



Government of the Northwest Territories Response to Committee Report 67-19(2) Report on the Review of the 2021-2022 Public Accounts

Background

The 19th Legislative Assembly Standing Committee on Government Operations issued Committee Report 67-19(2) Report on the review of the 2021-2022 Public Accounts on September 28, 2023, and shortly after that the Legislative Assembly was dissolved. The Standing Committee on Government Operations for the 20th Legislative Assembly has requested that the Government of the Northwest Territories respond to the recommendations in that Committee Report.

The responses to the recommendations made by Committee are noted below:

Recommendation 1

That the Government of the Northwest Territories enhance reporting on the Northwest Territories Health and Social Services System Sustainability Plan, including measures, targets, timelines, financial outcomes, and other outcomes related to quality and operational efficiency.

GNWT Response

HSS commits to including improved reporting on the system's sustainability efforts as well as additional detail on the cost drivers, and dollars associated with those cost drivers. We will work to determine the best fit for this reporting in existing documents prepared within the HSS system (e.g. whether it be the HSS Annual Report, etc.).

Recommendation 2

That the Minister of Health and Social Services commission a review and evaluation of governance at the Northwest Territories Health and Social Services Authority (NTHSSA) since amalgamation. The review should focus on the Leadership Council's responsibility to oversee the NTHSSA's performance including strategy development and risk management oversight, as well as the role of the regional Wellness Councils. The review should be led by an independent body, such as the Internal Audit Bureau or an external audit group.

GNWT Response

The Northwest Territories Health and Social Services Authority (NTHSSA) was established to eliminate inconsistent policy, programs, and service delivery within the territory, improve efficiencies, and lead to a more sustainable and coordinated health and social service delivery model. As part of the work under the HSS System Sustainability Plan, the NTHSSA engaged MNP to conduct a Health and Social Services System (HSS) Sustainability Operational Review to better understand two specific areas:

- Whether the HSS system's management structures are appropriately sized, funded and organized for the scale of services it is required to manage. Put another way, is the system structured in a manner that facilitates the most efficient and effective delivery of health and social services?

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- Whether the HSS system's non-clinical support services structures are appropriately sized, funded and organized for the scale of services required in the territory and further to understand how these services are or are not aligned with Canadian leading practice. Put another way, are there opportunities to make non-clinical support service organization and delivery more efficient.

MNP delivered their final report in November 2023, it has been reviewed by the HSS System Sustainability Steering Committee, comprised of the Deputy Minister of the Department of HSS, the Chief Executive Officer of the NTHSSA, and the Deputy Minister of the Department of Finance. The Health and Social Services Sustainability Operational Review is currently under review and the Minister will provide further follow up to the Standing Committee on Public Accounts to address concerns regarding the Leadership Council's responsibility to oversee the NTHSSA's performance including strategy development and risk management oversight as well as the role of Regional Wellness Councils.

Recommendation 3

That the Government of the Northwest Territories identify challenges and take steps to improve the distribution of budgeted funds for grants and contributions.

GNWT Response

As committee stated, there can be at times a number of challenges related to the distribution of funds under contribution categories. It is important to note however that these challenges should not be looked at in isolation and a departments' expenditure versus its budget should be done at an overall department level. The Department of Finance will look at significant variances in grants and contributions as part of the fiscal sustainability exercise for the 2024-2025 Main Estimates.

Recommendation 4

That the Government of the Northwest Territories consider requiring all Crown Corporations, boards, and agencies to divulge all expenditures in the same manner as territorial departments in Section II of the Public Accounts. The government should consult with stakeholders on how this change could be achieved, its advantages and the potential administrative burden and report back to Committee on the matter.

GNWT Response

Finance is not implementing this recommendation at this time but agrees there may be opportunities for improvement in the future. The Public Accounts are not the only financial reporting that is completed by entities. Depending on the size of the entity, other reporting tools are used such as corporate plans, annual reports, and capital plans, are completed, and tabled in the Legislative Assembly on an annual basis. The feasibility of expanding the level of reporting takes into consideration, but is not limited to materiality of the entity, audit requirements related to increased reporting, additional cost to implement, and statutory reporting deadlines. Adding another layer of reporting requirements would impact our reporting goals in this regard. Entities are free to add/change their reporting as they feel is necessary for their operation, within the constraints of applicable accounting standards, but the Department of Finance will not be imposing further expense classifications at this time.

Section II of the Public Accounts, schedules 2, 5 and 6, provide additional breakdown of expenditures by department by the activity level, and grants and contributions by program name. A review of the larger entities resulted in similar reporting to Section II. The Department of Finance will look at what opportunities may exist in the future regarding this recommendation.

Other Observations

While the Committee did not provide specific recommendations, they did raise a number of observations for which the Department of Finance wishes to clarify.

1. Rising net debt and fiscal rebalancing: Committee is concerned by the fiscal constraints outlined in the Public Accounts, which do not include the fiscal impacts of the 2023 wildfire season. Committee is disappointed that one of the government's primary responses to the territory's fiscal challenges – the Government Renewal Initiative – has not delivered substantive results to improve budgeting in the 19th Assembly.

Response: The Department of Finance appeared before Committee on November 23, 2023, and again on January 15, 2024. These presentations highlighted for Committee, the GNWT's current fiscal outlook, the 2024-25 Interim Budget and the proposed 2024-2025 Borrowing Plan. Since these presentations, the GNWT also released on February 20, 2024, *Restoring Balance: A Fiscal Sustainability Strategy for the 20th Legislative Assembly*. The Fiscal Sustainability Strategy identifies the GNWT's plan to address cost pressures related to growth in the health system, climate change, inflation, and growth in the public sector as well as a plan to pay down short-term debt by \$150 million by March 31, 2028.

2. Unauthorized spending: In 2022-23, the unauthorized amounts were larger than the prior year primarily as a result of a reclassification between expenditures classified as 'work performed on behalf of others and the operational expenditures category. This is a one-time classification as a result of a change in accounting treatment and was outlined in Section I note 1(b) and Section II Schedule 2. Amounts reclassified were offset by an equivalent amount of revenue.
3. Fiscal Responsibility Policy: Committee's letter indicated that SCAO provided feedback on the seven recommendations, as well as 14 additional, detailed comments that were not considered in the revised policy.

Response: In a letter dated December 22, 2022, the Department of Finance provided a detailed analysis to all 14 comments received from Committee with explanations on how these comments were considered in the new Fiscal Responsibility Policy.

Previous Recommendations

Finance has reviewed the recommendations issued by Committee since the report on the 2011-2012 Public Accounts and is pleased to report that 86% of the recommendations made by Committee were completed as accepted by the GNWT. As a result of feasibility issues, conflicts with legislation, public sector accounting standards or other concerns, 12% or 5 recommendations were acknowledged but not accepted by the GNWT and 1 recommendation is in progress. In addition to committee's recommendations, Finance has implemented several other improvements over these years to the public accounts. Finance remains committed to working with Committee on its recommendations for the Public Accounts.