

has pointed out a number of instances in its report where there are inconsistencies. I think we need to address that. I will ask Mrs. Vertes to respond to that issue.

MRS. VERTES: Thank you, Mr. Chairman. I would start off by saying that the legislative mandate of health boards and divisional boards of education as you pointed out, Mr. Chairman, is under two separate pieces of legislation. There certainly is no reason to expect that they will be mirror images of each other. We are talking about two different program areas so differences are to be expected.

The transfer policy itself does apply to all boards and agencies. We are not just talking about health boards and education boards but the emphasis the government has placed on transfer policy implementation has been on the service agreements with service departments at this stage of the game. As I think you noted earlier, Mr. Chairman, the transfer policy was in 1988. It has not been a long time. In the efforts of keeping the service delivery down, emphasis has been placed over the past couple of years in getting these service agreements in place. We are working out the bugs.

Again, in reference to some gaps or inconsistencies, although my colleagues will certainly get into the areas of support to the boards in ensuring that they understand the mandate and some of the work that has been done with training manuals and board development and things of that nature, the government has recognized the importance of making sure that people know what they are doing in the financial area. I have referred before to the financial arrangement study which in fact has raised many issues similar to those raised in the Auditor General's Report. I think I indicated earlier, Mr. Chairman, that this report was in the hands of boards and once their comments are back the government will be taking those comments into account and attempting to, in fact, deal with the clarity of mandate as suggested by the Auditor General and yourself, Mr. Chairman. Thank you.

CHAIRMAN (Mr. Sibbeston): Just as an example, under the Education Act, and I appreciate that there is a revision going on presently with the Education Act, but under the Education Act powers given to the boards to deal with staff, fixing pay and hiring and purchasing, but under the transfer policy, number one, it says delegation of programs will include provision of related support service by GNWT service departments through agreements with the recipients. There is conflict there. Under the act you have the power to hire staff, to deal with pay and purchasing but the transfer policy says in number one that the government departments are to provide that service to the boards. That is an example of conflict between policy and legislation. There are others. The transfer policy says all applicable policies apply to boards and yet it seems as if boards do not have access to all the government policies. Again, there could be some confusion and misunderstanding because they do not have access, I take it, to all of the government policies. There is a policy back in 1983 dealing with public boards which needs to be updated as it were advised and told by the Auditor General. It just seems to me that there is some cleaning up to do by the government in dealing with the inconsistencies that have been pointed out.

May I get a response from the deputy ministers in terms of what they are doing in this regard so that there is not the confusion about the boards' mandate?

MR. COLBOURNE: Mr. Chairman, your observation is correct. There is some inconsistency within the Education Act itself as it applies to two divisional boards. Section 53(1) of the Education Act requires boards to remunerate its employees

in accordance with the UNWN and with the TTA collective agreement. The fact that employees of boards are considered employees of the GNWT is included in the order creating a board. Further along in the Education Act there is a statement that the board may employ such persons as may be considered necessary by the divisional board for the operation of its programs and shall fix their wages and remuneration. There certainly appears to be some inconsistency within the act itself. It is an area, Mr. Chairman, that we certainly will correct in the current revision of the Education Act.

CHAIRMAN (Mr. Sibbeston): My understanding with the health boards the Auditor General recognizes that the Department of Health has been a bit better in terms of consistency between your act and the territorial government's transfer policy but yet it just seems there are still some areas that need to be cleared up in terms of having access to executive policies and so forth. Mr. Cowcill, do you have something to say about that?

MR. COWCILL: You are correct, Mr. Chairman. The Auditor General did find that there were no significant contradictions between the THIS Act and the transfer policy. Certainly the issue has come up from time to time as to whether boards are following government policies and I think there is the need for some clarification on the part of the government in clean up so that we can give a very clear indication in total of what GNWT policies will apply to boards. We have recently checked with our health boards to determine whether there is any significant variation from some of the key policies of government; the business incentive policy, affirmative action policy and so on. We are somewhat reassured to find that all of the boards, including those that predate the recent transfer and therefore are not under the transfer policy, have indicated to me that they are complying with those key government policies.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: With regard to mandates, the Auditor General noted that it was very unclear what the various mandates were, even among boards that seemed to have similar powers. If I could just concentrate on the education boards for a moment, the two Yellowknife boards were set up, in fact long before the territorial government was set up they were in existence and had a mandate. I would like to ask whether the mandates of the boards that already existed before the Education Act was passed, are any different to the mandates that the government has handed over to the divisional boards. Are they different in any way in terms of their mandates?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: In terms of the mandate to deliver education programs in kindergarten to grade 12, I would say the mandate is no different for the boards in Yellowknife and divisional boards of education.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: Thank you, Mr. Chairman. I appreciate that in the delivery of programs that there is certainly some requirements under the act and there are policies of the government that determine the level of service that people should get, but the mandate is much broader than that. The mandate is much broader than simply to teach a program from kindergarten to grade 12. A board, for example as it exists in the city here, is a corporate body. If it wants to borrow money it can go ahead and do it. It has got assets. It hires its own superintendent and so on. I can make all kinds of hiring and firing decisions; it can respond to the

public in a way that perhaps divisional boards cannot because of the particular form of delegation from the department to a divisional board. In addition to just simply the basic service of K to 12, are the mandates for the schools that already exist here any different to the mandates that have been delegated to the divisional boards?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: There are, as I pointed out in my initial remarks, some obvious differences in the mandate. One is in the area of staffing where the public board here in Yellowknife for example, can hire its own staff, can fire its own staff, has complete control of its staff, subject of course to the agreements that it has with the NWT Teachers' Association. So that is an obvious difference in mandate.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: In terms of the basic rights of citizens in the NWT to control their education does the department envisage that divisional boards in future, no longer be simply an exercise in delegated authority, but like the board here, would have a completely devolved responsibility; have all kinds of legal basis for what they do and that they simply have the same powers throughout the Territories? Once you become a board then you become a corporate body and you are responsible. Or the other way, is it envisaged that the two boards here, because they were based on a southern model, would simply disappear and they could have the same deal as everybody else has in the Territories, where you do not have to nail the taxpayer for supporting the system? Because that is certainly maybe very attractive to the people of Yellowknife to have a similar kind of power to divisional boards and not have to pay for it.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Certainly in terms of the vision I would say that yes, the vision is that we are in an evolutionary process in terms of the powers of boards, and I think probably in the future, I would not say in the near future but certainly in the future, boards across the NWT will have the same powers.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: This relates to the whole problem of delegating this authority under the transfer policy. The key person in the divisional board would be the director. Can we get an answer on this basic issue of how that individual's accountability is? Is that person a public servant with direct or sort of a broken line reporting relationship to Yellowknife or is that person simply accountable to that board and there is no real broken line or any other kind of line relationship to what goes on in headquarters here? Has the line been cut and that person simply does whatever the board tells him or her to do?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: It is our view that the director of the board is directly accountable to the board. The board itself has an overall mandate to deliver the instructional program and to manage education programs within the division. The director carries out that mandate and is accountable to the board.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: One final one. If that is the case then, since there is a mandate that has been delegated to these boards,

who precisely in the Department of Education is responsible for making sure that that mandate that has been delegated to that board is being fulfilled? Could you name an individual who is responsible to make sure that the mandate that is being delivered is being fulfilled?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: A specific position, Mr. Chairman, would be the director of board operations.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: My question applies to both deputy ministers. I know under the municipal side of things that under the legislation there, the Minister has the authority when a city or town council, village or hamlet, is not managing its business properly, whether it is financially or whether it is just not fulfilling their mandate, that the Minister has the authority to basically step in and appoint and administrator and take things over. Is legislation and regulations in place in both these departments to make that decision? In other words, if the people in the department who monitor health boards and education boards determine that a particular board is not fulfilling its mandate, either professionally, health wise or education wise, or financially or administratively, for either one of those reasons or both of them, who would have the authority to disband that board under those departments? Would it be the Minister or in health might it be the chairman of the THIS; who could just basically say, "You are disbanded. I am sending an administrator in to take over your duties."? I know in Municipal Affairs it is the Minister himself who has that authority.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Under the Education Act only the Minister has that power and there is a specific provision in the act for that purpose.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Similarly, Mr. Chairman, under the THIS Act the Minister has the authority to appoint a public administrator in situations where she deems the health of patients is at risk or a facility is not being properly managed.

CHAIRMAN (Mr. Sibbeston): Further questions? Mr. Ningark.

MR. NINGARK: Thank you, Mr. Chairman. My question is directed to the deputy minister of Health. Mr. Cowcill, could you give us a comparison between the health boards in Baffin Region, Kitikmeot and Keewatin, in terms of powers and responsibilities? Thank you.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Thank you, Mr. Chairman. Essentially the boards in each of the three regions have similar responsibilities for managing the functions assigned to them through the funding allocation by the THIS Board. Obviously the nature of the facilities managed is different because the Baffin has a hospital setting in addition to the community health centres; the Kitikmeot and Keewatin, as you are aware, have within their regional boundaries anyway, just the community health centre settings and need to refer people outside of the region for hospital matters. The only other difference between the Baffin board and the other two boards is that the support services functions for the Baffin board are currently managed directly within their resources, whereas the

Kitikmeot and Keewatin boards have entered into arrangements for the provision of support services through the government departments.

If I could just add one further point. The Baffin board has an agreement in place between the -- I cannot recall now if it is the Commissioner or the Minister -- which goes back some time which spells out their authorities for the hiring of staff for example. They have exclusive authority to hire, to evaluate their senior administrator. The same authorities have been given in practice to the new boards but we have not yet revised that particular framework agreement to take into account the transfer policy application.

CHAIRMAN (Mr. Sibbeston): Thank you. Mr. Ningark.

MR. NINGARK: Mr. Cowcill, I notice that in Kitikmeot Regional Health Board the regional director is the chairperson. Is that a policy in every region?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, with the development of the new boards following the transfer, actually with the transfer beginning in 1982 with the hospital in the Baffin, the government put in place an approach where for the first couple of years of development the regional director has been initially appointed as the chairperson, basically as a strong administrative tool to get the new boards up and operating. Usually after a two to three year period and depending on how things are working in the board operation, the Minister then subsequently requests nominations throughout the regions to replace that position.

CHAIRMAN (Mr. Sibbeston): Any further questions? Does that conclude our consideration of this topic of mandate of boards? Okay, let us go on to the next area dealing with funding, I believe.

MR. LEWIS: Just for the record, the agencies, boards and commissions committee did examine health boards and we found that there were tremendous differences in the three levels of boards that we looked at. There were three different boards that we examined. They all seemed to be different. So if presumably the mandate that each of these have is the same, because they all have the same statutory obligations to fulfil and the same mandate to fulfil, since they are all different why would that be? If the mandate is the same, they have the same job to do, then why would each of these three boards be that different in the way that they operate? If you look at them it seems as if the mandate is not the same, so they do not have the same kind of obligations.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: I think I did state that the mandate is somewhat dependent on the resources directly under the control of the boards and some boards have hospitals and community health centres under their authority, whereas others have just the community health centres and refer elsewhere for hospital services. But other than that, the only other major difference that I have noted is the fact that some of the new boards are utilizing the support service arrangements through a contract as opposed to having on sight staff of their own directly supervised to provide the support service functions. The only other anomaly at the moment is that we have not formalized in a revised letter of agreement the updated agreement to reflect the fact that the new boards utilized the support services rather than their own staff to provide the overall service delivery. But in practice the actual authority is exercised for the hiring and evaluation of their senior officer

and all that sort of thing is in fact identical.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: Mr. Chairman, the point is that a mandate includes a whole array of things which includes your authority and the various levels of authority. So what is the department doing to make sure that although there might be minor differences because there may be some facilities that exist in one area that do not exist in another, but since the overall mandate, statutory obligations and so on are the same, what is the department doing to make sure that these boards operate under the transfer agreement? The transfer agreement is very clear on the way boards are suppose to operate. What is the department doing to make sure that the transfer is done according to the way the government has in fact approved?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill. Mrs. Vertes.

MRS. VERTES: Mr. Chairman, if I might, perhaps because I made reference to this situation a little earlier. As Mr. Lewis said, the agencies, boards and commissions committee looked at I think it was four boards in their review; they looked at Yellowknife Stanton, the Baffin board, the THIS Board and Inuvik, if I am correct. Of those boards, Inuvik was the only one that I believe would have been called a newly forming board, because at the transfer of health from the federal government the former hospital board expanded in its responsibilities to take on the community health centres. So I think that the committee reviewed the situations of the existing boards. The government, as I mentioned earlier, with the approval of the transfer policy, just in 1988, has been emphasizing the completion of the service agreements between territorial government service departments and the newly forming boards. I think I made the comment that not all of the bugs have been worked out of that system as yet and I think comments by the Auditor General and the boards themselves would confirm that statement. So while the intension is certainly to apply the transfer policy, we do not frankly have to be in a tremendous hurry to do that with the existing boards. They are up and running, they are working. The situation has not changed with most of them, with the transfer of health. It seems that the approach to ensuring the efficiencies with the newly formed boards, the use of GNWT service departments looking for economies of scale, has taken precedence and will continue to do so. The next step is to receive the boards' comments on the financial arrangements studies which touches on some aspects of the application of the transfer policy. Finally, work out all those bugs and then continue on to the full implementation of the transfer policy.

As Mr. Cowcill indicated there is certainly the expectations that all boards will apply the intent of government policies and directives which is a separate issue and, as he indicated, was pleased to hear that in fact all boards are doing so. That is the next step but we are going to about it in a cautious and steady manner to ensure that perhaps some of the confusion that has existed and that the committee is talking about, is not continued by a hurried approach to full implementation of the transfer policy. Thank you, Mr. Chairman.

Funding

CHAIRMAN (Mr. Sibbeston): Thank you. On to the next heading of funding I would like to ask Mr. Eric Nielsen, deputy minister of Finance, to join the table since there may be a question of his department.

Under this heading, Members will know that there are a couple of issues. The date when boards are notified of their funding is an issue. The money is passed in the Assembly

usually the end of March but it seems that the boards are not aware of the amount of funding that they will be getting until June. Also, the timing of funds when boards get their funds is an issue. Health seems to be getting it on a month-to-month basis while Education gets a lump sum up front and the earned interest is an issue. These are the issues we need to deal with under this topic.

I do not know if the Auditor General's staff need to say anything more than I have about it, but if they wish they can comment. Mr. Simpson.

MR. SIMPSON: Thank you, Mr. Chairman. I will ask my colleague, Dale Shier, just to summarize the key points very briefly but I would like to get something on the record if I may. The Auditor General has been quoted in dialogue as having advocated monthly payments to boards and agencies. We have not anywhere advocated that. Our recommendation under this section is that there be a better matching of the payments from central government to the needs for disbursement by the boards. We have not advocated a monthly payment. We have been misquoted on that.

CHAIRMAN (Mr. Sibbeston): Mr. Shier.

MR. SHIER: Thank you, Mr. Chairman. I will just expand briefly on the two issues which you summarized earlier.

The first and perhaps the more significant is the issue of communications with boards and specifically communicating the amount of the contribution as early as possible. This is important because boards operate in an environment of very high fixed costs. They have very high salary costs and other ones and it is difficult for them to make adjustments at the last minute to their level of operations in case their early estimates of their budget revenue are not the same as their actual revenue. We think it is important because of that for departments to let boards know as early as possible the amount of money they are going to receive as a contribution.

The second issue Mr. Chairman, Roger has already mentioned, is the timing of contributions. This is an issue we have raised many times at the federal level. Really the key issue is simply the principle is to match the contribution payments to the actual cash meets the recipients. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: Just to clarify one point so that there is no misunderstanding. When Dale mentions we have raised it at the federal level it has nothing to do with the relationship between the federal government and the territorial government. The feds are just as guilty of this kind of stuff as many other people in terms of their own programs. Thank you.

CHAIRMAN (Mr. Sibbeston): Any statements or questions arising thus far? Mr. Pollard.

MR. POLLARD: Mr. Chairman, maybe I could just ask a question. If the government breaks the Financial Administration Act, what happens to them? Can they be taken to court and if so, who would take them to court? Would it be the Auditor General? What are the penalties if you break this act, what happens to you?

CHAIRMAN (Mr. Sibbeston): Who wishes to answer that? Roger, you have not been asked.

--Laughter

But we would be interested to hear your views.

MR. SIMPSON: If I could just for a second answer a somewhat facetious question I suspect there are times when we would like the power but we do not have it.

CHAIRMAN (Mr. Sibbeston): I think it comes down to either Louise or Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, to respond to what? Mr. Pollard's question?

CHAIRMAN (Mr. Sibbeston): What happens to breach of the act?

MR. NIELSEN: Is this the federal Financial Administration Act or the territorial Financial Administration Act?

CHAIRMAN (Mr. Sibbeston): Territorial.

MR. NIELSEN: I would suggest that Roger would be the logical one to answer this question, Mr. Chairman, because if there is a situation where the act is not complied with and as he has pointed out previously in the case of potential or actual overexpenditures of a department there is a report made by the Auditor General to the Legislative Assembly and it is really, I guess, within the Legislative Assembly's mandate to determine what action is subsequently taken after they receive that report.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Perhaps then, Mr. Chairman, you could advise us of the course of action the Legislative Assembly would have.

CHAIRMAN (Mr. Sibbeston): I think certainly one of the effects of overexpending is being recorded and noticed and publicized and having to come before us is penalty in itself. But it is a good question as to what really does happen. I guess, in part, it would be up to the Assembly in terms of how it deals with it. I think it is generally recognized that initially, two or three years ago, there were many activities going over expenditure. This year there are only three departments, five activities, to the tune of \$1.5 million so it seems to be getting better. I think as long as there is some progress made I think the Assembly would not take a bad view to it. It seems to be increasing so there may not be any sanctions or retribution as it were to any individual. I think the fact that the Auditor General reports and publicizes it I am sure it will make government officials much more conscious and sensitive to each year and continue to do better so that there is no breach of the act. Is that a fair analysis or commentary on this? Mr. Nielsen? Mrs. Vertes?

MR. NIELSEN: Mr. Chairman, I might add to that quite a serious note. The first line of accountability obviously of a deputy minister and officials in the department is to the Financial Management Board. I think the same sort of view would be shared at that level. There would be concern but this concern would be dependent upon the Financial Management Board's evaluation of the seriousness of the problem. If there is a minor overexpenditure and it can be demonstrated that the department did everything in its power to monitor the expenditures during the course of the year and that overexpenditure was uncontrollable, I think that would be reviewed in quite a different manner than where there might have been the suggestion of something more deliberate or something where the monitoring had not been effectively controlled.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: In our present cabinet portfolios assignments it would be pretty funny to see the Minister of Justice asking the RCMP to investigate the chairman of the Financial Management Board since it is the same person. But that is what has bothered me for over a year now looking at this is that I know that even Ministers get a statement on year to date expenditures that show both commitments and I know when I was a Minister there were brackets at the end of some of those. In February when the House is sitting and while I was not a Minister any more some of these were accidentally delivered to me because of a computer screw up, I guess, but I would see these things and then I would see a different picture being painted when questions were being answered in the House on some of the budgets. The thing is that I know that sometime in February the year to date expenditures for January 31st are in the hands of all the members of the Financial Management Board and sometimes the House is even sitting during that whole period, up to and including March 31st. So the opportunity is there to come in with a supp.

We have this wonderful financial information system which gives us all this information and tells us when we are going to go over budget. The thing is that if a division of a department is going to go over budget, that the people that have the signing authority to make those commitments, somebody is actually at some stage having to make a conscious decision to issue authorities that are going beyond what is budgeted, what is authorized by the Assembly.

The example we have of Justice when in that case they had contracts with lawyers basically for a year, so they were not case by case assignments. So obviously something like that is a bit out of control and is going to come at you in a way that you do not know it has happened to you until the end of the year, even if you have an excellent monitoring system, it could go wrong on you. But there are other examples, other departments, Public Works for example where basically they have big contracts with people and at the end of the year they are in a position to tell you you have commitments.

So obviously, if they are going to go over, somebody is making a conscious decision to sign an authorization for their division or whole department, knowing that it is going to go on beyond what they have approval for in the main estimates plus the supps. It seems to me that if we have an act that says you cannot do that, then somebody somewhere is breaking the law and I do not know whether it happens at the Financial Management Board, an actual conscious decision. I do not recollect, when I was on it, making decisions like that, making a formal decision. I think the information came and we said it looks like this department is going to go over. But I do not recollect us actually making a motion saying we will ignore the Financial Administration Act. The information was certainly sent our way.

All I am concerned about is if we have an act that says we cannot do this and people are doing it, we should either change the financial information system such that when that authorization goes into the Finance department, a bell should go on, a light should ring, it just should not get approved. It should get stopped somewhere in the system if our system is that good. If you cannot make the system that good, we should somehow change the act to outline where there are exceptions and how those exceptions can be made. Because this is not new, this has always been happening.

So I am concerned that the Legislative Assembly has passed a law that says you cannot do this, but it is happening every

year and in some cases I know the department or division that is going over budget knows it is happening to them when they are doing these last few contracts at the end of the year. So basically I would like to hear from Justice or Finance or somebody, or the Executive, what do they recommend here. Should we make some minor changes to the act so that practicality takes place or is there something wrong with the FIS system that allows these commitments to occur and allows us to go over budget which breaks the law.

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, the Member's remarks are well taken. I know that the Department of Finance has been struggling with this issue for some time. We have been working closely with the Auditor General's Office, and in fact have met with them several weeks ago to discuss this issue and to try and resolve the direction we might take.

In some provinces they have programs that are considered to be statutory programs and their Financial Administration Acts would address that and if there is an overexpenditure in a statutory type program then that would not be considered to be a circumvention of the act or something reportable by the Auditor General.

In addition to that there may be other alternatives where there could be minor amendments made to the act and as well we have situations which are simply uncontrollable. Maybe not statutory programs but where we have situations where -- and let us take a case of utilities, for example, where the government really has a full obligation to pay for the utilities because utilities are a service that has been incurred, but which would perhaps result in an overexpenditure in a situation where there has been a very cold winter, for example, and the expenditures are beyond the level of the appropriation.

Sometimes it is not possible to determine that until the last one or two months of the fiscal year at which point in time it may be too late to obtain the authority. In fact in some cases, as was identified by Justice, some of these expenditures in fact come in after the end of the year and it is well beyond the opportunity to come forward with a supplementary estimate.

In any case we have committed with the Auditor General's staff to review this in the Department of Finance and we are conducting a review to address what the specific types of problems are, what types of overexpenditures we have had in the past and what we might anticipate in the future, and to try and come up with recommendations which would address each of those issues. The statutory issues, the uncontrollable expenditures and as well minor amendments which might be made to the act which will facilitate unusual types of expenditures, for example, in the course of the year.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: Thank you, Mr. Chairman. I would like to ask the deputy about the contributions that have been made to both the school and the health boards. There is something like \$130 million that is given to all the boards in education and health and a large chunk of it is salary moneys, I suppose, to pay staff. I know that when you hire people you can, in Education particularly, you could have a tremendous range between the lowest priced help and the highest priced help. It may, to a lesser degree, apply to Health as well. So when this money is transferred on the basis of an average salary for those boards, if they decide as a matter of strategy that they are going to hire people maybe straight out of

school, you know, that they are not going to cost very much, maybe only work for a year or two and are not going to be very high up on the grid, as a strategy can they do that or does the government just hold on to whatever money is saved? Is it a straight contribution or in fact do they have discretion in the amount of that salary money that is going to be used up?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: The boards do have that kind of discretion. The reality is that it does not happen but they certainly have that discretion.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: So that money then, even though the government transfers the money for a specific purpose, to hire staff, that would be a saving then. If they want to save money to use it for something else can they do that? The money they save from the contribution that covers salary, could they use that money to buy books or to have student exchanges or whatever they want to do with it? Do they have that discretion?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: My understanding is that once a contribution is made to a divisional board, yes, they do have that kind of discretion. If they have savings in one area then it can be used for programming in another area.

MR. LEWIS: That is interesting. Thank you.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, when we pass the budget in March or April or whenever we get done with it in the Legislative Assembly, presumably the departments then have their spending money for the year. Why is it taking the departments -- I think Health in particular -- to get the money to the boards, as late as June, or even to advise them of the kind of funding that they are going to have? Thank you, Mr. Chairman.

MR. COWCILL: Yes, Mr. Chairman, the timeliness of getting the new year budget settled has been a problem in the Health system and it stems back to the fact that we have a different budget cycle for the boards and we are unable really to announce in any specific detail to them their contribution until the THIS contribution is in itself approved by the Legislative Assembly. That is one part of the problem.

The second part of the problem is that, notwithstanding the fact that the department may lay out the financial climate to the boards and try and give a clear indication of what the rules are for a new year budget, it is not unusual at all for the boards to, nevertheless, come in seeking a much larger amount. To give a specific example, this year the boards came in seeking \$11 million above that which was approved for the THIS activity. So we had to move very quickly. I believe it was on May 2nd of this year, to call the boards in and with the Minister present go over the current situation again and establish targets right at that point. But it has taken us several months into the year to go out and review in detail the various board budgets to try and determine where there are valid problems. Many of the requests that came in in the budget year were requests for new positions. In fact when we began to analyze the details of their budgets, because they have had a lot of turnover out in the regions in their finance staff, we have uncovered funding deficiency problems.

So the budget cycle has been one part of the problem and the other part of the problem has been the time it is going to take us to get clear recognition out there that this is a very tight financial environment we are working in and everything has to be very extremely well substantiated.

It is our intent, Mr. Chairman, to attempt to put the Health budget cycle in sync with the government's budget cycle. So in the coming year we are going to fully integrate them into the operational plan and try and put the cycle on the same cycle as the rest of the government so that we would hopefully be able to have the budgets approved through the normal cycle instead of carrying on this system which has been historical and appeared not to be as difficult when there was only three or four hospital boards, but now that there is this whole system it is a major headache for all of us.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, so Mr. Cowcill is saying that the health boards will now come under the 18 month budgetary cycle, am I correct?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Our intent is, beginning with the operational plan this year, begin to fully integrate them in at that point, so that in essence the main estimate document for the boards would flow out of that operational plan once it is approved for consideration by the standing committee of the Legislative Assembly.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: So the board would have already agreed with the Department of Health on their budget and the Department of Health would be saying, "This is the budget for you that we are putting forward in our main estimates." Am I correct, Mr. Chairman?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, the whole issue of confidentiality comes up here. I guess the way we would have to work it is that we would have to indicate some kind of a target subject to final approval to each of the boards and then take it through the system and advise them if there is any adjustment in that particular situation. But we feel like involving them in the front end of the process, that in fact we can address this timing problem and indeed it will also meet one of the other objectives, I believe of the standing committee on finance and that is to see more detail in respect to the actual allocations for each board down the road.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, I think if you are going to ask the boards to take on the responsibility of delivering programs and hiring people and running operations, you are going to have to tell them how much money they are going to have to operate that. I think that you either bring them in fully and you say to the finance committee of their particular board that we have agreed on this budget and this is what you will get if the legislation passes in the House. But I think there is a certain mistrust from those boards back to the government, simply because I have known as late as into September where parts of a capital budget for a health board -- they still do not know if they can spend that money.

My contention is that if the MLAs pass the budget and it is in effect by April 1st, if we are going to have these kinds of

relationships with these boards, then we should be up front with them and say, "Your budget is a go", and let them spend their money as they are supposed to. But I think it is the not knowing and the worry about whether they can do this or that that is causing a problem.

I admit that getting them into the 18 month cycle is going to make the situation better. But I still think that if you are going to ask them to take on the responsibility and be up front with them and say, "This is the budget that is going forward. There is a certain amount of confidentiality here and if it is approved on April 1st, that will be your budget." Is that possible?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Well certainly it is our intent to try and proceed in that manner unless we are advised that legally we cannot do this. In respect to the Member's other comment about the capital project, I would be happy to take his specific concern under review, because I agree that in order to get the job done, boards need to be clear as early as possible in the year on what they can or cannot do.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: This whole business of making contributions to boards and the degree of authority that they have. Once you make the contribution, as I said the bulk of it is salary money, what is the mechanism that prevents a board from using this contribution money to hire more staff than what you anticipate they would hire. If you have tremendous flexibility you can use the money you save to do whatever you want.

Suppose you have about \$15 million to hire staff and instead of just simply hiring 400 teachers, you decide you are going to hire 430 because you can squeeze the money by hiring a few cheaper ones. Since they have this authority what is there to prevent this proliferation of PYs? Because we see the board mechanism as a way in which the government no longer shows up PYs on its own books, they are all off somewhere else, they are still really getting money from the government. If these boards have tremendous flexibility to use the money in whatever way they want, what is to prevent them from hiring more staff?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: There will be a number of constraints, the obvious one would be the availability of housing in communities, for example, which is a critical one certainly with all our boards. Perhaps my director of finance could add to that. But with the flexibility that boards would have would lie more in spending more on programs rather than hiring more people. Because as I said, constraints like housing would prevent a lot of that happening.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: That is a very artificial constraint because if you can get four people to share a house -- that has happened. There has been many times where you simply have been forced to put people in the housing that really is not adequate. But if the board really wants to do this and they decide and they can get people to agree that they split the rent four ways, could the board in fact do this? Do they have the authority to create PYs?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Yes, in theory they would have that

authority.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill, what is your view?

MR. COWCILL: Mr. Chairman, the way Health approaches this is different from the system Education has. Board budgets are developed through a line by line review of what the requirements are. Indeed since transfer with all of the turnover in the first couple of years, we have had some difficulty in nailing down the exact step level of positions across the system and we have seen some shift in that. But once the boards have their budgets, we have a system set up called control blocks, they are similar to activities that we have in a government department and demi-control blocks which leave certain flexibilities to the local board for movement of resources around within the limitations on permanent positions and then there are other decisions that have to come back to the THIS board. So there are some controls in that area. That does not mean that we have been without our difficulties from time to time, where a board has felt that to cover relief requirements in various settings, that they have not gone over their budget. That has been a problem for us in relation to the use of casuals to backfill and this sort of thing.

But there is a system in place for a control of resources in the Health system and indeed we very recently are looking at our position control capability to make sure that we have appropriate overall control on that problem.

CHAIRMAN (Mr. Sibbeston): Mr. Ningark.

MR. NINGARK: Thank you, Mr. Chairman. Assuming each of the departments have their own bank accounts, does the department have the mandate to earn money, interest, within the banking system?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, each divisional board does have the authority to earn interest, yes. Not the department.

MR. NINGARK: Not the department?

MR. COLBOURNE: No.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Similarly, once the money is disbursed to a board by the THIS Board, the local health board has the opportunity to earn interest on income. However, that interest is taken into account in determining their annual funding allocation.

CHAIRMAN (Mr. Sibbeston): Thank you. We will break until 1:30.

---LUNCHEON RECESS

CHAIRMAN (Mr. Sibbeston): The committee will come to order. Mr. Zoe, I believe you have a question.

Memorandum Of Agreement/Understanding With Boards

MR. ZOE: Thank you, Mr. Chairman. I would like to ask a question to the deputy minister of the Executive. She might recall the committee on agencies, boards and committees passed a recommendation in regard to a memorandum of understanding or agreement. Before that, in an early recommendation we suggested that the government should immediately initiate a process of developing uniform directives

for agencies, boards and commissions. We said that if we have these directives it would define criteria for establishment of agencies, sunset review and financial and administrative performance and it also would provide a rational framework for the establishment of administration of all agencies that are operating at arms length. I wonder where that stands? Has the government established any kinds of directives from this recommendation we made?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. In terms of responding specifically to that recommendation and having a product in hand, work is not complete. In terms of responding to that recommendation among the others that have been mentioned earlier today, the answer is yes. One of the vehicles that I mentioned earlier was the financial arrangement study. This is going to help us to look at what directives and policies should apply across the board, to get the view of the boards themselves in order to carry out the intent of that recommendation. So progress has been made but the work is not complete.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: Mr. Chairman, I think our committee had the same concerns as the Auditor General when they looked at education and health boards. In the fall session when we tabled the seventh report of agencies, boards and commissions, we pointed that out. Saying there was a memorandum of agreement should be in place so we know exactly what each board -- I guess the line of authority -- so we know exactly where people stand, what responsibility the government has and what has been delegated to health board or the community education council or whatever. I know the health boards are trying to do that but the mandate and criteria they use is all different. I think the memorandum of agreement should be in place for every one of them so we know exactly the line of authority for every one of them. Because when we looked at the health boards, the health boards did not know where they stood or how much authority they had. We pinpointed that out. I do not know if that has been clarified with the health boards.

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. I hope I did not misunderstand the Member's question. There certain are memoranda of agreement in place with the boards for services from GNWT service departments. Those memoranda do spell out criteria for service levels to be expected by the boards receiving this service. If the Member then was talking about policies and directives of government, things like affirmative action and the health boards using or falling under those policies and applying them in their daily operations.

Again, my comments do apply. We certainly do agree with the comments of the agencies, boards and commissions committee that that has to be done. It has been brought up by the Auditor General that that has to be done and our own financial arrangement study has confirmed that we have to bring some clarity to this. The process that the government is using right now is to first of all get the boards up and running, get the services from the boards being delivered, including working out their operations with GNWT service departments, the next step is the policies and directives and through vehicles such as the financial arrangement study which has been completed and is in the hands of boards and agencies right now and other reviews that, for instance the review of the Education Act has been mentioned earlier, to try and respond positively to the recommendations, not only of

the agencies, boards and commissions committee of the Legislature, but to those other entities that have raised the same issue as Mr. Zoe has raised. Thank you.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, I would just like to first of all reiterate that the section 11 of the THIS Act basically summarizes the responsibilities of the boards which are funded by the department and the summary statement, to manage, control and operate the health facility or facilities for which it is responsible. I think what Mr. Zoe may be referring to, and I alluded to it this morning, I believe, in response to Mr. Lewis's question, is that in addition to the MOAs between the service departments and each of the boards in those areas where the requirement to utilize the government support services has been implemented -- there is also the issue of another umbrella kind of an agreement. The old boards had one in place well before transfer between the Commissioner and the board in respect to the authorities they had to manage their facility. We have not updated those particular agreements to take into account the fact that the new boards contract for certain services. This is an area we are looking at and how to update that particular agreement.

But as I said this morning, in terms of what actually is happening in practice, in terms of hiring for example, hiring and the other authorities carried on in the other boards, that is still being carried on by the new health boards, albeit under the support service provided by the Department of Personnel.

MR. ZOE: Mr. Chairman, I do not know where to start here. It is all confusing. But if we have these types of directives which establish for boards and stuff, like what our agencies, boards and commissions committee recommended to the Executive or to the government, if they would have had those types of directives in place which establishes how the board is going to operate and so forth and if they are going to delegate certain things to the boards then there is defined criteria that it would be spelled out; what responsibilities they have, their goals and objectives and the whole bit. But we do not have that. Not all education or even health boards have that. The only MOA that they have is with just the service departments to contract, say with Personnel or DPW. That is not what I am making reference to. This is the overall umbrella between -- the line of authority so that we know who does what and how much authority that they have and where it comes from; if it is from section 11 of THIS, that is where the regional health boards are mandated now. But we do not have that in place. The only thing that you have is MOAs between service departments and that again is going against -- the transfer policy contradicts the THIS Act, section 11. Section 11 says the board is to control, manage and operate hospitals and health programs in the region. But in the transfer policy it says that they have to use government services departments and they have to get into an agreement with them. But what if they do not want to? If the board is mandated to control and manage effectively and efficiently then that power should be in the hands of the board. It is being dictated by another policy. So I am kind of confused, Mr. Chairman, how this thing is going to be resolved. It seems like the government is not moving on this whole area.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Maybe I could just go back over this point again. First of all the specific authority for the boards is set out in the THIS Act. In addition, as you well know, the government itself has the mandate to establish policies and the fact has been reiterated often to us that you want to see those policies applied by our boards and agencies, and

indeed, policies which are established, for example within the Department of Health with regard to things like medical travel or people's entitlements to benefits, are in fact directed out to the boards for them to comply with, because we have a universal set of rules for how they must be operated with out in the regions. So while the individual boards do have certain authorities, those authorities are superseded by specific government policies which you have indicated to the department are extremely important in carrying out our mandate.

The Auditor General I believe, has made the observation in the report that there is not a conflict between the current provisions of the THIS Act and the transfer policy so it is our assumption that while you may agree or disagree with the issue of requiring the support services to be delivered through the government departments, that currently it is our understanding that there is not a conflict between the requirements of the legislation and that particular arrangement.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: Did I hear the deputy minister say that a policy supersedes an act? I thought it was the other way around.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: The application of government policies to boards and agencies, through our understanding anyway, does not in any way conflict with the THIS Act. After all, the territorial act was established to carry out the will of the Assembly and the board that is established pursuant to that act reports to the Minister who in turn is accountable to the Legislative Assembly. So if there is some kind of a legal conflict between the government's ability to apply policies out to boards and agencies then in our current legislation, we would certainly look at that but I have had no indication to date that there is a conflict there.

CHAIRMAN (Mr. Sibbeston): As I understand it the THIS Act and Education Act gives boards certain powers as it were, to manage and provide programs but the government sets out policies in terms of with the authority that is delegated you still must follow these rules. So it is not a blanket authority as it were, given to the boards. They still have to comply with certain government policy and I suppose as long as they do not conflict and as long as they integrate -- I guess where we have difficulty is where policy says one thing and the act says completely a different thing. As long as they are meshed there would not be any problem. That is my understanding of the way things work. Mr. Zoe.

MR. ZOE: That is why I am suggesting strongly that MOUs should be established so that if they do have -- let us say with the Department of Health with regional health boards or even Education, if we have this type of MOU then we can spell it all out saying that these people have to follow all the government policies and so forth. I know for a fact that not all boards have that type of thing.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: I would just say again here that the mandate for the boards is set out in legislation, the arrangements for support services are set out through MOAs where they are being looked after by service departments. I think the Member's point is well taken that it may assist in clarifying the current situation if in an umbrella agreement with each of the boards, we spelled out very clearly that part of their responsibility is to implement the key policies of government as either attached or referenced in that particular document.

So I think that the idea of clarifying that area is a suggestion well worth pursuing.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: I think I am a little bit confused like Mr. Zoe. That is that if there is a piece of legislation and a board is set up then we are dealing with a bill that has been through the House and it is the law of the NWT and the board starts to function. Then the government comes along and says, "This is our policy", what about if the boards says, "Well, we do not accept your policy. We will accept the legislation but we do not want to accept the policy." What happens then?

CHAIRMAN (Mr. Sibbeston): The answer, and Mrs. Vertes can deal with that, is that the legislation that sets up the boards does not cover everything as it were. They set out the mandate, the powers and so forth that these boards are to have. Because the act does not cover every aspect of its operation the government comes along and says, "These are the policies that are to apply to the daily functioning of the boards." That is the situation. They are not necessarily in conflict and I think government -- I almost sound like I should be at that table defending the government, but I understand, having been there once, a little of the situation. I think it is right for government to set certain policy that the MLAs and people of the North want in terms of northern preference. In the act, setting up education, you do not necessarily have a clause that says you must comply with northern preference, as an example. But the policy of government says that you must. So they do not necessarily conflict, but there are instances that the Auditor General's staff have pointed out, where there is direct conflict and that is what we ought to be dealing with with a view to resolving these. So that is my understanding of it. I hope it has helped. Mrs. Vertes, do you have something else to say?

MRS. VERTES: Thank you, Mr. Chairman. You have described it exactly. The short answer to Mr. Pollard's question is: Of course legislation is supreme. But as the Chair explained, the legislation which gives -- and we are using terms like "mandate" which perhaps are being used a little loosely and a little too broadly. The Education Act sets out the rules and responsibilities of divisional boards to operate and carry out under delegated authority from the territorial government, responsibilities for education. The same thing applies in the health area.

As the Chair has described, there would not be something in the Education Act about the application of northern preference, nor would there be anything in the Education Act about maintenance standards for schools. The same way in other operations; there is not a mandate per se in the Department of Renewable Resources related to services provided by Public Works or the Department of Personnel or the Department of Government Services. So as the Chair said, there are some areas that we accept that we have to clean up to ensure that we are totally consistent across the board, but as far as any conflict between assigning responsibilities for program delivery as opposed to the support services that are provided by GNWT departments under policy, there is not a total conflict there. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: So I am coming back to my original question, Mr. Chairman, because I agree with everything that has been said -- what happens if a board says, "I am not going to comply with the policy", what would the government do?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Mr. Chairman, may I ask the Member, through you, which kind of policy? I think it is important because we have been talking about I think perhaps three levels. The mandate of the boards and agencies, how they do their business or how support services are provided and then government-wide objectives which are translated into policy, things like affirmative action and northern preference. If I could, Mr. Chairman, make sure which one we are responding to so that we do not confuse the issue.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: I do not think it matters which policy. All I want to know is if the board is up, it is functioning under a piece of legislation, and it refuses or does not agree with and does not comply with any of those government policies, what does the government do then?

CHAIRMAN (Mr. Sibbeston): Had there been instances where this has happened and if not, what would the government do if it happened?

MRS. VERTES: If I could try on a general sense and my colleagues may have something to add in their specific areas. I think what the Member is getting back to is the clause in the transfer policy that talks about the application of GNWT policies, the kinds that we have been talking about that are commitments to the public in areas like affirmative action or northern hire or business incentives, those would apply to boards and agencies and they should carry out the intent of such policies. As I mentioned earlier, in implementing that provision of the transfer policy, that was not the first thing that the government tackled in the implementation. The first thing was getting in place arrangements between boards and service departments for support services, personnel, purchasing, things of that nature, to the boards and agencies. The government made it clear, I think as recently as the fall session, that the government certainly in this situation, expects boards and agencies to carry out the intent and Mr. Cowcill mentioned that he checked with health boards to find out that they are. But at the moment there are no penalties in place. And I say at the moment, because the emphasis has been in getting the operations up and running. That is the next step so there is no answer to the Member's question right now. There are no penalties in place per se. That is something that as a result of discussions with boards and agencies, in one case under the auspices of the financial arrangement studies and in other situations that would be confirmed with them and we would look forward to the application of all policies and directives or the intent. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Anything further? Mr. Zoe. Mr. Lewis.

MR. LEWIS: It seems that we have a difference of opinion as to what a mandate is. It seems the government wants to interpret that word very, very narrowly and perhaps the committee has been looking at it more broadly. The reason we do that is because we have come to the conclusion that there should be far more detail. When you decide to delegate something then you better nail down the details as to how things are going to happen, otherwise they are going to come back to haunt you later. When we discussed this business of either increasing the scope of the contribution agreement so that in there you have it in much more detail than it exists in the normal contribution agreements, or at least you refer into it to another document, the memorandum of understanding or a memorandum or agreement, which specifies all kinds of other stuff, that would be different to the MOAs you have with

relation to these different services from government departments.

But I do ask one question just as an example of something that maybe has not been pinned down that has haunted our government on many occasions in the past. If you delegate an authority to a board do you have a leasing agreement on the use of government buildings? The government owns the buildings still. The board is operating the building. I ask that question because I remember when we had to come up with some agreement on the theatre that is in Sir John Franklin School. I know that the theatre was a different kind of function than was normally carried on in a school but that took literally months to work out all the little details about the use of a facility within a government building. So that would be one example of something that really has to be nailed down. What is the agreement between the government and these boards for the use of government buildings? Does that exist in any detail, either in the memorandum of agreement that you may have or in any of the contribution agreements that you have. That in the past has haunted our government when we have entered into lease arrangements, if you read the newspapers.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: In situations where the government leases space for a health facility -- for example in Rankin Inlet we leased the office space there --then there is clearly a lease arrangement spelled out between our government and whomever is leasing the space. There is reference in the duties of a board under the act in respect to ensuring that buildings that they are in are properly looked after but there is not a specific agreement set out at the moment between the department and the boards in respect to the responsibilities for caring for a facility. But it presumed the ownership of the facilities transferred to the GNWT rests with the GNWT.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: It is my understanding, Mr. Chairman, that under the transfer agreement that the buildings then transferred are just simply going to be used. And when you use something that does not belong to you then you have a different relationship than using something that does belong to you. So does the government think that that should be one thing that should be included in the agreement between the government and these agencies that perform functions? Is that a necessary thing?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: I am sorry, Mr. Chairman, I do not think any of us have all of the specifics the Member is asking for, although I am sure that we can provide them later this afternoon and perhaps bring a little more clarity to it on what type of agreements are or are not in place.

CHAIRMAN (Mr. Sibbeston): I sense that it just seems that the Members feel that the government's relationship with the boards ought to be formalized more than it is. We note that on page 40 of the Auditor General's Report it says, "Two of the nine boards do not have MOUs with the department. The department indicates that these two boards refuse to sign MOUs." So they are operating informally as it were. As one can understand to a certain extent, these boards are just simply being set up and they are in their infancy as it were, and it is a new type of approach to doing things. So there can be initially some relaxation and some informality but eventually as time goes by, as things develop and everything becomes much more sophisticated, there ought to be

arrangements, legal documented arrangements that exists in all aspects of the relationship with these boards. I think that is where the Members are coming from, wanting the government to be conscious of that and move toward that direction. Is that something that the government can respond to in a positive way? Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. Yes, I think again, a positive response. In fact as we stated to the recommendations in total, the simple answer here is yes.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: Just an example of this and I just wonder if it still exists. I do not recollect, say if you look at municipalities as a starting example, say they are going to put a million dollar building and the grant is 100 per cent from our government, say it is the City of Yellowknife for example, that has the wherewithal to be able to do everything themselves, as opposed to a small place that might rely on our government to help them out with getting hold of architects et cetera. So let us say it is one of the towns or the city. I know there did not use to be any obligation on them for the money which we were contributing toward a capital project, to take into considered northern preference. I know that coming closer to this area the hospital boards that existed in the NWT before we did any transfers from the federal government were doing their purchases through the National Hospital Association which had a contract with all the major medical suppliers in the country, which either gave them a certain discount on everything they bought or there was in some cases a bargained item by item price list which you could buy things off of. They said that if they had to go with northern preference then their costs would go up by 10 or 20 per cent and they would either have less of what they needed or they would have lower quality in order to deliver care to patients.

So my question is, does the northern preference policy for purchasing, does it apply differently to the hospital boards and the education boards that existed before the health transfer and before divisional school boards were created? Do they still get to buy on their own from within their own budget without having to do the northern preference policy? Do the new health boards and divisional boards have to use the northern preference policy because they are primarily buying through Government Services?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, first of all in respect to those boards that are using Government Services it would be pretty self-evident that they are adhering to the government policies. The question has been raised as to whether the other health boards have been adhering to that particular policy. I am advised in recent correspondence from the boards that indeed they are following the basic tenets of the policy. I would need to investigate exactly that as it relates to the group purchasing schemes that one or two of the facilities are in. I think Mr. McLaughlin is correct that Stanton for example, has a purchasing scheme through the Alberta Association of Hospitals where they get a cut rate on various kinds of hospital supplies. So I would have to take that particular question in relation to the accessing of the group purchasing schemes under advisement to clarify.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne, what is the Education experience on this?

MR. COLBOURNE: Mr. Chairman, all of our divisional boards came on stream after the northern preference policy

was put in place and all of our boards are subject to that policy and adhere to it.

CHAIRMAN (Mr. Sibbeston): I think the question was inasmuch as they are subject to it whether they have been complying. I think we all know that there has been some defiance or some unwillingness to always comply because it costs more. So I just know from fact that not all of them have complied all of the time, inasmuch as they are suppose to. What is your response to that?

MR. COLBOURNE: I think generally our boards do apply the northern preference policy. With the special needs that schools have a lot of the text books and material are simply not available in the North and a lot of the buying necessity is done in southern Canada. But generally, yes, boards understand that they are subject to that policy and they apply that policy.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: If Mr. Cowcill is going to come back with that information he could maybe also find out for us when the GNWT is purchasing medical items for the divisional boards where it has that contractual arrangement with them to do it, if they are able to buy the items as cheaply as Yellowknife Stanton is through the Alberta Hospital Association. In other words are we paying a premium because we are going the other route? Even though there may be no northern company that is the low bidder is the territorial government able to buy the same item directly from the manufacturer as cheaply as Stanton Yellowknife is?

I do not think Mr. Colbourne understood my question. For example, the Yellowknife boards were created before the divisional boards. Obviously the divisional boards, because they are purchasing through the GNWT in most cases, end up using our northern policy. But do the previously existing boards have to purchase through the northern policy or not? I do not believe they do and I think that is still the situation with municipalities and I believe it is still the situation with -- unless that has changed in the last couple of years. But certainly when I was on the cabinet as far as I know the existing hospital boards, the existing school boards at the time and the municipalities did not have to use northern preference policy in their purchasing.

CHAIRMAN (Mr. Sibbeston): Can I just ask the Auditor General's staff, as I understand it they investigated this matter of difference between the conflict as it were, the inconsistencies, whether some of the divisional educational boards have been exempted from the government policies, are really operating somewhat differently from the government policies?

MR. SIMPSON: Mr. Chairman, it is our understanding that the boards have been exempted from the policy. I cannot give you specifics on which ones or how many but it is our understanding that some of them have been.

CHAIRMAN (Mr. Sibbeston): Another matter is that on page 21 in the report there was a decision made to extend to -- "In October 1989, the deadline for full implementation of the transfer policy was extended to April 1991." Does the government still intend to meet that date? Mrs. Vertes.

MRS. VERTES: Mr. Chairman, that is the date on the books. I do not expect that we will make it, no.

If I may, just going back to a comment by Mr. McLaughlin, he was referring to communities and I would just like to make the

distinction that communities of course are the third level of government to which the GNWT has devolved program authority. The boards that we are talking about here, the health and education boards, we have delegated responsibility for delivering programs on behalf of Ministers so that in terms of enforcing GNWT or this government's policies on another level of government which has the legislative authority in certain program areas, it is a completely different situation and the Member is quite right; no, we do not enforce policies and directives on the third level of government. Thank you.

CHAIRMAN (Mr. Sibbeston): Roger.

MR. SIMPSON: A follow-up to my previous comment. I have here a copy of record of decision dated October 16, 1989 which states that the Sahtu, Beaufort/Delta, Dogrib, Keewatin and Kitikmeot boards of education be exempted from principle two of the transfer policy which would otherwise require them to obtain support services through the GNWT departments. It goes on to talk about financial management system and purchasing function of the Sahtu, Beaufort/Delta and Dogrib boards of education, and the purchasing function of the Keewatin and Kitikmeot divisional boards of education be exempted from the transfer policy. So Mr. McLaughlin's recollection was correct.

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Mr. Chairman, I do not want to put too fine a point on it but as Mr. Simpson has said, within the transfer policy itself there is provision for exemption from using GNWT service departments. He of course has more information. I listed those that have been exempted from entering into contracts with service departments. My point in speaking is just simply to say exemption from the transfer policy of course, does not mean exemption from the application of other GNWT policies and directives. I think you may have said that but I just wanted to clarify that. Thank you.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, I do not know who I would ask this question to, perhaps Mrs. Vertes. Are we ultimately responsible for the boards? If push comes to shove and something goes bad out there and they run huge deficits or if they get into a legal hassle or if the board breaks up and there are certain things left over, are we as the Government of the NWT, ultimately responsible?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. Yes.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, you mentioned on page 40 of the Auditor General's Report, and at the bottom it says, "The department indicates that these two boards refuse to sign MOUs. In the absence of MOUs, and internal government payment directive states that these boards are responsible for their own deficits." So is there an internal government payment directive that says that these boards are responsible for their own deficits? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Mr. Chairman, I am sorry, I do not know the answer to that question. I would certainly undertake to find out.

CHAIRMAN (Mr. Sibbeston): This would be the Department

of Education would it not? So are you knowledgeable about this, Mr. Colbourne?

MR. COLBOURNE: I will certainly find out...

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, it is the Auditor General's Report. I wonder if we could ask Mr. Simpson if they have knowledge of this.

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: We are just looking it up now if you can bear with us for a few seconds. Mr. Chairman, we are still searching. I will come back to it in a moment if I may. It is my understanding that these two boards are the Yellowknife boards of education, which various witnesses have mentioned were in existence long before the change in approach. So their reluctance to sign a MOU is probably based on their previous existence. I will get back to you just as soon as I can on the specifics.

CHAIRMAN (Mr. Sibbeston): I think everybody recognizes too that the Yellowknife school boards are in a bit of a different standing as it were, because they gain some of their moneys from taxes paid locally here. So they are in a different situation, so can perhaps be a little bit reluctant or want more autonomy as it were. So I suppose in that situation you do not want to sign the standard MOU that is being requested of them and that is signed with other boards. I suspect that is the basis why they have refused thus far. Mr. Lewis.

MR. LEWIS: Thank you, Mr. Chairman. That is the case that they were in existence a long time. But the thing is the government does provide money to the boards through a contribution agreement you know. Although the financing of the boards is somewhat different, the government is still in the position of having its authority delegated whether it is this board or somebody else, it is still the same kind of mandate that those boards have in the narrow sense that the government wants to describe it, which is just to provide a program. They could include that in the broader contribution agreement if they wanted to.

I would like to ask if in fact the two Yellowknife boards are the exception and all the other divisional boards -- and I am talking about education now -- have the policies of government and so on applied to them, and since it is very difficult to answer a question about what you can do if somebody decides they do not want to have these policies applied to them. Since they have all signed these MOUs, and if I give you a specific example of a board that just says, "We are not interested. Although we have signed on the dotted line, we are not interested in complying with it." In the case of the Kitikmeot Board of Education, before Christmas they saw an ad somewhere that you could buy computers at a very cheap price if you went to the States to do it -- I am not talking about southern Canada but across the border -- and you find you can stretch your dollar and get twice the value for your money, what can the Department of Education do to make that board that signed that MOU comply with that particular policy? What can it do?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, I guess the Minister, as he has done on occasion, would formally remind the board that they are subject to a given policy and in most cases that would work. I think the board would comply on the basis of

that notification from the Minister. We have had several cases in the last few years where jurisdictions have taken issue with the affirmative action policy. The Minister instructed the jurisdictions that they must comply. I think the authority of the Minister is enough to ensure that boards would comply.

CHAIRMAN (Mr. Sibbeston): It is interesting because I think in this environment we all understand and recognize and have respect for Minister's authority, but often out in the regions and communities the Minister is something very far and his authority really is not respected and people act with common sense. In the situation the Mr. Lewis described, what really does happen? Can the Minister really do anything? Are there any penalties in the agreement which specify exactly what happens when there is no compliance with the agreement? Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, the answer is no, there are no penalties in place for that kind of an eventuality.

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: Thank you, Mr. Chairman. We have the reference Mr. Pollard referred to. It is a memorandum from the Department of Education to the FMB dated March 23, 1988, signed by the Minister who happened to be Mr. Patterson and the deputy minister Joe Handley. The subject is a payment directive for issuing contributions to divisional boards and boards of secondary education. There is a clause in here that talks about the amount. The amount will vary annually depending on student enrolment and price and volume fluctuations. The boards retain surpluses and are responsible for deficits. It is an internal document approved by the Minister and DM. How applicable it is legally, I think is probably an interesting question.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: So theoretically what exists right now, the scenario Mr. Pollard talks about is if a board, whether they are divisional or an elected board, if they purposely went against something the government wanted done, the ultimate punishment would be that the Minister could disband the elected board in Yellowknife or the appointed divisional board and send an administrator in to run the thing. So they are responsible for their actions and if they cannot explain why they went over budget, then the ultimate punishment is to disband the board and send somebody else in or reappoint new board members.

CHAIRMAN (Mr. Sibbeston): I take it that you agree with what Mr. McLaughlin said Mr. Colbourne.

MR. COLBOURNE: Yes, Mr. Chairman, that would be the ultimate penalty. The provision is there under the Education Act for the Minister to exercise that power.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: Is there an provision in the Education Act like that? I know there is one in all the other municipal acts. I cannot recall it being in the Education Act.

MR. COLBOURNE: There is provision within the act for the boards dissolution, section 53.6 I think. It certainly is there and the Minister can appoint an interim trustee to manage the affairs of the division.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: I would like to know if there is a provision in the

THIS Act.

MR. COWCILL: Yes, Mr. Chairman, there is provision in the THIS Act to appoint a public administrator in a specified number of circumstances where it may be deemed necessary.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: Mr. Chairman, I did not quite understand when Mrs. Vertes was making reference to the transfer policy, being extended to April 1991 and by April hopefully they will be fully implementing it. I think she said we will not be able to fully implement it by April. If not, why not?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. It is not that the policy is sunsetted in any way. I hope I did not leave that impression, but as far as implementing the full provisions, we have set a schedule for full implementations and this included -- when I say full implementations I should be careful -- full implementation as it applies to the health and education boards. The policy itself is an ongoing instrument and we are talking about its application to the transfers of authority to health and education boards. But yes, as far as the service agreements, the application of policies and directives, the government's plans were that this would be complete by April 1, 1991.

As I said, we are not going to make that date. I think I mentioned earlier that what we were initially concerned about was getting the boards up and running. We knew through a variety of sources that we had some problems. We have taken a couple of steps back, we have commissioned the financial arrangement study that is now complete but is in the hands of boards and agencies and we are waiting for responses back from them. That is one of the reasons for the delay. It would be foolish to go ahead and try to meet a deadline for deadline sake if that meant ignoring the input from the boards and agencies.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: What time frame are we looking at? You are saying the deadline is being extended. Do you have an idea of the time frame?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. The closest I can pin it down is the next government. I do not know a date.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: Is the transfer policy working?

--Laughter

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes, you can be very frank.

MRS. VERTES: Thank you, Mr. Chairman, I will be. The object of the policy is to move responsibility closer to those being served. That is what is important about the policy, not some of the hows and whys. As Members know, it replaced the devolution to communities policy and one of the reasons for calling it "transfer" is to encompass both devolution and delegation to community-based organizations or governments. As you know the thrust of the government is directed toward community self-government.

Mr. Chairman, I think you gave my answer for me. Yes, we believe that in this case seeing the delegation program delivery to boards representative of communities that are being served has to be in keeping with the objects of the policy and yes, therefore it is working. Thank you.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: I sense from the response I am getting from the deputy minister I do not think she is too happy with what this transfer policy is -- the way it is taking place. How could it be improved? I sense that we have a lot of problems with this transfer policy. Where does she see the areas that we could improve upon?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. I did not mean to imply anything by my tone or delivery. Again, maybe just to repeat, in terms of the objects of the policy, yes, it is working. Do we have problems? I think that rather than me repeating all of the things that have been raised, for example in the Auditor General's Report on Any Other Matters in our own financial arrangement study, those are the areas that we can improve upon and in fact, are trying to do that very thing; taking the advice from those that perhaps have a different perspective, one that is a couple of steps back waiting for advice from the boards and agencies themselves, and then to look at areas where we can improve and intent to improve. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, I think Mr. Cowcill was careful to couch his words when he said that a board could be disbanded under certain conditions. I wonder if it is not too long of a list if Mr. Cowcill could tell us how or on what grounds a Minister of Health could disband a health board. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: The Minister may appoint a public administrator to manage the affairs of one or more facilities in the following situations: if the provision of care to patients is threatened; if the members of the governing body of a health facility or facilities have resigned and they are not being immediately replaced; where the safety of patients is jeopardized by reason of a failure to comply with reasonable standards of care; where the governing body of the health facility or facilities has failed to assume responsibility for the provision of health facilities or services; where the health facility or facilities appear to be in financial difficulty; where serious problems exist in relation to the governing body and the management of the health facility or facilities; and the last catchall phrase, in the circumstances, it is in the public interest that a public administrator is appointed to manage the affairs of the health facility. So most of the ground is covered if the Minister felt it necessary to take that drastic a step.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: I think I have to disagree with Mrs. Vertes a little bit on this one point, is that her description of this transfer policy, the object being to have community responsibility, bring it closer to the community. The existing hospital boards before the transfer occurred and the education boards that existed before divisional boards of education were created, were actually community controlled and still are. Those boards still all exist and are in place and have the same basic powers that they had before. The new boards

that have been created after the federal health transfer and after the divisional school board legislation was enacted, they are centrally controlled by the government, whether it is through the regional office or Yellowknife headquarters it does not make much difference because it depends on what function is happening, whether it is a personnel function or a finance function or a purchasing function. They are centrally controlled by the government and in most cases the people are all appointed. Whereas in the Yellowknife situation the education boards are elected. So it seems to me that what existed before was community control and it still exists and the new divisional boards and the new health boards are centrally controlled. So it might be a process but if that is where these board are going to stay they are never going to be community controlled. They are going to stay centrally controlled.

So I guess I have to ask the question, is the ultimate objective to move divisional boards through to the status that the Yellowknife school boards have and is the ultimate objective to move the new health boards through to the position that the Yellowknife and Baffin health boards have? Is that the objective? If not, if the government thinks that the new system is better than the old system are they going to take the Yellowknife boards and hospital boards that existed before the transfer and apply these new rules to them? It has got to be one of the two. If you are saying, "Okay, this is a learning process for the new boards and eventually they are going to be like the Yellowknife boards in the education system and like the previous to transfer boards in the health system", fine, I can understand you go through a learning process. But if that is not the case then which is the best way to do it, the old way or the way you are trying now?

CHAIRMAN (Mr. Sibbeston): Who did you think ought to answer that question?

MR. McLAUGHLIN: Mrs. Vertes, I think.

MRS. VERTES: Mr. Chairman, I am sorry, I cannot answer that. The government's position as it is is public. I cannot speculate on a future government position or changes in policy. But I trust that the direction that the government is going is unclear(sic). It is on the record. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: Well maybe the deputy minister can take this as notice as a question that her boss will get later in the Assembly. Previous to the last general election the cabinet approved letters, press releases and everything which told the new divisional boards that they would have the same status, they would be designed exactly the way the Baffin regional board was, that would be the model for anything that was done. After the election they decided to have a centralist approach and did that instead. So the government policy changed at a cabinet meeting, which I am sure that Mrs. Vertes was at. But since the question is getting political she can just take notice and pursue this later. What was the reason why they did not like the old system that already existed, the system that was promised to these people and if that new system is in their judgment the best system, why they will not change the Yellowknife boards that exist and the three other hospital boards that exist to the new system. She can just take that question as notice for her boss.

CHAIRMAN (Mr. Sibbeston): Any further questions on this topic? Mr. Lewis.

MR. LEWIS: Maybe Mr. Nielsen can help us with this one. I still have not got a clear idea in my mind as to how the

contribution agreement that we make with the boards allows staff to remain in the public service so that they have really two bosses; they are still public servants and are government employees who work in the public service of the NWT but they have been delegated to a board. That is a major concern that when we have looked at this in the standing committee on finance for example, it seems to be like a phantom arrangement where money is passed along but it is not quite clear where the PYs are, what the status of the staff really is. Do they take leave from the government to work for another employer even though they are still in the public service, which exists in many of our people who have gone to work for somebody else and there is arrangements about paying their salaries and so on?

We really have problems in understanding how this bookkeeping arrangement is done, whereby the contribution is made to a board and yet the people that work for the board seem to be two animals in one. They work for that board but also they are public servants within the employ of the GNWT. It is probably a bookkeeping trick to be able to pull this off.

--Laughter

But it is very difficult for me to understand how you can be an employee of the Government of the NWT but through a contribution agreement you get paid as an employee of the board. Kind of complicated. I have asked this three times before.

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, I will give it a try. I think first and foremost it is important to realize what we are talking about is delegation, not devolution. And we are talking about a system versus a system to accomplish a means, not the creation of a completely new structure which is fully independent.

Under the acts the Minister has the responsibility for both the delivery of education and the delivery of health and there are different means in which to do that. There is the means of having a fully integrated government department. I suppose there is the alternative of creating a crown corporation, as we have done in the Housing Corporation. But the manner which has been chosen is the creation of appointed boards and these are appointed boards who are fully responsible to the Minister and the government has selected that way of providing the service.

So whether the Minister provides that service through an employee directly of the government through a deputy minister or alternatively chooses to do that through appointed members who again are simply, having been delegated a responsibility, the responsibility of the overall mandate of the Minister does not change. He still is fully accountable for the delivery of education. He is fully responsible for the delivery if health. It is just the system he has set up to do that. The fact that these are employees of the government really does not change that. It simply means that the only difference is instead of having a civil servant being the one who is directing those employees, he has set up an administrative structure, an appointed administrative structure, to do essentially the same thing.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: I know the key thing always was that when the issue of control was raised that this is what people wanted to have, control. It was always felt, even when the Edzo society was set up and people used to get their pay cheques with

Rae-Edzo society written on it. I think it is something that happened that was missed many years ago. And that became the model of what control really meant to people. You pay cheque showed you that you were getting paid by this divisional board. My understanding is that all the staff still get paid by the government?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: In the case of Health, with the health boards, they are generating their own cheques. They are using government moneys, they are paying according to the established rates for civil servants in the various categories because the THIS Act, as amended in 1979, requires that. The payroll system utilized by Health is currently an accounting package called the MHO system and that is why we are currently not on the government payroll system for the health boards.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, in effect the cheques for teachers and classroom assistants come from the Government of the NWT with the GNWT logo. Although at the moment we are moving to a system where the individual board logos will be used on their own cheques.

CHAIRMAN (Mr. Sibbeston): How soon can we see this evolution completed?

MR. COLBOURNE: We would hope, Mr. Chairman, in about three months.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: In the case of the Health people who are clearly getting their cheques from the board, do they have to take leave from the GNWT to work for that board? Because clearly now they are getting money from the board to do the work.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, that particular area has caused confusion out there. My understanding is a person who is a government employee who transfers from one place to the other, even though they are employed by a board and agency, that they should be able to basically transfer as any other government employee would.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: The problem would be that if a health board would hire somebody from the South that it would seem to them that they were not being hired into the public service of the NWT, but into that particular board. As for those people who have already worked in the Territories, then they see themselves clearly as public servants, with transfer ability and benefits and everything else. Is that what is being cleared up by the department? To be clear that they are being hired into the public service and not into that one board?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Yes, they are public servants, but as I indicated, I heard recently that there has been some confusion on that particular point. So we need to clear that up. As a recruitment tool it would help to make that very clear, if each board is not making that clear now, that in fact an employee coming here is joining the public service of the NWT and they would be consequently entitled to the transfer of benefits where applicable.

CHAIRMAN (Mr. Sibbeston): Shall we take a 15 minute break.

--SHORT RECESS

Board Operations

CHAIRMAN (Mr. Sibbeston): The committee will come to order. Any further questions regarding funding of boards. If not we will move on to operation of boards. In this section the Auditor General dealt with the department support to boards and the departments monitoring of boards and the Auditor General noted that health and education boards were treated differently by the departments with respect to manuals and financial reports. Health seemed to fair better with its newer and updated manuals.

The Auditor General also states that the procedures for monitoring finances of boards are not adequate and the financial reports to not comply with the Financial Administration Act. I will ask the Auditor General's staff to make a statement.

MR. SIMPSON: Thank you, Mr. Chairman. We have articulated the issues in terms of the service that the departments provide to boards and we have had extensive discussions with the two departments on this. I think one of our key concerns is the monitoring aspect which we spent a little more time elaborating on.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: This may sound repetitive, but it has to do with board operations and I will go back again to the example I gave of the Kitikmeot board who signed an MOU with the government to follow the policies and so on. If the board has been successful in purchasing materials on its own authority, how could that happen in our system when before you can purchase something you have to get a government number and purchase order, how can that purchase take place if the only way in which something can be bought is through Government Services? It seems for some reason the purchasing arm of government is not aware that this MOU has been signed by that board, if they can get away with this and spend thousands of dollars in -- in this case -- the United States? How can Government Services process a purchase order that is contrary to the MOU that the Kitikmeot board has signed?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Mr. Chairman, I think the reason we are having a little trouble in deciding who is going to respond is we are not quite sure if this is a real example. Maybe I could provide some background and if others are aware of this specific example they could perhaps respond.

I think the key thing is that Government Services in this case is providing a service. They are providing a purchasing service. One of the questions that has been raised earlier is: Does Government Services make decisions about whether a purchase can be made or not? They do not, nor do they do it with GNWT program departments. They provide a service. So the program manager who is responsible for spending the money decides to make it or not, Government Services provides that purchasing service within the rules set down for purchasing. And we talked about those earlier. Some of them are northern preference and there are purchase order numbers and different processes they go through.

If the boards themselves did not make the service department

aware of it then they would not have knowledge that they were expected, in this instance, to provide or not provide the service. That is why I think we all look a little confused and we are not too sure of the Members example. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: Mr. Chairman, the government has a policy to do with the purchase of equipment which is available through northern suppliers and there is a premium on the purchasing of these items which would be available locally in the NWT. The manager maybe would be aware of the policy that he is supposed to be using and I suppose he is saying that he takes his direction from the board and the board would like to get the best value for the money. He then goes through Government Services and the deputy minister has indicated that Government Services does not worry about government policy, all they do is simply provide a service and even if they are aware of what they are asked to do, that it contradicts government policy, from what I hear her say, this is fine because all they are doing is providing a service and processing something they are being asked to process.

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Mr. Chairman, I probably confused the issue. I will go back to the Member's specific example, the Kitikmeot Education Board. I should have said this at the outset, that education boards have been exempted from using Government Services for the provision of a purchasing service. So to talk about Government Services involvement in the Member's specific example, is not going to help in getting at the point because they are not involved.

Under the transfer policy, exemptions may be provided to the requirement to use government departments in certain areas. In this case the Minister of Education came forward and said that for the purchasing area it made sense, in his view, and the Executive Council agreed with him, to exempt education boards from using Government Services for purchasing.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: Thank you, Mr. Chairman. The deputy has now explained it clearly. But there still would be a memorandum of understanding with those boards and there are two boards exempted from an MOU and that is the two local boards. Is there a MOU with those divisional boards covering other things exempting purchasing for school supplies?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, yes there would be an agreement for other services.

CHAIRMAN (Mr. Sibbeston): Thank you. Mr. Lewis.

MR. LEWIS: Could we be given an example of the kinds of services divisional boards would get and the degree to which they are exempted from following the provisions of government policy? Are there any other things that they are exempted from following in the area of government policy?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, that is the only area that I am aware of where there is an exemption.

CHAIRMAN (Mr. Sibbeston): What about hiring? Mr. Lewis.

MR. LEWIS: While the witnesses are conferring on that issue, could either Mr. Colbourne or Mrs. Vertes give the committee some idea as to why the boards were exempted from this provision of local purchase? Because if we have something like \$400 million now going into agencies, boards and commissions, which the government has lost control over, then why was this done since it is a major part of the economic platform of the government that we do more purchasing in the NWT in order to boost our economy? It seems to me that they are in conflict; that one is trying to promote the economy and the other one is trying to exempt a huge portion of the government's resources from having this policy apply.

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Mr. Chairman, if we could try it in two parts. The exemption that we are talking about, just to be clear, is exemption from using Government Services to perform the purchasing function. It is not exemption from the application of the transfer policy. What the exemption effectively does is say that rather than purchasing being provided under the auspices of the Minister responsible for Government Services, and that Minister being responsible for the actions of his staff in carrying out the purchasing function, it is that the Executive Council, under the provisions of the transfer policy, has said that in this case education boards may carry out their own purchasing function. But it does not then mean that education boards in carrying out that purchasing function are exempt from other government objectives. In this case it then means that the Minister of Education will ensure that when the education board carries out that purchasing function that they comply with any other overall regulations. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: I would like to thank the deputy for that further clarification on what is meant by the kind of memorandum of understanding that exists with the school boards. Thank you.

CHAIRMAN (Mr. Sibbeston): I guess what you are saying, Mrs. Vertes, is that a board can be exempted from the policy, under the transfer policy that they are to use Government Services for purchasing, they can do their own purchasing but they must, if possible, comply with northern preference and stuff of that sort. I must say it makes it more difficult for the government to handle in a sense. Mr. Simpson.

MR. SIMPSON: Thank you, Mr. Chairman. Just as a point of clarification, as Mrs. Vertes just mentioned, there were some specific exemptions from specific things. One I mentioned earlier and then there is another one with another school board who are exempted from the purchasing function. But I would refer the committee to a point made on page 22 of our report about halfway down under the heading of "Other Executive Policies". We note there that we reviewed whether the boards actually received copies of the government policy manual and we found that some did and some did not. I guess there is an interesting question coming out from that: How are they expected to comply if they really do not know what the policies are? Secondly, given the testimony this afternoon, is there any monitoring to find out whether or not the boards do comply with the board government policies? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): That is a general question I think. Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. I think colleagues may have more specifics to add but certainly we can only agree with the sense of the observation; how can people

comply with something they do not know about? I know that both program Ministers are as we have said, generally accept the observation and will be taking action to ensure that that is not the case. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: Thank you, Mr. Chairman. At coffee break a couple of Members told me I should have got a little bit more specific in my question. I will just direct this to the health boards because there is slight differences. But I guess the question is, does the existing policy that governs the health boards that were created after the 1988 federal transfer, does that policy allow those new boards to ultimately achieve the authority that the existing Yellowknife, Fort Smith and Baffin boards have, without any further changes to that policy? In other words will the existing policy allow, at the Minister's discretion I guess, any one of the Keewatin or Kitikmeot or Inuvik boards for example, to achieve the status now enjoyed by the Yellowknife, Fort Smith and Baffin boards?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, I think the answer to that question is depending on how you view the requirement for agencies to utilize support services of central agencies. They can achieve the same end. They have got agreements that set out standards of service for purchasing, financial services, personnel and so on, but one can argue back and forth as to whether that is less autonomy than one of the other boards. So that is the crux of the issue. It is a different method of providing those particular services. But otherwise they have the same mandate as other boards for the provision of the health care services in a geographic region.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: I think I am correct in saying that the existing policy compels those newly created boards to use government departments. Does the existing policy allow those newly created boards to, on their own volition, on their own impetus, to not have to use those departments as services to them any more?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, there is provision within the existing policy where the boards can make a case if the service provision is not being provided properly and they feel that it could be done within the same cost constraints and as effectively for them to seek an exemption to the policy for any variety of factors. This is the case for example, what has happened in Education in a couple of areas. They have presented a set of unique circumstances that substantiated an argument for an exemption.

CHAIRMAN (Mr. Sibbeston): Mr. McLaughlin.

MR. McLAUGHLIN: To get right down to it then if the Inuvik board came to the Minister of Health and said, "We have had a couple of years experience now. We are running a hospital and also a half a dozen community health centres, nursing stations that feed into that hospital", just like the Baffin does; they have got a hospital with all the community facilities that flow into it all under the same board. So basically they have got the same mandate to deliver health in the regions. And if they came to the Minister and said, "We want to do, and have all the powers and do our administration and purchasing and personnel and everything else you can think of related to our mandate, exactly the same way the Baffin board gets to do it right now", would the existing policy allow the Minister to

make that decision on her own or by an order in council?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: My understanding is that the Minister may seek an exemption for a particular service if certain conditions are met, namely the need for effective service within the same resource allocation available, so the Minister has to go to cabinet to get an exemption to the policy. If you are talking about an exemption from the whole policy then one would have to I guess, question the need for the policy if a decision is made by the government to eliminate the current situation. But there is provision for boards who have a grievance and feel they can do the job as effectively and within the same resources to make a case through the Minister to cabinet for an exemption.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: Still on board operations, when the various boards were set up this was a model of the way we should go in either evolving or delegating authority to other bodies. The current thinking about these boards would be effected by the community government that is currently promoted by the government is the best way to bring services to people. Will the health and education boards be effected by that policy to provide as many services locally as possible?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. I would not like to speculate on what cabinet would do, but the transfer policy talks about the devolution of authority. It is clear where those that approve the policy was coming from, but at the time this government undertook to empower new regional boards to deliver the health and education programs as the basis for increased local control. So the two were compatible at that time. Thank you.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

Problems Of Board Members Travelling To Meetings

MR. LEWIS: Thank you, Mr. Chairman. Would the experience we have had to date with both the health and education boards -- the operation of a board where people come from great distances to meet, has the government looked at the effect of this? For instance getting somebody from Sanikiluaq to a Baffin meeting. Has this posed problems over the years? I am thinking of the Baffin.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Certainly in the case of divisional boards of education we have not encountered any problems getting those boards together.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: While there are certain challenges in bringing the board together from certain distances, there are committee structures put in place between meetings, executive committees, finance committees, and so on, that ensure that the decisions that need to be made on an ongoing basis within whatever parameters the board establishes on certain issues, get done between. So that does not appear to be a significant problem.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: There will be major revisions to various acts and

even though Mrs. Vertes has appointed out that even though there is a community government initiative on the way, what particular authorities will go to local governments has still not been resolved. But in the rewriting of the Education Act, I suspect, especially if you look back at past records of what people have felt about control of education, there was a very strong feeling for a long period of time that it should be local, but a bureaucratic decision was made that if you are going to have a system then you better regionalize it, there are all kinds of advantages, especially if you are going to use government services at the regional level.

When the writing of this act takes place, instead of automatically placing in the divisional board, that it would be consistent with the government's position that really any authorities that are exercised at the regional body, whether that would be a devolved responsibility from the community if they wanted to a bigger body, run the other way around. Because that has been the philosophy of government for a long time that this is the way it should be, by having bodies formed to perform a function when the local communities agree when that is the best way to do it.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, that is obviously one way of looking at the future make-up of the boards structure in terms of their power. I do not know what form the boards will take, quite frankly.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: There has been several documents circulated over the last several months to try to get input, to get some idea about the future form. When will this process be finished so we know the way people are thinking about what these authorities should be like?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: The consultation process has only just begun. I would think that the consultation stage will take at least another year and then we will have some specific direction in terms of feedback from communities.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, what is the point of having this transfer policy if it can be appealed, changed, or one particular area or board -- what is the point of having a policy at all if the government is always willing to change the different arrangements that it makes with these boards.

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. The point of having it and the provision for exemption is that not everything is the same in every community in the NWT or every region. There may always be a case to be made for a unique situation and that is why the provision for exemption is recognized within the policy itself.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, I always recognize that you are going to have to bend a little this way and that way, but there seems to be some pretty serious deviations from this policy. It is almost as if the policy is possibly flawed and they are having to give exemptions in order to make the thing work. Is there thought being given to changing the policy?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: I cannot say there is thought being given - I think what the Member is talking about is specific provisions related to service agreements, not necessarily the intent of the policy. If I understand his question correctly. At the moment with the financial arrangement studies, if there are some things that come out of there that indicate a review of the policy is necessary, then that will happen. Thank you.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: When these boards were formed was there some idea on behalf of the government on whether they were going to be more expensive or less expensive or was there going to be some kind of measurement system to decide if the board was more efficient or less efficient at using government funds?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: I am sorry I do not know. I think the discussion of that would have been by each Minister bringing forward the structure that they were recommending for delivery of the particular program areas.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: I wonder if the Auditor General's staff, Mr. Simpson perhaps, did they run across anything that mentioned cost or a measurement of how efficient the boards were during their study? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: Mr. Chairman, in our review we did not come across anything that appeared to directly consider the implication of costs or efficiency.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

Interest On Funding

MR. POLLARD: Mr. Chairman, I wonder if we could deal with the interest issue; the issue of boards getting two or three months funding and then earning interest on those moneys and then utilizing the interest. Perhaps we might hear from Mr. Nielsen what the situation is in that regard.

MR. NIELSEN: Mr. Chairman, as I understand it the issue that was raised by the staff of the Auditor General's office was some concern with respect to the timing of payments which I believe was clarified to indicate that the payments should be made not on a monthly basis but perhaps on the basis of need. I think that is a recommendation that has been made but I guess the whole question of financial position of each of these boards and agencies has to be looked at. The question of how much working capital they should have, what their surplus retention policy or the government surplus retention policy should be, is to some extent related with this. So I would suggest that really response on my part at this point in time would be premature; that the government would wait until it sees the results of the comments from the boards and agencies on the financial arrangement study examines alternatives and some proposals are made. But certainly I can appreciate the position of the Auditor General's staff on this. I guess certainly a concern that might be raised at the Legislative Assembly level as to whether or not the purposes to which these funds are being used is in fact in accordance with the sort of thing that that Legislative Assembly would like to pre-approve or pre-authorize through appropriations.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, I think there have been attempts by departments to cut back on the amount of funds that they would advance to certain boards and the boards in turn have turned around and said if we do not have that money we cannot earn interest on it and we are going to be unable to provide the kinds of programs or the frills that we have been providing. Can Mr. Nielsen confirm that there has been complaints by boards that if you take away our block funding we will lose interest moneys?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, that is quite right. Again, it is in accordance with the concerns expressed by the Auditor General's staff. The fact is that boards are, or have received funding and have invested that money and with the earning from that investment have introduced programs which they have interpreted as being core programs and which they would like to continue. Again, this becomes the concern of the Auditor General as to whether or not the Legislative Assembly has in fact proved those programs in the course of their review of the budgets and whether or not this is in fact a circumvention of the legislative process.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: I think we were made aware yesterday that there is some kind of provision in the agreement with Canada whereby interest earned on funds that the GNWT has in the bank is subject to some claw-back procedure. I wonder if Mr. Nielsen could explain that to us Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, the financial arrangements with Canada are that interest earned as a result of good financial management, management by this government, are not retained by the government. In fact they are fully subject to the failsafe arrangement. So that means if we happen to earn substantially more interest as a result of perhaps having a higher cash balance, that money is in fact deducted from the grant. So in fact our total funding would be offset. The total funding would remain the same but would be offset by the grant one way or the other.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, is it the same for interest earned by boards and agencies? Does the Government of Canada take back some because of the interest earned by those boards?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, no it does not.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: I guess the dilemma that the government faces then is that if you stop giving as much money as soon as you do to boards, they cannot earn the interest and then they are going to want to continue with their programs so they are going to demand more money. If we retain the money and we put it in a bank account and earn interest on it the Government of Canada is going to want to take that back. Am I correct in assuming that that is the problem that we face, Mr. Chairman?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, that is one of the problems that we face. It is quite correct and that is one of the reasons why I have suggested that this is an issue that is a little bit more complex than simply changing the schedule of payments; and why we would like to see what the results of the financial arrangements study are and why we are incorporating such things as working capital and surplus retention into the review because it may very well be that this can be solved in another way.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Is there no way of changing that claw-back agreement with Canada?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, the federal position has been very clear since the original negotiations on the formula financing agreement. This was raised 10 years ago in those negotiations. That position is simply that the Government of Canada is not going to reward the Government of the NWT for financial management of its investments. It is expected to be an appropriate responsibility of our government and that we should continue to do that but in the event that we did not they are certainly not going to concern themselves about it. Their position is simply that it is fully subjected to the failsafe and it is non-negotiable.

CHAIRMAN (Mr. Sibbeston): Thank you. Mr. Pollard.

MR. POLLARD: Mr. Chairman, I could not find it quickly in the books right now but how much interest did we earn as a government during this fiscal period that we are dealing with right now -- March 31, 1990?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, I believe the amount was \$10.5 million.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: This is a shot in the dark, Mr. Chairman, but if we took the amount of money that we had in the bank to earn that kind of interest and it had been in the hands of a board or agency, would it then not have been subject to the formula funding agreement with Canada?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, I think the issue becomes one of interpretation and negotiation. I have no doubt whatsoever that if this government was to fully allocate its financial resources to the boards and agencies, that there would be a significant change in the financial arrangements with Canada. I think that would be interpreted as a circumvention of the intent of the formula and quite rightly so.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Well you have risked the wrath of the Auditor General if you give the boards the money and allow them to earn over three million dollars worth of interest. But I would rather risk the wrath of the Auditor General than have to lose that money to Canada or have to make it up from some other source, Mr. Chairman. So I may be encouraging the government to do something that is wrong, but I would encourage the deputy minister's to encourage their Ministers to keep doing it the way they are doing it right now and save us a few bucks. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: Thank you, Mr. Chairman. I think there is a couple of points that might be worth getting on record. As Eric mentioned, looking at some mechanisms to establish a working capital amount for boards and agencies, and frankly I rather like that idea because our biggest concern here is that the interest earned by boards and agencies is really outside of the Legislative Assembly's authority. Although we work for the federal Auditor General, we do not go blabbing to them, telling them that there is a claw-back situation. So I want to get that on the record as well.

The other thing is I think Mr. Nielsen can perhaps confirm this, but the \$10.5 million of interest is not all subject to the claw-back provisions as far as Canada is concerned.

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, no the full amount is fully subject to fail saving. Any interest earned as a result of interest in investments -- the way this works normally is that we would identify the estimated amount of the revenue, in the event that we exceed that amount is reduced. In the event that we do not reach that amount then the grant is increased.

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: So Mr. Pollard's suggestion is that deputies only have to be partially created in their bookkeeping.

CHAIRMAN (Mr. Sibbeston): Mr. Ningark.

MR. NINGARK: Thank you, Mr. Chairman. The overall interest earned, \$10.5 million, is that including the interest earned by boards and agencies?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, no, it does not include that interest.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: We have noted that the Department of Health provides a trustee handbook which is felt to be a very useful document, whereas the Department of Education manual which provides guidance to boards seems to be out of date. It is my recollection that this manual is written after the Education Act was passed in February of 1976 and was available to local education authorities in 1978 and that is the same manual that now is being used by the department, even though a lot of major changes have taken place since 1982. Is the department now going to wait until a new act is passed before the current boards are given a much more comprehensive document to guide their activities? It is a crucial part of board operations, if you really understand how these education authorities work, especially when you have new members coming on all the time. What is the department going to revise it to bring it up to date or does it intend to wait until the new act is passed?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, the old handbook is pretty well being discarded and a new one is under development and will be available in September, it will be in the hands of boards in September. It is a critical document, we agree with that observation.

I would also add that boards have certainly not been without

guidance. Most of our boards have development officers attached to them. These are very knowledgeable people who do workshops with new member and make them acquainted with the Education Act and policies. So even though a lot of the development work has been on an ad hoc basis, it certainly has been ongoing.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: As an interim measure, have boards attempted to develop their own particular manuals to meet their own needs through the services of the development officer?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Every board must develop its own policy manual and I think every board either has a full policy manual in place or is developing the manual.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

Trustees Organization

MR. LEWIS: One of the ways the department began to address this issue of support for boards was through the development of a trustees association. Does it still exist?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: The trustees organization is operating and in fact there was an executive meeting in Yellowknife this past weekend and they are now making plans for the annual general meeting in Inuvik, I understand. It is quite an active organization.

All the boards have membership on the trustees association, as well as the education societies that are not formally part of the board structure.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: It is just a few years old, how do the trustees receive the kind of training that it was hoped they would get through this kind of association? Is the department involved in helping out or do they just go about their business?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, the trustees association is an independent organization and I think most organizations across Canada like that do get involved in the training issues, but I do not know what the plans of the NWT Trustees Association is in this regard.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: What is the connection between the trustees and the department. Is there any kind of relationship that exists that you can see the kinds of things they are grabbing with? Would you have people attend the meetings? What is the precise relationship between the department and the trustees?

MR. COLBOURNE: At every meeting of the trustees association, Mr. Chairman, invitations are extended to the deputy minister or a representative from the Department of Education to attend those meetings. In essence, the organization is an independent organization. It is an association of the school boards and divisional boards in the NWT.

CHAIRMAN (Mr. Sibbeston): The association then is funded

by the members of that association. They come up with their own money? Does the government provide them with any funds at all that they have to be accountable for?

MR. COLBOURNE: Mr. Chairman, we do not provide funding directly to the trustees association although we do make available to divisional boards a per capita grant which is for this kind of purpose -- for membership in associations like this.

MR. LEWIS: Just a final question, Mr. Chairman. To go back again to the manual that will be out in September, if the proposal is that the new act be subject to consultation for another year it is likely that there is going to be another one developed if the act turns out to be substantially different to the one we have right now. Has there been any thought given to this? That you could end up having a manual in people's hands at the very time when you should be looking at something completely different.

MR. COLBOURNE: Mr. Chairman, the manual that will be coming out will be computerized and it will be flexible enough to take into account any changes that occur in policy and legislation along the way.

CHAIRMAN (Mr. Sibbeston): Any other questions? Mr. Zoe.

MR. ZOE: Mr. Chairman, on board operations, besides manuals and so forth, what other support does the department give to the boards? Training? Do you have seminars for board members? Do you do those types of things?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, while the department does not sponsor seminars specifically for board members the boards themselves do engage in that kind of activity.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill, what is your experience?

MR. COWCILL: Mr. Chairman, we provided the brand new manual and quite a bit of training soon after a transfer. Our direct involvement in training sessions since then has tapered off somewhat. We found that some of the boards subsequently take their own initiatives to bring people in for training sessions and so on so increasingly once the system is up and running the boards themselves take on some of those responsibilities.

In terms of other interactions between the department and the boards there is ongoing interaction with respect to budgets and policies and this sort of thing.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: What I was trying to get at, Mr. Chairman, is that it does not matter if it is Education or Health. I just wanted to know what the department provided in terms of support. Are you supporting them in the area of training, systems development, policies or planning and so forth? These are the types of things I am trying to get at. Does the department provide those types of support to the boards? It could be Education or Health. If you are providing this type of support, how are you doing it?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, the Health department is organized in divisions with particular areas of responsibilities with respect to supporting the health care system. For

example, the health facility division is the key lead link in working with the boards on their budgets, ongoing hospital operations, discussing issues of health board training and so on. Other divisions such as the nursing division assists with the development of standards for use in the health centres, guidelines for nursing practice to make sure they are completely up to date. In-service training, the ANSIP program for nurses for example and it is similar when you go from division to division. The director of dental services provides consulting services in regard to the issues of dental health in each of the regions. The community health directorate was instrumental in developing the program materials, translated into the native languages and so on for the health is a community affair campaign about a year or so ago. There are many collaborative efforts that go on between the department and the boards with the department providing, in some cases, program expertise or expertise in specific professions such as the nursing area.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, within the Department of Education, it has been the practice before each board comes on stream there is an extensive development process using some of the top people in the country from McGill University, for example, and from the Manitoba Association of School Trustees. There are a series of workshops that boards are asked to participate in. After the board comes on stream, as I mentioned earlier, there is a development officer attached to most of our boards now. The function of those officers is to provide the ongoing training and orientation that board members need. In addition to that I could mention the fact that our own staff, our departmental financial staff for example, visit every board regularly and help with systems development on site. These are the kinds of things that we engage in.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: The departments are saying yes, we are providing these types of support to these boards. How do boards know what kind of support you will give them? Is it written somewhere or is it only when the board requests certain things then it is considered at a departmental level? If I was a board member or a board, how would I know the kind of support that is there so that I could tap into it? Is it written somewhere? Do we have a document saying that the department is willing to give the various boards these kinds of support?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, the department prepares documents that set out the overall mandate of the department that set out -- we call them structural objectives for each division, what the ongoing work of each division is, and then in a given year, as you know, some of those ongoing requirements may be spelled out in very specific objectives for a year that show up in your budget documents. These documents are shared with the health boards. I think there is a fairly clear understanding out there as to what range of support is available in each of the different divisional areas. The actual emphasis or focus in a particular year and region may shift depending on what their greatest area of concern is. But the roles of the divisions are set out fairly clearly.

The issue of frequency of visits and all these sorts of things, that is effected by the resources that we have in place. I think perhaps we may have got a little bad press in the review because we have been very much preoccupied with trying to sort out the budgetary problems with boards. So a lot of our activities over the past year have been sending people out to

sit down with the boards and review the detail of the budget so that we could put things together so we felt we had a very firm understanding. That support role can sometimes be seen not as a support role, you may see if more of a controlling role, with the departments coming in to examine whether they are doing things as economically and efficiently as possible.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: In the case of education boards, Mr. Chairman, again the development officers meet regularly. The most recent meeting was a couple of weeks ago here in Yellowknife. They are made aware of the kinds of supports that are available from the department and it is their responsibility to communicate that to their boards.

CHAIRMAN (Mr. Sibbeston): Are there any documents or papers that are made available outlining the extent of services or help that they can get?

MR. COLBOURNE: Yes, there is.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: Education has a document that says the support is there if you want to utilize them. If I read Mr. Cowcill right he is basically saying if they ask for it and if they go to the right section in the department then they could get support. We have a number of MOUs with health and divisional boards, is there anything in there that pertains to the support that the document is willing to help them out with?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: I do not think there would be anything specific written in to memorandums of understanding.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Not specifically in the MOAs. Again some of these responsibilities of headquarters are set out in the THIS Act, inspection and monitoring function and all these sorts of things. They are set out in documents that have been distributed to health board CEOs.

CHAIRMAN (Mr. Sibbeston): Mr. Ningark.

MR. NINGARK: Thank you, Mr. Chairman. The education boards are able to initiate their own training programs, presumably because of the interest earned through the banking system?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Yes, that is correct, that would obviously be one source of funding for those kinds of programs. We do make a per capita grant available to each board specifically for training purposes. Some of that is directed to the school trustees association membership in that association.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: Thank you, Mr. Chairman. When you ask rather informally people who work for these various boards how things are going, what support they are getting, the general response is that the government can help us best by just letting us alone. I am sure there are good congenial relationships between the government and the board, is that fairly widespread? That is something I have picked up over the years.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, I think there is probably still a bit of that in respect, perhaps, to some of the boards that have been established for a long period of time. They are up and running and thank you very much we will carry on. There is some resentment, for example, in times of budget review and things like this where we are questioning what is going on. But I think for the most part that boards recognize that there is an interdependence between the functions which they have to perform and that which the department and the Minister carries out on their behalf. So the answer is, yes, in some instances, but overall increasingly, especially as the current financial climate becomes clearer to the boards, that there is a recognition of interdependence.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, certainly we have encountered very similar feelings. There is obviously a desire for more independence on the part of boards. I think increasingly people are coming to realize that it is an interdependent system and there are ways we can sort these things out and support each other.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: I am sure that when it comes to discussing budgets and staying within your budget that that could be an area where people feel there is a bone of contention. Could both deputies indicate that there is a process whereby they indicate to these delegated authorities that they have to stay within their appropriations and that that is a major concern of government. The service has to relate somehow to the appropriations that have been made by the government. What is the process you are undertaking in looking at these boards that need help? It has been indicated that the deficit is a little more modest in real terms than is reflected in the Auditor General's report here, they still seem to be moving in that direction of really having more deficits than surpluses every year. So what is the process to make sure the boards stay within the appropriations?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: I mentioned in the first instance that there is basically a call letter system for the boards to submit their budgets to the THIS board and our officials subsequently then review the details of those budgets requests against the guidelines that are sent out for the actual budget preparation. Then a process of talking ack and forth or meeting occurs to make sure we understand where they are coming from and so the board understands what limitations the board is operating under. To give a specific example, this past year when the board requests came far above the dollars available, over a period of six months there were on-site visits to every health board and a sit down in a detailed way with them to try to determine what could be done to live with any lesser level of resources. As the situation turned out in this year there had been a number of forced growth factors impacting on the boards that had not been appropriately substantiated in the budgetary process. For example, at the fall sitting of the Legislative Assembly and within the guidance provided on what is eligible for supplementary consideration, the department brought forward a number of the concerns identified by the boards in this review process that we conducted and at least partially addressed some of their concerns.

During the year there is ongoing receipt of financial statements. There is a guideline in respect to budgetary

controls. I may have mentioned this morning that they use different terminology than we use in government. They have control blocks and demi-control blocks and so on and the boards are required to provide that kind of information on a regular basis. We have had a difficulty within the department enforcing compliance on some of this material. In fact recently we had the Minister join us with a further chat with the boards on the importance of good co-operation and timely response on this issue of financial matters because of our legal requirement as well as our mandate requirement to try and manage the resources of the system as effectively as possible.

There are a lot of processes in place. They need to be streamlined. I think we mentioned this morning as well that there are problems with the budget cycle and timeliness. We have been working hard at it. We are not there yet but we are still working on this in a collaborative fashion with the boards.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, again a number of processes are in place within the Department of Education. Much of the boards' budget is formula driven. For example, the pupil/teacher ratio. Boards pretty well know at the outset of any given fiscal year what their budget is going to be and they are able to plan accordingly.

As I mentioned before, the department's financial staff visit boards regularly and perhaps not as often as they should but certainly we try to do it regularly. We try to catch any problems before they become major problems. Over the next few months we are looking very carefully at the monitoring system we have. We want to make sure that it is improved.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill, do you have anything further?

MR. COWCILL: Yes, Mr. Chairman. Maybe I could just add one point that I did not make and that is that one of the difficulties we have had in the health system is staff turnover. Both finance officers and executive directors at the board level and even in fact within the department recruiting finance officers. That situation has been fairly tumultuous in the last two years and certainly that adds to the headaches of trying to put into place appropriate systems to be able to lay out the expectations of timely responses on things like variance reports and financial statements and so on.

CHAIRMAN (Mr. Sibbeston): Anything further? If there is nothing further can I suggest that we adjourn at this stage because we are just getting into the monitoring of finances of boards and it is a big topic. I think we need to go into it some more. If we just adjourn now we will start there again tomorrow and go in depth into this area.

I thank all the witnesses for your attendance today and we would like to see you back tomorrow again at 9:30 a.m. if possible.

Mrs. Vertes, did you have a question?

MRS. VERTES: Mr. Chairman, I apologize. I received some information that I promised to get back to the committee. This was in relation to the question about the leases. I can be very quick or if you wish I can put it on the record tomorrow morning.

CHAIRMAN (Mr. Sibbeston): Why do you not do it tomorrow morning. If we can, I would like to have a very quick in

camera meeting of committee Members so we can deal with matters that have to be dealt with tomorrow. We ask that the Auditor General's staff also stay. It would be appreciated. Thank you.

--ADJOURNMENT

LEGISLATIVE ASSEMBLY OF THE NORTHWEST TERRITORIES

STANDING COMMITTEE ON PUBLIC ACCOUNTS

YELLOWKNIFE, NORTHWEST TERRITORIES

JANUARY 30, 1991

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

YELLOWKNIFE, NORTHWEST TERRITORIES

JANUARY 30, 1991

MEMBERS PRESENT

Mr. Lewis, Mr. McLaughlin, Mr. Morin, Mr. Pollard, Mr. Ningark, Mr. Sibbeston, Mr. Zoe

CHAIRMAN (Mr. Sibbeston): I welcome you all to the public accounts committee, second day of our formal public hearings on the Auditor General's Report. Yesterday when we left we were still on chapter three but on the section that deals with departmental monitoring and control of board finances. Mr. Lewis, you had launched into this area by asking a question so the floor is now open for continuation of the process we had. I invite the witnesses to come to the table if they would.

Just for the record we have before us three members of the Auditor General's staff at the table: Mr. Simpson; Mr. Shier; and Mr. Campbell. We have Mr. Colbourne, Mr. Cowcill, Mrs. Vertes and Mr. Nielsen also with us.

The floor is open for further discussion. Mr. Lewis.

Monitoring And Controlling Board Finances

MR. LEWIS: Thank you, Mr. Chairman. Yesterday we left off with a brief discussion on the operation of boards and the kind of support that boards get. The second part of that, I suppose from the point of view of the boards, they do not necessary support that they are getting from government but the intention is to make sure that things go right. So when we look at the issue of monitoring and controlling board finances, which is what we are into now, what I got from the remarks that we heard yesterday was that there seems to be some difference in the way the boards' budgets are prepared. In the case of the health boards it seems as if they come up with a sort of base budget if you like, not necessarily a zero base but at least they come up with what they think is the money they need to do the work. Whereas from what we heard from Mr. Colbourne yesterday, was that this does not happen as it relates to the education divisions. It is almost as if it is cut and dried you know; this is the way it is going to be. I would like to get a description of exactly how these budgets are arrived at. How do you get a budget together if you are a board looking after a delegated responsibility?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, I explained yesterday that boards are largely funded through a formula which clearly articulate the level of funding that is available to boards. Another characteristic of that, once staffing levels are set prior to the start of the school year, expenditures are fairly stable and predictable. I think it is a relatively simple matter for boards of education, for divisional boards, to put their budgets together using the formulas that are available to them. It is a formula-based system.

MR. LEWIS: Mr. Chairman, before we get to health boards maybe, do the divisional boards get a call letter laying out exactly what it is just the same as government departments get a letter telling them what the rules are going to be? Do these boards get something similar from the department telling them that this is the basis on which the budget has to be put together?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Yes, Mr. Chairman. The boards follow basically the same kind of budgeting cycle that we use normally in the Department of Education in preparing our own operational plan for the coming year. We alert board directors and comptrollers to that cycle and we have them feed in to our budgeting cycle.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: Is there any room then for boards to come forward with things that matter to that board? Is there any place at all in this preparation of budget where the board in fact indicates to the department areas that it really feels very important to this particular division because it seems from looking at the records that what matters to the boards they are having to fund through the use of interest payments? This is how they fund things that have priority to them. Do they get an opportunity to put that in their budget when they bring it forward to the department?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Certainly, Mr. Chairman, with respect to what they see as the larger priorities they do have that opportunity. I can relate the example of school community counsellors for example. Prior to the budgeting cycle last year we asked each board to provide us with statements of its needs in these areas and we certainly try to accommodate those needs in these areas. We certainly try to accommodate those needs in the operational plan that was put forward. Certainly in terms of the larger priorities as boards see them, we try to accommodate their needs. Not always but most of the time we are able to accommodate those needs.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: Why is it then, Mr. Chairman, that since they have identified -- and I am thinking now particularly of the Keewatin and the Baffin -- the production of Inuktitut texts is really a priority. We have had several delegations here to tell us that since this is a priority of that board and they have been forced to fund it through this unusual mechanism of using the hundreds of thousands of dollars that they make out of interest payments, why can that not be part of what that board does, because it is my understanding that is a function of what the government does, is to produce material for use in the schools. Yet there does not seem to be any provision in the funding arrangement where they could do that and therefore they have been forced to use this other system in order to meet what they consider is their first priority.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, in the specific instance that the Member quotes, the department does, in fact, provide substantial resources to the board through the aboriginal languages enhancement agreement. In the case of the Baffin Divisional Board, for example, we provide \$265,000 per year. We have provided that for the past five years. We have also responded to the board's need for additional resources in that

three years ago the community education council, the Rae School Society relied totally on the audit bureau to conduct their audits and because the bureau has their own plans, that particular group has not been audited for three years and they ran into financial difficulty, they were in the hole. Eventually the government bailed them out or they got themselves out of the hole. Are all boards now funded directly by the government to carry out this function or do some of them rely on the audit bureau?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Our boards are funded for their own audit.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne, it was suggested by Mr. Zoe that in the past there had been some difficulties in Rae-Edzo. Can you confirm or deny it?

MR. COLBOURNE: Mr. Chairman, in that specific case, because of the seriousness of the problem, we felt that the audit bureau should be brought into the process and we did so.

CHAIRMAN (Mr. Sibbeston): Are you aware as to whether they actually had their own auditors or is it as Mr. Zoe says, they really did not have their own auditors?

MR. COLBOURNE: I cannot answer that question. It was before I came to the department and I am not sure what the arrangement was with the Rae-Edzo School Society with respect to audits.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill, do you want to respond to that question of Mr. Zoe's?

MR. COWCILL: Mr. Chairman, all health boards are funded for external audits. In addition, from time to time we have arranged through the GNWT audit bureau further compliance audits. For example, in the past year they have done an audit of the Baffin Regional Health Board and I believe at the moment they are having a look at the Inuvik Regional Health Board. So the two mechanisms are utilized.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: So in other words the Department of Health utilizes the audit bureau to do their internal for your own use. What about Education?

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, to my knowledge we do not use the audit bureau for auditing of boards.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: If I could just clarify. In special circumstances where we perceive there might be a problem we request the audit bureau to go in and have a look as well. It is not a routine thing. We rely primarily on the external audits.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

Interest Gained On Bank Deposits

MR. POLLARD: Good morning, Mr. Chairman. Mr. Chairman, just on the question of budgets, we have got a letter here from the NWT School Trustees' Association outlining, as they say, "a list of programs and their costs run

at the discretion of school boards with funding from interest gained on bank deposits". My question to both deputy ministers of Health and Education would be, when they see the budget that is put forward by one of the boards does it include the expenditures that they anticipate making out of interest gained on bank deposits? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: No, Mr. Chairman, it does not. The boards make those decisions outside the normal budgeting process that we are part of.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Would that be the same with Health, Mr. Chairman?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, we take interest into account in establishing a budget for a board. So it is netted out. We do have a surplus retention policy which in situations of good management we can allow a small surplus retention at the end of the year, but in the course of developing a budget we take into account the revenues including interest and the other provisions that we are going to provide through the THIS pot to establish their net budget.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

Surpluses

MR. POLLARD: So I think we are seeing two different things again for Health and Education, Mr. Chairman. But I think what Mr. Cowcill is saying is that if they run a large surplus the Department of Health sort of takes it back from them or takes it off the budget that they are going to advance to them in the next year. Am I correct there, sir?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Certainly if somebody runs an extraordinary large surplus we have a very close look at it to determine whether it is simply circumstances that they hit in that particular year or whether in fact they are over-funded, in which case we would probably reallocate to areas which are in trouble. Just to give an example, in the first year after transfer we surplused quite a lot of money in certain areas simply because people were not getting staff on strength. So in that case we did not rake everything back. But yes, we do take into account whether someone might have more money in the pot than they need.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: But that is not recaptured in the form of a cheque written by a health board back to the Department of Health. It is done some other way in a bookkeeping manner, Mr. Chairman?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: I believe at the end of a year we would assess what surpluses if there were any, were out there and whether there was eligibility in the case of a specific board to retain a bit of that money. Any revenues out there without a legitimate cause would be returned to the GNWT.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: I think what Mr. Cowcill is saying is that there may be times when a cheque is written by a board and it is sent back to the Department of Health, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: I apologize, Mr. Chairman. I missed the question.

CHAIRMAN (Mr. Sibbeston): Try again.

MR. POLLARD: Mr. Chairman, I am trying to establish if there ever is a financial transaction between a board and the government whereby a board issues a cheque for the amount of surplus and sends it back to the Department of Health or to the Department of Finance.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: I understand the way we do it, Mr. Chairman, is reduce funding say off of the fourth quarter contribution. We just simply do not hand out the full amount due.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

Deficit Budgeting

MR. POLLARD: Mr. Chairman, if you look -- I may not be reading these numbers correctly and I stand to be corrected if I am not -- at exhibit eight in the Auditor General's Report at the top education board, E1, they have budgeted an annual surplus deficit and in this case it was a deficit of \$586,700. My question to the deputy minister of Education would be, was the Department of Education advised that that was their budgeted annual deficit in that particular year? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, we were advised that the budgeted deficit in real terms was in the area of \$250,000. The deficit, while it is a real deficit, Mr. Devitt explained yesterday because liabilities that boards have to carry, in terms of the actual funding that we give to boards, they overspent this particular year by approximately \$250,000 or \$260,000.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, I think now we are seeing that there are actually three budgets. There is the budget that the board has which is all inclusive of their interest earnings. There is the budget that they provide to the Department of Education which pertains only to the portion of the moneys that the Department of Education are providing them with. There must be another budget that they produce internally because they clearly stated that they were going to go in the hole \$586,700. So my next question to the deputy minister of Education through you, Mr. Chairman, is did the Department of Education know at some point in the year that that deficit was going to be exceeded? First of all the \$260,000 that they were aware at the beginning. Did they know that was going over the top? Did they also know they were going to exceed the other budget and eventually drive the deficit for the year up some \$318,700? I wonder if the deputy minister could tell us if the Department of Education had knowledge of that.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, because of the complexity

I would like to ask my director of finance to come to the table.

CHAIRMAN (Mr. Sibbeston): Mr. Devitt. You have had a chance to hear the question. Are you able to respond?

MR. DEVITT: Thank you, Mr. Chairman. In answer to the question I do not believe the department knew in sufficient time to fully respond that the Baffin divisional board was budgeting in deficit. We agree with the recommendations of the Auditor General to finalize and standardize that process. I would however like to explain that the board in budgeting that deficit, believed that it has sufficient surplus and additional revenue to cover off that deficit. Having said that, I believe that there was some control problems in that board and the department visited the board in the prior fiscal year and again analyzed the financial statements during the year to deal with that problem. As I explained yesterday there is some confusion in exhibit eight on what the real deficit is and in terms of normal expenditures the accumulated deficit that we are looking at is really \$245,000 or one per cent of the budget. Under the memorandum of understanding the board should not have budgeted or incurred that deficit.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, I think we established yesterday that when it all comes out in the wash the GNWT is responsible for the actions or the financial positions of these boards; in the end we will be responsible, whether legally or morally, that is the case. Yesterday we had the Department of Justice in here who had overspent by some \$300,000 and something dollars and we were quite alarmed about that. I am still alarmed that it was not reported to us during a session or that it did not show up when a supp came through. But here we have a board, first of all running a deficit that they thought they could cover and in the end running a much larger deficit. In the case of Justice the thing slipped through simply because they did not know that those expenditures were out there. What I would like to ask Mr. Nielsen is if a department was starting to go in the hole and you knew about it in the ninth month of the year, what would that department have to do in order to stay within the budgetary allotments of the government, or within the rules and regulations? What would the department have to do, Mr. Chairman?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, the variance reporting system and the monitoring system within the government provides that a department can determine -- and it is normally at the end of the third quarter -- if there are any serious problems and if there are they would be brought immediately to the attention of the board and if necessary a supplementary estimate requirement identified, and that would be included in the final supplementary estimate in the February/March session. Having said that, normally it would not wait that long to be identified. If in the course of the year something came up of a significant nature which would indicate that there may be a requirement, normally the department is advised to try to do whatever it can to fund that issue within, take restraint measures where possible and then come back at the time when we have our banking day to determine whether or not there is definitely going to be a requirement for a supp.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: I think the numbers speak for themselves, Mr. Chairman. I know everybody is saying this but there needs to be first of all a better budgeting process -- and I am not familiar with divisional boards of education because we do not have one in Hay River as yet. But I can just speak on the

health part. I am familiar that the hospital in Hay River puts together, I believe, a total budget and sends that into the Department of Health on a call letter and then there is some negotiation about, "Yes, you can have this. No, you cannot have that", and there is a sort of grouping up of the budgets in the NWT and again, I think, I have been told anyway, that the issues in the different areas are addressed on need. Then the hospital is advised, "This is the budget that we can come to an agreement on." So at least they know sort of where they are. In years past they have had problems with getting their capital side worked out, and I think Health is coming together there but I am really concerned about this Education situation where there is only a partial budget at the beginning and then there is lots of discretion out there and then there is no mechanism for a department to say, "We see you are going in the hole here. Either cut back your spending or let's make some other arrangement." I would just point that out again to the committee. There needs to be something done.

If I could just ask Mr. Cowcill, through you, sir, with regard to Health there was in the same year, and again it is H1 in exhibit eight, there was a board there that budgeted \$351,000 deficit; it eventually ended up at \$649,000, an increase of almost \$300,000. Again, I would ask the deputy minister of Health if they knew about the \$351,000 going in and were they advised through the year that it was going to go and exceed \$649,000? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, the department does not allow a board to budget for a deficit. We may have to get a detailed written response on this particular item but my understanding is what happened here is there was an outstanding issue around the payment of some leases, perhaps for housing units or something in the Baffin, that they ended up putting into their statement here. I am just not sure how it got resolved in the end but I would have to look into that. But just to make the record clear we, after this process of negotiation that you talk about, indicate to a board, "Here is your budget target", if we have not got the final lay out set out or, "Here is your budget and you are expected to work within it." Obviously that is only one part of the puzzle. The other part of the puzzle is getting them to manage within that allocation. But certainly we do not knowingly allow a board to budget for a deficit.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: I can see why there was some requests from Health to the audit department in the next year, Mr. Chairman. I wonder if the Auditor General's department has any light they could shed on that particular issue and the leases in H1 on exhibit eight.

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: Thank you, Mr. Chairman. We do not have any specific information that we can share with you on the question of leases. I would point out a couple of other things if I can crave your indulgence for a moment. Both E1 and H1 are Baffin boards. These are old boards. The information that we have suggests that there are significant control problems in each of these boards. Certainly in the case of E1, which we talked about a few moments ago, I have in front of me, Mr. Chairman, a copy of the audited financial statements of the Baffin Divisional Board of Education which shows a budgeted deficit of \$586,700, as we show on exhibit eight, and an actual deficit for the year of \$900,000. Now some of those items probably are not cash items. They reflect accruals of liabilities payable at some time in the future but perhaps the

department could explain the difference between the figures that we have quoted in schedule eight and the \$200,000 odd that we have just mentioned as being the actual deficit.

CHAIRMAN (Mr. Sibbeston): Mr. Devitt, are you able to provide that?

MR. DEVITT: Mr. Chairman, I have here a hand-out that I can provide that does explain the differences.

CHAIRMAN (Mr. Sibbeston): I wonder, Mr. Devitt, if you could explain to us the gist of what you provided here.

MR. DEVITT: Thank you, Mr. Chairman. What we are trying to establish by the exhibit distributed is that for the most part the deficit outlined in exhibit eight was a result of the transfer of unfunded liabilities for vacation pay and leave and termination benefits from the government to the boards after they were established. It is the practice of government to fund these liabilities out of current year appropriations and in the case of the boards, current year contributions.

CHAIRMAN (Mr. Sibbeston): Mr. Shier.

MR. SHIER: Thank you, Mr. Chairman. Unfortunately, we are getting into the realm of accountants so perhaps I will back track and try to translate into English. Any set of financial statements, you select accounting policies to try to make them reflect a certain use. Unfortunately, there are two possible uses to financial statements which are causing some confusion. One that Mr. Devitt is referring to is the stewardship of the board of directors. On a cumulative basis, Mr. Devitt is certainly correct that they had some liabilities transferred from the government when they were initially set up. On a stewardship basis the board in question, their deficit is really only about \$245,000 on a cumulative basis. However, there are a couple of other factors beyond that. One of the key things that was probably of relevance to the committee is the affect of these boards on the future financial well-being of the government. It is very much a reality that there are liabilities for employee leave and termination benefits which are things like vacation and those sorts of things. Ultimately, one or another, these will be paid out and, ultimately, because boards are financial dependent on the government it will be the government who will be paying these out through contributions. In the case of the GNWT, they record the liability fully for leave and termination benefits such as vacation.

In the case of health boards they also record the liability fully. In the case of education boards, in their financial statements, they do not record the liability fully. There are certain types of teachers' vacation pay liabilities that are not reflected in the statements.

We are having an apples and oranges situation here which is making it difficult to discuss things. Mr. Devitt and our office agree as to the basic numbers but the issue is really what do those numbers mean. In terms of stewardship of the board they are only in deficit to the tune of about \$245,000. In terms of the initial potential liability of the government over all, they are in the deficit position to the tune of about \$2,600,000. There are two different numbers for two different purposes but if the committee is concerned with the stewardship for the board, think of a deficit of \$245,000. If the committee is concerned with the issue of the initial future liability to the government as a whole, think of \$2,600,000. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Thank you, Mr. Chairman. Let us just take the actual day to day running of the board through this fiscal year. It says actual annual surplus deficit of E1 on exhibit eight, \$901,400. How much of that \$900,000 are outside the realm of the regular budgeted day to day operations, salaries, O and M and so forth? What extraordinary item came into that \$901,400? I wonder if Mr. Devitt would know that.

CHAIRMAN (Mr. Sibbeston): Mr. Devitt.

MR. DEVITT: Mr. Chairman, I do not have the number in front of me right now. I could provide an answer later.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Let us just say a teacher transfers from the Baffin to the Keewatin and that teacher has been with this government or has been with the board for some 10 years. There is vacation pay and also other liabilities such as removal cost, et cetera, that that teacher carries along with him/her as bag and baggage. When the teachers change venue, does the liability change venue as well? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Devitt.

MR. DEVITT: Mr. Chairman, yes.

CHAIRMAN (Mr. Sibbeston): Thank you. Mr. Pollard.

MR. POLLARD: So what you would have to do, Mr. Chairman, is add all of these liabilities together and say because staff do move around, teachers move around and nurses move around, that it is overall our responsibility. I wonder if somebody could tell me why some -- in the cumulative surplus or deficit shaded column on the extreme right hand side -- some of these boards are in the red and some of them are in the black. Is there something significant there? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Devitt.

MR. DEVITT: I am not able to answer in detail without addressing the financing for the expenditures of each board but there are differences between the expenditures of each board. It may be, as the Member mentioned, the expenditure for leave and termination benefits but it can also be other program expenditures.

CHAIRMAN (Mr. Sibbeston): I will just ask Mr. Shier if he has any comments on that.

MR. SHIER: Thank you, Mr. Chairman. It is our understanding, and perhaps Mr. Devitt could clarify this, that the GNWT accounting policy is to record the full liability for teachers' summer vacation pay but when the teachers transferred over to the board they no longer record that liability for the teachers' summer vacation pay. As a result, a liability disappears off the face of the earth so to speak. Perhaps Mr. Devitt can clarify that.

CHAIRMAN (Mr. Sibbeston): Mr. Devitt.

MR. DEVITT: The current practice is not to record the liability for vacation pay in the actual financial statements but rather to note it. We agree with the recommendation by the Auditor General that it should be incorporated into the financial statements and that will be done.

CHAIRMAN (Mr. Sibbeston): Does Mr. Nielsen want to comment? Mr. Simpson.

MR. SIMPSON: A quick clarification, Mr. Chairman. Reference E8 and E9 which I believe are the Yellowknife boards do in fact record all the liabilities. As you can see the difference between the column that said accumulative surplus or deficit and the shaded column -- there is no difference. So those two boards, if you like, do it correctly. The others do not.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, we can go around this one many, many times and there will always be some difference. I would just like to ask the deputy ministers if they are getting the message that they are going to have to clean this situation up. We are concerned about the liability that we have. We would like to see a better budgeting system whereby boards know exactly where they are. The Auditor General has some concern about the interest earned on moneys that they have in the bank. It is money they have gained and it has not been really authorized or appropriated by the Legislative Assembly. I think Mr. Nielsen said he was going to look at that or at a better way of doing that without costing us call back money. We are seeing all kinds of inconsistencies. Are the deputy ministers getting the message that this is a priority and it is going to have to be addressed as soon as possible?

CHAIRMAN (Mr. Sibbeston): I will ask Mr. Cowcill first.

MR. COWCILL: Yes, Mr. Chairman. We have got the message and indeed the financial arrangement study that is commissioned by the government -- we are looking to that as well as the Auditor General's Report to give us some suggestions as to how we might proceed on these particular problems.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Yes, Mr. Chairman. Similarly, we have been aware of the inadequacies in the system and as I have stated we agree with the recommendations of the Auditor's report and certainly in the case where there are significant control problems we will move very quickly to correct those problems.

CHAIRMAN (Mr. Sibbeston): The Auditor General does not just leave matters as it. They will check on it so next year's report will have, I am sure, some kind of follow-up by them. It will be interesting to see and I am sure that we will see some improvements and we look forward to that.

Mr. Zoe and then Mr. Simpson.

MR. ZOE: Mr. Chairman, I was not too sure when to jump in but since Mr. Cowcill mentioned studies and I believe Louise did too yesterday, I wonder if our committee can get copies of that financial study that has been undertaken. It is finished? Or when do you anticipate them to be finished and so forth?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, yes, a copy has been provided to the committee chairman some months ago.

CHAIRMAN (Mr. Sibbeston): I must say that I received a copy about two or three days ago and it was not months ago. I am sure it was a couple of days ago. Mr. Zoe.

MR. ZOE: Mr. Chairman, maybe I will direct my question to Mrs. Vertes. I believe the Executive has undertaken these studies. The study is complete. We have a copy now. Are

health boards. Three times a year we get together under the chairmanship of the deputy minister of health to discuss all of the major issues on the table and try and agree on how we are going to jointly address them. Similarly, all the various professional groups, the director of nursing brings in all the regional nursing officers two to three times a year and all these are supplemented by conference calls and so on at other points to put out on the table the problems that they are experiencing here and there and how can we work together on these things. This applies right across the board. The director of dental services once a year gets together with the dental therapists. The environmental health people are together periodically. I realize there is a fine line between policing and collaborating but certainly in some cases we have to go in with very much an inspector kind of approach. We believe that the more effective approach where we get collaboration is in fact to work on the identified issues jointly as a team.

CHAIRMAN (Mr. Sibbeston): Mr. Ningark.

MR. NINGARK: Thank you, Mr. Chairman. Just to enhance what Mr. Zoe was saying. When I was a manager we all got carried away and careless in the end. The message from Municipal Affairs called evaluation during the course of the year and then during those visits they told us about potential problems. Since then everything has improved substantially. I wonder if the department could initiate similar functions within its system. Thank you.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, I think I mentioned yesterday and perhaps I should have reiterated today that in the case of the hospital settings as well and in addition to the monitoring visits from ourselves the majority of them go through an accreditation process by an external expert group to have them accredited according to international standards. That is another safety check that is in the system. As we indicated earlier, depending on the circumstances, if we see a certain kind of problem whether it be in the nursing area or in the finance area we do then go in and either collaboratively or directly get involved to try and sort the situation out. I mentioned, for example, earlier, the special request to have the audit bureau go in and look at some areas of concern. There is ongoing monitoring and interaction throughout the year.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: Mr. Chairman, just one final question. Just from listening to the witnesses maybe my question could be directed to the Auditor General's staff. From what is written here with regard to records or documents, could you elaborate on this? The department claims that they are doing all these visits to boards and the Auditor General's staff indicates that there are no records of their visits and documents and so forth. But unless the records are in each specific area, say nursing or finance people in Education or something, what did the Auditor mean by no records or documents being retained?

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: Thank you, Mr. Chairman. In our view, Mr. Chairman, based on experience in many of the areas, the kinds of visits that the Members have been talking about this morning are a very valuable tool in keeping a finger on the pulse of operations out there in the boards and agencies. Our observation relates to the fact that we recognize that many visits are made but there is no trail in terms of what kinds of issues are actually examined or what kinds of

findings result from those visits. So if you want to put it in an audit context there is really no audit trail that one can go back and say, "This issue was discussed, this resolution was found." So our point, Mr. Chairman, is that recognizing that the value of these visits is there, if it could be documented then I think it would help everyone in the process to actually understand the purpose of the visit and the resolution of those issues.

CHAIRMAN (Mr. Sibbeston): Are the deputy ministers clear as to what is intended? Any further questions? Have we then exhausted this topic and can now go to the next one, which is monitoring effectiveness?

Monitoring Effectiveness Of Boards

The Auditor General states in his report that there must be a way of measuring effectiveness. Are school boards and health boards successful in doing their jobs? The Auditor General says that measuring effectiveness is not really their job, but recognizes that evaluation testing is an effective way to measure the success of program delivery by the boards. So it is the whole question of monitoring effectiveness; how do we know the boards are doing their jobs? I would be interested to hear a little further from the Auditor General's staff precisely what they mean.

MR. SIMPSON: Thank you, Mr. Chairman. I am going to ask my colleague, Ian Campbell, just to make a few brief comments on this. I should point out or just emphasize what you have just said, Mr. Chairman, that the Auditor General does not under his mandate, have a role of actually measuring effectiveness but one of our tasks is to audit to see whether the institutions themselves have got processes in place to measure effectiveness. So if I may, with that I will pass the microphone to Ian Campbell.

MR. CAMPBELL: Thank you, Mr. Chairman. Basically we have already started to talk about this issue this morning. What we are interested in and why we broached this subject was we want to make sure that the departments know whether the boards are in fact achieving the results that the boards' program delivery systems are designed to achieve. As we have discussed over the last couple of days, we have delegated down to the boards the authority of the department to deliver their programs, so over and above everything we have talked about over the last couple of days in terms of financial monitoring and this sort of thing, there is still the process of ensuring that the boards are in fact delivering the programs the way the department wishes. That is what we refer to when we talk about effectiveness.

Some of the issues that we would like to raise in terms of discussion is it is not very clear at the moment as to what effectiveness measures have been set up; for instance, what the department actually expects a board to achieve. Then there are the processes that are in place for measuring or evaluating the board operations; how do the boards report back to the departments just what they are doing and how are they achieving the objectives that have been set? There does not seem to be -- or there may be but we did not evaluate the policy involved in timing these evaluations. There is obviously a cost factor in trying to keep on top of this so it may not be that you need information every week but there should be some policy in place of when you do get information.

The final point is who is actually going to be informed of the results of any of these formal evaluation studies? Is this purely an internal department document; does it come back to the Minister and the Minister then reports to the Legislative Assembly? Those are some of the issues that we are referring

to when we refer to effectiveness. Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Any questions from Members? Any comments from the deputy ministers on this point? How are you able to monitor the effectiveness of boards, as to whether you think they are doing a satisfactory job, perhaps better than the government? My understanding of boards is that, give it to the local people because they have some knowledge and interest and they are mostly affected. So give it to them with the view that they can do even perhaps a better job than government. That is my understanding of delegation, the purpose of delegation. So how will the government ever know if services have really improved or have things turned worse than when the government had control of it? That is the question; is it better or worse than when you had it? Mr. Cowcill.

MR. COWCILL: Thank you, Mr. Chairman. There are a number of ways in which we can monitor the effectiveness of what is happening out there. One is what I would call the informal way and that is now that there are citizen boards set up, many of the local or regional concerns about service received, very quickly comes back to the attention of the administration. So I think there is a greater degree of responsiveness out there in those situations. Now obviously we also get informal feedback through either local politicians or MLAs, if they have got a concern that needs to be addressed.

On the formal side I mentioned that in the case of hospitals we have an accreditation process and I would point out there that on a national basis they are having a relook at hospital accreditation standards as well because they have tended to dwell on inputs to the system; how many nurse, how many doctors and all this sort of thing that you have instead of what the real outcome is. I think, as you are aware, that the outcomes from health treatments do not necessarily meet people's expectations at times. So that is the change that is going on there. Naturally we will be requiring our hospitals, when the new accreditation standards are ready for implementation, to meet whatever changes are required there.

At the community health centre level we have defined quite clearly what our service level expectation is there and recently we have had a look at a survey across 10 of our facilities to look to see whether the staffing appeared to be adequate and what was actually happening and at least the indications there were that things looked pretty good. The general observation of the consultant in this particular respect, was that there is a very high level of service and in areas that we were a little concerned about, wondering about the accuracy of our information systems, for example immunization status, we had very, very high standards being maintained at the community level.

In the fall in the Legislative Assembly, albeit a long-awaited report, we did finally update and provide a very extensive report on health status in the NWT and health services. Now clearly the results of that health status report indicates some very worrisome issues out there. The fact of the matter is that we can see that our native residents are experiencing a higher number of health problems than the norm of counterparts in the South. But this is the kind of information that we need and you need, in order to determine what has to happen here. If you have managed to read the report you also understand that in that report many of the health issues in the NWT are not going to be solved by the health care system alone. Many of them in our estimation, may relate to deficiencies in other areas; families without enough income to properly feed the kids, housing and matters of that nature. In terms of other kinds of evaluations on an ongoing basis,

while they are selective because of the resource allocation necessary, we do carry out various kinds of evaluations. For example, we jointly carried out an evaluation in the past year of the CHR program, community health representative training program, that we had organized jointly with the Department of Education. There is a series of ways in which we either informally through information that we receive back from people involved in this system or formal evaluations such as the accreditation process or other surveys that we conduct to get a feel for whether the system is working or not working.

CHAIRMAN (Mr. Sibbeston): Thank you. Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, we monitor effectiveness at a number of levels in the organization. At the headquarters level we have a division known as the student records division that collects and analyses global data and looks at trends in the education system as a whole. For example, with the truancy rates, to give a specific example, five years ago were running in the area of 18-20 per cent. That rate is down to less than 10 per cent. It actually runs between eight and 10 per cent today. We attribute a lot of that to the fact that boards have targeted attendance as one of their major priorities. So we collect those kinds of global statistics and draw conclusions from them.

We also have a system of testing at the grades three, six and nine levels in areas of science, language, math and other areas. We get a picture of what is happening in terms of curriculum implementation. At the board level the department is developing the board review process. The boards themselves have instituted a system of school reviews which are similar to board reviews but on a different scale. They look at all aspects of a schools operation. They make improvements based on that.

In addition to that, all boards have developed or are developing strategic plans which in detail outline what their goals are, what their short-term objectives are and they set time lines for the realization of those objectives. A good example of that is one that we recently received from the Dogrib divisional board of education which outlines very specifically what they are going to achieve over the next five years taking into account of course that reality may alter some of those plans.

That is a basic picture of where we are.

CHAIRMAN (Mr. Sibbeston): Any questions arising out of that? Mr. Pollard.

MR. POLLARD: Mr. Chairman, on the tests that the department does on students across the NWT, could we get copies of their recent results? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Yes, Mr. Chairman, I think we could provide the committee with that.

CHAIRMAN (Mr. Sibbeston): Any further questions? If not, is this portion of the report complete?

Accountability To The Legislative Assembly

The last in this section is accountability to the Legislative Assembly. The Auditor General recognizes that boards are responsible to the Assembly through the Minister and notes that there is not much reporting done by boards and agencies to the Assembly and that this should improve as boards are more developed. It is a whole question of boards and as

much as they are at arms length in a sense from government ultimately they are responsible to the Assembly. It talks about the reports from these boards. I wonder if there are any plans by the deputy ministers to provide more information to the Assembly of the activities of the boards? This could be done in the way of annual reports. Could we ask Mr. Cowcill first about that?

MR. COWCILL: I think, as you know Mr. Chairman, it has been pointed out to us the Health department had been delinquent in this respect with respect to the THIS report. Hopefully, we have now addressed that and will be able to maintain that element of reporting which will be quite comprehensive in terms of our health service utilization and health status issues. In addition, as I think you are aware, the Minister of Health tries to keep the Assembly informed about other areas which you pointed out as being areas of concern. For instance, regular updates on the HIV infection and AIDS issue. As to whether the Assembly would want the annual reports which the various boards are to prepare to be submitted to the Assembly is a matter which we would require further direction on.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, each year the Department of Education compiles a comprehensive report card on education if you will. The Minister makes that available to the Assembly.

CHAIRMAN (Mr. Sibbeston): Any questions arising out of the statements made by the deputy ministers? Mr. Simpson, I believe you had a comment to make.

MR. SIMPSON: Thank you, Mr. Chairman. My comment actually bridges the last two issues: the effectiveness issue and accountability to the Legislative Assembly. Mr. Cowcill just mentioned many excellent types of evaluation and reviews I am sure beyond reproach dealing with individual specific technical functional areas. But I did not hear anything that suggested that there was any kind of a comprehensive evaluation of individual boards against specific criteria or agreed criteria. I am just wondering whether the departments concerned have any plans to evaluate whether the boards overall are achieving -- I will use the term value for money -- but that really means achieving all its program and service objectives while at the same time demonstrating economy and efficiency? Is there any plan to look at the thing totally in a comprehensive way and then provide that information to the Legislative Assembly as part of its accountability mechanisms?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, I guess it is true that while we do evaluate selective program areas and in some cases, for example the hospital accreditation audit is a fairly expensive assessment of what is going on within that particular setting but we do tend to, from year to year, select out particular areas that we want to have a look at whether it be dental health or what is happening in some of our community health centres and so on. But at this point we have not put together a proposal to have a comprehensive audit of what a particular board is achieving in terms of the full range of programs. At this point in time we do not have a plan to do that but it is something we could have a look at. There are a lot of programs out there particularly under those boards that have both hospital responsibilities, community responsibilities and so on. But it certainly is within the realm of the possible looking at the issue of efficiency, effectiveness and economy for a particular board.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, the intent of the comprehensive review process that we are instituting is to determine whether boards are in fact achieving their objectives, some of which are set by themselves and some of which are obviously determined by the Minister. I think we are well along in that process.

CHAIRMAN (Mr. Sibbeston): Any further statements or questions on this topic? If there is not, I have a number of questions which I would like the deputy ministers to answer very briefly. Throughout the course of the last day or so there have been some attempts by committee Members to get very definitive commitments as to what the departments are going to do regarding some of the concerns that have been raised by the Auditor General and the Members here. I believe these questions will confirm and having stated very clearly on the record what the departments are able to do. I think the staff and the witnesses have had a chance to look at the questions so I would like both Mr. Colbourne and Mr. Cowcill to provide quick and short responses if possible.

Steps To Be Taken To Clear Up Confusion In Mandates

The first is what steps will take to clear up the confusion in mandates? How will you do this? When will you do this? What kind of product can we expect in the form of a report or strategy report? Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. In response to your first question I think there may be two levels. If I might briefly start off then my colleagues may speak about what their departments are doing specifically.

You asked what steps will be taken to clear up confusion in the mandates and how will we do this. As a government you have heard us refer to the financial arrangement study a number of times over the last couple of days. That is a way that the government as a whole is looking at the issue of mandates. There are a number of -- I will not so much call them recommendations but perhaps issue statements about making clear to boards and to those dealing with boards just exactly what they are responsible for. There are some suggestions in the study that we look at everything from training to the instruments giving the mandate. From a broad government perspective it will be through the completion of the report which is, as you know, now finished. We are now going into the consolidative phase. The report is in the hands of the boards and other interested parties such as this committee, Mr. Chairman. We will be expecting feedback coming from the boards and others that do have a copy of the report. So in answer to the second question, when will we do this, the answer is now. We are doing it. What kind of product can we expect as a result of this more comprehensive look? That is difficult to say but the approach to date has been to ensure there is a product and that the product is public. It is in the hands of those that participated and I would expect to see some sort of strategy document that would give details and timing for the implementation of solutions which would address the problems that have been raised in the report. Again, they are quite similar to those in the report of the Auditor General. I have no doubt that where we have missed one or our consultants have missed one in the financial arrangement study that has been included in the report and any other matter, that will be addressed because, again, we have seen this as a very positive exercise in bringing to our attention some areas that we may have missed but a lot of them we know we have problems. If that answers the questions from a government-wide point of view, Mr. Chairman. Thank you.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, the Department of Health has tried to set out as clearly as possible in the trustee manual provided to health boards, what the role of their particular board is in the system and certainly in terms of other requirements which boards have to meet which were currently not meeting as evidenced by the Auditor General's Report in relation to, for example, the reporting requirements under the Financial Administration Act and so on I indicated earlier will be acting specifically on those particular items. In the longer term, Mr. Chairman, we will obviously have to look at our territorial health legislation. It is quite dated and that may as well serve as a vehicle for clarifying any areas of confusion between what the role of the department is and what the role of the various boards is. At this point in time we have not got a fixed date for any major overhaul of the THIS Act but we know it is one of several pieces of legislation that the health system has allowed to be dated.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, I think a lot of the confusion in mandates within the Department of Education will be addressed through the revision of the Education Act which I mentioned yesterday but, as well, we will be providing boards in the near future with some working documents that are under development now. I mentioned for example that the trustees handbook will be made available to boards this coming September. These are specific products that will be in the hands of boards very soon.

Timing Re Informing Boards Of Their Budgets

CHAIRMAN (Mr. Sibbeston): The next question is what steps will you take to improve the time when boards learn about their budgets? What results can we expect? Mr. Colbourne, I will ask you first.

MR. COLBOURNE: Mr. Chairman, there are some restrictions within the operational planning process within government right now which prevents us from divulging a lot of information until of course the budget is passed by the Assembly. As I have mentioned a number of times, boards have a very good idea of what their upcoming budget is going to be because of the kind of formula financing that we use. We think that can be improved and as I mentioned this morning we are looking at what other jurisdictions are doing. Specifically Manitoba and Ontario with a view to adopting some specific reporting lines or improving those reporting lines from boards.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, I did mention that the health system is trying to put in process a move to actually change the budget cycle for the health boards and hence in the coming year, the 1992-93 budget, we intend to incorporate them fully into the operational planning process which would mean that their main estimate document would be ready for review next fall by the standing committee on finance and hence the Assembly. For the current year we are attempting as quickly as possible to resolve some current ongoing funding issues through the supplementary estimate process with a view to providing the boards with a target prior to the end of the current fiscal year obviously subject to approval by the Legislative Assembly of the department's overall activity so that April 1st our objective is that they will know what their budget is for the year.

Resolving The Interest Issue

CHAIRMAN (Mr. Sibbeston): Thank you. The next question is how do you intend to resolve the interest issue? What results can we expect and when? Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, the question of interest as I identified earlier is related to a number of other concerns such as the method of funding that each department would have with the particular boards involved. The timing of the payment of that funding. The program delivery requirements which would result if there were changes in timing of payments. It is our intention in the Department of Finance to review the options with each department in relation to the financing and other arrangements that they would like to pursue. Also in consideration of the comments that are received from each of the boards.

I cannot give you a date when we would expect this to happen, I guess primarily because it is outside our control. There are many players in the process, including the Financial Management Board. But I can assure you that we are proceeding, now that we have the financial arrangements study released, we are definitely proceeding with a sense of urgency.

Timeframe For Full Implementation Of Transfer Policy

CHAIRMAN (Mr. Sibbeston): Number four is when do you expect to have all boards under the transfer policies, since the April 1991 date is no longer valid? Mrs. Vertes.

MRS. VERTES: Mr. Chairman, I am afraid my answer will be short, I do not know. I think I indicated yesterday that the Executive has placed their time and effort in getting the boards up and running, getting the memorandum of understanding with service departments in place, working the bugs out. We have appreciated that we do have some problems in the system and so are taking action, as I described earlier; that some part of that will be the full implementation of the provisions of the transfer policy, but I cannot give a date. I expect that date would be part of the strategy document coming out of the financial arrangement study, a specific time -- I am sorry I cannot hazard a guess. Thank you.

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes, can you assure us that this matter will be brought to the attention of the cabinet, because in departments we depend on the deputy ministers to get the results of the last two days meeting to the Minister? So you your case we would look to you to get these concerns to cabinet. Will you do that?

MRS. VERTES: Mr. Chairman, yes.

Memorandum Of Understanding With Boards

CHAIRMAN (Mr. Sibbeston): Number five is, do you intend to develop comprehensive MOUs with boards, if so, what will these include and when will these be in place? Mrs. Vertes.

MRS. VERTES: Again I think this is my day to say, "I do not know". I think comprehensive MOUs are indeed one approach in addressing the issues that have been raised by the boards to us, by ourselves to boards and by the Auditor General's staff to us and to this committee. The reason for my "I do not know" answer is that again we are replacing a lot of stock in the process of the financial arrangements study which again has raised all of these issues. I think certainly that is

one approach that I have no doubt will be considered, but I cannot prejudge what the conclusion will be after the consultative process and then the decision making process by the Executive Council will take place. Thank you.

CHAIRMAN (Mr. Sibbeston): Are the deputy ministers able to add to that? Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, I do not have anything additional to add.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: As I indicated earlier, the basic and detailed responsibilities of boards are already set out in the act, so the issue as to whether we should revise or come up with another MOU will be something that will be taken into account with reviewing the financial arrangements study and some of the Auditor General's follow-up. So I would not want to specify that we are going to do that at this point in time, within any specific time frame.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: Mr. Chairman, the development of comprehensive MOUs, I guess, could be done but it makes it difficult after the fact. All these boards and agencies are all established now and some do and some do not have these type of things. We know there is a big problem out there. I think the message to them is, I do not know where they are going to start. Are they going to start from the beginning? We suggested to the government that they should develop a uniform directive for boards. That has not been done yet. They are all doing it on a case by case situation. I think the first step is that they have to develop these uniform directives so that we know if they are going to create boards these are the defined criteria for financial administrative purposes. If I was sitting over there, that would be my first recommendation to the Executive. "Look we have a mess here and this is how we should approach it." But nobody is moving, the boards are already created, they do not know where to start. I think that is one of the big problems they have over there.

CHAIRMAN (Mr. Sibbeston): Is that a statement or do you want a response?

MR. ZOE: Well would the deputy minister for the Executive agree that the first thing the Executive should consider is trying to develop a uniform directive for boards, all the same across the board? When they are going to create any type of board that there is certain defined criteria that they follow so that we know where things stand, and so forth.

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. If I could wander a little bit in the response and perhaps go back to some of Mr. Zoe's comments and the specific question. I think there has to be some certainty for boards, some knowledge of what is expected and the Member gave the example that it would be helpful to have one directive or one piece of paper that spelled out what things applied and what things do not. In my response to the question, one way of doing this would be a MOU, saying not only "Here are the services that you are purchasing from Public Works or Government Services", but "Here are the acts and other instruments that you must comply with", and having all of that in one place at one time. It might be an MOU, there might be a different and better way of doing that.

Should there be one directive that would not guide boards but

provide information to boards in carrying out their responsibilities? I think everyone has the same intent. There are things in place now that provide direction to boards. We do not have to go back to square one in terms of how we will set up health boards. The THIS Act provides direction, the Education Act provides some direction, but as Mr. Colbourne said, we are not satisfied it covers the bill and there is a major exercise going on right now beginning the consultative process for the review of the Education Act.

So I hope we are not going back to square one. But what we are trying to do is meet the intent of the Member's statement and the things that this committee has told us, that the ABC committee told us, that the standing committee on finance told us, that has been reported in the Auditor General's Report on any other matter and that our own consultants have told us in the financial arrangements study, is that we have to get some certainty we have to get out there. That is what we are trying to do, involving the boards and agencies as one way of trying to bring some certainty and make sure we are all dealing from the same base, why they have the report and why we are going forward in that process.

I would very much expect that there will be documents that come out and apply to all boards, but again I would add that education and health boards and the programs that they deliver are not mirror images; they are not precisely the same. So I also would not want to say, Mr. Chairman, that in every instance it is going to be exactly the same. I do not know that it is. I would suspect that there would be some instances where it is not. But until we have gone through the process with the parties involved and brought together what we know and looked at, as our financial arrangement studies refers to it, some gaps and inconsistencies and find out whether those inconsistencies are for instance for good reason, or whether we have got a problem that we better fix, similar to the recommendation of the ABC committee, getting one set of policies and directives, then we are not going to know exactly what the best approach would be. But the intent of it I have no hesitancy in agreeing with the intent of Mr. Zoe's comment and his question. Thank you.

Future Authority And Control To Be Given To Boards

CHAIRMAN (Mr. Sibbeston): Thank you. Would you please explain whether you intend to give boards any addition authority or control over services over the next two years, and if so, what kind of authority and control do you intend to give? Mrs. Vertes.

MRS. VERTES: If I understand the question correctly, I am reading services in the sense of those services carried out by GNWT service departments. Is my understanding correct, Mr. Chairman?

CHAIRMAN (Mr. Sibbeston): Maybe I will just have Mr. Bell explain what he meant by this as he drafted up the questions.

MR. BELL: The intent of the question is not what kind of services basically are being provided by GNWT departments. The intent of the question is to determine what kinds of authorities or control or powers do you intend to give to boards over the next two years. Are you going to increase it, are you going to make it less? I think it is closely tied to the question of what direction are you going in in terms of the old and the new boards. Are you moving toward turning boards to the older direction where there is more authority or are you talking about trying to give less authority, these types of things?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. So we are talking about the memoranda of agreement with service departments I believe, as opposed to program responsibilities. Mr. Chairman, there are no plans...

MR. BELL: Excuse me. No, no. We are not talking about the services through a memorandum of understanding. The question is basically what plans do you have for boards in the future. How much authority and control do you intend to give them? Are you intending to increase the level of authority in boards so that they become more like the early boards or are you intending to decrease this? Generally what is the strategy in terms of how much authority and control government wants to give the boards?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Mr. Chairman, general questions are always the most difficult to answer because we are not always dealing with the same interpretation of the situation. I will go from "I do not know" to "I cannot answer that". If the question is to speculate on the cabinet plans about how they would deal with the results of proposals to review the Education Act and change authorities or things of that nature that existing education boards have, I am sorry, I cannot speculate on what the cabinet would do.

CHAIRMAN (Mr. Sibbeston): Mike, do you have an additional clarification question perhaps?

MR. BELL: I realize we cannot ask you political questions in terms of what the intention is in the future. The question here was in terms of policies that already exist. You have indicated that boards are under development. They are under development according to existing policies. What we are trying to do is flesh out a little bit, what do those policies say? Have they attained the maximum authority and power under existing policies? Are they still in the development stage? You have got two types of boards with two types of policies and controls. Are you going in one direction or the other? This is not a question about the future.

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. I am sorry if I am not getting it right off. Let me try again. I believe that the policy that may be the operative one here that differentiates between old and new boards in some respects is the transfer policy. So let me try it this way. There are no plans to change the transfer policy. The situation that we have now is the transfer policy will apply to boards and agencies. I have already indicated that I cannot give you a date on full implementation but does that get at it, Mr. Chairman, by making the comment that there are no plans to revise the transfer policy? Thank you.

CHAIRMAN (Mr. Sibbeston): I think what Members are interested in knowing is that the government intends in a general way to continue the process of delegating authority to boards. It is not just a short term sort of thing and eventually these boards, as they develop and evolve will become more powerful and more effective and will be given more powers as it were. It is not the government's intention to eventually take all the powers back. The general plan is that these boards will continue to evolve and grow and be available to the people of the North as a means of controlling things for themselves. I think this is in part just wanting to confirm that we are embarked upon a course which will continue.

MRS. VERTES: I will give you a short answer. Yes, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Okay. Next question -- yes, Mr. Pollard.

MR. POLLARD: The deputy minister has just said that the transfer policy is in existence and that all the boards will eventually come under the transfer policy. Does that mean that some boards may lose certain powers that they have right now? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: I think an example would be, for instance I will pick Stanton Yellowknife Hospital, now carrying out the service function in a different way than say the Keewatin Regional Health Board. I think that may be what the Member is getting at. When I talk about full implementation of the transfer policies I would remind Members of the one section that talks about -- I guess we could call it in some ways the reality section -- if it makes sense, if there are no cost efficiencies to be gained, then what we have been calling the "old boards" and the set up that they have now, will continue. We are not going to change something if it working -- if it is not broken do not fix it. But what this committee has also been talking to us about and asking us whether we have got messages in terms of monitoring and accountability, that is going to enter into the equation too. So if it is not broken and we can account to the committee and our Ministers can account to the Legislature for operations, then we are not going to fix something. That too, is part of the implementation, or the full implementation of the transfer policy, Mr. Chairman.

So I have gone from "I do not know" to "I cannot tell you" to "it depends, based on the circumstances as applied through the policy." Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): I know we are past dinnertime but I think we have a chance if we continue to finish this off in the next 15 minutes. Otherwise we can leave and come back. Is it okay to try and finish this portion off? It is just a couple more questions. Mr. Pollard.

MR. POLLARD: Mr. Chairman, Mrs. Vertes has obviously gone to the "Eric Nielsen School of Evasion".

--Laughter

What is the point of having a policy if the policy does not apply? Yesterday we learned about, yes, they comply to the policy except for the fact that this, this and this. Today we are being told that -- and we are just trying to find out if that policy is going to apply as a blanket policy across the NWT. We are finding out that, well, if it is better that the policy does not apply then it will not apply. This Legislative Assembly has to know what the rules and regulations are for boards and I would say right now that if I was a board, I would be extremely confused.

MR. ZOE: They are.

MR. POLLARD: I know they are and the reason I am confused is because there is a transfer policy but it can be vetoed, it can be changed. Education does one thing, Health does another, the Executive says something else. So we are trying to build good government, we are trying to give services to people out in the other regions of this territory and we are trying to say to these people, "Here is a responsibility, now go out and do it as best you can but, by the way, the rules are this today, that tomorrow, this in the Baffin, that in the Keewatin, it changes in the Kitikmeot and it is different in Fort Smith."

Now as an elected Member I have some difficulty in trying to measure this government's response to all those things. Because I have to have somewhere to start out from. So I may not agree with that transfer policy, in fact I do not agree with the transfer policy, but I have to start out somewhere. If you are saying to me, "Yes it is going to apply but if there is no need for it to apply, it will not apply", I think that is ridiculous. So I once again will ask the deputy minister of the Executive: If that policy is there, why is it not going to be applied across the board? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Thank you, Mr. Chairman. I hope I have not caused too much confusion here. The transfer policy applies, Mr. Chairman. As I have said, the transfer policy has not yet been fully implemented. Policies when they come into being are not always fully implemented immediately. This is the case with this one. But the simple answer is yes, it is in force, it applies.

The Member talks about exemptions or changes, things of that nature. I guess the Member is talking about a particular section of the policy which applies for exemption and it applies for exemption through certain process. It has been invoked as sections of policies often are. We talked about the exemption of purchasing for education boards, it was not automatic. Under the policy. The Minister of Education came forward and sought an exemption under the terms contained in the policy and the exemption was granted. So we are still within the policy that is in force.

MR. POLLARD: Sometimes the speed limit applies and sometimes it does not.

Priorities For Board Development Over Next Two Years

CHAIRMAN (Mr. Sibbeston): Would the deputy minister of Health and assistant deputy minister of Education list two priorities for development over the next two years?

MR. COWCILL: By board development, do you mean additional training for the board or what are the priorities we have established? The Minister has set out a number of key result areas for the department, two of them which are high on her list of priorities are improved budget management and control within the system. So that is one area where there is going to be a significant effort, collaborative effort I hope, between the department and the health boards.

The other area that the Minister has set out for priority with involvement of the regional boards is health promotion and education. I think you are aware that over the past two years, in conjunction with Education, in the neighbourhood of 40 community health representatives have received training and we want to see the boards, now that they have those resources, pick up and put a greater focus at the community level on educating residents and try to promote activities which will address some of the health problems that currently exist.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, several priorities for board development over the next few years, one is strategic planning process and putting in place very specific goals and objectives and time lines. That is certainly important for us. Another would be in the area of focusing board involvement more in financial planning, that is an area where boards need a lot of development at the moment.

CHAIRMAN (Mr. Sibbeston): Surely financial reporting too, because this is pointed out by the Auditor General. Planning will have a beneficial effect on the reporting too.

MR. COLBOURNE: Yes, Mr. Chairman.

Improvements To Annual Reports And Financial Statements

CHAIRMAN (Mr. Sibbeston): Another question is: In light of the Auditor General's comments on annual reports, what specific steps do you intend to take to improve and receive annual reports and improve financial statements? I know we keep harping back to that but what specific steps? I know you have touched on this.

MR. COWCILL: Mr. Chairman, in reference to the annual reports, the department will have to clarify the nature of these requirements again with the health boards. I believe there is some confusion out there because the THIS Act requires an annual report, three of the five boards complied with that, however I do not believe we have made it clear enough that perhaps we should have had a consolidated kind of report that might address both the requirements as set out in the Financial Administration Act and the THIS Act in one document. So this is an area where we will be moving as quickly as possible to advise them or try to reach agreement with them on the best way to, hopefully with the economy of effort, to address the efforts of both pieces of legislation, in terms of annual reports.

In terms of the improved financial statements, if you are referring to the year end financial audits and so on, I think I have already indicated that we plan to incorporate into direction to the boards, a number of the issues raised by the Auditor General so that the current year end reports, when they are received from the auditor, will respond to a number of those concerns. The final outcome in that area may be dependent as well upon some further recommendations that come out of the financial arrangements study.

CHAIRMAN (Mr. Sibbeston): Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, I think we have to clarify the nature of the annual reports that we need from divisional boards and boards of education. Some of the boards do provide quite comprehensive reports and we will be enforcing that requirement on all of our boards and ensuring that we do receive them.

In terms of improving our financial statements. We think that the standard format that we are developing now for financial statements from boards will take care of the issue of that. That standard format should be in place at the beginning of the next school year.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: The format of annual statements and financial statements, in Health I do not know what kind of information they get from these boards. Hopefully the Department of Health will also standardize their format so that you can compare between various boards so we know where people stand.

Improvement To Financial Monitoring Of Boards

CHAIRMAN (Mr. Sibbeston): Last question is: What specific steps do the departmental officials intend to take to improve the financial monitoring of boards? Organize visits and stuff like that. Mr. Colbourne.

MR. COLBOURNE: Mr. Chairman, we have already begun the study of what has happened in other jurisdictions in terms of the cycle of monitoring that we need to put into place and again we are discussing that with the business officials within boards, the comptrollers and again we would hope to have that in place next school year.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Mr. Chairman, I think as I indicated earlier in the forum, the department has spelled out in a compliance calendar to the boards the kind of information that we need to receive on a monthly basis and at specific points during the year so that we can tie into the larger financial turning points in the territorial government's budget. We have had two meetings in the past several months on this specific issue to reach agreement with the boards on who does what by when so we are optimistic that these steps as well as some work that we are implementing in respective financial systems out in the regions will improve our ability to monitor the financial status of the boards throughout the year.

CHAIRMAN (Mr. Sibbeston): Any further questions? Mrs. Vertes.

MRS. VERTES: Mr. Chairman, if I may, there was a question yesterday about leases and I could very quickly respond. The answer is that there are no leases, however, the memoranda of agreement between the boards and the government cover not only services to be provided such as maintenance in relation to the facilities but they also cover terms of use and management of the facilities. So things similar to what you might expect to see in a lease are contained in the memoranda of agreement. Thank you.

CHAIRMAN (Mr. Sibbeston): Mr. Zoe.

MR. ZOE: Just on that point. Technically the building does not belong to the board. Who insures the building then? The government or the board?

CHAIRMAN (Mr. Sibbeston): Mrs. Vertes.

MRS. VERTES: Mr. Chairman, this is the kind of thing that would be contained in the memoranda of agreement. Mr. Cowcill, maybe you want to expand on that.

MR. COWCILL: The whole matter of insurance for the facilities we have consulted with the Department of Finance insurance expert and it is determined that the most cost effective way to insure there is in fact for us to do it directly through the available health facility insurance plans. All of our boards are insured through budgetary allocation that we make available to them. As Mrs. Vertes has said in terms of their requirement to look after the facility for the boards under the transfer policy support service arrangements, the arrangements and the care for the facility are addressed in that particular MOU. For the boards that are under the old system and the old umbrella type agreement it simply references that they are responsible to operate, manage and control the facility in accordance with the provisions of the THIS Act. That act spells out in quite a bit of detail their responsibility for keeping it in proper maintenance, cleanliness and all those kinds of things.

CHAIRMAN (Mr. Sibbeston): Thank you. I do believe this concludes our consideration of chapter three for which the witnesses have been invited. I thank you for your attendance and your patience in dealing with us. Mr. Pollard.

MR. POLLARD: Are we going to talk at all about the

statements in general, Mr. Chairman?

CHAIRMAN (Mr. Sibbeston): The government's financial statement? Yes, we can and if you want to we can leave that for this afternoon. We can ask Mr. Nielsen and Mrs. Vertes to come back for our afternoon meeting.

MR. POLLARD: Mr. Chairman, I wanted to ask some questions about the utilization of the Stanton Yellowknife Hospital. We have a major facility and a lot of money has been put into it. I would like to know how the deputies feel about the use that we are making of it at the present time. That is one thing. Then there are a few other things in the statement that I want to ask questions about.

CHAIRMAN (Mr. Sibbeston): Why do we not just adjourn? Would it be alright to dismiss or not ask Mr. Colbourne's attendance this afternoon? Otherwise, everyone else, if you would please come back again we would be most appreciative. Thank you very much, Mr. Colbourne.

We will adjourn until 2:00 p.m.

--LUNCHEON RECESS

Financial Statements Of GNWT

CHAIRMAN (Mr. Sibbeston): I shall call the meeting back to order. Mr. Pollard, I believe you wanted to deal with the actual financial statements of the government. In that regard, who would you like to have as a witness?

MR. POLLARD: Mr. Nielsen and Mr. Cowcill, please.

CHAIRMAN (Mr. Sibbeston): If these gentlemen would please come forward.

MR. NIELSEN: Mr. Chairman, I believe if you are going to review the financial statements, Mr. Nelson, the comptroller general should be here as well.

CHAIRMAN (Mr. Sibbeston): Sure. Would you also please come. Please proceed, Mr. Pollard.

Pension Plan

MR. POLLARD: Thank you. Just a general question first of all, Mr. Chairman. When the people that work for the GNWT pay into pension where does that money end up? Do we retain it or does it go elsewhere, Mr. Chairman?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, that money is paid to the Government of Canada in accordance with the financial arrangements under the federal Superannuation Act.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, is there a huge pot of physical money sitting somewhere in Canada of which comes from the employees of the GNWT?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, no there is not. It is an unfunded plan.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, what do the provinces do with

their employees? Do they do the same thing with Canada?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, no, each of the provinces has its own superannuation or pension plan legislation. The NWT and the Yukon are the only jurisdictions in Canada, other than crown corporations, that are participants in the federal Superannuation Act.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, I wonder if Mr. Nielsen could tell us if there would be any advantage in us having our own plan? Would there be any advantage to us or to our employees? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, there could be some advantages and disadvantages. A few years ago a study was undertaken through the Department of Personnel. It was an actuarial review and it was determined that there could be some financial benefits which occurred primarily as a result of the high turnover in the NWT. That study also identified some benefits that might be gained through flexibility in the plan, however, there has been a subsequent review to update that. There has been less turnover in recent years and I am not privy to the most recent information as a result of that study. In fact, I do not believe it has been finalized.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Has there been any attempt by our government to form and fund our own pension plan? Maybe ask Ottawa to give us the money back on behalf of our employees? Thank you, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, there have been some preliminary discussions with the Government of Canada both at an officials level and I personally have spoken with the secretary of the federal Treasury Board with a view to determining the federal receptivity to negotiating the transfer of that. The real difficulty or I should say the real determination as to whether or not our government would benefit from that would to a large extent depend on the amount of money that the Government of Canada would be prepared to give up to fund the plan. Since they do not have it funded at the present time they would have to go to federal Treasury Board and find the few hundred million dollars that would be required to transfer that responsibility. I think our government would be very wise to ensure that we did not start off with an unfunded plan. We would need a fully funded plan.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

Refund Of NWT Housing Corporation Surplus

MR. POLLARD: Mr. Chairman, on page 14 of the Interim Financial Report, there is a refund of NWT Housing Corporation surplus. What was the reason for that refund, Mr. Chairman?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, for clarification, this is note B under note 11 of the financial statements. The question was what was the basis for the refund. The GNWT has a financial

agreement with the NWT Housing Corporation which provides for the return of surplus to the government based upon a Financial Management Board decision.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Is it normal for there to be a refund from the Housing Corporation each year? Is there a trend there, Mr. Chairman?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, I do not believe there is a trend. I believe this has happened for two or three years but certainly no discernable trend.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: If the Housing Corporation invests its funds and accrues interest from those funds do they have to report them? Is that legal under the FAA, Mr. Chairman?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, the Housing Corporation can invest its own surplus funds and does have the right to retain those funds but as identified in the event that the total interest and other earnings from operations exceeds certain levels. The Financial Management Board can require the refund of that money to the GNWT.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

GNWT Liabilities

MR. POLLARD: Thank you, Mr. Chairman. Mr. Chairman, where in the financial statement is recorded the liability that we were talking about this morning with regard to teachers and other long-term employees who may move around the NWT?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, on the balance sheet under the current long-term portion of liabilities we have a note that says "employee leave and termination benefits", which in total for March 31, 1990, would be approximately \$20 million. First page of the balance sheet in financial statements and again described in more detail in note 13.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: If we added up all our liabilities and the government came to an end tomorrow, God forbid, would we have enough funds to take care of all our liabilities or are technically in a deficit position?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, we are a very solvent government in provincial-territorial terms. If you refer to the balance sheet again, there are two amounts identified there. The first one is the current assets and the second one on the right is the current liabilities. And as you can see the current asset exceed our current liabilities by some \$40 million. Plus I should mention that the fixed assets of the Government of the NWT are not on the balance or are on the balance sheet at one dollar.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, on page 28 there is contingencies and there is one other, including pending litigation, \$2.398 million. Is that just a number that is sort of thrown in there or is there a list of potential pay outs for that particular amount of money?

CHAIRMAN (Mr. Sibbeston): Mr. Nelson.

MR. NELSON: Mr. Chairman, we annually get a letter from the Department of Justice which is their best estimate of their cost of litigation before the government, based on actual case by case evaluation.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, are we saying if we lose these cases this is what it is going to cost us?

CHAIRMAN (Mr. Sibbeston): Mr. Nelson.

MR. NELSON: No, Mr. Chairman, it is simply the value of the estimated cost if we had lost them all, but we are hoping not to lose them all.

CHAIRMAN (Mr. Sibbeston): Thank you. Mr. Pollard.

Revenues Exceeding Forecast

MR. POLLARD: Mr. Chairman, I have noticed during the short time that I have been a Member of this House that our revenues at the end of the year always seem to exceed what we forecast. So would it be safe to say that Mr. Nielsen is somewhat conservative in his estimation of the revenues that we are going to get in any particular year?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, there is a couple of reasons for that. The first and foremost reason is the fact that the amounts that are shown on both the expenditure and revenue side would not include any program transfers that took place during the course of the years. So the results of operations could include actual revenues and actual expenditures which were not in the original budget.

There are other issues as well, such as revenues, for example, that were in the Budget Address but because they had not been approved by the Legislative Assembly and were contained in legislation, they would be additional revenues.

As well there are other areas, areas such as corporate income tax which is a very volatile income tax and can vary by as much as \$10 or \$20 million a year. Some years in fact we have had a negative corporate income tax which we could not have forecasted at the beginning of the year.

I should point out that the revenues from income taxes are provided to us or at least the estimates of revenues for income taxes are provided to us by the Government of Canada and we have noted over the past several years a significant difference in actual receipts versus what the original forecast received from Finance Canada were. And of course we have other areas such as the investment income which are very, very dependent on cash balances and the interest rates in a particular year and there again have been variations of five million dollars or so, plus on investment income.

So there are just a few of the reasons why there would be significant differences.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: But Mr. Nielsen always seems to be on the low side. Are there are times when he overestimates or do I detect that trend of conservative estimating?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, I suspect it is fair to say that financial people are probably always somewhat small "c" conservative in their estimates of revenues. But certainly that is not intentional.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

Utilization Of Stanton Yellowknife Hospital

MR. POLLARD: Mr. Chairman, on another subject and this concerns the Stanton Yellowknife Hospital. The standing committee on finance has recognized the amount of dollars that have gone into that particular establishment and we agree with it, but I guess I would ask the deputy minister, are we utilizing that facility to its fullest? Do we have a facility there that could be doing a lot more for the NWT? And if we do have a facility that could be better utilized, why is it not being better utilized?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Thank you, Mr. Chairman. As Members may be aware, the Stanton Yellowknife Hospital has a constructed capacity of 135 beds. Now this hospital was built for longer-term usage so it was never anticipated that there would be full utilization of all those beds immediately. We fund the Stanton Hospital to have approximately 95 of those beds open. The hospital has the following bed arrangement, just to give you a picture here: We currently have 20 medical, 20 surgical, 20 paediatric, 10 extended care, 15 obstetrical, and 10 psychiatric beds open, for a total of 95 as well as 18 bassinets.

The occupancy beds of many of our NWT hospitals have been, in our opinion anyway, at a lower level than we think should be the case, taking into account the number of referrals which are still made to southern Canada. And for that reason we have taken a number of measures over the past year or two to try and straighten out that linkage between medical travel out of NWT hospital use and here in the Territories -- reviews of the medical travel policy and changes made, having a look at what exactly is happening in terms of referrals out of specific areas.

I am able to report that in the case of Stanton, and I was going to use the overhead but I see it is not here so I will try and read it off this. In terms of in patient occupancy from 1989 to 1990, the use of the acute care beds, medical, surgical, paediatric, has gone up from 44.5 per cent to 57.8 per cent. Extended care bed utilization has gone up from 71 per cent to just about 95 per cent. The use of new born beds stayed at about 43 per cent of utilization. In total for in patient load then it has gone up from about 47 to 58 per cent on the beds that are open.

In terms of outpatient workload, the emergency workload, that is the after hour interventions by a physician when people appear at the hospital, has gone up by about one percent, from 19,000 to 19,200.

The scheduled visits, this item is pertinent because it does involve specialist clinics, has gone up from 23,363 in 1989 to 27,118 in 1990. So up by 16 per cent.

It is the department's view, Mr. Chairman, that in order to maximize the utilization of Stanton we have to build strength

into the specialist system so that when we are attempting to convince doctors throughout the system and in other hospitals to refer to Stanton that they can have confidence that in fact there will be a specialist available to accept that referral. Along those lines in the past year, we have proceeded with the approval of the Assembly in the fall to approve an additional obstetrical position. We have requested the reallocation of funds to establish an orthopaedic surgeon position with I believe is to be staffed shortly. We are monitoring very closely how those additions to the system are impacting on use. The direct answer is yes, we are under-utilizing Stanton. We feel that some progress is now being made. I guess in a sense there is a gamble here that I think as a government we have to consider making and that is that we have to balloon the money a bit out front and the resources in order to create confidence and depth in the capacity here at Stanton in order to change things around.

I would just point out, if I could, one other element to the statistics. I mentioned earlier that in the case of newborns that there was 43 per cent utilization in 1989 and a similar amount in 1990. If one looks in a little more detail at what has happened there, in fact the number of admissions for newborns has gone up by about 13 per cent. The number of days in the hospital went down very slightly and the average length of stay went down 12 per cent. What that means is that in fact more work is being accomplished more efficiently. In other words, the physician dealing with patient is having them in and out of the hospital sooner. So although the in-patient statistics have remained the same in terms of utilization of beds, in fact we are processing more work through there and I believe a similar kind of statistic stands out in psychiatry where the admissions have gone up by over 100 per cent this year. The actual days only up by about 50 and the average stay down by 27 per cent. What this reflects, Mr. Chairman, is that the purpose of the psychiatric unit at Stanton is to function as a short-term psychiatric resource to help people who may be returning from a southern intensive care or long-term care psychiatric institution back to the community or others who may need a temporary intervention prior to them returning to a community and services. The actual outcomes there are what we want them to be although in the measurement of actual admission days, occupancy and so on may look as if nothing much is happening.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: It could be that there are a lot of MLAs going to the psychiatric ward to because it is the fourth year of the term, Mr. Chairman?

Mr. Chairman, I wonder how long will it be in the deputy minister's opinion before we get Stanton up and really running so that we are not shipping as many patients out of the NWT and that we are getting better value for our dollars that we have invested there?

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: I wish I could answer that question definitively. Obviously our capacity to carry this off depends to a certain extent on the co-operation we get from all the actors in the system. In that regard, we have had meetings with many of the boards where our Minister has personally made a pitch to them about the need to make the best possible use of our own referral resources. We have amended those policy items that we can control that with so we think in that end some progress is being made. We are concerned about the supply end. Finding some of these specialists has been quite a problem for us and other jurisdictions. We are encouraged lately that Stanton has been

able to find a new well qualified surgeon to come to Yellowknife, a well qualified surgeon -- I mentioned the orthopaedic surgeon as well. In addition we believe we are going to find the obstetrician and we have two or three other surgical folks out in training at the moment in an arrangement with, I believe, the University of Alberta; two ENT surgeons and an orthopaedic surgeon graduating down the road.

So we think we are on a little bit of a roll here but it depends on the co-operation we get in the system, I guess the funding support that we receive as we try and incrementally, increase our strength in that area.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

Government Moneys Spent On Scheduled Airlines

MR. POLLARD: Another subject and it concerns the Department of Health in some respect, Mr. Chairman. First of all I would like to ask Mr. Simpson if they have any idea or are the cognizant of how much money this government spends on scheduled airlines in a particular year or this particular year. Just so we can get a rough dollar figure, Mr. Chairman.

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: Thank you, Mr. Chairman. It is always tough to give figures that will be taken as gospel, but as best we can tell, and again I qualify the thing, we estimate about \$30 million a year is spent by this government in scheduled airline trips. But again I would put a caveat on that, it is an estimate based on some sample work that we have done and I would not want it to come back to be cast in concrete.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, let us just say that Mr. Simpson is overestimating and it is \$25 million, it is still an awful lot of money. So I would ask Mr. Nielsen if there is anything going on in the Department of Finance to watch these travel budgets and to suggest to departments, particularly departments like Health who have a lot of travel for its clients, as it were, if there were any special arrangements being made with airlines to get the best value for that possible \$25 million that we are spending a week? Are we grouping up and trying to get some deals from airlines? Because I know that if I was an airline or I was told that I am going to do two or three million dollars worth of business on a particular airline, if you can give me some discount, I think I would be inclined to want to deal. I realize there would be emergencies where that could not happen, but I know that if my lodge was to block book tickets I could get them cheaper than through a travel agent. So is there any kind of initiative to try and get a better deal on the spending of this \$25 million?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, there have been ongoing discussions with the airlines for several years. Initial reaction from the airlines was not very positive and perhaps that was due to the fact that there was fairly full pay loads on most of the airlines and they were going to get the business regardless, one way or another.

More recent discussions have suggested there may be some opportunities for us to enter into arrangements whereby we buy a certain number of tickets at a group rate. They have group rates if you buy over 10 or 15 tickets and then it would just be a matter of allocating those tickets. But again they

would be tickets Yellowknife to Edmonton. But I can assure you that these discussions are ongoing. They are not discussions where the government gives up, there is always the desire to improve. And I understand there are other discussions going on specifically with respect to Health which I will let Bob Cowcill respond to.

CHAIRMAN (Mr. Sibbeston): Mr. Cowcill.

MR. COWCILL: Yes, we have had some ongoing discussions previously with the Yukon who had entered into some negotiations with Canadian Airlines and were advised to lay and wait until they confirmed up their arrangement. We have now initiated the arrangements with, or discussions, to see if we can come up with some kind of a deal here because of the high volume use in medical travel. Along with this we will be looking at whether there is other mechanisms we can use that may reduce our costs. For example the purchase of excursion type tickets, even if there is a penalty in the end if we have to switch things around. So we have that discussion initiated now with Canadian. I believe that Northwest Territorial Airways have turned us down in terms of any discussions. So at the moment we are pursuing it with Canadian and then we would hope to try and use that as leverage if we can get some kind of a deal worked out.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

Frequent Flyer Points

MR. POLLARD: What about the points that you get on these travel plans. If there are some of our employees and they travel a whole lot and they get a lot of points together, do we encourage them to use those points the next time they are going to travel on behalf of the government? How does that work?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, the way the point system works or the frequent flyer system works is that the points are assigned to the individual so even though the government may purchase the tickets or an employer may purchase the tickets, the points are credited to the individual. There are a number of individuals, I know Jim and I have both used points for government business and I expect a number of other employees have as well. But having said that, there really is not a way that the government could force the employees to use those because again they are in the name of the individual.

I know the federal government has a policy and I believe one or two provinces, which would deny the employees the opportunity to have the points accumulated in their name and the only way they could be accumulated is if they were used on government business. Having said that, I guess the question really becomes one of whether or not there is misuse. As long as an employee is required to go on government business, as long as he is required to take advantage of the lowest rate possible, in other words if he can plan the trip and take excursion rate, then I am not sure how much control the government would have over forcing the individual to use frequent flyer points.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Mr. Chairman, I wonder if the Auditor General's staff could shed some light on other jurisdictions and what they do.

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: Thank you, Mr. Chairman. I can only speak definitively about the federal system and specifically what we do in our office. Under the federal Treasury Board rules the points earned by individuals on trips they take on government business cannot be used for their own personal benefit. For a considerable period of time after the frequent flyer programs came in, the Treasury Board actually discouraged flyers from actually claiming the points at all. What we have done, however, is to encourage all of our staff to enrol both in the Canadian and Air Canada programs, but again on the clear understanding that they cannot use those points for personal use.

What we do, Mr. Chairman, is to use those points for business trips because in our view it forms a kind of discount and our overall travel costs are reduced accordingly. Our office is currently, and I cannot say specifically how far they have gotten, but is currently negotiating and talking to the airlines about trying to accumulate the points, not on an individual basis, which is the current system, but on an office wide basis, so they would be pooled. But I really do not know the outcome of that.

One further comment and again this is something I read a year or so back, I believe the province of British Columbia has a similar system because I recall there was one deputy minister who was actually fired for using points on a personal trip that had accumulated from a government trip.

So in summary, Mr. Chairman, we in our office regard them as a form of discount on the fare and although there is complicated system to control them, everyone is on an honour system. They are not allowed to use the points for personal benefits.

CHAIRMAN (Mr. Sibbeston): Mr. Pollard.

MR. POLLARD: Just a comment, Mr. Chairman. Mr. Nielsen and Mr. Nelson have used these points to go on government business and I compliment them for that, and the Auditor General's department does the same thing. Is that sort of not like a board putting money in the bank and gaining interest on that money and then the Auditor General saying those funds have never been appropriated by the Legislative Assembly, so if employees of the government travel on points that have been accumulated from other tickets, it's sort of like money that has never been appropriated. I wondered if the Auditor General would like to comment on that, Mr. Chairman.

---Laughter

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: With all due respect to Mr. Pollard, I think he is stretching on this one.

---Laughter

Perhaps I can add, Mr. Chairman, if one looks at the business case here, if the airlines did not have frequent flyer points systems, you could argue that they would be able to reduce their air fares. As a consequence our practice of using any accumulated points to take business trips, really comes back into the realm of a bona fide discount...

---Laughter

...and that is why I would state that Mr. Pollard's assertions are, in fact, stretching.

CHAIRMAN (Mr. Sibbeston): Mr. Morin.

MR. MORIN: Are there any cases in government where employees actually booked ahead to get half fare on government business?

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, that is the policy of the government and I can certainly indicate a number of personal situation where that has been the case. Unfortunately many of the trips we take and many of the trips that I personally take, in fact the last one I took I had something like three or four days notice, so it is not often possible. But certainly on cross NWT arrangements where the plans are made for attending meetings or conferences months ahead of time, that is a very normal way to do it and in fact our department -- I cannot speak for all departments -- but certainly the Department of Finance, not only is it the policy of the government but internally we have insisted on taking the chance and we will pay the penalty in the even that the individual cannot take the trip.

Another observation on the frequent flyer points. I do not know how the Auditor General's staff handles this but in the NWT one of the difficulties we have is that employees travel a tremendous amount on their own personal affairs as well as for business. So we might find an employee who has taken 10 trips to Edmonton and two or three trips on business. Unfortunately the frequent flyer points do not distinguish between that, so you would have to have some administrative way of allocating -- that is not to say it is not possible, but I do not think there is a clean way of insisting that the points be used for business.

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: Mr. Chairman, our people are so poorly paid they cannot afford to fly anywhere unless they are on business.

---Laughter

But I do buy the argument that Mr. Nielsen raises, that most people, and I have taken some trips where some of the points are mine and some belong to the office under our arrangement. We studiously avoided getting into an expensive administrative control system for points because, quite frankly, it just becomes another level of bureaucracy. So all our staff work on an honour basis and woe betide anyone if I find if I find out they are using them for personal points. But there is one other implication of that and that is when an individual has accumulated a lot of points on business trips, again as Mr. Nielsen correctly points out, on an account that is named in the individual's name, albeit that you have an arrangement to use them on business. If that person leaves your employment there is no way that you can surrender those points to the employer and they become effectively a benefit to the individual thereafter.

There may be some interesting income tax implications for people that cash points in, particularly points that have been generated from business trips that they subsequently used for personal trips, because it probably is construed as a taxable benefit under the Income Tax Act. To my knowledge the income tax authorities are aware of this and have a directive out on the subject, but again it would be prohibitively expensive for them to audit these systems and try and assign the benefits back to the individuals. But in theory at least, it becomes a taxable benefit.

CHAIRMAN (Mr. Sibbeston): Mr. Lewis.

MR. LEWIS: We brought this subject up several years ago in the standing committee on finance when we were looking at various ways to try and save money. Where governments have decided that this cannot be a personal benefit, can they simply not do this by policy and then make an arrangement to use the benefits in another fashion or not? We have the authority as a government.

CHAIRMAN (Mr. Sibbeston): Mr. Nielsen.

MR. NIELSEN: Mr. Chairman, certainly the government does have the authority to do that. The Financial Management Board requested that an options paper be developed on this issue several years ago at the time the frequent flyer programs came into being, in recognition of the fact that the Government of Canada and one or two provinces had suggested that these not be used for personal purposes.

That options paper did consider all of the major issues and I should point out that the major reason, as I understand it, that the Government of Canada did not wish its employees to use this was because they felt that there may be misuse of travelling by employees. Not so much that the employees would not be entitled to use them, but concern that perhaps the employees would be travelling more often than they actually were required to travel or alternatively that they might travel first class rather than economy class to earn more points.

So I do not think it was an issue in so far as having the points actually being used by the individual, but rather misuse of the system. That was one of the things that was considered by our Executive at the time the program was reviewed. It was the view of the Financial Management Board at that time that the controls our government had in place and the accountability system of managers was effective enough to avoid that. I suspect while there may be isolated instances where employees have misused it, nothing has certainly come to my attention and there is no indication whatsoever that our travel costs have increased disproportionately as a result of the introduction of those frequent flyer plans. In fact I would say quite the reverse. They levelled off partially as a result of some cost levelling off. But with the increased air fares now taking place, our costs are starting to increase again. But I am not convinced that there has been any increase or misuse of travelling as a result of the introduction of those plans.

CHAIRMAN (Mr. Sibbeston): Mr. Simpson.

MR. SIMPSON: Thank you, Mr. Chairman. I agree with what Mr. Nielsen has said. I think there was one other factor that resulted in the federal policy and that was the perspective that civil servants should not get personal benefits, other than the agreed and negotiated salary, out of their employment as a public servant. So one factor that entered into it was to avoid the impression that somebody was benefitting personally from business type of activity.

I should add, Mr. Chairman, that I would be delighted if the federal treasury let us use the points.

---Laughter

CHAIRMAN (Mr. Sibbeston): One of the things raised in our discussions in preparation for this meeting was the extent of fraud in government and we were noting from the Auditor General's Report that the government generally has a clean bill of health, there was not anything unveiled that showed that terrible things have happened in the financial

management of government. But on a day to day basis the Auditor General's staff said that they would not necessarily unveil any fraud. It would be interesting to find out from Mr. Nielsen or Mr. Nelson what is the extent of fraud in our government and how is it dealt with?

CHAIRMAN (Mr. Sibbeston): Mr. Nelson.

MR. NELSON: Mr. Chairman, there is probably too much fraud, although it is not a large number of items. Unfortunately audits normally do not pick up fraud unless you are doing a very detailed extensive review of transactions. Most of the problems that are brought to my attention are done by somebody picking up by chance or a bank picking up some extra cheques that have gone through - very infrequently.

What happens is that we have a policy in government where the incidence is reported to my office, where upon I talk it over with the internal audit group and undertake an investigation. Where it appears that there is a case of fraud or some other legal act, we immediately bring in the RCMP.

CHAIRMAN (Mr. Sibbeston): Mr. Nelson, it would be interesting to know how many incidence there have been during the time of this financial report ending March 31, 1990.

MR. NELSON: Mr. Chairman, I would say on an annual basis, my office deals with between 25 and 50 cases.

CHAIRMAN (Mr. Sibbeston): When fraud is uncovered by a person, the police are notified and the person is either fired or reprimanded in some way?

MR. NELSON: Yes, Mr. Chairman, we walk very carefully because these are only alleged incidence of fraud and until the charges are laid we have to be very careful that we do not take action with an employee that is unwarranted. The Department of Personnel would be immediately brought in as well so that the incident would be dealt with under the Public Service Act and all legal situations would be looked at very, very carefully.

CHAIRMAN (Mr. Sibbeston): Thank you. Any further questions? If not, I would like to thank Mr. Cowcill, Mr. Nielsen and Mr. Nelson. Thank you for your indulgence and time spent here.

CHAIRMAN (Mr. Sibbeston): This concludes chapter three and there are some matters in chapter four. Are Members satisfied with the reports on them?

MR. BELL: Everything in previous years seems to have been handled, when I went through the notes. There is nothing outstanding.

CHAIRMAN (Mr. Sibbeston): We will have a short recess and come back and go in camera to deal with the recommendations and other matters.

---ADJOURNMENT