



17th Legislative Assembly of the Northwest Territories

Standing Committee on Government Operations

Report on the Review of the
Status Report of the Auditor
General of Canada to the Northwest
Territories Legislative Assembly

Chair: Mr. Michael M. Nadli

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Standing Committee on Government Operations
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June 14, 2012

SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Government Operations is pleased to provide its Report on the Review of the Status Report of the Auditor General of Canada to the Northwest Territories Legislative Assembly and commends it to the House.

Michael M. Nadli
Chairperson

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**STANDING COMMITTEE ON
GOVERNMENT OPERATIONS**

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TERRITORIES LEGISLATIVE ASSEMBLY**

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INTRODUCTION

The Standing Committee on Government Operations held its public review of the *Status Report* of the Auditor General of Canada on March 26 and 27, 2012.

The Standing Committee thanks the Auditor General of Canada, Mr. Michael Ferguson, and his staff, for their work in preparing the report and assisting the Committee with its review. The Committee also thanks the Vice-Presidents of the Workers' Safety and Compensation Commission; the President of the NWT Housing Corporation; the NWT Comptroller General; the Deputy Ministers of Finance, Transportation, Public Works and Services, and Education, Culture and Employment; and their staff, for their attendance and participation.

ROLE OF THE AUDITOR GENERAL OF CANADA IN THE NWT

The Office of the Auditor General of Canada is a vital source of independent and authoritative advice for the Northwest Territories Legislative Assembly.

The Auditor General conducts two main kinds of audits in the NWT, financial audits and performance audits. Financial audits answer the question: Is the government keeping proper accounts and records, and presenting its financial information fairly? Performance audits answer broader questions: Are programs being run with due regard for economy, efficiency, and environmental impact? Does the government have the means to measure their effectiveness?

Since 2006, the Auditor General has conducted six performance audits in the Northwest Territories. Completed audits include:

- Workers' compensation (June 2006)
- Public housing and homeownership programs (February 2008)
- Contracting for goods and services (June 2009)
- Education in the Northwest Territories (May 2010)
- Health programs and services (March 2011)
- Management of the Deh Cho Bridge Project (March 2011)

A performance audit of Income Security programs is currently under way.

The Legislative Assembly's Standing Committee on Government Operations is mandated to review the reports of the Auditor General of Canada and make recommendations to the Government of the Northwest Territories (GNWT). The Committee's goal is to help the Legislative Assembly hold the Government accountable. Members look for efficiencies, best practices, and gaps, with the intent of improving services to the people of the Northwest Territories. The objective information and advice of the Auditor General are essential tools in Members' scrutiny of Government spending and performance.

THE STATUS REPORT OF THE AUDITOR GENERAL OF CANADA

The *Status Report* conveys the results of a **follow-up audit** which examined the Government's progress in addressing selected recommendations from the first four of six completed performance audits. Audit work was completed on August 31, 2011, and the Report was tabled in the Legislative Assembly on February 14, 2012.

The audit focussed on the implementation of recommendations concerning:

- Administration of the claims process of the Workers' Safety and Compensation Commission;
- Management of public housing and homeownership programs, and the strategic planning process for the NWT Housing Corporation;
- Contract administration in the departments of Finance, Transportation, and Public Works and Services; and,
- Program monitoring and reporting by the Department of Education, Culture and Employment.

All the program areas covered in this audit have an impact on the lives of NWT residents, in terms of our economy, society, and quality of life.

The Standing Committee is pleased to report that overall, the Auditor General assessed the GNWT's progress in acting on the selected recommendations as **satisfactory**. The Committee will review progress in each of the areas audited later in this report.

GNWT-WIDE BARRIERS TO EFFECTIVE PROGRAM MANAGEMENT

First, however, Members wish to express concern over the Auditor General's observation, stated in the Preface, that the Government of the Northwest Territories faces **serious barriers to effective management across programs**.

Effective program management requires that:

- Performance indicators and program standards are established;
- Performance is measured and monitored against standards; and
- Issues are identified and action taken to improve programs.

The Auditor General found three key barriers to sound program management, not just for one program or department, but for most of the GNWT programs and organizations audited over the last six years. These barriers are:

1. **Inadequate information** to manage programs and make decisions;
2. **Insufficient monitoring of third-party program delivery**; and,
3. An **absence of detailed action plans** clearly setting out how and when organizations intend to implement recommendations made in audit reports.

➤ **Inadequate information to manage programs and make decisions**

The Auditor General found that the GNWT's ability to manage its programs is hampered by a lack of data and by the poor quality of the data collected. As stated in the report, the Auditor General believes GNWT senior managers realize the importance of gathering high-quality information on a regular basis. However, pressures to deliver as many programs as possible to as many clients as possible predictably result in pouring scarce dollars and person-years into programming instead of into databases, performance monitoring, and program evaluation.

The Committee understands the pressure on the Government to “do anything, but do something.” Members consider, however, that there is little sense in putting more money into a program without good evidence that the resources will achieve objectives.

The Auditor General concludes, and the Committee concurs, that **GNWT organizations must make a sustained effort to improve the quantity and quality of data collected.**

➤ **Insufficient monitoring of third-party delivery**

Almost half of GNWT expenditures are allocated to third parties through grants and contributions. Third parties, including, among others, health, education and housing authorities, deliver most services in regions and communities.

The Standing Committee supports this highly decentralized model of program delivery. Members believe that local and regional organizations, with local and

regional boards, are in the best position to understand and respond to residents' needs in a geographically vast and culturally varied territory.

The Committee agrees, nevertheless, that GNWT organizations that delegate program delivery to third parties should regularly monitor their performance. This is the only way to make sure third parties are following GNWT policies and program standards, including standards for data collection and reporting.

The Committee therefore concurs with the Auditor General **that the GNWT must consistently monitor third-party program delivery.**

➤ **An absence of detailed plans to implement agreed recommendations**

In spite of GNWT commitments to implement the recommendations of previous audits, the Auditor General often did not find detailed plans showing how and when the Government would take action. Without consistent action plans, it is difficult for the Standing Committee to assess the Government's progress in implementing agreed recommendations.

When issues have been identified by the Auditor General and the GNWT has committed to address them, the **GNWT organizations must provide detailed plans, with actions and time frames, for implementing the agreed recommendations.**

➤ **Need for a coordinated response to Government-wide barriers**

The barriers to effective program management identified by the Auditor General are Government-wide. They must be addressed if the GNWT is to improve programs and services to residents within the current framework of fiscal restraint. The Standing Committee is well aware that the Government cannot afford inefficient, ineffective, or inequitable programs and services.

Members point out that the Premier is publicly mandated to "increase and improve interdepartmental planning, coordination and communication in support of cross-departmental government goals and priorities." Further, one of the 17th Assembly's cross-departmental government goals is "effective and efficient government."

The Committee also notes that the audits covered in the *Status Report* were not financial audits, typically referred to the Department of Finance, but performance audits similar to the program reviews by the Program Review Office within the Department of Executive.

The Standing Committee therefore recommends that the Premier and Department of Executive review the February 2012 Status Report of the Auditor General of Canada and report back to the Committee on how the three GNWT-wide barriers to effective program management identified in the report will be strategically addressed.

The Committee wishes to stress, again, that the Premier and Department of Executive should play a major role in coordinating the response to GNWT-wide findings of the Auditor General's performance audits and addressing systemic issues.

Recommendation One

The Standing Committee on Government Operations recommends:

That the Premier and Department of Executive

- **review the February 2012 *Status Report* of the Auditor General of Canada;**
- **coordinate the Government's response; and,**
- **propose solutions to overcome the three Government-wide barriers to effective program management identified by the Auditor General.**

Members recently received confirmation in the House from the Premier that the Department of Executive will coordinate the response to Government-wide findings of the Auditor General's performance audits. The Committee understands that the Department of Executive will work with the Department of Finance and the Refocusing Government Committee of Cabinet to review the Report and propose solutions to the identified barriers. Members look forward to receiving the results.

MAIN FINDINGS

The Auditor General's progress assessment took into account how long Government organizations had to implement recommendations and how difficult the recommendations were to implement. The Auditor General cautions that a rating of "satisfactory" does not mean complete implementation. Similarly, a rating of "unsatisfactory" does not mean there were no improvements.

While the Standing Committee is pleased that enough progress has been made for the Auditor General to give the Government an overall rating of "satisfactory," there is much room for improvement. The audited organizations were considered to have made satisfactory progress in 9 of 14 recommendations and one key

issue reviewed for this audit, which amounts to a grade of only 60%. The Committee considers this a bare pass, especially in light of the cautions mentioned earlier.

The Auditor General's follow-up audit found that **satisfactory** progress has been made in the following areas:

- The Workers' Safety and Compensation Commission improved its processing of workers' claims;
- The Northwest Territories Housing Corporation improved its management of homeownership programs;
- The Department of Finance strengthened its contracting policy framework; and,
- The Department of Education, Culture and Employment is improving its monitoring of education councils and adult education programming.

The Standing Committee commends the organizations for these efforts, and encourages them to continue.

The Auditor General found **unsatisfactory** progress in the following areas:

- The Northwest Territories Housing Corporation has not improved its monitoring of Local Housing Organizations, and it has not developed a strategic plan that identifies priorities and links actions to its mandate;
- The Department of Transportation and the Department of Public Works and Services have taken steps to improve their contract administration. Nevertheless, preventable errors were found in one third of the contracts audited; and, most seriously,
- The Department of Education, Culture and Employment (ECE) has made unsatisfactory progress in inspecting day care facilities.

Members were horrified to learn that some ECE-inspected day care centres were not following health and safety requirements. Worse, the Department had no set procedure for following up when inspections identified problems. In the words of the Auditor General, "Without proper follow-up on instances of non-compliance, children are at risk."

Matters such as a blocked fire exit, chemicals for cleaning left out, or an uncovered electrical outlet may seem trivial on a day-to-day basis, but they can have tragic consequences. The Committee regards the health and safety of children in government-inspected facilities as a sacred trust. There is no acceptable excuse for deficiencies in the protection of our children.

WORKERS' SAFETY AND COMPENSATION COMMISSION

The Workers' Safety and Compensation Commission of the NWT and Nunavut (WSCC) ensures compensation and pensions are awarded to injured workers or their dependents under the *Workers' Compensation Act*. In 2010, the WSCC registered 2,233 claims for incidents in the Northwest Territories. The Auditor General identified the **administration of the claims process** as a key issue for review in the follow-up audit.

In the sample reviewed by the Auditor General, the WSCC made timely decisions and payments for approximately 90% of claims, and payments were accurate. The Commission has improved its claims processing since 2006 with mandatory plain-language training for claims officers, an online training program for new employees, and an online reference system for standards and procedures.

It was a pleasure to hear the Commission's Vice-President, Ms. Gloria Badari, say at the public hearing, "Service to our clients is our top priority." In 2006, the 15th Assembly's Standing Committee on Accountability and Oversight identified a bureaucratic corporate culture as an underlying obstacle to service improvement. The WSCC clearly has worked hard to meet or exceed the Auditor General's recommendations, and the corporate culture has been reoriented to customer service.

The Standing Committee is also pleased to see that the WSCC is continuing to work on service improvements. The Auditor General reported that the WSCC is now working to establish a complete quality assurance and control framework with standards and procedures to ensure claimants are treated consistently, fairly, and equally. In 2011, WSCC developed and approved organization-wide service standards and planned to implement them in 2012.

At the time of the follow-up audit, the WSCC did not have an established process for approving and communicating changes to procedures and standards, a mechanism for reporting errors to senior management, or comprehensive mechanisms to measure and monitor performance. The Auditor General recommended improvement in this area, and the Committee concurs.

Recommendation Two

The Standing Committee on Government Operations recommends:

That the Workers' Safety and Compensation Commission

- **develop and implement a more complete and consolidated quality assurance and control framework for the processing of claims;**

Recommendation Two (continued)

- **establish a process for approving and communicating changes to its claims processing procedures and standards; and,**
- **report in detail on its actions in this area to the Legislative Assembly by the end of fiscal year 2012/13.**

NORTHWEST TERRITORIES HOUSING CORPORATION

The Northwest Territories Housing Corporation (NWTHC) is mandated under the *Housing Corporation Act* to ensure there is a sufficient supply of affordable, adequate, and suitable housing to meet the needs of NWT residents. Its operations are highly decentralized. The NWTHC delivers homeownership programs through five district offices, while public housing is delivered by 23 independent Local Housing Organizations (LHOs).

Of all the matters reviewed to date by the Auditor General, the Standing Committee deems the fair provision of adequate housing to residents in need as a concern second only to the safety of children. The Committee finds the number of outstanding deficiencies listed by the Auditor General for this agency to be unacceptable.

Members are aware that the NWTHC has experienced organizational upheaval since the 2008 audit report. The Corporation had to manage the unexpected \$150 million upsurge in construction and repair of homes resulting from Canada's economic stimulus spending to counter the recession. In the same relatively brief period, the public housing rent scale was transferred to the Department of Education, Culture and Employment, and then transferred back to the Housing Corporation.

Under the circumstances, it is not surprising, but it is regrettable, that the NWTHC was unable to implement many of the Auditor General's recommendations. The Housing Corporation's results in this audit provide examples of all three of the Government-wide barriers identified by the Auditor General. Now that other major issues are receding and NWTHC has new corporate leadership, the Committee expects the Housing Corporation to move quickly to remedy the deficiencies identified by the Auditor General.

➤ Management of the Homeownership Program

On the positive side, the Auditor General rated the Housing Corporation's progress in the **management of the homeownership program** as **satisfactory**.

The NWTHC has evaluated its Housing Choices program, and taken steps to ensure that outstanding mortgage receivables are collected. The Corporation has also improved its oversight of homeownership assistance to ensure that policies and procedures are followed.

The Committee is glad to hear of these improvements. Members, however, are not entirely satisfied with the Housing Corporation's progress in collecting its mortgage receivables. In 2007, the NWTHC stopped offering mortgages to low-income clients and introduced its Housing Choices homeownership programs. This left the Corporation with a significant number of clients who still owed money on mortgages provided under the older program.

In the earlier 2008 audit, the Auditor General found that 81% of NWTHC mortgages were in arrears. The follow-up audit found that NWTHC had taken the following steps:

- Introducing a repayment options plan;
- Engaging legal counsel to issue demand letters; and
- Contacting all clients with repayable mortgages.

By April 2011, 150 of 468 clients had chosen a repayment option. The Committee agrees that the steps taken represent progress, but notes that **only one-third of clients had chosen a repayment option** as of last year. The Government of the Northwest Territories and its agencies need every dollar of the amounts owing that they can reasonably receive. The President of the Housing Corporation also considers collection rates lower than acceptable.

Recommendation Three

The Standing Committee on Government Operations recommends:

That the NWT Housing Corporation

- **continue its efforts to collect mortgage receivables; and,**
- **report annually to this House on the number of clients who have chosen a repayment option, the total dollar amount of repayments, and the total amount still outstanding as of April 1 each year, starting with the data as of April 2012.**

The Auditor General rated the Corporation's progress in two other important areas as **unsatisfactory: monitoring of Local Housing Organizations and development of a strategic plan.**

➤ Monitoring of Local Housing Organizations

The Housing Corporation's unsatisfactory progress in monitoring Local Housing Organizations (LHOs) comprises what are, in the Committee's view, several serious deficiencies: lack of annual assessments of LHOs, insufficient monitoring of public housing application assessments for compliance with policies, and inadequate reporting of public housing condition ratings.

- **Lack of annual assessments of LHOs**

The Housing Corporation has Universal Partnership Agreements with Local Housing Organizations which require the LHOs to follow Housing Corporation policies and procedures. Under these agreements, the NWT HC is responsible for yearly assessments, and the LHOs are required to provide annual audited financial statements and quarterly financial and administrative reports.

The Standing Committee was not pleased to learn that the Housing Corporation has flouted its own agreements with LHOs. The follow-up audit found that the NWT HC has not conducted any annual assessments of LHOs for policy compliance, nor does it have a strategy for doing so. The Corporation says it does not have the capacity to conduct these assessments.

Instead, since 2008, the NWT HC has directed district offices to enhance their monitoring and reporting of LHO activities to ensure compliance with policies. In January 2011, NWT HC finalized forms to gather activity data, but did not provide guidance to district offices on when and how often forms are to be completed. In the two district offices the Auditor General's staff visited, forms had been completed for two of thirteen LHOs and partially completed for another two.

Annual assessments of operations are a key requirement of the Corporation's Universal Partnership Agreements with LHOs. The Auditor General notes that by not conducting the required annual assessments, the NWT HC has lost the opportunity to have a structured and scheduled way to consistently and thoroughly monitor the LHOs.

- **Public housing allocations not monitored for policy compliance**

The Auditor General examined a representative sample of 47 public housing applications in the four LHOs visited. Only 36% had been assessed according to key procedural requirements. While some of the discrepancies may be minor, **the Committee is concerned about the credibility of the public housing allocation process.** Applications must be consistently evaluated according to NWT HC policies and procedures by all LHOs, or people will not believe the process is fair.

In 2010, NWT HC began developing a **Territorial Housing Information Management System** which will require LHOs to electronically record applications, point-rating forms and arrears checking. This new centralized system was expected to be operational by April 2012. At the public hearing, the Corporation's representatives said the system represents a "quantum leap" in the NWT HC's ability to monitor LHOs. The Auditor General agreed that this is a positive step, but pointed out that the NWT HC still does not have a clear picture of the delivery of the public housing program, including LHO compliance with policies and consistency of delivery among LHOs.

The NWT HC has also modernized administrative manuals for the LHOs. The manuals, which had not been updated since the 1990s, were to be released in mid-April and made available online. Finally, resources were added through the business planning process to improve training and workshops for LHOs.

The Committee hopes these measures will enable the NWT HC to report that they are fully implementing the Auditor General's 2008 recommendation on the regular monitoring and documentation of the public housing allocation process, before the end of this fiscal year.

- **Inspection and Reporting on Public Housing Units**

The Housing Corporation is responsible for managing public housing and reporting on its condition. The Auditor General found that unit condition ratings were being completed annually, but there was no consolidated system to capture condition rating information. Further, the Housing Corporation was not conducting random inspections to confirm the LHOs' condition ratings.

The Corporation agreed with the concerns expressed by the Auditor General. At the public hearing, the President of the NWT HC said that, this February, the NWT HC implemented a new process for inspecting units, training inspectors, and monitoring and reporting on the unit condition ratings. The new process provides support and training for those completing unit condition ratings. Monitoring and verification of the condition ratings is now taking place through the use of random inspections. Condition ratings will also be linked year over year to help identify major changes during the capital planning process.

In addition, the Corporation planned to complete the replacement of its outdated Maintenance Management Operating System (MMOS) in 2012. The new system will improve management and reporting capabilities and be integrated with NWT HC financial systems.

The Committee is pleased to hear that the Corporation is starting to take measures to improve the consistency and accuracy of public housing condition ratings. However, Members are concerned at the length of time it has taken for work to begin in this area.

The Auditor General noted, finally, that the NWT HC has not been reporting publicly on the condition of its public housing, either in its annual reports or in separate reports. As of August 31, 2011, the NWT HC had not tabled an annual report in the Legislative Assembly since its 2007-2008 report. The Corporation was therefore non-compliant with both the *Housing Corporation Act* and the *Financial Administration Act*. The Committee considers it unacceptable for a Government-funded agency to ignore the law.

The 2008-09 Annual Report of the NWT Housing Corporation was tabled in February. The Housing Corporation President committed to tabling the 2009-10 and 2010-11 Annual Reports during this session of the Legislative Assembly. The Auditor General recommended that the GNWT should prepare and submit annual reports to the Minister in a timely manner. The Committee concurs, and includes this advice in the following recommendation on monitoring of Local Housing Organizations:

Recommendation Four:

The Standing Committee on Government Operations recommends:

- 1. That the NWT Housing Corporation meet its obligations for consistent and thorough monitoring of Local Housing Organizations under the Universal Partnership Agreements, either by finding the resources to conduct annual assessments of operations, or by changing the Agreements to specify some other form of structured and scheduled monitoring, with follow-up in cases of non-compliance;**
- 2. That the NWT Housing Corporation improve its monitoring of and support to Local Housing Organizations in allocating public housing, to ensure all applications are consistently point-rated and adequate documentation is on file to support allocation decisions within the 2012/13 fiscal year;**
- 3. That the NWT Housing Corporation improve its monitoring, verification, and consolidation of public housing unit condition ratings in order to obtain a complete picture of the condition of its public housing portfolio within the 2012/13 fiscal year; and**

Recommendation Four (continued)

4. That the NWT Housing Corporation fulfill its statutory responsibility to ensure that information on the condition of its public housing is publicly available by preparing and submitting annual reports to the Minister for tabling in this House in a timely manner, with all previous years' reports submitted by the end of the 2012/13 fiscal year.

➤ **The Housing Corporation does not have a complete strategic plan**

The Auditor General concluded in 2008 that the NWT Housing Corporation would benefit from a strategic plan in dealing with issues such as budgetary restraints, arrears, and vacant units. The Auditor General suggested, and the Committee agrees, that such a strategic plan should include:

- A clearly stated vision for the organization;
- Clearly defined stages for realizing the vision;
- Specific, measurable, achievable, relevant, and time-limited expected outcomes;
- High-level direction or means to be pursued; and,
- Financial and human resources to put the plan into effect.

In the follow-up audit, the Auditor General assessed the Corporation's progress on finalizing its strategic plan as **unsatisfactory**. The Corporation had issued *A Framework for Action 2008-2011* in response to the 2008 recommendation, but this was described as an action plan and part of the strategic planning process, rather than a strategic plan.

In April 2012, the Corporation issued *Building for the Future: Northern Solutions for Northern Housing*, subtitled *A Strategic Framework for Housing in the Northwest Territories*. The document does not contain a detailed plan or clearly defined stages for accomplishing the Housing Corporation's goals.

Since that time, the Corporation has taken some initial steps in implementing its strategic priorities, and has improved its annual performance measures reporting. While the Standing Committee on Government Operations would like to see the Corporation take a more complete and comprehensive approach to strategic planning, Members are aware that the organization still has much work to do to remedy the other deficiencies identified by the Auditor General. The Committee would not want the Corporation to devote scarce resources to the production of more paper, rather than ensuring more and better housing for northerners.

The Auditor General recommended that the NWT HC should develop implementation plans for the recommendations from the 2008 audit on which progress to date has been unsatisfactory or incomplete. The Standing Committee on Government Operations concurs.

Recommendation Five:

The Standing Committee on Government Operations recommends:

- 1. That the NWT Housing Corporation develop detailed implementation plans for all of the Auditor General's recommendations on which progress to date has been unsatisfactory or incomplete, including specific goals, targets, action items, timelines for achieving results, and indicators for measuring progress;**
- 2. That the NWT Housing Corporation provide information annually in its Business Plan on how its strategic priorities are being implemented; and,**
- 3. That the NWT Housing Corporation revisit its strategic framework within the life of the 17th Legislative Assembly, with a view to providing a more detailed plan with clearly defined stages after other deficiencies identified by the Auditor General have been addressed.**

CONTRACTING FOR GOODS AND SERVICES

The Auditor General's review of contracting in the Government of the NWT did not cover the awarding of contracts, but rather their administration. The Department of Finance is responsible for contracting policy through its Financial Administration Manual (FAM). Each department is responsible for its own contract administration. In the 2009 audit, the Auditor General found that most of the contracts examined had not been administered according to GNWT requirements, with errors in 57% of the contracts examined.

➤ **The contracting policy framework has been improved**

The Auditor General rates the Department of Finance's progress on the contracting policy framework as **satisfactory** on balance. The Committee encourages the Department to continue its work in updating and improving the accessibility of the GNWT contracting policy.

In 2009, under the *Financial Administration Act*, contract authority was delegated to Deputy Ministers to designate expenditure and accounting officers, and

Finance has revised the FAM accordingly. The Auditor General noted that improvement was needed in documenting these delegations. The Deputy Minister assured Members at the public hearing that this documentation has now been completed.

As well, a vendor complaint process was established in November 2010 to provide for independent contract dispute resolution. The Standing Committee learned at the hearing that only four complaints have been referred for resolution to date, and all of those complaints concerned the contract award process rather than administrative issues such as timely payment.

➤ **Improvement in contract administration is limited**

In the 2009 audit, the Auditor General found deficiencies in the contract administration of the Department of Transportation and the Department of Public Works and Services. These included:

- receiving goods or services before the contract was issued;
- not issuing contract change orders according to GNWT policy;
- exceeding spending authority; and,
- approving payments before obtaining the required certifications.

In the follow-up audit, the Auditor General found that both Transportation and Public Works and Services (PWS) had taken steps to strengthen their internal processes, through:

- training in procurement (Transportation);
- establishment of a checklist for procurement files (PWS); and
- workshops across the GNWT on procurement and contracting (PWS).

However, in a review of sample files from the two departments, the Auditor General found errors in 15 of 44 contracts, or 34%. The Auditor General rated progress on contract administration as **unsatisfactory**.

The Standing Committee also views this continuing rate of error as unacceptable. As the Auditor General points out, errors in contract administration place the GNWT at risk of over-payment or purchase of inappropriate goods and services. The Government cannot afford such mistakes. The Auditor General recommended that these two departments strengthen their contract administration quality assurance processes, and the Committee agrees.

Recommendation Six:

The Standing Committee on Government Operations recommends:

That the Department of Public Works and Services and the Department of Transportation strengthen their quality assurance processes for monitoring adherence to applicable regulations and policies in the administration of contracts; and

That these departments report annually to this House on the measures taken and their results.

EDUCATION

The Department of Education, Culture and Employment is responsible for employment and cultural programs; early childhood, primary, secondary, adult literacy and basic education (ALBE) and post-secondary education (PSE); and training in the Northwest Territories. The Department shares responsibility for education with eight regional education councils and Aurora College, among other education and training delivery agents.

- **ECE has made uneven progress in its monitoring of early childhood education**
 - **Inspections of day care facilities**

Earlier in this report, the Standing Committee registered its alarm at the Auditor General's findings with respect to day care facility inspections. The Auditor General considers ECE's progress on these inspections to be **unsatisfactory**.

In the 2010 audit, the Auditor General reported that the Department of Education did not inspect all day care facilities each year, as required by law. The Department responded that this was due to a shortage of staff, and committed to developing an electronic tracking and reporting function for inspections within its client management system (CMAS).

In the follow-up audit, the Auditor General found that ECE had started to develop the electronic system but had not yet been able to generate reports on inspections. The Auditor General reviewed the two most recent inspections for each of the 121 day care facilities in the NWT, and found that only 90% of facilities had been inspected in 2010. The Committee considers these results not just unsatisfactory, but unacceptable.

The Standing Committee is extremely concerned that the Auditor General found “serious issues related to non-compliance with health and safety requirements” in some of the completed inspection reports, with no record of follow-up. Issues included blocked fire exits, chemicals within reach of children, and uncovered electrical outlets. The Auditor General found that the Department has no guidelines for following up on inspections when a facility is found to be violating requirements.

The Deputy Minister noted at the public hearing that the Department has taken action on the issues identified in the inspection reports, and has started to develop guidelines to ensure day care operators adhere to health and safety regulations. The Committee considers this response slow, at best.

- **Measuring the impact of early childhood education**

Early childhood education is a particularly striking example of the GNWT’s overall problems with data collection. In 2010, the Auditor General reported that ECE was not collecting data on the educational component of day care programming. The Department had not developed a way for early childhood educators to share information with the K-12 system on the progress of children entering school, nor had the Department developed performance indicators to assess whether children who had attended day care performed better than those who had not.

Further, ECE had not evaluated its ten-year-old Early Childhood Development Framework. After the 2010 audit, the Department committed to evaluate programming developed under the Early Childhood Framework for Action in the 2010-2011 fiscal year. The deadline for completing this evaluation was then pushed to early 2012. This evaluation has not yet been tabled.

In the follow-up audit, the Auditor General found that ECE had introduced the Early Childhood Environment Rating Scale, used to determine if programming is improving, and completed 16 assessments using the scale. Thirteen day care facilities had developed quality enhancement plans. However, the Department indicated that it is not yet in a position to revise its Early Childhood programming, because it has not yet collected data on children’s cognitive development, language and communications skills, and emotional and social well-being.

While the Auditor General considers progress in measuring the impact of early childhood education to be **adequate**, the Standing Committee would like to see much, much more improvement in this area.

The 17th Legislative Assembly has placed great emphasis on early childhood development. On May 30, 2012, the Assembly passed Motion 5-17 (3), strongly

recommending that the Ministers of Health and Education work together to bring forward proposals for new and comprehensive early childhood development programming to begin in the current fiscal year.

The Standing Committee on Government Operations endorses the recommendations of the Auditor General on the inspection of day care facilities, and adds its own with respect to measuring the impact of early childhood education. The Committee is pleased that the Department of Education, Culture and Employment will now have the resources to implement these recommendations on the monitoring of early childhood education with greater speed.

Recommendation Seven:

The Standing Committee on Government Operations recommends:

- 1. That the Department of Education, Culture and Employment address any outstanding issues of non-compliance identified in the current day care facility inspection reports;**
- 2. That the Department of Education, Culture and Employment ensure that inspections of day care facilities are carried out annually and that immediate action is taken for any identified deficiencies;**
- 3. That the Department of Education, Culture and Employment address the outstanding issues with regard to measuring the impact of early childhood education, including collection of data on the educational component of day care programming; information sharing with the K-12 system; development of performance indicators and collection of data on children's development and well-being; and that the Department report on these measures annually in its Business Plan ; and,**
- 4. That the Department of Education, Culture and Employment carry out the renewal of the Early Childhood Development Framework in partnership with the Department of Health and Social Services within the 2012-2013 fiscal year.**

➤ **Monitoring of Education Councils**

Twenty Ministerial Directives give Northwest Territories education councils detailed direction on the requirements of the *Education Act*.

In 2010, the Auditor General examined how well the Department of Education, Culture and Employment monitored councils' compliance with the reporting requirements of the directive on Aboriginal Language and Culture-Based Education (ALCBE). The Auditor General found poor information in reports and lack of follow-up by ECE.

The Auditor General recommended that the Department:

- Follow up on corrective actions taken by education councils;
- Develop a strategy and timetable for assessing the effectiveness of education directives; and,
- Strengthen the reporting requirements for the ALCBE directive.

The AG considers progress on the monitoring of education councils to be **satisfactory** and the Standing Committee encourages the Department to continue its progress in this area.

In the follow-up audit, the Auditor General found that ECE reviews and provides feedback on some reports received from education councils. More follow-up is still required. The Department has also established a schedule for assessing the effectiveness of directives, and developed a new reporting template for the Aboriginal Language and Culture Based Education Directive that requires more detailed data from schools.

➤ **Monitoring of Adult Literacy and Basic Education programming**

In 2010, the Auditor General examined how the Department of Education, Culture and Employment monitors Aurora College's compliance with the Adult Literacy and Basic Education (ALBE) Directive, and found that many of Aurora College's reports had limited data on results achieved.

The Auditor General recommended that the Department, in collaboration with Aurora College, should:

- Establish key performance indicators and targets for expected results for ALBE programs;
- Review the reporting requirements of the ALBE directive to ensure key information is being collected;
- Monitor adherence to reporting requirements; and,
- Take action to improve program results.

During the follow-up audit, the Auditor General found the evaluation of the ALBE program was underway, for completion by December 2011. The ALBE Review

was completed in December 2011 and was reviewed by the Standing Committee on Social Programs.

Although the Department has not yet fully implemented the recommendations of the 2010 audit, the Auditor General considered ECE's progress on monitoring Adult Literacy and Basic Education programming to be **satisfactory**, and recommended that the Department develop implementation plans for the recommendations where progress is incomplete.

The Standing Committee concurs with the recommendation, but remains concerned about the measurement of results for the ALBE program. During the public hearing, the Deputy Minister of ECE indicated that one obstacle to better monitoring and reporting in this area is Aurora College's obsolete Student Records System. The ALBE Review also revealed that the program does not have adequate financial information available with which to make more effective and directive programming allocation decisions, in part because of the inconsistent and non-standardized reporting systems that currently exist.

Given the continuing low levels of adult literacy in the Northwest Territories, and the relationship of literacy to many social and economic indicators, it is critical that this Government's funds be spent on effective adult education programming, and that the Government has efficient and reliable means to measure program effectiveness.

Recommendation Eight:

The Standing Committee on Government Operations recommends:

- 1. That the Department of Education, Culture and Employment develop implementation plans for the Auditor General's recommendations on Adult Literacy and Basic Education for which progress to date is incomplete, with specific goals, targets, action items, timelines for achieving results, and indicators for measuring progress; and**
- 2. That the Department of Education, Culture and Employment develop and implement a plan for the improvement of data collection and quality for Adult Literacy and Basic Education student achievement and financial information, in the 2012-2013 fiscal year.**

Conclusion

The Standing Committee again thanks the Auditor General of Canada and his staff for their work in monitoring the progress of Government organizations in implementing the recommendations of previous performance audits. The Committee also respects and appreciates the work of the organizations in making improvements in their programs and services for Northwest Territories residents.

Throughout the Auditor General's *Status Report*, the Committee heard, again and again, the cross-departmental themes of inadequate information to manage programs and make decisions, insufficient monitoring of third-party program delivery, and absence of detailed action plans to implement audit recommendations. The Committee would add a fourth barrier, that of the constant struggle to provide consistent guidelines and training for those who perform the tasks of data collection and program monitoring.

The Committee concludes that the underlying issue is a need for greater GNWT-wide coordination in responding to these barriers. If people from different departments and agencies are talking to each other, perhaps, someday, the Government's management information systems will also do so.

Recommendation Nine:

The Standing Committee on Government Operations recommends:

That the Government provide a comprehensive response to this report within 120 days.