



# **18<sup>th</sup> Legislative Assembly of the Northwest Territories**

## **Standing Committee on Government Operations**

Report on the Review of the  
2014-2015 Public Accounts

Chair: Mr. Kieron Testart

## **MEMBERS OF THE STANDING COMMITTEE ON GOVERNMENT OPERATIONS**

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April Taylor  
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November 1, 2016.

SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Government Operations is pleased to provide its Report on the Review of the 2014-2015 Public Accounts and commends it to the House.



Kieron Testart  
Chair

**STANDING COMMITTEE ON  
GOVERNMENT OPERATIONS**

**REPORT ON THE REVIEW OF THE  
2014-2015 PUBLIC ACCOUNTS**

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## **STANDING COMMITTEE ON GOVERNMENT OPERATIONS**

### **REPORT ON THE REVIEW OF THE 2014-2015 PUBLIC ACCOUNTS**

#### **EXECUTIVE SUMMARY**

The Standing Committee on Government Operations is pleased to present its first report during the term of the 18<sup>th</sup> Legislative Assembly, on the review of the public accounts.

The review, which included an orientation to the public accounts provided by staff of the Office of the Auditor General, took place in Yellowknife, Northwest Territories, from April 12-14, 2016.

The Committee notes that the consolidated 2014-2015 Public Accounts of the Government of the Northwest Territories received a clean audit opinion from the Auditor General and commends the Government of the Northwest Territories for this achievement.

Members of the Standing Committee would like to take the opportunity to thank officials from the Office of the Auditor General who traveled from Ottawa and Edmonton to provide the Standing Committee with their expert advice, which included an introduction to the public accounts and the role of the Office of the Auditor General.

The Standing Committee also wishes to thank officials from the Office of the Comptroller General in the GNWT's Department of Finance for their appearance before the Standing Committee.

#### **2014-2015 Recommendations**

As a result of this year's review of the 2014-2015 Public Accounts, the Standing Committee on Government Operations makes the following recommendations to the Government of the Northwest Territories:

1. The Standing Committee on Government Operations recommends that the Minister of Finance provide the Committee with the interim public accounts by August 31<sup>st</sup>, in time for Committee review of the Government's business plans.

2. The Standing Committee on Government Operations recommends that the Office of the Comptroller General in the Department of Finance continue to work with the Auditor General of Canada and GNWT departments, boards, and agencies to complete the interim and final public accounts at the earliest possible date each year, and in time for their respective statutory reporting deadlines, and to seek the necessary extensions where those deadlines cannot be met.
3. The Standing Committee on Government Operations recommends that the Office of the Comptroller General include in the consolidated public accounts a list of all departments, boards and agencies in the government reporting entity, their deadlines for the completion of financial statements, and whether or not those deadlines were met.
4. The Standing Committee on Government Operations recommends that the Government of the Northwest Territories continue to provide updated timetables or schedules for the environmental assessment of all known potentially contaminated sites for which the GNWT is responsible, to be included annually in the public accounts.
5. The Standing Committee on Government Operations recommends that, in addition to reporting, on a consolidated basis, on the performance measures specified in the Fiscal Responsibility Policy, the Government of the Northwest Territories report, on a non-consolidated basis, on the performance measures related to the policy provisions on Infrastructure Financing and Affordable debt.
6. The Standing Committee on Government Operations recommends that the Minister of Finance work with the Minister responsible for Public Engagement and Transparency to develop plain language materials that report on the public accounts in a manner that is understandable for an interested, non-professional reader.
7. The Standing Committee on Government Operations recommends that the Department of Finance amend the Non-consolidated Schedule of Bad Debt Write-offs, Forgiveness and Student Loan Remissions to protect the privacy of individuals by removing the names of those who have received student loan remissions and reporting only the amount of the remissions.
8. The Standing Committee on Government Operations recommends that the Government of the Northwest Territories provide a response to this report within 120 days.

## INTRODUCTION

The Legislative Assembly of the Northwest Territories' Standing Committee on Government Operations (SCOGO or "the Committee") has a mandate to review and report on the Government of the Northwest Territories' public accounts. This review helps ensure that the GNWT's fiscal management practices and issues are publicly examined and scrutinized to promote government accountability.

In the course of its review, the Committee makes recommendations to the Government to improve financial management reporting and practices. The Standing Committee on Government Operations is pleased to present this report on its review and looks forward to receiving the Government's response.

## ABOUT THE PUBLIC ACCOUNTS GENERALLY

The public accounts are the financial statements of the Government of the Northwest Territories (GNWT), which are prepared according to public sector accounting standards adopted across Canada.

The public accounts of the GNWT are also prepared in accordance with requirements contained in the federal *Northwest Territories Act* (S.C. 2014, c. 2, s. 2) and the GNWT's *Financial Administration Act (FAA)*. The FAA requires that the public accounts be prepared in two phases: first, the unaudited interim (non-consolidated) public accounts and later, the final (consolidated) public accounts, which are audited.

The public accounts disclose the GNWT's financial position and results of operations as at March 31<sup>st</sup> of a given fiscal year.

The GNWT's financial position is revealed through information on assets, liabilities, net debt and accumulated surplus. This information assists the reader in evaluating the GNWT's ability to finance its activities, to meet its liabilities and contractual obligations, and to provide future services.

The results of operations show the revenues and expenses of the GNWT for the fiscal year. This allows the GNWT to account for the resources it received and to demonstrate how those resources were budgeted for and expended.

The consolidated public accounts are produced in four sections:

- Section I contains the consolidated financial statements and combined results of operations for all GNWT departments, revolving funds, public agencies, territorial corporations and other related entities that are considered part of

the government reporting entity. This section provides a high-level, aggregated (combined) look at the financial position of the Government and its various departments and agencies, so that the reader is able to gauge the overall financial health of the Government, as opposed to the stand-alone position of any single department or agency. It discloses the full nature and extent of the financial affairs and resources for which the GNWT is responsible.

In Section I, the notes to the consolidated financial statements are an integral part of the public accounts and should be read in conjunction with the financial statements. This section also contains an unaudited Financial Statement Discussion and Analysis by the Minister of Finance, which provides further insight from the GNWT's perspective into the information reported in the public accounts.

- Section II presents the non-consolidated, unaudited financial statements for GNWT departments, the Legislative Assembly, and Statutory Offices. Section II is comprised of the financial position and results of operations for GNWT departments only, including the revolving funds and special purpose funds they administer. Providing this information separately allows the reader to assess the collective financial position of the GNWT's departments, as separate and distinct from that of its larger operations which includes public boards, agencies and territorial corporations. This section also includes important notes to the financial statements.
- Section III contains the supplementary financial statements of other entities and revolving and special purpose funds.
- Section IV contains the supplementary financial statements of education boards and health and social services authorities.

It should be noted that the public accounts are based on historical information. They are, therefore, backwards looking and pertain to actual spending for the given fiscal year in question.

### **Role of the Auditor**

With respect to the examination of the public accounts, the federal *Northwest Territories Act* conveys to the Auditor General all powers contained in the *Auditor General Act* (R.S.C., 1985, c. A-17). The Auditor General of Canada audits the GNWT's consolidated financial statements on an annual basis. The Auditor General also annually audits the public accounts of some of the GNWT's larger public agencies, such as the Northwest Territories Hydro Corporation, the Northwest Territories Power Corporation, the Northwest Territories Housing Corporation, Aurora College and the Northwest Territories Business Development and Investment Corporation.



Smaller public agencies, such as regional health authorities and education boards, are audited by independent Certified Public Accountants, upon whose work the Office of the Auditor General (OAG) relies in carrying out its audit of the GNWT's consolidated financial statements. The OAG reviews the audits of these smaller entities on a rotational basis (i.e. once every three years).

Regardless of who prepares it, the purpose of an audit remains the same. As specified in legislation, the purpose of an audit is twofold:

1. To allow the auditor to express an expert opinion as to whether the financial statements present the financial position of the government body fairly, in all material respects. This includes the financial position of the government body, the results of its operations, changes in its net debt and its cash flows for the fiscal year being examined.
2. To examine financial transactions to ensure they have been carried out in accordance with the powers provided to the government body under law.

It is important to note that the audit of the public accounts is a financial audit, as opposed to a performance audit. Although a financial audit and a performance audit share procedural similarities, they are not the same.

A performance audit focuses on efficiency measurements by identifying operational problems related to management, and resourcing and identifying their causes. In this sense, a performance audit is focused primarily on people and on the quality of performance of a government department, board or agency as defined in its legislative and policy mandate.

A financial audit focuses on the accuracy and correctness of financial accounts. It does not explore the quality of management decisions. In a financial audit, the attention is directed towards finances and on determining if a government's figures have been recorded as required by national standards.

In conducting a financial audit, the auditor undertakes a risk-based audit approach that focuses on significant risks of material misstatement and non-compliance with significant authorities. Materiality is an important concept in auditing, related to the importance or significance of an amount, transaction or discrepancy. Based on professional judgment, the auditor determines what errors are considered material in the public accounts.

For each department, board or agency whose books are audited, the independent auditor prepares an audit report that addresses each of the audit objectives. These reports are included in the public accounts along with the financial statements for each entity.

## **The Significance of a Clean Audit Opinion**

In an unqualified or “clean” report, the auditor concludes that the government’s financial statements present its financial affairs fairly in all material respects. This indicates that the government observed compliance with Canadian public sector accounting standards and statutory requirements. This also demonstrates that any changes in the accounting policies, and the impact of these changes, have been adequately determined and revealed.

It is important to note that a clean opinion does not tell the reader that the government is in good economic health. It merely states that its financial report is complete and transparent and has not misstated any important facts.

## **REVIEW OF THE GNWT PUBLIC ACCOUNTS FOR 2014-2015**

### **Introduction**

This is the first review of the public accounts by the Standing Committee on Government Operations of the 18<sup>th</sup> Legislative Assembly. The review, which included an orientation to the public accounts provided by staff of the Office of the Auditor General, took place in Yellowknife, Northwest Territories, from April 12-14, 2016.

The Committee notes that the consolidated 2014-2015 Public Accounts of the GNWT received a clean audit opinion from the Auditor General and commends the Government of the Northwest Territories for this achievement.

### **Acknowledgements**

Members of the Standing Committee would like to take the opportunity to thank the following officials from the Office of the Auditor General for their willing assistance and candid insight, which provided the Committee with a solid introduction to the purpose, structure and function of the public accounts:

- Mr. Terry DeJong, Assistant Auditor General (Ottawa)
- Mr. Jerome Berthelette, Assistant Auditor General (Ottawa)
- Mr. Glenn Wheeler, Principal (Ottawa)
- Mr. Guy LeGras, Principal (Edmonton)
- Ms. Erin Jellinek, Auditor (Ottawa)
- Ms. Michelle Smith, Director (Edmonton)
- Ms. Maria Pooley, Auditor (Ottawa)

In addition, the Standing Committee wishes to thank the following officials from the Office of the Comptroller General in the GNWT’s Department of Finance

(Yellowknife) for their appearance before the Standing Committee on April 14, 2016:

- Mr. Bill Merklinger, Comptroller General (retiring)
- Mr. Jamie Koe, Comptroller General
- Ms. Louise Lavoie, Assistant Comptroller General

### **Timeliness of the Public Accounts**

The *Financial Administration Act (FAA)* governs the preparation of the public accounts. A new and modernized version of the *FAA* (S.N.W.T. 2015, c.13) came into force on April 1, 2016, and will govern the preparation of the public accounts from 2015-2016 forward.

For the purpose of this review, however, the 2014-2015 public accounts were prepared under the old *Financial Administration Act* (R.S.N.W.T 1988, c. F-4). Under this version of the *Act*, Section 51 requires that the interim public accounts be completed by September 30<sup>th</sup> after the end of the fiscal year and tabled in the Legislative Assembly at the first opportunity. With respect to the consolidated public accounts, Section 74 requires that, "unless the Legislative Assembly otherwise fixes a date, the public accounts for the fiscal year must be tabled on or before December 31 following the end of the fiscal year or, if the Legislative Assembly is not then in Session, not later than 15 days after the commencement of the next Session of the Legislative Assembly."

During the 17<sup>th</sup> Legislative Assembly, the Standing Committee on Government Operations paid close attention to the completion times for the public accounts. Mindful of this, the current Committee notes that the 2014-2015 Interim Public Accounts were signed off by the Minister of Finance and transmitted to the Standing Committee on August 31, 2015, which is in keeping with the commitment made by the Minister of Finance during the review of the 2013-2014 Public Accounts. Per legislative requirement, this report was tabled in the Legislative Assembly at the first opportunity, on October 8, 2015.

The consolidated 2014-2015 Public Accounts were signed by the Minister on November 18, 2015, a full month later than in 2013-2014. The Department of Finance explained that this delay was the direct result of changes in the way that the Northwest Territories Hydro Corporation is accounted for in the public accounts. The impact of this change, effective for the 2014-2015 fiscal year, is discussed later in this report. The Committee is satisfied that the delay faced by Northwest Territories Hydro Corporation was warranted under the circumstances and does not expect to see it repeated in future years.

The consolidated 2014-15 Public Accounts were tabled at the first opportunity on February 22, 2016. This is four months later than the previous year, but was unavoidable due to the timing of the 2015 Territorial Election.

The Committee reviewed the deadlines for the individual departments, boards and agencies in the government reporting entity. The Committee notes that Northwest Territories Hydro Corporation requested and received an extension to its deadline, as permitted in the *FAA*, but missed its extended deadline by more than two months. Aurora College requested an extension to its deadline, but missed its extended deadline by just over two weeks. While recognizing the capacity challenges facing smaller agencies, the Committee also notes that the Tłı̄ch̄ Community Services Agency missed its deadline by three weeks and did not seek an extension.

Finally, the Committee noted the improvement made by the Northwest Territories Housing Corporation in completing its financial statements in a timely manner. The Housing Corporation has had past difficulties with timeliness, again owing in part to capacity issues faced by Local Housing Organizations in completing their record keeping. For 2014-2015, the NWT Housing Corporation sought an extension of their June 30<sup>th</sup> deadline to August 31<sup>st</sup>. Their consolidated financial statements were completed on August 19<sup>th</sup>, a month earlier than the previous fiscal year.

The Standing Committee makes the following recommendations with respect to timeliness of the public accounts:

#### **Recommendation 1**

**The Standing Committee on Government Operations recommends that the Minister of Finance provide the Committee with the interim public accounts by August 31<sup>st</sup>, in time for Committee review of the Government's business plans.**

#### **Recommendation 2**

**The Standing Committee on Government Operations recommends that the Office of the Comptroller General in the Department of Finance work with the Auditor General of Canada and GNWT departments, boards, and agencies to complete the interim and final public accounts at the earliest possible date each year, and in time to meet statutory reporting deadlines, and to seek the necessary extensions where those deadlines cannot be met.**

**Recommendation 3**

**The Standing Committee on Government Operations recommends that the Office of the Comptroller General include in the consolidated public accounts a list of all departments, boards and agencies in the government reporting entity, their deadlines for the completion of financial statements, and whether or not those deadlines were met.**

**Consolidation of the Northwest Territories Hydro Corporation**

During the previous year's review of the public accounts (2013-2014), the Office of the Auditor General advised the 17<sup>th</sup> Assembly's Standing Committee on Government Operations that the treatment of the Northwest Territories Hydro Corporation (NT Hydro) and its subsidiary Northwest Territories Power Corporation (NTPC) in the public accounts would be changing effective April 1, 2014.

This change was precipitated by the reclassification of NT Hydro from a "government business enterprise" to an "other government organization" under Canadian public sector accounting standards (PSAS).

According to the Chartered Professional Accountants of Canada's CPA Public Sector Handbook, a government business enterprise is an organization that has all of the following characteristics:

- a) It is a separate legal entity with the power to contract in its own name and to sue or be sued;
- b) It has been delegated the financial and operational authority to carry on as a business;
- c) It sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and
- d) It can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity.

In recent years, the Northwest Territories Power Corporation has experienced difficulty maintaining its operations and meeting its liabilities through revenues generated by ratepayers. As a result, it has received substantial subsidies from the GNWT to offset rate increases.

In recognition of NTPC's changing economic circumstances, its likely need for on-going additional financial support, and the fact that it no longer meets all of the requirements for a government business enterprise, the Office of the Auditor

General directed that NTPC be reclassified. This, in turn, prompted the decision that NTPC adopt and adhere to public sector accounting standards.

As a government business enterprise, NTPC's books of account were historically prepared using the modified equity method<sup>1</sup> and consolidated in the GNWT's public accounts on a summary basis. As a result of its reclassification as an "other government organization", NTPC's books of account for 2014-2015 were prepared according to public sector accounting standards and consolidated in the GNWT's public accounts on a line-by-line basis. This will continue to be the case in future years, provided that NTPC's circumstances remain unchanged.

In addition to causing a delay in completion of the public accounts, the transition to PSAS resulted in changes to the manner by which a number of significant balances on the NT Hydro and NTPC financial statements were measured and recorded. Impacts resulting from this change in the basis of accounting include:

- An increase of approximately \$4.1 million to the GNWT's opening accumulated surplus as at April 1, 2014;
- An increase in net debt in the amount of \$343,864, to bring the total adjusted net debt at the beginning of the year to \$707,744;
- An increase in the cash opening balance of \$1.157 million to \$64 million;
- As at March 31, 2015, an increase in accounts payable of \$92 million over the previous year, of which \$12 million is attributable to the consolidation of NT Hydro payables;
- As at March 31, 2015, an increase in short-term debt of \$108 million over the previous year, of which \$18 million is attributable to the consolidation of NT Hydro; and
- As at March 31, 2015, an \$11.5 million increase in the total cost of the GNWT's environmental liabilities to \$61.8 million.

This accounting change also includes the elimination of regulatory deferral accounts which are not permitted under PSAS but which could be used under the old system of rate-regulated accounting to smooth out rate spikes by deferring certain expenses to future years. This will result in increased volatility in NTPC's future annual operating results.

It should be noted that the decision to reclassify NT Hydro as an "other government organization" does not affect the way in which NT Hydro is managed; it relates only to the manner in which NT Hydro's books of account are handled for accounting purposes. At the writing of this report, NT Hydro

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<sup>1</sup> "Under this method, the GNWT reports only its investment in the corporation, reduced by any dividends received and adjusted for the annual profit or loss of the corporation, after elimination of any unrealized inter-entity gains or losses." Source: 2014-2015 Public Accounts, Note 3(a).

continues to operate as a territorial corporation under the authority of the *Northwest Territories Hydro Corporation Act*.

It should also be noted that the consolidation of NT Hydro in the GNWT's public accounts has no impact on the GNWT's borrowing limit, as NT Hydro debt has always counted against the borrowing limit. At March 31, 2015, NT Hydro's long-term debt remained unchanged from the previous year at \$177 million, while operational debt was down \$2 million to \$18 million.

The GNWT's authority to incur debt is authorized by the Government of Canada pursuant to subsection 20(2) of the federal *Northwest Territories Act*. At March 31, 2015, the GNWT's authorized borrowing limit was set at \$800 million.

### **Environmental Liabilities**

A new accounting standard (PS 3260), governing the accounting treatment of environmental liabilities, was developed by the Public Sector Accounting Board and came into effect for the 2014-2015 fiscal year. Under this new standard, the GNWT is responsible for recording estimates in its financial statements for the further evaluation or remediation of all known contaminated sites for which the government is legally responsible or for which it has accepted responsibility.

Environmental liabilities arise when contamination exceeds established environmental standards. The estimated costs for the management and remediation of contaminated sites should reflect the government's best estimate of the funds required to remediate the site to the current minimum standard and should include costs associated with: site assessments; remedial action plans; remediation activities; and post-closing of the site. Estimated remediation costs are recorded in the year in which they become known.

Uncertainty about the existence of contamination or the extent of remediation costs does not alleviate the Government of its responsibility to record the liability. When estimates are not readily available, the Government may estimate based on known costs for the remediation of sites of a similar size and level of contamination. If the likelihood of the GNWT's obligation to remediate the site cannot be determined, or if the amount of the liability cannot be reasonably estimated, then this contingency is disclosed in the notes to the consolidated financial statements.

The adoption of this new accounting standard by the GNWT has resulted in greater disclosure of environmental liabilities under note 12 to the consolidated financial statements. The Standing Committee reviewed the contaminated sites for which the GNWT is responsible. The following information about environmental liabilities is reported in the key notes:

- The GNWT has identified 216 sites potentially requiring environmental remediation as at March 31, 2015. [2014 – 129].
- Total remediation costs for these sites are estimated at \$68.9 million [\$61.8 total remediation costs + \$7.1 million for NT Hydro asset retirement obligations]. This is an increase of \$32.1 million over the previous year.<sup>2</sup>
- Giant Mine has been formally designated as contaminated under the *Environmental Protection Act (NWT)*. The balance of the GNWT's share of the above-ground remediation is \$2.994 million [2014 - \$3.052 million].
- There are six other abandoned non-operating mine sites that the Government will be remediating in conjunction with the Government of Canada. Cost estimates for the remediation of these sites are in the same order of magnitude as the GNWT's share of the remediation costs for Giant Mine.
- There are 28 sewage lagoons and 41 landfill sites outside of incorporated communities. These are being remediated or monitored as appropriate.
- Included in the 216 sites are 71 sites for which no liability has been recognized. Monitoring of these sites is on-going under the GNWT's environmental protection program.

The Committee acknowledges the receipt of information on the status of sites with known or potential contamination for which the GNWT is responsible and appreciates the opportunity to review this information during the annual review of the public accounts. The Committee asks that Members continue to be provided with updated information at regular intervals.

#### **Recommendation 4**

**The Standing Committee on Government Operations recommends that the Government of the Northwest Territories continue to provide updated timetables or schedules for the environmental assessment of all known potentially contaminated sites for which the GNWT is responsible, to be included annually in the public accounts.**

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<sup>2</sup>2014 total remediation costs were estimated at \$36.8 million (\$27.3 million + \$9.5 million adjustment to include NT Hydro liabilities).



## Fiscal Responsibility Policy

The Government of the Northwest Territories established its Fiscal Responsibility Policy in 2005. It is intended to promote on-going fiscal sustainability by guiding prudent borrowing and ensuring that government debt remains affordable.

The Fiscal Responsibility Policy<sup>3</sup> establishes specific numerical limits, expressed as percentages, restricting infrastructure financing and debt servicing as follows:

### (3) Infrastructure Financing

The government will restrict infrastructure investments, excluding Public-Private Partnership projects as follows:

- a) A minimum of fifty per cent (50%) from the operating surpluses generated within the non-consolidated Public Accounts (emphasis added);
- b) A maximum of fifty per cent (50%) from Government debt.

### (5) Affordable Debt (includes debt associated with Public-Private Partnership Projects)

- a) Non-consolidated debt servicing payments shall not exceed five per cent (5%) of total non-consolidated annual revenues; and
- b) Where non-consolidated debt servicing payments exceed five per cent (5%) of total non-consolidated annual revenues, operating surpluses shall be generated in the following two years sufficient to permit principal repayments that will decrease debt servicing payments to five per cent (5%) by the third subsequent year.

In Section 7, the Fiscal Responsibility Policy does identify performance measures against which Government investment and borrowing will be assessed and upon which the GNWT has made a commitment to report, however, these measures are not sufficient to provide a full accounting of the Government's performance in respect of the policy.

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<sup>3</sup> From the date of its establishment (2005) until it was updated in January 2016, the full text of the Fiscal Responsibility Policy was contained in the 1400 Chapter (previously the 300 Chapter) of the GNWT's Financial Administration Manual. The older (2005) version of the policy was in effect for the 2014-2015 fiscal year, the public accounts of which are under review in this report. Nonetheless, this report references the wording of the revised version of the policy, which was formalized and signed by the Premier in Executive Council in January 2016 and which contains some relatively minor policy changes. The reason for doing so is that the Standing Committee's recommendations in this report are made on a "going forward" basis. Any actions by the GNWT in response to the Committee's recommendations would be reflected in the 2015-2016 Public Accounts and guided by the 2016 version of the Fiscal Responsibility Policy.

The performance measures identified in the policy are: debt to revenue ratio; debt per capita ratio; debt servicing costs as a per cent of revenue; debt servicing payments as a per cent of revenue; debt servicing payments as a per cent of three-year moving GDP average; net debt per capita ratio; and credit rating.

This section of the policy specifies that "all measures are to be assessed on a consolidated basis for the Government Reporting Entity" (emphasis added). While the Committee acknowledges the utility of such information, the provisions of the policy related to infrastructure financing and affordable debt are not based on the consolidated public accounts, but rather on the non-consolidated public accounts.

In order for the public to adequately assess whether or not the GNWT has met these particular provisions of the Fiscal Responsibility Policy, it is the view of the Standing Committee that the GNWT should be reporting specifically on relevant data related to these quantifiable provisions, which are measurable under the non-consolidated public accounts. This will allow the average reader of the public accounts to determine whether or not the GNWT has met or exceeded the specific percentage threshold limits relating to infrastructure financing and affordable debt, as set out in the policy.

#### **Recommendation 5**

**The Standing Committee on Government Operations recommends that, in addition to reporting, on a consolidated basis, on the performance measures specified in the Fiscal Responsibility Policy, the Government of the Northwest Territories report, on a non-consolidated basis, on the performance measures related to the policy provisions on Infrastructure Financing and Affordable debt.**

#### **Accountability and Transparency**

A commitment to improving accountability and transparency is one of the key priorities of the 18<sup>th</sup> Legislative Assembly, and a fundamental building block in the Mandate of the Government of the Northwest Territories. In order to meaningfully report to the residents of the Northwest Territories on the work that the GNWT carries out on behalf of the residents of the Northwest Territories, information provided to the public must be clear, concise, and easily understood by the average reader who is not a specialist in the subject matter.

The public accounts form the definitive source of information for the public on the GNWT's fiscal performance. However, these documents are, by their very nature, dense in content and difficult for non-experts to understand. As noted at the outset of this report, the public accounts are prepared in accordance with federal and territorial legislation and following standards set by the Public Sector Accounting Board. These requirements obligate the GNWT to prepare and present the public accounts in a format that does not easily lend itself to comprehension by non-expert readers.

Nonetheless, the Standing Committee notes the importance of making the information contained in the public accounts as clear as possible for interested readers lacking expertise in finance or accounting. In the Committee's view, a commitment to accountability and transparency is synonymous with a commitment to improve the quality of reporting, especially for a non-expert audience. It is, therefore, incumbent upon the Government to make the important information contained in the public accounts digestible for consumption by members of the public.

The Committee notes, with interest, that this point of view is shared by the C.D. Howe Institute which has again, this year, produced a study examining the quality of financial reporting by the federal and provincial and territorial governments in Canada. The C.D. Howe report attempts to assess "whether an intelligent and motivated non-expert – a citizen, taxpayer, or legislator – could find valid consolidated numbers for revenue and spending in the budget each government presents at the beginning of the year and in the financial statements released with its public accounts at the end of the year."<sup>4</sup> While the Standing Committee neither endorses nor opposes the C.D. Howe study, Committee members do note that the GNWT received a failing grade E this year because non-expert readers "would likely struggle to find and compare PSAB-consistent figures, or would not be able to find them at all."<sup>5</sup>

The Committee encourages the Government to review the C.D. Howe study and to consider ways to improve on its quality of reporting in the public accounts and to augment the public accounts with explanatory materials that assist the public in finding the information necessary to understand and assess the Government's fiscal performance.

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<sup>4</sup> Colin Busby and William BP Robson, CD Howe Institute "Controlling the Public Purse: The Fiscal Accountability of Canada's Senior Governments, 2016," p. 1.

<sup>5</sup> Colin Busby and William BP Robson, CD Howe Institute "Controlling the Public Purse: The Fiscal Accountability of Canada's Senior Governments, 2016," p. 5.

**Recommendation 6**

**The Standing Committee on Government Operations recommends that the Minister of Finance work with the Minister Responsible for Public Engagement and Transparency to develop plain language materials that report on the public accounts in a manner that is understandable for an interested, non-professional reader.**

**Protection of Privacy and Disclosure of Information**

The Standing Committee recognizes that government must strike a balance between protecting the privacy of individuals' personal information and disclosing information that is in the public interest.

During the review, the Standing Committee discussed with officials from the Office of the Comptroller General the level of disclosure in the public accounts related to the remediation of contaminated sites. It is the view of the Standing Committee that the Government should be providing greater disclosure of this information. The Committee accepts the explanation provided by officials that the level of detail Committee members wish to see may not be appropriate for the public accounts, but could be provided on the GNWT's website.

The Non-consolidated Public Accounts' Non-consolidated Schedule of Bad Debt Write-offs, Forgiveness and Student Loan Remissions identifies, by name, all individuals who have received a remission on their student loans and the amount of that remission. It is the view of the Committee that the degree of disclosure related to this information may constitute a breach of privacy of those individuals named in the schedule. Accordingly, the Committee makes the following recommendation:

**Recommendation 7**

**The Standing Committee on Government Operations recommends that the Department of Finance consider amending the Non-consolidated Schedule of Bad Debt Write-offs, Forgiveness and Student Loan Remissions by removing the names of those who have received student loan remissions and reporting only the amount of the remissions.**

## **CONCLUSION**

The Standing Committee on Government Operations has a mandate to review the public accounts of the Government of the Northwest Territories so that GNWT financial management practices and decisions receive public scrutiny.

Committee members were grateful for the assistance provided by the Office of the Auditor General in support of this work. Committee members also appreciate the appearances before the Standing Committee by staff from the Office of the Comptroller General in the Department of Finance.

The Standing Committee looks forward to the Government's response to this report.

### **Recommendation 8**

**The Standing Committee on Government Operations recommends that the Government of the Northwest Territories provide a response to this report within 120 days.**