



16th Legislative Assembly of the Northwest Territories

Standing Committee on Government Operations

Report on the Review of the
Report of the Auditor General
on the Northwest Territories
Housing Corporation Public Housing
and Homeownership Programs

Chair: Mr. Kevin Menicoche

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May 23, 2008

SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Government Operations is pleased to provide its Report on the Review of the Report of the Auditor General on the Northwest Territories Housing Corporation Public Housing and Homeownership Programs and commends it to the House.

Kevin Menicoche, MLA
Chairperson

**STANDING COMMITTEE ON
GOVERNMENT OPERATIONS**

**REPORT ON THE REVIEW OF THE
REPORT OF THE AUDITOR GENERAL ON THE
NORTHWEST TERRITORIES HOUSING CORPORATION
PUBLIC HOUSING AND HOMEOWNERSHIP PROGRAMS**

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**STANDING COMMITTEE ON
GOVERNMENT OPERATIONS**

**REPORT ON THE REVIEW OF THE
REPORT OF THE AUDITOR GENERAL ON THE
NORTHWEST TERRITORIES HOUSING CORPORATION
PUBLIC HOUSING AND HOMEOWNERSHIP PROGRAMS**

The Standing Committee on Government Operations held its public review on the Report of the Auditor General on the Northwest Territories Housing Corporation's Public Housing and Homeownership Programs on March 4 and 5, 2008. The Committee would like to thank the Auditor General, Ms. Sheila Fraser, and her staff for their excellent work in preparing the report and in assisting the Committee with its review. We would also like to thank the President of the Northwest Territories Housing Corporation, Mr. Jeff Polakoff, and his staff for appearing before Committee.

GENERAL COMMENTS

The Standing Committee on Government Operations is a new committee of the 16th Legislative Assembly. Its mandate includes the examination of the annual financial statements and public accounts of the Government of the Northwest Territories and the Reports of the Auditor General. The Committee firmly believes that public accountability is the foundation of good governance.

The performance audit on the Northwest Territories Housing Corporation was requested by Motion 17-15(4) of the 15th Legislative Assembly and adopted on March 2, 2006. The Committee shares the concerns expressed in the motion on whether the NWT Housing Corporation is making the most effective use of its resources to address the need for adequate, accessible and affordable housing and whether the quality and relevance of the business plans, main estimates and other documents put before the Legislative Assembly and its Committees are adequate and appropriate.

The performance audit of the Housing Corporation covered the period between 2005 and 2007. The Auditor General's Report was tabled during the second Session of the 16th Legislative Assembly on February 15, 2008. The auditors reviewed how the NWT Housing Corporation manages its public housing and homeownership programs, and how it conducts its planning and reporting.

The public review with the Auditor General and the President of the Housing Corporation provided opportunities for further exploration of the issues and shortcomings identified by the auditors. It is the intent of Committee to ensure that the recommendations of the report are addressed and that measurable improvements to the housing programs are initiated. Ultimately, the Housing Corporation needs to deliver on its mandate of reducing the number of NWT households in core need of housing assistance and report on its progress toward this goal.

The Report makes 11 recommendations addressing three major areas of concern:

- the management of the public housing program;
- the management of the homeownership program; and
- the planning and reporting conducted by the NWT Housing Corporation.

The management of the Housing Corporation agreed to all of the audit recommendations. This is a positive first step towards improving the Corporation's program and operational management. However, the Committee found some of the management responses to the recommendations too broad and vague. The Committee was also disappointed with the lack of additional detail provided by the President of the Corporation during the public review.

Recommendation

The Standing Committee on Government Operations recommends that the Minister table a detailed action plan no later than October 2008 outlining how the Northwest Territories Housing Corporation will address the recommendations of the Audit Report.

Furthermore, the Standing Committee on Government Operations recommends that this plan outline the following details:

- **Specific measures for actions addressing each recommendation;**
- **An explanation of what each of the specific actions addresses;**
- **Progress measures for each action;**
- **Timelines for each action or measure; and**
- **Organizational responsibility and accountability assigned to each specific action.**

The Committee recognizes that some of the Housing Corporation's challenges stem from the past and have accumulated over time. The Committee also acknowledges that the Housing Corporation has put considerable effort into its Draft Framework for Action 2008–2011. However, the document does not sufficiently address the recommendations of the Auditor General. While the President of the Housing Corporation committed to a strategic plan, priority setting, and more details within the Framework for Action, Members remain concerned about the Corporation's intent and willingness to implement details for specific measures recommended by the Auditor General.

During the public review with the Auditor General and the President of the Corporation, Members emphasized that the draft framework is very ambitious but requires further details that prioritize the actions and initiatives identified. In the current environment of fiscal restraint it is evident that not all actions can be undertaken simultaneously, so prioritizing the initiatives is of utmost importance. Committee agrees with the President of the Corporation that the Framework for Action should serve as a roadmap for the Housing Corporation as well as an accountability document to the public and stakeholders. Therefore, the information needs to be clear with real goals that are tangible, achievable and measurable.

Recommendation

The Standing Committee on Government Operations recommends that the NWT Housing Corporation prioritize its Framework for Action to specifically address the Audit Report recommendations while focusing on its primary mandate of reducing the number of NWT households in core need of housing assistance.

The Committee acknowledges that it will take a certain amount of time before measures show progress and the final goals are achieved, particularly in some of the more challenging areas like rent and mortgage collection. The Committee understands that the Housing Corporation has already increased communication with, and operational support for, the Local Housing Organizations (LHOs) and District Offices. The Committee was also pleased to see that the Corporation has policies and procedures in place to guide the allocation and operation of its programs.

However, the Committee is concerned that the greatest shortcomings identified in the audit were related to insufficient monitoring, analysis, and follow-up to

ensure established policies and procedures are actually being followed. There is also some history within the Corporation of not acting on findings identified through internal auditing, past reports of the Auditor General and concerns expressed by stakeholders.

Recommendation

The Standing Committee on Government Operations recommends that the Minister provide periodic updates on the progress of the implementation of the actions through status reports to the appropriate Standing Committee.

PUBLIC HOUSING PROGRAM MANAGEMENT

The public housing program is mostly delivered through the 23 community-based LHOs. However, the Northwest Territories Housing Corporation retains the ultimate responsibility for the management of these programs, ensuring that they are delivered fairly and efficiently.

The Auditors acknowledged that the Corporation, District Offices and LHOs have policies and procedures in place. Some LHOs are applying these guidelines consistently while others do not always follow existing policy and procedures.

The Auditor General identified adequate monitoring of LHOs as a main issue. As the Corporation has given most of the operational responsibility for public housing to the LHOs, it is up to the Housing Corporation to ensure that policies and procedures are followed. More rigorous monitoring, analysis, and independent spot-checks are needed to ensure the information that the Corporation receives is accurate and that LHOs conduct business as they should. For example non-compliance with the point rating system may lead to public housing being delayed, denied, or allocated without justification and documentation.

Members agree with the Auditor General's concern that there is no appeal process in place allowing clients who believe they were treated unfairly to raise their issues. During the deliberations with the President of the Housing Corporation, the Committee was pleased to learn that an appeal process is under development and is presently being discussed with stakeholders, and that the Corporation anticipates introducing this appeal mechanism in 2009.

The audit findings also reveal incidents of non-compliance with the annual inspection requirements and inaccuracies in annual condition ratings. These shortcomings may affect the quality of the public housing stock as well as future maintenance and budget requirements. Adequate maintenance of public housing units is crucial for the protection of the GNWT investment in public housing. Regular inspections and maintenance also ensure that public housing continues to be available to households in core need.

The efficiency of the operation is essential for the sustainability of public housing in the communities. The Committee does not believe it is acceptable for LHOs to accumulate deficits as a result of low rental collection rates and to finance deficits through the deferral of maintenance and repairs.

In order to reverse this negative trend, it is crucial the Housing Corporation monitor and provide practical hands-on support to the LHOs. The Committee agrees with the audit recommendation that this support should be based on the needs of each community and should continue until sufficient capacity has been built. The Committee was pleased to hear that the President recognized this need for support as an essential management responsibility of the Corporation, and not as a shortcoming of the LHOs.

Recommendation

The Standing Committee on Government Operations recommends that in order to deliver the public housing programs in a fair and equitable manner, and to sustain the programs over time in a cost-effective way, the Corporation monitor the District Offices and LHOs in order to ensure that policies are implemented, rent is collected, and operational and financial controls are in place.

The Committee further recommends that specific measures for monitoring and support be tailored to the LHOs' needs, based on risk assessments of their compliance with existing policies, procedures, rent collection, and financial management, with the level of practical support, supervision, frequency, and detail of these monitoring activities being tailored accordingly, and furthermore, that the Housing Corporation report on these activities, targets, and progress in their action plan and periodic status reports.

HOMEOWNERSHIP PROGRAMS MANAGEMENT

Homeownership programs are delivered through the five District Offices. The Northwest Territories Housing Corporation retains the management responsibility and therefore has the obligation to ensure that programs are delivered fairly and equitably, within the economic means of the organization while contributing to the objective of reducing the number of households in core need. Similar to the public housing programs, the Corporation has policies and procedures that guide the allocation of homeownership assistance.

The audit findings show that the District Offices are not sufficiently monitored for compliance with policies and procedures when allocating homeownership assistance. The Committee was disheartened to learn that uncollectible mortgage rates climbed to 88% in 2007, meaning that of the total \$16.5 million in outstanding mortgages, \$14.6 million would not be paid. Of further concern was the fact that an unknown number of uncollectible mortgages are for houses without land tenure. The Corporation needs to identify and address these issues in its strategic plan and measure its progress against targets in its periodic updates and annual reports.

As part of its overall management responsibility for the delivery of the housing programs, the Housing Corporation needs to provide operational support to District Offices and LHOs where required.

Recommendation

The Standing Committee on Government Operations recommends that in order to deliver the homeownership programs in a fair and equitable fashion and within economic means, the Housing Corporation monitor the District Offices to ensure policies are implemented and mortgages are collected.

The Committee also recommends that a program evaluation of homeownership programs be carried out to verify how much existing programs contribute towards the goal of self-reliance and the reduction of households with core housing needs, and further, that such program evaluation be on-going, timely, and measurable against specific targets.

PLANNING AND REPORTING

The Auditors found that the NWT Housing Corporation had not completed its strategic plan for meeting the housing needs of Northwest Territories residents. The Committee discussed the importance of a strategic plan with the President of the Housing Corporation, stressing that all elements of NWT housing programs need to be included in this document. The goals of the Corporation need to be clearly defined with measurable outcomes and linked to the Corporation's mandate and programs.

The lack of risk assessment and risk management was also discussed during the public review with the President of the Housing Corporation. The audit findings acknowledge that while the Corporation identified some risks in its Business Plan, there was no indication of how these risks would be addressed or mitigated. Members were also concerned that other risks like decreasing rent and mortgage collections rates were not addressed with adequate details that would allow monitoring of progress over time.

Another risk with potentially significant financial impact for the Corporation is the declining Canadian Mortgage and Housing Corporation (CMHC) funding. The Committee recognizes that the Minister is addressing the need for federal support at a political level with his federal, provincial and territorial counterparts. As the CMHC funding sunsets in 2038, the GNWT still needs to plan for taking on the fiscal responsibility for the public housing stock, should these political initiatives not materialize into new federal dollars.

Recommendation

The Standing Committee on Government Operations recommends that the Housing Corporation include a risk management component in its strategic plan that

- **identifies and analyzes the risks for the NWT HC;**
- **plans for specific actions with details addressing the identified risk;**
- **includes measures to report on the success of the action plan; and**
- **evaluates how the risks are mitigated in a timely fashion.**

The audit findings also detail that the Corporation needs to improve its performance measurement and reporting. During the public review, Members repeatedly pointed out that performance indicators should include targets,

outputs, and outcomes allowing for progress to be examined over longer periods of time. Targets and indicators used in different documents like the business plan, the Framework for Action, and the strategic plan need to be linked allowing for reporting consistency, comparison, and true progress measurement periodically and over time.

Recognizing that the Housing Corporation relies on the NWT Community Survey and Census Canada for data on households in core need, the Committee agrees with the recommendation of the Auditor General of Canada that the Corporation should include information in its periodic reports on the reduction of households in core need. This could be done by including information on the construction of new housing units and the repair and renovation of existing units followed by a more comprehensive report on the reduction of households in core need based on the community needs assessment once it is completed.

CONCLUSION

The Committee recognizes the challenges the Housing Corporation is facing in meeting the housing needs of NWT residents. Members also acknowledge the commitment of the Local Housing Organizations and District Offices to deliver housing programs in the communities. After concluding the public review of the Report of the Auditor General on the Northwest Territories Housing Corporation, Members are hopeful that the organization is willing and motivated to address these challenges. The Committee trusts that the Standing Committee on Economic Development and Infrastructure will consider the outcomes of this performance audit, public review, and committee report when reviewing business plans, legislation, and other documents concerning the Northwest Territories Housing Corporation in the future.

Recommendation

The Standing Committee on Government Operations recommends the Government provide a comprehensive response to this report within 120 days.