



# **Northwest Territories Legislative Assembly**

## **Standing Committee on Government Operations**

Public Review of

Auditor General of Canada Report on the NWT  
Housing Corporation Public Housing and  
Homeownership Programs – February 2008

March 4, 2008

## **STANDING COMMITTEE ON ECONOMIC DEVELOPMENT AND INFRASTRUCTURE**

### **Chair**

Mr. Kevin Menicoche, MLA, Nahendeh

### **Members**

Mr. Glen Abernethy, MLA, Great Slave  
Mr. Jackie Jacobson, MLA, Nunakput  
Mr. Tom Beaulieu, MLA, Tu Nedhe  
Mr. Robert Hawkins, MLA, Yellowknife Centre

### **Alternate Members**

Ms. Wendy Bisaro, MLA, Frame Lake

### **Office of the Auditor General of Canada**

Ms. Sheila Fraser, Auditor General of Canada  
Mr. Andrew Lennox, Assistant Auditor General  
Mr. Lawrence Taylor, Director, Office of the Auditor General of Canada  
Mr. Andrew Ross, Audit Project Leader, Office of the Auditor General of Canada

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Ms. Regina Pfeifer, Research Analyst  
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### **Legislative Assembly Staff**

Tim Mercer, Clerk of the Legislative Assembly  
Colette Langlois, Director of Research  
Cate Sills, Research Analyst  
Robert Collinson, Research Analyst

The Standing Committee on Government Operations met at 9:05 AM on Tuesday,  
March 4, 2008

**Chairman (Mr. Menicoche):** Welcome, everybody. I think we'll start going and ask Mr. Beaulieu to do an opening prayer and then convene the meeting.

### Prayer

Prayer.

**Chairman (Mr. Menicoche):** I'd like to welcome everybody to the Standing Committee on Government Operations' review of the Auditor General's report on the Northwest Territories Housing Corporation.

I will now introduce committee members and staff for the record. Beginning on my far right I've got Mr. Tom Beaulieu, MLA for Tu Nedhe; and Mr. Robert Hawkins, MLA for Yellowknife Centre. And on my left I've got Ms. Wendy Bisaro, MLA for Frame Lake; Mr. Glen Abernethy, MLA for Great Slave; Mr. Jackie Jacobson, MLA for Nunakput; and myself, I'm Kevin Menicoche, MLA for Nahendeh and Chair of the Standing Committee on Government Operations. On my right I've got our Clerk, Ms. Patricia Russell; I've got the Clerk of the Legislative Assembly in the back, Mr. Tim Mercer. On my left I've got committee researcher Ms. Regina Pfeifer. Other research staff that are in attendance are Ms. Collette Langlois, Director; Ms. Cate Sills, researcher; and Mr. Robert Collinson with us.

At this time I'd like to mention that Mr. Beaulieu is filling in for Mr. David Krutko, MLA for Mackenzie Delta, who declared a conflict of interest having been the Minister Responsible for the Housing Corporation previously.

I would also like to take this opportunity to welcome all members of the public and the media. Please help yourself to the documents on the back table there.

This audit was undertaken as a result of a motion initiated by Members of the Standing Committee on Accountability and Oversight in the previous Assembly. The motion was passed in March 2006 by the 15<sup>th</sup> Legislative Assembly of the Northwest Territories.

The Auditor General's report includes observations and recommendations in three key areas: the management of the public housing program, the management of the home ownership program, and the Housing Corporation's planning and reporting. The committee will be reviewing the report with several witnesses over the next two days.

We're very fortunate to have Ms. Sheila Fraser, the Auditor General of Canada, with us this morning to begin the proceedings. We have also scheduled the President of the Housing Corporation as a witness later on this afternoon.

I would like to make it clear that the intent of this review is not to embarrass or cast blame on individuals. Our objective is to get an accurate picture of where our public housing programs and home ownership programs stand today, how effective and efficiently they are managed, how the Corporation plans for the housing needs of NWT. residents and to report on its activities and progress.

We also want to focus on what areas need improvements and how we can move forward to make sure those improvements happen.

I'll now invite Ms. Fraser to introduce her delegation for the record and then proceed with opening comments.

**Auditor General of Canada (Sheila Fraser):** Thank you, Mr. Chairman. Good morning, everyone. We are very pleased to be here today to present the report that was transmitted to the Speaker of the Assembly on February 15<sup>th</sup>. The report, as you mentioned, is the result of our audit of the Northwest Territories Housing Corporation and its public housing and homeownership programs.

I am accompanied today by Andrew Lennox, Assistant Auditor General, Lawrence Taylor, Director, and Andrew Ross, Audit Project Leader, who are responsible for this audit.

As was also mentioned, we undertook this performance audit at the request of the 15<sup>th</sup> Legislative Assembly.

The Housing Corporation is responsible for ensuring there is a sufficient supply of affordable, adequate and suitable housing to meet the needs of Northwest Territories residents. In the 2007-2008 fiscal year the Corporation plans to spend approximately \$112 million on its public housing and ownership programs.

Safe, secure and affordable housing is a significant factor in a community's stability and in the wellbeing of its residents. Inadequate and over-crowded housing contributes to a multitude of health and social problems.

According to the 2004 Northwest Territories Community Housing Needs Survey about 30 per cent of households in the 30 smaller communities of the Northwest Territories have insufficient means to meet their housing needs.

Because housing is so important, the Corporation should provide programs in a manner that is and is perceived to be fair and equitable. Our work focused on whether the Corporation manages and monitors the delivery of its programs and its housing assets in accordance with its policies and procedures and with due regard to economy.

We also examined the Corporation's planning, risk management and performance measurement and reporting processes to determine whether they are being carried out effectively in order to assist the Corporation in achieving its mandate and reporting on its results.

We carried out our audit work at the Corporation's headquarters in Yellowknife, at three of its district offices, and at five local housing organizations — also known as LHOs. Our audit covered the period 2005 to 2007.

The Corporation's public housing program is delivered by 23 community-based LHOs under agreements with the Corporation. These agreements require LHOs to follow the Corporation's policies and procedures and to retain sufficient documentation to support their housing decisions. The Corporation is responsible for monitoring the LHOs in order to obtain assurance that the Corporation's public housing program is being delivered in accordance with its policies and procedures and in a cost-effective manner.

We concluded that the Corporation does not monitor the activities of the LHOs enough to know whether they are following the Corporation's policies and procedures when allocating rental units. Our examination of a sample of applications for rental units found that 21 of 74 applicants had not been assessed properly. Of these 21 applications that were allocated rental units, 12 were not point rated, and therefore we were unable to determine their relative eligibility compared to other applicants; two should not have qualified for housing assistance and the applicants should not have been allocated rental units; two were under-assessed resulting in delayed allocations of housing; and five received priority over other applications that received more points without appropriate explanation in the files.

Under their agreements with the Corporation, LHOs are also required to perform annual property inspections of housing units in order to rate their condition. We found that the Corporation does not adequately monitor LHOs to ensure that the condition ratings are being performed on a timely basis and that the condition ratings are appropriate. If the Corporation does not obtain sufficient assurance that the housing stock is being maintained to the Corporation's standards, the Corporation is at risk of legal liability for health and safety and may face higher maintenance and repair costs.

Let me turn now to the home ownership program. In that program we found that the Corporation has had difficulty collecting mortgage payments. In its 2007 financial statements the Corporation reported that 88 per cent, or \$14.6 million of the \$16.5 million in mortgages receivable, were impaired. If the Corporation does not collect mortgages owing, the Corporation is not fulfilling its responsibilities as custodian of government assets. Also, if it is not successful in collecting mortgages, it is not being fair to those people who have paid on time.

We found that the Corporation had not completed its strategic plan for meeting the housing needs of Northwest Territories residents. The Corporation also had not adequately explained how it planned to address each of the significant risks that are identified in its business plan. Those risks identified by the Corporation include the limited availability of suitable building lots with land tenure, a shortage of skilled construction labour in the Northwest Territories, rising energy costs, and the long-term quality and sustainability of the public housing stock given the decline in its related funding from Canada Mortgage and Housing Corporation.

We believe that good planning and relevant performance measures will assist the Corporation to identify and address its challenges and to gauge the Corporation's progress in meeting the housing needs of all Northwest Territories residents.

Our report contains a number of recommendations aimed at assisting the Corporation and at improving the performance of its public housing and home ownership programs. We are pleased that the Corporation has agreed with these recommendations, and we encourage the Corporation to finalize its "Framework for Action". The committee may wish to request the Corporation to report on its progress in implementing its plan.

Mr. Chairman, that concludes our opening statement. We would be pleased to answer any questions that committee members may have.

**Chairman (Mr. Menicoche):** Thank you very much, Ms. Fraser.

At this time I'll invite some opening comments from committee members, and then we'll proceed through the report by sections beginning on page 5. Mr. Hawkins.

**Mr. Hawkins:** Thank you, Mr. Chairman. Thank you, Madam Auditor.

Although this is not the point to ask questions, I just want to say that I thought the overview done by the Auditor General's office is top shelf. The fact is the details here are really impressive. Sadly, the details, of course, are breaking my heart because of the revelations that have come forward, but it's very interesting the areas you've conducted. During the question period when we go through you to find out more detail, I'm going to be looking for answers as to why we seem to have a lot of grey areas and unexplained quagmires that they do processes and can't seem to testify why.

I just want to say that it's quite impressive on the detail and the analysis over the issue. One thing that I highlight, although it is opening comments, is the fact that we're not seeing wrongdoing per se, or where we would see negligence in the sense of someone that has a bag of money and they've run out the door and the processes of the housing authorities fail because of poorly administered money and things along those lines. What we're seeing from your report highlights that people are not following up on policies that exist.

Other than your suggestion, which I'm sure committee will follow up on, it's the follow-up issue. How do we tie their hands to follow up on some of these recommendations? Certainly we'll be taking that up. But it's quite clear that the policies exist and the process exists. It's just the responsibility hasn't been taken up on. I think you're highlighting that quite thoroughly throughout this.

Whether it's the district office, the regional office or the headquarters, a lot of direction and probably responsibility is put on the LHOs, but nobody is overseeing any of the process whatsoever. The fact the report really demonstrates in many cases — it's reinforced, I should say, in many cases — is that there's a lack of explanation as to why this is done. Sometimes we do things out of the norm that we have to justify, even by a line item saying "We chose to give this away; although it's not normal, this is why we did it on this exception." We're not seeing any explanation in that regard.

I'll just leave my opening comments really short, Mr. Chairman, but I just wanted to say thank you for coming today, and thank you to your staff, as well, who are also staying behind. It's a very good report. It's quite direct, quite to the point. And as our Chair opened up, it's not a process of trying to find blame; it's just about trying to refine the system so that we can move forward in a positive manner.

**Mr. Abernethy:** Mr. Chairman, I too would like to thank you guys for coming and putting together the report. I found it very detailed, but certainly an interesting read.

I am going to ask one little question here. It's more about process. The reality of doing business in the Northwest Territories is significantly different in the larger centers as opposed to the smaller centers. In your audit you've indicated that you've reviewed or

visited three of the district offices and five of the LHOs. Can you tell me a bit about how those specific areas were chosen, and did you find that they are representative of the diversity of the Territory?

**Auditor General of Canada (Sheila Fraser):** Thank you, Mr. Chairman.

We visited offices that were in both large and small communities to try to get a sense of how the district offices were conducting business, as well as the LHOs. Our sample was not meant to be representative in that we are auditing — and particularly for the LHOs — the Corporation. One of the big issues that we had mentioned is, of course, the monitoring of the LHOs. So we visited the LHOs to give us an indication as to what kind of activities and how they were carrying out the policies and procedures, but we were not auditing the LHOs per se. So it was really to give us an indication as to what was going on in the LHOs — were there really serious issues that needed to be addressed? — and to help, in way, justify the need for increased monitoring.

**Chairman (Mr. Menicoche):** Thank you very much, Ms. Fraser. Ms. Bisaro?

**Ms. Bisaro:** Thank you, Mr. Chair, and good morning, all.

As well, I would like to thank you for coming. I found the report comprehensive. As Glen said, it's an interesting read.

I was most taken by the management responses, which are in the report, which seemed a little vague to me, to put it mildly. Some of them were very vague.

I was also struck, and concerned, by the lack of attention to monitoring, which you've mentioned, and which shows up in the Housing Corp's activities from day to day and year to year.

You've brought to the attention of the committee, and to Regular Members — well, all Members — the need to ride herd on the Housing Corp and make sure that they adhere to their own policies, and it's something that we certainly will do. Thank you very much for this.

**Mr. Beaulieu:** Mr. Chair, I'm looking forward to seeing what the NWT. Housing Corporation does with the audit and how they develop a strategic plan to address the issues that were apparent in the audit.

It would be nice to see the Corporation develop something to address the issue of the CMHC's declining funding. That seems to be probably one of the most important aspects of what's happening in the Housing Corporation, up and coming.

A lot of what you're seeing with non-payment, whether it be public housing or mortgages, is a reflection of the economy and the high unemployment rates in the small communities, the lack of local market, and the difficulties that individuals in these small communities have when they act as rent collectors for their own people. All of these are very small communities, and it is people's relatives who are doing the job. However, using local people also has its positive side.

Madam Auditor General, I'm looking forward to seeing how the Housing Corporation will develop a plan in order to address the problems, how the Housing Corporation

intends to write the audit's findings into their "Framework for Action" and how they report back to the Legislative Assembly.

**Chairman (Mr. Menicoche):** For myself, my comments are that this is the second audit by your office on the Housing Corporation in the last four or five years, and it only signifies to us and to the public that it's a very important agenda item for all involved, especially in the Legislative Assembly. It's often in the forefront for me, as an MLA, as I do my work.

I often find, when I'm travelling to the communities, people are coming to me, telling me their housing issues, but I realize what they are doing is appealing to me because they aren't getting the answers they wanted, or any answers.

In fact, I'm happy that in your report you speak to the lack of an appeal system within the Housing Corporation, and that's something that I'd like to see pursued as well.

With that, thank you very much, and I will open the floor to questions from Members.

**Mr. Hawkins:** Thank you, Mr. Chairman.

Madam Auditor General, some of the issues that have arisen here — you have gone through and found the details, and they keep showing up. One may describe them as anomalies if they happen from time to time, but what we have is a clear demonstration of things not being followed. It's difficult to call them anomalies. It's almost becoming best practice to not follow policies and procedures within the Housing Corporation.

For those following along, under paragraph 16, we talked about rental and where certain people get ahead of the system; certain people are left out; five were given priority. I'll go into home ownership after this, but specifically to the rental, could they explain why they weren't following their point system, their application system, fairly and clearly? Thank you.

**Auditor General of Canada (Sheila Fraser):** Mr. Chair, no, there were not sufficient explanations as to why these circumstances occurred. If we had received sufficient explanations and found them reasonable, we would not have pointed to it as being an anomaly. These are truly cases where the normal procedure was not followed, and there were no explanations on file to justify it. Thank you.

**Mr. Hawkins:** Thank you. Again, speaking in an overview sense — I think we're going to go section by section — but I'm just curious: same type of question, but for those following along, section 53. When we talk about the home ownership portion, half of the successful people who received home ownership didn't actually have the point rating system applied to them. Twelve people received homes.... I should say mortgages, not homes, or maybe it's one and the same, in this particular case. Twelve people received homes, but half of them weren't even rated.

Were there any observations as to why they didn't bother rating these folks? Are there any assumptions that we can make on that situation? Thank you.

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. It did come to our notice during the audit that one of the district offices that we visited did not apply a point rating system in order to determine the relative priority of people to receive this assistance — which is against, of course, the Corporation's policies and procedures — and they were allocating assistance on a first-come, first-served basis.

**Mr. Hawkins:** Mr. Chair, just speaking as an overview, I do want to highlight paragraph 29. It talks about audit reports. These are questions being drawn out of your opening statement rather than me following along the normal steps, which we will in a few minutes.

One of the things that I'm noticing you've highlighted is how we come out with audit reports on individual LHOs, and how we'll find anomalies within the system, and it's not being addressed.

As I understand it, all 23 did submit — I should be careful how I say this — a base audit report, although they weren't officially reconciled through the normal process, so I think eight of them were draft audit reports, so they weren't even official.

Out of that, there seems to be some confusion, on my part, as to what they actually do with these audit reports and how they weigh them and justify the shortcomings as well as the successes.

As a sidebar, some of the problems may be associated with, or highlighted as, timing, as in it's difficult to get auditors to go through the process to review the LHOs, but — and this is the sidebar I was talking about — we have local non-government organizations that aren't government-empowered quite the same way but that seem to manage and follow through with these requirements.

Have you made any observations as to where these audit reports are going that can substantiate how they're being used and how they're being followed up on?

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. We didn't get into a lot of audit around how those statements were being used, but certainly, what we were pointing out in our report are two elements.

One is that several of the LHOs — slightly more than half; 12 out of the 23 — had accumulated deficits, and they're supposed to run on a basis that they cover their costs. So it's important that there be an action plan, a remedial action plan, put in place to eliminate that deficit and to try to avoid it increasing. We only saw that kind of detailed plan for one of the LHOs, and it should be done for all of them.

Another element that we bring up is that there is a great variation in the costs per unit in the different LHOs, which is understandable, but again, one would expect that that analysis would be done and that comparison done between them, and that there would be good explanations as to why there is such a wide variance to make sure that they're being run as cost-efficiently as possible.

**Mr. Hawkins:** Thank you. Just in response to your answer, would you consider it a normal action plan — when you have some type of variance, whether a deficit situation — a normal policy and procedure to have a strategy to follow up on how to

deal with that? To your knowledge, is that type of policy and procedure within the Housing Corp now, to deal with that type of problem?

**Auditor General of Canada (Sheila Fraser):** Yes, absolutely, there should be a plan as to how to deal with the deficit that has been accrued and, perhaps even more importantly, how to avoid increasing it going forward. The Corporation states that it will assist the LHOs in developing that plan, but we only saw, as I mentioned, one plan out of the 12 that were in a deficit position. Thank you.

**Mr. Abernethy:** Mr. Chair, are we doing the section-by-section process now, or are we asking questions in general?

**Chairman (Mr. Menicoche):** For ease of the deliberations, yes, we should go through it section by section. In this case, it will be sections 14 to 18.

**Mr. Abernethy:** Mr. Chair, the first section that we're looking at is "Monitoring of local housing organizations' (LHOs) allocations of public housing units."

I have some questions on this. You indicated that there were 21 applications not properly rated. I'm trying to get a sense of your findings. Of the five LHOs you visited, were these 21 primarily in one area, or were they spread out over the five? Was one much higher than the others, and were others lower?

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. Of the five, we found one LHO where we found no discrepancies in the way they were assessing and allocating the housing.

In the other four, there were differences, or anomalies, found in all four of them. I would say two were probably more problematic than the other two. There were four out of the five that did have difficulties with the assessment process.

**Mr. Abernethy:** Thank you. In the four where there were problems, did you find that the LHOs were not writing the applications properly? Were they aware of the existing policies and procedures? Did they know how to fill them out properly? Or was it a lack of training?

**Auditor General of Canada (Sheila Fraser):** Our impression is that they were aware of the policies and procedures. Some, though, they were simply not point-rating, which is the fundamental process for the allocation of public housing, so if you don't do that point rating, it's very difficult to be able to justify the decisions.

In other cases, where there were priorities, for example, given to certain applicants over others, there may be very valid explanations for that, but it simply wasn't documented in the files. It could be simply a question of documentation, but because we didn't have that explanation and didn't receive it from the people who were there, it's difficult to understand why that occurred.

**Mr. Hawkins:** Thank you. In section 13 we look at some of the details where it talks about the Corporation responsible for regularly monitoring and assessing LHOs. In the Auditor General's opening comments, she talked about — if I may use my own

terminology — what we call a principal mandate of the Corporation, which is that we need adequate and suitable housing, safe and secure housing.

When I look at section 13, I'm curious. From the point of view of the Auditor General, do you see the Corporation meeting that type of mandate, which I would describe as their principal mandate, such as adequate, safe and secure housing?

**Auditor General of Canada (Sheila Fraser):** Thank you, Mr. Chair. Certainly, we note that there are improvements that are needed in the monitoring of the allocation of housing as well as in the monitoring of the condition of the housing, which I believe we'll get to in the next section.

There is inadequate monitoring of the condition of the housing, and until the Corporation has more assurance around the actual condition, we can't say that it is meeting that responsibility.

**Mr. Hawkins:** Very good. Mr. Abernethy was leading to another area, and maybe I'll just ask it in this way. Did you find that people were not following the policies and procedures on purpose, or was it a lackadaisical approach, as in it has become the culture within the system to just apply their principles of doing business in their own discretionary way? Or did you find another type of result when trying to deal with this problem?

**Auditor General of Canada (Sheila Fraser):** It is difficult for us, in our audits, to try to get at motivations of why things occur. We did not see any indication that things were purposely not being done in accordance with policies and procedures. As I mentioned earlier, it could simply be a question of just not documenting why exceptions were being made.

But again, we did see certain areas where the point rating system was not being used, and so, fundamentally, that is an issue with the whole allocation process.

**Mr. Hawkins:** Thank you. Going to section 17, where we talked about no provision for an independent appeal for applicants, I know that's an area that is near and dear to our Chair in this particular case, because this is an issue that has surfaced over the last four years as we have been in government.

It's nice to see a recognition that there is a problem there, a process problem. Would you see this as critical to delivery of fair application of housing to people, to have an independent appeal process? Do you see that as a fair element, or a reasonable element, to be incorporated in the system?

**Auditor General of Canada (Sheila Fraser):** Mr. Chair, yes, we believe that the Corporation should seriously consider having some kind of independent appeal process, especially given some of the anomalies that we found in the audit.

It is important, as I mentioned in my opening statement, that the process be fair but, perhaps even more important, that it be perceived to be fair, and that people do have a mechanism that is independent, where they can have that appeal procedure.

**Ms. Bisaro:** Thank you, Mr. Chair. I was also going to refer to paragraph 17 and the appeal.

You state in the paragraph that you encourage the Corporation to consider implementing a process, and you've just said that you think it's very important. But it wasn't part of the recommendation; so therefore, there was no response from the Corporation on that. I'm wondering if there was a reason that you left it out of the recommendation.

**Auditor General of Canada (Sheila Fraser):** There was no particular reason, Mr. Chair. My colleague was just mentioning that in their "Framework for Action," they do indicate that this is one of the action items they are going to do, so they certainly could have indicated this to us during the time of the audit, because it was in the action plan. That would be why.

**Chairman (Mr. Menicoche):** Are there any more questions with regard to sections 14 to 18, committee members?

If there are none, we will move on to the next section, which is paragraphs 19 to 25: "The Corporation does not adequately monitor LHOs' inspections of public housing units and rating of condition."

**Mr. Abernethy:** Thank you, Mr. Chair. This question is going to sound a lot like my last question.

You have indicated that 41 units, or 64 per cent, didn't have the up-to-date condition reports. Once again, did you find that where these reports were missing, they were centred more in one area, or were they spread out fairly evenly over the five LHOs that you visited?

**Auditor General of Canada (Sheila Fraser):** I would just make sure, Mr. Chair that 41 out of 64 did have an up-to-date condition rating. Mr. Taylor, for the other ones, were they across all of them?

I'll just ask Mr. Taylor to respond as to whether the missing ones were general, across all of the LHOs, or if this happened in specific LHOs.

**Mr. Taylor:** It only relates to....

**Chairman (Mr. Menicoche):** Excuse me. Thank you, Ms. Fraser.

Mr. Taylor?

**Mr. Taylor:** Yes, sorry.

The 23 relate to the five LHOs that we visited, and it was general across. Even the one LHO that didn't have any anomalies to start with dropped the ball on this one.

**Chairman (Mr. Menicoche):** Thank you very much, Mr. Taylor. Just a reminder: we are being recorded and transcribed.

**Mr. Hawkins:** Thank you, Mr. Chair. A couple of areas.

We noted in your report — I'll just speak briefly before I point to a specific paragraph — that you highlighted the area of the Maintenance Management program. There is a basis, a formula, on how they should be doing these things and inputting them into the system. So there is recognition that we have a system, a procedure, if I may call it that — not a policy, at this point; a procedure — to input concerns and then deal with them. We notice that is not being done.

You highlighted an area in section 21, where you talked about legal liability in the sense of a health and safety issue. So back to what I described as the principal mandate: that the Housing Corp is to provide safe, secure, adequate housing. Have you seen this as a problem, or do you see the Housing Corp really in major jeopardy here, that we have a liability on our hands if we're not maintaining these houses properly? You do specifically note that health liability is a significant issue. Do you see that as a problem, and in what type of circumstances do you think they could be in trouble?

**Auditor General of Canada (Sheila Fraser):** We are pointing out here that the Corporation could be at risk of liability if it does not know the condition of the housing and is not maintaining them to an acceptable level.

The difficulty here is that the information is not up to date, and they also are not doing any kind of check on the assessments that the LHOs are providing to them. As we mentioned, one LHO had rated all the housing at the same state, which, to an auditor, of course, casts doubt that there has actually been some thought given to the assessment of each individual one.

We would certainly encourage the Corporation to make sure that the information is up to date, and then to do random checks on the housing stock, because ultimately, they still assume the responsibility for the condition of that housing stock.

**Mr. Hawkins:** Mr. Chair, the Auditor General stole my next question, or she saw it coming.

Laughter.

**Mr. Hawkins:** A very sharp lady, obviously. I may ask this question in every section, so my apologies for the repetition, but I'm going to say that in advance. It's important to get this issue on record at each stage of the game as we proceed through this report.

When we talk about adequate inspection or maintenance of housing, in your opinion, would you say there are fair and reasonable policies to make sure this happens? Furthermore, would you say they're following policies and procedures if they have them in place?

**Auditor General of Canada (Sheila Fraser):** I would say that generally the Corporation has in place policies and procedures, which are adequate. There can always be improvements made to them, but they do have policies and procedures in place.

The main issue comes back to the monitoring. Because they have given a lot of the operational responsibility to the LHOs, they have to ensure that those LHOs are respecting the policies and procedures. So they need to be doing much more rigorous monitoring analyses and independent spot-checks to make sure the information they're receiving is accurate and that the LHOs are conducting business as they should.

**Mr. Hawkins:** Thank you for that. In section 23 you talk about “the Corporation does not monitor the condition of its public housing on a regular basis.” Would you consider that a critical element of their mandate — again, in my words, what I would call their principle mandate?

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. Yes, very much. The Housing Corporation should ensure the stock is being maintained properly, for a number of reasons. We've talked about the risk of liability, but also for maintenance costs, and I think we all know that if you defer maintenance, it only ends up becoming much more expensive down the road.

And to do budgeting for the next year, if they have a good understanding of the condition of the housing, they will be able to carry out a maintenance program and provide the necessary funding, or at least be aware of what funding is required.

And it goes back, again, to the stewardship of a public asset that these houses be well maintained.

**Mr. Abernethy:** Thank you, Mr. Chair. Specifically to paragraph 22, the audit indicates that “the LHOs are expected to allocate the funds according to the needs identified in the annual property inspection and condition rating process.”

They're only doing 64 per cent of those reviews or those inspections. Did you get a sense as to how they're allocating their funds, if they're only doing two-thirds of the inspections?

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. No, again, we didn't audit the LHOs. We are not the auditors, so we didn't go into that level of detail. But we would certainly have expected the Corporation to know, and that they would get through the condition assessments, the various reports that they should be receiving. They should be able to know, as well, how the funds are being allocated by the LHOs.

**Mr. Abernethy:** Thank you, Mr. Chair. Did you get a sense that they did know why or how those dollars are being allocated — the Housing Corp in particular?

**Auditor General of Canada (Sheila Fraser):** No, we did not get a sense that the Housing Corporation knew how the funds were being allocated.

**Ms. Bisaro:** Mr. Chair, my question relates to the Maintenance Management Operations System, the MMOS. It's mentioned in paragraph 23 and then again in the recommendation.

Apparently, some LHOs do not have access to the MMOS. It's used to report on repair and maintenance activities. The recommendation is that all LHOs should have

access, and management's response talks about doing a review of this particular system.

My question is whether or not you were able to determine that this is a good system, that it is doing what it's supposed to do, and that it provides information on which houses are or are not being maintained properly and what maintenance is required, et cetera.

**Auditor General of Canada (Sheila Fraser):** Again, we wouldn't have gone into a detailed analysis of that particular system, but it is a system that the Corporation has been using, and certainly, if it's the system that they have opted to use to do the maintenance monitoring and review, then certainly all of the LHOs should be providing information through it. That was the basis of our recommendation.

Again, we did not go into a very long discussion with the Corporation as to why they were considering this review, and that might be something committee members might want to bring up with the Corporation later on in the hearing.

**Mr. Beaulieu:** Thank you. In the same clause, No. 23, there is an indication from your audit that not all LHOs had access to the MMOS. Why did they not have access? What indications were there?

**Auditor General of Canada (Sheila Fraser):** Mr. Chair, I'll ask Mr. Taylor to respond to that question.

**Mr. Taylor:** We based that on one of the five that we went to, which definitely did not have access to it. I think it was a technical problem. That's how I understood it. Their system wasn't set up to work with the MMOS. We learned later that other LHOs similarly didn't have access to that. Maybe that's one of the reasons.

As the Auditor General said, we don't know why they're considering the review, and that would be a good question to ask them, because that was the first we learned about that — in the response.

**Mr. Beaulieu:** Was there any indication that that particular LHO which did not have access to the operating system had something manual with which to conduct their budgets?

**Mr. Taylor:** They were still providing some information to the district offices, but generally, what we found was that the district office wasn't that interested, for some reason, in getting the information on the maintenance that was being carried out. I found that out by talking to some of the maintenance managers at the LHOs. They had asked the district office, and the district office didn't seem to be that interested in receiving it, for whatever reason. We didn't establish the reason for that.

**Mr. Hawkins:** If we put this together — that is, we have the maintenance management system in the various forms — and then it sounds like we have the paper form, whereas if you don't have access to the fancy computer program you have some type of system.... I'm going to refer to section 22 in a second, as that's where my question is going to go. But if we flip to page 23, we note that of 41 units, 64 per cent are doing what we'll call observations in the sense of maintenance

management. But then you highlighted 24 where you say two communities basically gave blanket grading to their units. So it's really not that 64 per cent of the housing units have been properly assessed just because that anomaly has surfaced. Whether that's a factor or not, we don't know. Again, we're going on best-case scenario.

Now back to paragraph 22. Because the funding is based on these types of principles going through, we need to know what's wrong, because we have to allocate funding appropriately. Then we have to furthermore demonstrate that the funding we felt appropriate is being used appropriately.

Do you feel at any time that the Housing Corporation as a corporate entity is aware that the regional districts and LHOs weren't following on this process? That they were sort of creating their own formulas of maintenance and follow-up and demonstrating that sort of in a willy-nilly sense that had no justification or firm package they could demonstrate and that they were doing this, linking it to any type of policy and procedures?

**Auditor General of Canada (Sheila Fraser):** Mr. Chairman, certainly the Corporation would have been aware that certain of the LHOs did not have access to their system. They would also have been aware that not all of the ratings were up to date. That was kind of obvious.

And even when they produced this report that's mentioned in paragraph 24 in October of '06, this was the first report on the condition of the entire housing stock, but again it didn't indicate when those evaluations were actually done, so some of them could be quite old.

I think what's important in this, as well, is that the Corporation really needs this information about the condition in order to know what the maintenance costs will be. They are currently allocating it on a kind of a formula using a fixed amount per unit. But one could question if that is appropriate going forward. I mean, depending on the age of certain units in various communities, maybe with the deferred maintenance that has occurred up until now, some may need more funds to do maintenance in other communities. So will this fixed formula continue to be appropriate going forward?

That's why it's really important that they have a good assessment of the condition and a good assessment of the maintenance that's required for the various units in order to know what the future call on funds is going to be going forward. They really need to get this information up to date. And they should also be doing spot-checks. As you pointed out, too, two communities gave them all the same rating. The Corporation itself should be doing spot-checks to make sure that the condition ratings are accurate.

**Mr. Hawkins:** Thank you. I won't put the Auditor General on the spot by saying an absolute yes or no, but I'd like some thoughts in a situation. We have a system where we don't know where maintenance money is really going because we don't know in the context of whether it is being applied reasonably to houses that we should be maintaining. It doesn't sound like we have absolutes in this particular case, where we

know we have housing stock in a particular community, and we know the quality of that housing stock.

Although it doesn't say it there and it doesn't necessarily mean that anything's wrong, it doesn't look like there's a demonstration of that money based on a fixed formula that's going to adequately fund and maintain this housing. So inevitably we continue to draw out questions where we wonder how this money is being used. Of course, there's no suggestion that it isn't being used properly, yet it causes you to wonder where the money is going.

If they're not complaining that they don't have enough that tells me they must be maintaining something. And if they're not complaining that they have too much, it tells me the money is going somewhere.

Can the Auditor General maybe draw some experienced conclusions? Either some appropriateness of how the money potentially is being spent, or whether she feels it's being spent properly or not.

**Auditor General of Canada (Sheila Fraser):** I guess the real assurance that the Corporation will get is the audited financial statements of the LHOs. From those financial statements they will be able to see where the funds are being expended, so they will know how much has been spent on maintenance.

The issue, I think, is not how much has been spent on maintenance, but is that the appropriate amount, and is the housing stock being kept in an adequate condition? And are certain LHOs, in order to make sure that they are not running into deficits, perhaps not spending the money that would be required, for example, hypothetically, to keep houses in an adequate condition? The Corporation won't really know that unless they get these really good assessments done and they're able to make sure that the houses are being kept up to the standard that they expect.

**Mr. Hawkins:** Thank you. It's quite obvious that the Auditor General's office is more than competent in this area to realize that you can defer maintenance costs and play with that money to make sure the books balance, but the fact is there's no relevance here that demonstrates exactly how the money is spent, other than, of course, the statements.

But as we've concluded earlier, not all of them are audited. Are we deferring maintenance to balance books? We don't know. It doesn't sound like — although this is probably a question for the president — we know exactly how the money's being spent, where it's needed most on particular houses and that type of formula. So a lot of conclusions — or sorry, a lot of assumptions — have to be drawn out of this, and in all fairness it's difficult to put a finger on a particular problem.

**Chairman (Mr. Menicoche):** Thank you, Mr. Hawkins. That's more of a comment. I think we've finished this section, 19 to 25.

The next one is on page 9, and the next section is: "The Corporation needs to improve its monitoring of the LHO financial reporting against plans and assist those

LHOs that have accumulated deficits,” page 26 to 30, I believe. Any questions on that, committee?

**Ms. Bisaro:** Thank you, Mr. Chairman. We were just talking about audited statements and paragraph 27 or item 27. The last sentence references the requirement for LHOs to annually provide the Corporation with a copy of audited financial statements. I don't know if I missed it or if it's not here, but the recommendation mentions receiving financial statements on a timely basis. So does that suggest that the LHOs are not submitting audited financial statements as they should?

**Auditor General of Canada (Sheila Fraser):** Yes, in paragraph 29 we indicate that of the 23 LHOs, 15 had provided audited financial statements at the time of our audit, which would have been about six months after the year end. Some of the others were still in what we call draft form; they hadn't been finalized. But there would be an expectation that within about six months or so from the end of the year-end, they should be completed.

**Mr. Jacobson:** Did the audit finding show any district or community-sized trends in which the LHOs did not file audited financial statements in time?

**Auditor General of Canada (Sheila Fraser):** No, this was not indicative of size of community. It was generally across the 23 LHOs.

**Chairman (Mr. Menicoche):** Any more questions from committee on the section? There being none, we'll move on to page 10 and 12, the need to improve the collection of rents by the LHOs. Questions, committee?

**Mr. Beaulieu:** Thank you, Mr. Chairman. Did the auditors find any trends that could explain the steep increase of assessed rents from one year to the next?

**Auditor General of Canada (Sheila Fraser):** Again, we didn't go into that kind of analysis, but there was certainly no explanation given to us for that sort of assessment, other than probably just economic conditions in certain communities. Perhaps more people working at higher rates of pay. Again, that would be, I think, an appropriate question that the Corporation should be able to provide to you.

**Mr. Abernethy:** Thank you, Mr. Chairman. Did the findings in this section produce any sort of indicators that could explain the non-payment of rents? Things like size of the community, remoteness of the community, the ratio between public housing and privately owned housing, any of those types of things that would indicate why rents aren't being paid?

**Auditor General of Canada (Sheila Fraser):** Thank you, Mr. Chairman. Again, we don't get into that kind of analysis when we do these audits. We would have expected the Corporation to have that sort of information. So we can't, unfortunately, really provide an answer to you.

I would say, though, that I don't think we saw anything that would be indicative of size of community, particularly when we looked at trends and where collection rates had been quite high in some communities and then within a year had dropped off quite

significantly. There could be very valid reasons for that, but we would have expected the Housing Corporation to have been able to provide that. That's the sort of analysis that we think they should be doing in order to provide assistance, as well, to these LHOs to improve the collection of rents.

**Mr. Jacobson:** Ms. Fraser, do the audit findings allow any conclusion that the increase of assessed rents is coinciding with the ECE being tasked in calculating rental subsidies?

**Auditor General of Canada (Sheila Fraser):** We didn't see any correlation between the ECE taking that responsibility and the increase in the assessed rates.

**Mr. Hawkins:** Thank you. As promised I would ask this question quite regularly, which is, in your point of view from the information that's been provided, obviously, we note that I believe the policy is they're expected to collect 90 per cent of their assessed rental rate from the tenants. Rental money, that is. Is it a clear-cut policy that they have to collect that at 90 per cent, or is it more the spirit of the performance that they wish to have as an outcome? Is the 90 per cent based on anything, or is it written as an absolute?

**Auditor General of Canada (Sheila Fraser):** Thank you, Mr. Chairman. I don't believe that it's an absolute fixed requirement in the sense that it's written in any legislation or anything like that. It is, though, the basis for the funding model. So the Corporation allows, in the funding, uncollectable rent of 10 per cent. Well, if the uncollectable rent is actually much higher, that could be one of the reasons why 12 of the LHOs are in deficit positions. Of course, if that trend increases over time, it's going to put more pressure on the Housing Corporation to provide more funding to the LHOs. So it really does come down to a question of funding.

I'm just being told that it is specified in the agreements between the Corporation and the LHOs.

**Mr. Hawkins:** Thank you for that answer. Mr. Chairman, an obvious question: in the Auditor General's opinion, do you see that this is clearly something that the Housing Corporation has been well aware of and would be well aware of for some time?

**Auditor General of Canada (Sheila Fraser):** Yes, my expectation would be that the Corporation would be very aware of this. And certainly, I would expect that it is one of the reasons why some of the LHOs are in deficit positions. They should be working with the LHOs to include that collection rate. Because you have to remember that the rates after the subsidy are set based on what people should be able to pay. So there should be a much higher collection rate than some that we have seen, which are actually very, very low.

**Mr. Hawkins:** Thank you. I appreciate that answer. Then it begs the following: is there any demonstration of how they were trying to curtail this sort of lenient process? Any demonstration that they were trying to fix the fact that they weren't achieving their 90 per cent rental payments? Because as you've highlighted, if they don't achieve 90 per cent, it does affect their base funding, which obviously starts to trickle down to

other problems. Was there any demonstration on the Corporation's part to try to create corrective action?

**Auditor General of Canada (Sheila Fraser):** We didn't get into the kinds of actions and things that the LHOs and the Corporation would do to collect on these things. The Corporation has certainly had a number of initiatives, I believe, over the years to try to improve this. It is well aware of the problem and again has it in their "Framework for Action." So that might be something that the committee might wish to explore with the Corporation.

**Mr. Hawkins:** Thank you. Did the Corporation have any way to explain this maybe? I think we highlighted, you had said earlier, that you would consider this certainly within their purview of understanding — that this has been going on. Did they have any comment as to why they've allowed it to go in this way? Because this is obviously....

They would have seen your results, and they would have had a chance, I think, as you pointed out, to comment as in whether they believe the results you've brought forward are correct or not correct. Did they have any way of either acknowledging or explaining it? Or is it just sort of, "Yeah, that's right; this is just the way we're doing business." I guess I'm looking for any comment from them.

**Auditor General of Canada (Sheila Fraser):** Certainly the Corporation agreed with the facts as we have presented them in the audit report. It is clear to us, as well; that they acknowledge that there's a problem here, an issue that needs to be addressed. They have certainly indicated that they will be working with the LHOs to try to improve the collection percentages.

I presume again that the actions would have to be specific to the various LHOs because of the conditions within the various communities. Again, they have indicated, as an item, that they are trying to improve their "Framework for Action". So I think that would be more of a discussion to be had with the Corporation.

**Mr. Hawkins:** Thank you. Just one last one. Your thoughts on this are probably very critical, but one would think that you'd have policies and procedures on how to deal with the situation. I'm not going to give anyone an excuse by saying that you have good years and bad years, but that's a reality of life. There are some good phases and maybe some community has hit it a little rough because of some issues. Maybe a lot of people couldn't make rent that year due to circumstances that seem relatively natural.

So recognizing that there are going to be some good years and bad years, which is fair, would you think, in your opinion, or have you demonstrated that any policy exists to sort of take a hold of this problem if it surfaces and when it surfaces to make sure it's done in a timely way?

**Auditor General of Canada (Sheila Fraser):** I don't know that we've seen any specific policy on that. I think we certainly go back to the question of certain of the LHOs being in a deficit position. The Corporation has indicated that it works with the LHOs to try to have an action plan to get them out of a deficit position or at least to eliminate the deficit going forward. So it would have to be part of that broader plan for

financial recovery within the LHOs. Other than that, I'm not aware of any, but the Corporation could certainly address that question more specifically.

**Chairman (Mr. Menicoche):** Okay. With that, there are no more questions from committee on this section. We'll move to page 12: "The Corporation needs to establish and implement a strategy for monitoring and assessing LHO operations." Are there any questions from committee members?

If there are none, then we'll move on to the next section. Page 13: "Evaluation of home ownership programs is not performed on a regular basis." That's sections 40 to 44.

**Mr. Hawkins:** Thank you, Mr. Chairman. I was just reading my notes when we flipped the page. One of the things that is highlighted consistently is the management's response, whereas the Corporation is very agreeable to the recommendations.

One of the things I see is the fact that highlighted in this latest, following recommendation 39, is the management's response where they describe the LHO as their partner. But I don't see it as a partner. It's my view that they've offloaded responsibility, and they're able to sort of point the finger: "Well, oops, maybe the ball was dropped." Would you see this as a partnership of joint responsibility? Yes, the LHO may have to be implementing the management of audit reports, as in making sure that they deliver them on time, making sure that they do the maintenance programming. Would you see this as more of a contractual relationship as opposed to...? Because they're trying to describe it as a partner, as in "We're friends and we work together." But yet someone has to take ultimate responsibility for not following policies and procedures.

One of their lines, although they highlight it quite regularly in their responses, is "We'll develop a training work plan." It sounds like they want to find a way to make sure the LHOs take responsibility for this. Is there any demonstration that the Housing Corporation is taking responsibility other than providing motherhood statements such as "We agree, and this is how we're going to deal with it?" Is there any demonstration that they're going to take actual, real responsibility and implement an action plan?

**Auditor General of Canada (Sheila Fraser):** Just on the first part of the question, certainly the Corporation keeps the ultimate responsibility for the delivery of the programs and to ensure that they are being delivered in accordance with their policies and procedures. So they need to put in place mechanisms to monitor the LHOs. The LHOs, by signing these agreements, of course, take on certain responsibilities as well that they're committing to fulfilling.

In the question of the action plan, the Corporation has indicated to us that their "Framework for Action" will deal with most of the recommendations that we have made in the report. We would generally expect to see a specific action plan that would lay out what the Corporation expects to do to address the issues that have been raised by the audit, the timelines for that, who is responsible, and sometimes a question of resourcing as well, where they may want to give an indication of what these actions will cost. While there is some detail within the "Framework for Action",

the committee might want to ask the Corporation to be more specific and to more clearly indicate what actions within the “Framework for Action” specifically address each one of the recommendations and perhaps some of the resource requirements.

While training is important to make sure that the people understand the policies and procedures that they are supposed to be implementing, it’s also very important that the Corporation put in place a way to assure themselves that people are doing this. We mentioned in paragraph 38 that there was an internal audit function and that it had completed audits on 19 LHOs, but we also indicate that there’s no formal process to follow up on issues that are identified. That’s really important. It’s one thing to note where an improvement is necessary, but you also have to make sure that it’s actually being addressed. So they need to put in some follow-up mechanism to make sure that the LHOs are actually addressing the issues that are coming up in the internal audits.

**Mr. Hawkins:** Thank you for that. You’re right. I did read section 38, which talked about.... It seems like they were making sure that they balanced their books, in my point of view, as opposed to demonstrating checks and balances for the system at large.

You actually took away my next question, which was about the “Framework for Action,” which is expectations you consider normal. If I may highlight them, only just because it is a point of record, you were demonstrating, basically: “Where is the money? Show us you want to do this in a timely way and create a process that can be effective in the sense of effectively responding to those demands and elements.” Seeing how you took my other question, I guess I’m done on this section.

**Chairman (Mr. Menicoche):** Thank you very much. Any more questions on this section? Committee will move on to page 14-15. Ms. Bisaro.

**Ms. Bisaro:** Thank you, Mr. Chairman. I’m sorry, I thought Mr. Hawkins had gone back to the previous section. I do have a question relative to number 44

The recommendation states that the Corporation should evaluate its programs on a regular basis. I just wondered if I could get an explanation of what that time frame is when you suggest a regular basis. Are we talking annually, six months, five years? Just a ballpark. Thank you.

**Auditor General of Canada (Sheila Fraser):** Certainly not six months. Not even annually. Usually every, probably, no longer than five years if a program has been in place and hasn’t had significant changes. If a program has changed, then of course you would have to test how well those changes are contributing to achieving the goals. Usually you need to have a certain length of time, as well, to be able to assess the performance of a program. So no more than five years, but five years is probably reasonable.

**Mr. Hawkins:** I wish to highlight the same section under 44. The Housing Corporation seems quite proud that they re-evaluated a bunch of their systems. From the accordion approach — I like to use the accordion analogy — sometimes we have lots of programs, sometimes we have few programs, and sometimes we squish them

together back and forth. We get different outcomes and it makes squeaking noises if it doesn't work properly. One of the things you highlight, of course, is the evaluation of this. I see that the latest buzz word is that we call it "housing choices," and that's the name of what we call this now under our home ownership programs.

I guess one of the questions I would have.... Maybe before I put my question to you, are we doing what we intended to? Sometimes that's exactly why we have policies and procedures: to make sure that we're following it. Your job is not necessarily to say the policy is a good one in the sense that we agree with it or disagree with it, but your job, as everyone here knows, is if you have a rule are you following your rule. Not my rule; your rule. So are they demonstrating that they are even looking at this situation at all to make sure that they are really achieving what they proscribe that they would?

**Auditor General of Canada (Sheila Fraser):** As we mentioned in the report, in 2005 they did a review, but I'm not sure that they actually did an evaluation at that point. They have changed the programs several times over the years. So it's important that there be an evaluation done to know if the program is actually achieving the objectives, and you can really only do that by doing an evaluation. I think we would get a sense that because the program has been changing, there's some sense that they don't feel that it's perhaps achieving its objectives. You really need to do that detailed evaluation on some sort of regular basis to actually know and to know if the changes that have been made are helping or not.

**Mr. Hawkins:** Thank you.

Back to my accordion analogy. You can change the name all you want, but of course my question isn't specific to you but in a sense pointed at you. The fact is the principles of the program should still exist, and we describe it as a home ownership program. So if we called it by any other name, it's still a relative home ownership program.

I would say from my point of view, I would still think that the principles would still exist and the principles of why we'd evaluate the objectives of the policy and the program would still exist. So even if we augmented it by giving it a brand new name and maybe polishing it up a little bit, again, are we achieving the objectives? The challenge really exists. Changing the name doesn't change the intent. Probably more of comment, Mr. Chairman.

**Chairman (Mr. Menicoche):** Thank you very much, Mr. Hawkins. Moving on to the next section on page 14: "The Corporation needs to improve the collection of its mortgage receivables." Mr. Abernethy.

**Mr. Abernethy:** Thank you, Mr. Chairman. In bullet number 46 you indicate that 81 per cent of the mortgages were in arrears. This is quite high. Pretty surprising. Did you or did the auditors find any evidence that it could explain the low collection rate on these mortgages?

**Auditor General of Canada (Sheila Fraser):** Not really, Mr. Chairman. Again, people are not paying. I don't know that we saw any sort of analysis either as to why. We didn't really go into probing that a lot. But the non-collection rate is very high.

**Mr. Abernethy:** You might not be able to answer this one. This one might be one that we should take to the Housing Corporation. Was there any indication that the mortgages are systematically granted? Like, is the program designed or are there flaws in the program that would grant two households that would not have the means to actually pay? Are we setting people up for failure through these programs?

**Auditor General of Canada (Sheila Fraser):** No. You'll see in the next section, when we get into the applications, when we tested people who had received assistance under this program, they all qualified. We saw no indication that people who should not have been receiving mortgage assistance were doing so.

There is a very large subsidy that brings the amount that people actually have to pay to a level that is deemed appropriate for them. So again, these people should be able to pay.

**Mr. Hawkins:** Thank you. As I warned our Auditor General yesterday, I'm going to talk about section 47. My warning was that I described it as yet again we're going through the Alaskan housing boondoggle. The last report, the "Report on Other Matters," highlighted the issue that the Housing Corp was selling houses to Alaska without a contract and couldn't figure out why they wouldn't pay, and we were on the hook for that. Furthermore, we were on the hook for bringing them back to the Territories, and I think they're still sitting in a community in crates, which begs the question: did they not learn the first time?

In this particular case, we see under section 47 that the Corporation is giving out mortgages to houses, or new homeowners, but we don't have it on a fee-simple title, so therefore, the Housing Corporation isn't in a position that we could go collect them if they go bad. We have demonstration, in the paragraph in section 46, that we're not getting regular payment, although it doesn't highlight which houses, but it begs to assume that in some cases, some of these houses must fall into that gap area.

Would you think it would be reasonable that we would have some type of contract or policy to make sure that if the client decides not to pay, we would be able to recover that in some type of method? Would you not consider it reasonable that land tenure would not be an element of that type of situation?

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. I certainly think that's an issue that's worth pursuing with the Corporation. It comes very close to a policy decision, given the fact that so much of the land in the Territory is federal land, and this is really what we're talking about — that they're not able to have title on federal land, or even, I understand, to get long-term leases on federal land, which makes it very difficult to get the kind of title that you usually have with a mortgage.

Again, I think that's a question for the Corporation to assess: do they stop doing this? That would mean that you could only have rental property in many of the communities, and you would not be able to have home ownership programs.

That's very much a policy question and, I think, better explored with the Corporation itself.

**Mr. Hawkins:** Thank you. On that note, although it's not for lengthy discussion today, the fact is if they wanted a policy that provided housing on land we didn't own but it was consensual in the sense that Indian and Northern Affairs land allowed housing to be there, but it was the policy to provide housing, it didn't really matter if there's mechanism, a process. That's fine, and well intended — again, built around the structure of a policy — because we would know there is inherent risk, knowing that we don't have the fee-simple title to go back to.

The fact is, it looks like mortgages are being justified on the basis of the person, regardless of where the house may show up, and we don't have anything to go back to do that — to take back, that is, if the mortgage goes bad.

My question to you is: was there any way, in the review, to demonstrate how they could justify giving out mortgages on land that the client didn't have ownership to?

**Auditor General of Canada (Sheila Fraser):** Certainly, the Corporation has identified this as one of the major risks in their business plan. As you will see later on when we get to that section, we're saying they have to be clear about what are some of the mitigation aspects that they can take to deal with this.

Other than that, the mortgages are largely based upon the individual's capability of paying, and so, it would seem to me — at least, from what we've seen so far in this audit — to be the major factor in that. I presume that looking at security is also considered, but it really does seem to be the ability to pay that will determine whether people qualify, and then at what level they have to pay.

**Mr. Hawkins:** Thank you. I should demonstrate clearly, on the record, that if it's achieving a need.... Because we talked about the core need at 30 per cent within the communities. If it's achieving and solving a potential problem, I'm okay with that. If we can demonstrate how we can create a process that's fair and equitable as well as safe.... Manageable risk is risk that's well thought out, and it has checks and balances. That may mean that's a good housing policy to do that in particular communities, whereas the band, or the self-governing organization, has potential future control, and that's okay. But it just doesn't seem as if there is a plan attached to the risk, as in how they manage it.

That now leads me to paragraph 48, where we talk about "Home refinancing options." One issue that causes me some concern is which land is being highlighted through refinancing. If we're refinancing housing that is on land that they don't own, are they fooling us twice on the situation, and are we also in a situation where we've created an inflated price or an unrealistic price for the value of a house? What the United States is going forward with is the fact that the house mortgage is worth way more than the house will ever be worth. Are we putting people in a horrible predicament, such that they'll never be able to pay these mortgages, but we're just trying to create a better contract, and we'll do anything to get them to sign another deal? I'm worried about what we're putting people through.

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. I would suggest that those are questions to be addressed to the Corporation, but I'd just remind members that of course, there is a very significant subsidy for all of these mortgages. Roughly two-thirds of the total mortgage is subsidized, so the ability to pay is certainly taken very much into consideration by the Housing Corporation.

**Chairman (Mr. Menicoche):** Let me just remind members that we have a bit of a time constraint here, and perhaps we can ask the questions instead of having a preamble.

**Mr. Beaulieu:** Thank you, Mr. Chair. This might sound exactly like Mr. Hawkins question. Was there any indication at the allocation stage that there was a flaw in the evaluation that caused the mortgagees to go into arrears immediately?

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. No, I don't believe we saw any flaws in the evaluation process that would have indicated people would immediately be in arrears. That was not the case.

**Mr. Beaulieu:** Thank you. My question is: did the auditors have any indication of the actual cost — in these communities where you were evaluating mortgages — that would have given you the feeling that there were no flaws in the original evaluation of the mortgages prior to allocation?

**Auditor General of Canada (Sheila Fraser):** What we did in assessing the evaluation process was to look at the Corporation's own policies and procedures and whether they following those policies and procedures. The net amount that someone is required to pay is based on the capacity to pay.

There's an upper limit of revenue that should go to housing and then, based upon the income that they're declaring, we would have checked that the mortgage payment that they ultimately had to pay was in compliance with that. We didn't see any problems with that aspect.

**Mr. Beaulieu:** I'm curious about this evaluation, because it seems to be pretty well standard across the board that almost all mortgages go into arrears immediately. One of the problems with non-subsidized mortgages across this country, and across other countries, has been the sharp increase in costs of operation of the household. I'm wondering if the indications, or the assumptions, used to arrive at an actual mortgage payment were completely up to date.

**Auditor General of Canada (Sheila Fraser):** The basic calculation, Chair, is that the cost of housing should not exceed 30 per cent of income, and in fact, it's the same for rent. Whatever the gross cost is, that's reduced by a subsidy to bring it down so that the net cost to the individual is within that 30 per cent limit.

There is a mechanism by which the revenue numbers are updated every year, I believe it is, so people have to go back and give the updated information. If, for example, their income has decreased, their payments would also be adjusted and the subsidy would be increased. So there is a mechanism that should take that into account, and would take into account, I presume, increases in utilities costs, for

example, so that they would still be within that 30 per cent. That's done on an annual basis.

The mechanism should work to make sure people continue to be able to pay their assessed rate. There may be other factors, of course, that the Corporation would be more able to present.

**Mr. Jacobson:** Thank you. Following up on Mr. Beaulieu's questions on the arrears, were there any specific reasons given by the Housing Corporation regarding the arrears? Were there types of arrears? Mr. Beaulieu was alluding to people going into arrears right off the bat. Were there indications that some people were making payments and then got into trouble? Is there any indication of how the arrears happened?

**Auditor General of Canada (Sheila Fraser):** Unfortunately, we didn't get into that in this particular audit. We might in our financial audit, but that's not been completed yet. Again, the Corporation would probably have a better explanation for that than we do.

**Mr. Hawkins:** Thank you, Mr. Chair. Just a comment before my question. This formula of how we demonstrate our subsidy was a question I brought before the House about three years ago, and they still couldn't seem to answer how they did this. I'm well aware of the fact that you're not typically supposed to pay more than 30 per cent on shelter costs, yet this was a little sore point: they couldn't demonstrate how they did their formula and never explained the subsidy. They just said, "A client got blank amount, and it's up to you to figure out," and that's where they washed their hands of the accountability.

It still disappoints me that the Housing Corp takes this process and snubs the demands of the Legislature to come forward with solid answers to explain why they do the application of certain processes.

On the mortgage arrears and receivable note, I want to point to your recommendation No. 49, where you're suggesting that they take the appropriate steps to ensure that mortgages are treated in a receivable sense.

Back to that question I said I'd keep asking, which is: do you believe they have substantially clear policies and procedures that say that they should do this, and to ensure they do this?

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. As is noted in the management response, they have put in a new Mortgage Collection Initiative. We didn't go into the policies and procedures around that, so you might want to ask them about that. Again, our report certainly doesn't address all the policies and procedures that they would expect the LHOs to be implementing, either. We didn't get into that aspect within this audit.

**Mr. Hawkins:** Thank you. I did note that, but one phrase you didn't mention was that they said "recently implemented." The fact is, it almost looks like an afterthought.

Let me put you on the spot. Let me turn the question around this way: would you consider it normal business, or normal, reasonable policy and procedure, to have

something in place to deal with mortgage arrears and to ensure that mortgages are collected in a timely way?

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. Yes, absolutely, we would expect there would be policies and procedures in place. There may be, and we don't mention that in the report. I would presume that there probably are, but they may be modifying them with this new initiative that they're putting in place.

**Chairman (Mr. Menicoche):** I don't see any more questions with this particular section, so we will move on to page 15: "Improved monitoring of compliance with policies and procedures is needed."

**Mr. Hawkins:** Thank you, Mr. Chair. Section 53 — although there are many sections to talk about — really stands out for me, where they demonstrate, and you highlight, that they had 28 applications that came forward for home ownership. Twelve of these were successful, and out of the 12, six of the applicants which were successful had no point rating at all. What that tells me is 50 per cent of the people who received a house didn't actually have to demonstrate where they were in the system, through a point rating system.

Could they explain the anomalies as to why no point rating system was done in that particular case? Is there anything to reaffirm what led them to those types of decisions to not do it at that time?

**Auditor General of Canada (Sheila Fraser):** I'd just like to correct what I said earlier. I had mentioned LHOs in relation to the mortgage program, but it's the district offices that manage it.

In this particular case, I believe one of the district offices that we visited did not use the point rating system and was giving these on a first-come, first-served basis. Again, the people were certainly eligible for the assistance. It's just that the point rating system helps to determine where they would have been in the priority listing.

**Mr. Hawkins:** Thank you. That's a good point to reference. Through the base program, they qualified, and then where they went from there, there is no follow-up to demonstrate whether they should be first in the door or last in the door. Were there any comments or observations you could have made out of that? Did they provide a reason, or could you be aware of a circumstance where, in this particular case...?

Let's assume that the six applicants that weren't reviewed were in one community. And I'm making an assumption here, and I'll let you bat it around as you see fit. Let's assume the six applications that weren't reviewed were in one community, but they only had six people apply — successfully, that is — and by the way, there were six houses available. In that particular circumstance, I could understand why you wouldn't waste your time on the point system. But that being said was there any way to see or figure out why they could justify that?

**Auditor General of Canada (Sheila Fraser):** I think we were given some explanations around the fact that this particular district office didn't advertise, perhaps wasn't promoting the program as much as other district offices and so had a more

limited number of applicants, which some might view as justifying this procedure. On the other hand, you can question why they aren't making this more widely known and why they wouldn't be following the same procedures throughout all the district offices. So that again is something, I think, that should be brought up with the Corporation.

Is it acceptable to have different practices within the various district offices? It could be because of the limited number of housing units that are actually available, but again, do they know if they're serving those that are most in need? It comes back to that basic question.

**Mr. Hawkins:** Thank you, Mr. Chair. Just being mindful of the time, management's response under section 24 yet again agrees with the recommendation, but they try to wave some clout and say that, "Well, we do these compliance...." Did I say 54?

**Mr. Beaulieu:** You said 24.

**Mr. Hawkins:** My apologies. I meant to say 54. I heard all the pages flipping.

Laughter.

**Mr. Hawkins:** I realized I said the wrong number. Thank you, Tom.

Under 54, management's response, they talk about a compliance audit, and they're sort of waving that, you know, for example: "... the Corporation has conducted several compliance audits to ensure program allocation policies are adhered to by district operations."

Did they have anything that could prove this? Did they have anything that showed they've done this, in which offices they have done this, and how they have done it? Is there proof in the pudding of saying they actually did this, rather than just saying, "Well, take our motherhood statement. Trust us. We take care of this"? Did they put any facts behind this?

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. I would like to point out, first of all, that when we receive management responses, we request that they make them very short. Because of that, there isn't necessarily a lot of specific detail, and we would expect more of that detail to be in an action plan that the Corporation would prepare.

I think we have seen indications of internal audit activity in these district offices, and certainly, the committee might want, in the future, to ask the Corporation to provide regular follow-up reports on how they are progressing on their action plan — have the actions they have proposed actually been done, and what were the results of that? — and that you get regular updates, to make sure that improvements are being made.

**Mr. Hawkins:** Again, noting your acknowledgement, at least to a limited extent, that they do have some demonstration that something is going on, in your view, are they following...? They must be recognizing that certain procedures aren't being followed, such as the point rating system. In your view, would you see them fulfilling that obligation of following their policies and procedures when it comes to allocations of housing through their point rating system?

**Auditor General of Canada (Sheila Fraser):** Certainly, because that is the policy of the Corporation, we would expect it to be put in place, unless there was a very good reason to make an exception. It's the same thing as if we go back into the public housing units. There can be exceptions made to the priorities that come out under the point rating system, but those should be documented and clearly understandable as to why those are exceptions, and the same thing for the district offices. If there is a very good reason, and they can justify that and are aware of making that exception, then I think we would find that acceptable.

**Mr. Beaulieu:** Thank you. Along the same lines, was there any indication that the Corporation had a follow-up action plan on the internal compliance audits?

**Auditor General of Canada (Sheila Fraser):** There is the indication here. I believe there may be some mention in the "Framework for Action," but again, the committee may want to ask the Corporation to clearly specify which actions in the "Framework for Action" — which is a very comprehensive plan, going forward, and quite an ambitious plan — specifically address the recommendations in this particular audit.

**Chairman (Mr. Menicoche):** If there are no questions from committee, we will move on to the next section, which is pages 16-17: "The Corporation does not have a strategic plan to meet housing needs of all NWT residents." Any questions regarding that?

**Mr. Hawkins:** Thank you, Mr. Chair. Noting the time, I'll be quick. Under section 58, you highlight they do not have a strategic plan to meet their vision, and it goes on to say that it looks like they're working on it and they expect to finalize it by early 2008.

Would you consider it reasonable that it's taken them two years to formulate a strategic plan?

**Auditor General of Canada (Sheila Fraser):** I have some difficulty commenting on that, because I am aware that there have been changes in senior management and all the rest of it, so there can be a number of reasons that it would have taken this length of time for that to be done.

I think the important thing is that one be put in place, and that it be updated on a regular basis, going forward. They had committed to producing one in early 2008. The committee may want to ask them where they're at with all of that.

**Mr. Hawkins:** Thank you. I'm not a Housing Corp human resource specialist, but to my knowledge, the president and the new vice-president are still the existing management, and the acting president is still there throughout this process. I'm cautious of your answer, because that was the one they probably gave you, so I'm not really sure their answer was within the fullness of detail of the actual circumstances.

The existing management is still there — they haven't had a large change — so I would call that a weak answer on their part, if that's what their reply was to you.

**Auditor General of Canada (Sheila Fraser):** It's hard, in any general case, to say how long it should take to do a strategic plan. If you've had one that's already been in

a clear articulation by government of what the objectives are, then it's obviously much easier to do that. So I don't know what the particular circumstances are around this. That could have been one of the reasons, but they certainly didn't indicate that to us.

**Mr. Hawkins:** Thank you. Then it officially begs to wonder what they've been doing for two years without a plan or a vision. Without any highlight, did they have any sort of formulation as to how they were dealing with things?

**Auditor General of Canada (Sheila Fraser):** I guess all I can say, Mr. Chair, is that they've been conducting business.

Laughter.

**Auditor General of Canada (Sheila Fraser):** They've been continuing with the programs that were in place. The question is more about how these programs actually achieve the objectives, in that you have that broader strategic thinking. They have been going through some longer-term planning and looking at business processes and things like that, so there has been work that has been done to do the strategic plan. To give them some credit, strategic plans aren't done in a month, either, so it does take a while to do that, and they have been carrying out the programs.

**Chairman (Mr. Menicoche):** I don't have any more questions on this section, so we will move on to page 17: "The Corporation needs to identify significant risks and develop action plans to manage them." Pages 17 and 18.

**Mr. Hawkins:** Thank you, Mr. Chair. Again, recognizing the time, maybe we'll just go right into this.

You did highlight, under section 62, the declining funding of CMHC and the fact that it appears there is no plan associated with this.

In your view, did they demonstrate any action plan or policy as to how they're going to deal with this, other than the fact that it's sort of a laissez-faire approach at this moment? How are they going to deal with this? Was there any response?

**Auditor General of Canada (Sheila Fraser):** What we note in this report is, in the business plan, they did identify several risks, including the decline in funding from CMHC, but the business plan doesn't explain how it plans to address the various risks, including the CMHC funding. There are others as well — the whole land tenure question — and that is something that they need to strengthen. They need to indicate what some of their action items or plans can be, to deal with these risks.

**Mr. Hawkins:** Thank you. As the Auditor General will note, this is one of the times that the Corporation agrees, again in the sense of "Yes, we have to strengthen our risk management." However, on the same note, they sort of say no, and they turn around and say, "We're just focusing on our environmental scans."

Do you think they're taking the appropriate position, in the sense of realizing the weight of the issues you've brought forward? Believe me, lack of funding is a significant risk, going forward. Are they taking this seriously?

**Auditor General of Canada (Sheila Fraser):** We will see, by the kinds of business plans that they come forward with, how seriously they are dealing with this.

I can appreciate that they are a relatively small organization and so don't need the very sophisticated kind of integrated risk management frameworks that you would see in very large corporations. But certainly, we would expect to see a longer-term plan and strategy as to how to deal with these risks, in particular the CMHC funding, which will end in 2038, and how to deal with declining collectability of rents and mortgages, because those can have significant financial impacts upon the Corporation.

Those strategies cannot be resolved with just an annual outlook. They talk about an annual environmental scan, but I'm not really sure what that implies. Does that mean that's an assessment of risks and the evolution of risks, and yet they're going to have a longer-term strategy? If that's the case, then that's fine. If it's just an annual plan, it needs to be more than that.

**Ms. Bisaro:** In paragraph 60 you note that the Corporation has identified external and internal risks. I wondered if you felt that they had done an adequate job of identifying those risks, or if it was a cursory analysis, or if it was fairly thorough.

**Auditor General of Canada (Sheila Fraser):** We note in No. 60 that they have identified some very significant risks, but then we note in No. 61 that there were other risks that they hadn't identified: for example, the compliance of the LHOs and the district offices, and the maintenance of the housing stock. So there are other risks that they should be including and developing the strategies to address.

**Ms. Bisaro:** That's great. Thank you.

**Mr. Beaulieu:** Mr. Chair, not necessarily specific to this section but maybe specific to the last three or four sections in the report is an indication that there is no strategic plan, no strategies are in place, for the Housing Corporation. I'm wondering if there were no strategies in place only during the audit period. There is an indication that there will be a strategic plan in the future. Were there any strategic plans or strategies in place prior to the audit period? Did you look at that?

**Auditor General of Canada (Sheila Fraser):** Our audit would have been limited to the period under review. I don't believe we would have gone back to see if there had been strategic plans previously. We believe it's important that there be a current strategic plan, and that wasn't the case.

**Mr. Beaulieu:** Did the auditors feel it was important to look at the last strategic plan that the NWT Housing Corporation had in place that may have still covered the period of the audit?

**Auditor General of Canada (Sheila Fraser):** The only response I can give is, in the management response, it indicates the Corporation, in the past, had conducted long-term planning through the business planning process. I'm not sure that would be the same as a strategic plan. It might be, but we didn't go back to look at that, and that might be something.... But certainly, we would have asked to have a strategic plan,

and the answer would have been no. The Corporation itself has indicated to us that currently, it does not have a strategic plan in place.

**Chairman (Mr. Menicoche):** I have no further questions in this section. We will move on to page 18: “Performance measurement and reporting can be improved.”

Laughter.

**Chairman (Mr. Menicoche):** We have unanimous consent.

Laughter.

**Chairman (Mr. Menicoche):** I don't see any specific questions, but this section was addressed throughout the last hour and a half. We will move on to the last section, which is “The Corporation needs to report whether it is reducing core need households.”

**Some honourable Members:** Yes.

**Chairman (Mr. Menicoche):** Another unanimous.

**Mr. Beaulieu:** Considering there was no strategic plan, this question is a little bit difficult. Was there any plan in place that the Corporation seemed to be applying that actually addresses the core need issues in the communities? The nature of the business is to reduce core need across the Territories. Is there any plan at all that indicated that something was being applied, such as a plan to reduce core need?

**Auditor General of Canada (Sheila Fraser):** There certainly is a business plan that would indicate.... We mention in No. 75, the 2007-2010 business plan, that they project to build 530 new units. But again, that's sort of what they expect to do, but how is that addressing the overall picture and the core need? How do they expect the core need to change — the number of households — and how is the 530 related to that? That's what we see as the strategic plan.

They've put in this — and we mention it in paragraph 73 — that they have a target of decreasing the number of households from 30 per cent to 25 per cent. What are the specific actions that they think they need to do in order to address that? What is the number of households? Thirty to 25 — I'm sure that the numbers are not stable during that period, either, so what does that mean in terms of number of houses? How do you expect to resolve that?

Those are the sorts of things we would expect to see in a strategic plan, and then your business plan would pick that up and go year by year in more detail. That's why the strategic plan is really important — that you get that overall sense of what is the magnitude of the problem, and what are some of the strategies to deal with it.

**Mr. Hawkins:** Thank you. Under section No. 72, there is a comment that reducing the percentage of NWT households in core need of housing assistance is one of the stated objectives. Could you say, from your point of view, that they are addressing this need? Can they demonstrate that through any of the paperwork they have provided to you?

**Auditor General of Canada (Sheila Fraser):** Again, Chair, it goes back to our previous discussions about the strategic plan, as to how they expect to do that. Then you would expect, in the annual reporting, that they would be reporting against that strategic plan and that specific target. We have made recommendations that the performance reporting needs to be improved, so that the public and members know where they're at in that plan. Are they meeting their targets or not, and if they are fine; if they're not, why not? And then how are they adjusting their plan going forward?

The whole question of the strategic plan and the performance reporting are really critical to knowing how well they're meeting that target.

**Mr. Hawkins:** Thank you. In section 76, in your recommendation, you talk about regular reporting on construction of new housing units, repairs and renovations. I want to highlight that I agree with you, and that goes back to the previous section. If you're saying that the reporting mechanisms are too difficult to demonstrate, at least demonstrate what you *are* doing. In other words, do you have new building starts? How much are you repairing, and with what consistency?

I have to say, another fine response from management, of course, which is "The Corporation has committed..." and, I'm sorry to say, that's another demonstration of another motherhood statement from the Corporation. Then they're leaning on their success in the '08-'09 report. Unfortunately, the way I see this is, rightly or wrongly — I prefer rightly, of course — the issue is we won't know any results for yet another year and a half, because we're not even finished the '07-'08 season, so we have to wait almost a year and a half for this thing.

Do you feel, from your point of view, that this is a timely response on dealing with some of these issues? We're waiting another year and a half for any type of real demonstration of work. That's a big leap of faith, and we're continually committing money and good intent to help people, and I'm just thinking that's another year and a half that we're blindly going forward.

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. It certainly would be preferable if the Corporation could provide more information sooner. I think, though, it's important that they get a good handle on what the existing housing stock is. I would certainly encourage them to put that as one of their first priorities.

Then, of course, with this survey that's conducted — and the information won't be out until '09 — that will give them more complete information on which they can build. But it would be nice, and that might be something you want to explore with the Corporation: what kind of information can they give you sooner than that?

Certainly, the fact that they don't have that strategic plan in place also kind of hampers, because you need to know the plans to address this each year, and then you can track, on a year-by-year basis, how they expect to do that. Without that being in place, it's difficult to know, even if they told you there were a certain number of units, what that actually means in terms of reducing core need.

Some of it may have to wait until they get this new survey done, but in the meantime, I think they can give you better information about the current housing stock, what they

would expect for the current year, and what the plans are to get there, and perhaps give you some interim reporting through the year as to how that is progressing.

**Mr. Hawkins:** Thank you. In my own words, you would think, from what you just said, this train could really be off the tracks long before we know where it is, without that sort of information delivered in a timely way. Without results — even interim results — delivered to us, we won't know. As you have highlighted, no strategic plan, so it causes us to wonder what they're doing. We know that they're providing housing. We know that, and those are facts. We know they're giving mortgages. We know that; that's a fact. But when we look at the demonstration of how they're doing these processes and how they're doing their evaluations and, basically, were there results, we won't know that for quite some time.

I would definitely stress that a lot could go wrong by the time we see the facts on the table, and then we'll be sitting back and looking back a year and a half, and saying, "We only wish...."

Would you consider it a normal part of business for them to keep us up to date on the things you've highlighted, on a regular basis? Would you consider that a normal, reasonable amount of day-to-day business: an expectation of a Legislature to be informed in the method that you've talked about, regularly, even if it's every six months?

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. I think it's up to the Legislature to decide how often it wants to be informed.

Laughter.

**Auditor General of Canada (Sheila Fraser):** The Corporation should give you whatever information you want, as often as you want.

I would just add, though, in response to the previous question, it might be especially important now, with the Housing Trust and the additional funds that are coming into the Territory — it's a very large project — that even as a minimum, there be reporting on that particular project and the Housing Trust and how that initiative is being carried out. Is it being carried out successfully? Even if the Corporation can't give you all of the information as comprehensively as you would like, they might be able to do it on that particular project.

**Chairman (Mr. Menicoche):** That concludes our review of the Northwest Territories Housing Corporation audit by Ms. Fraser and her staff.

Perhaps, really quickly, we'll get committee members to make some closing comments, and then we'll allow Ms. Fraser to make closing comments as well.

**Mr. Beaulieu:** Thank you. The audit has clearly indicated to us that there is a need for the NWT Housing Corporation to do a needs survey, to determine where they are at this time.

A needs survey done every four years, with some sort of interim survey in the middle, at about two years, was a long enough period, with the amount of units in the Northwest Territories in the budget.

As you know, the Housing Corporation has a fairly significant budget to effect change to the core needs in the Territory. The idea of the Corporation being allowed to wait an additional year, possibly an additional year and a half from the last survey — where the results from 2003 were put into the 2004 needs survey — and now that there is no indication that the survey is going to happen until a year in the future.... I consider that to be a major flaw, a major obstacle, for the Corporation to do an effective strategic plan. I don't see how the Corporation can now develop a strategic plan using 2004 data, especially if there was no strategic plan developed as a result of the 2004 data. That means they have nothing to follow in the development of a strategic plan.

It's important for us as legislators to approach the Corporation and make sure they have good, sound plans to do a survey and to develop a strategic plan.

Thank you for the report.

**Mr. Hawkins:** Thank you, Mr. Chair. Obviously, being the one who probably talked the most or had the most questions today, I'll try to keep it short on closing.

Madam Auditor, I just want to say thank you to you and, of course, your very competent staff, on the work that you have provided. I'm very grateful for that. Clearly, it highlighted to me that whether they were followed or not, whether they were established or not, there clearly are policies and procedures that are either lacking or not being followed, which is equally disappointing, and it has caused quite a lot of concerns.

Reading your report was educational but very stressful, in the sense that we look through this and we imagine, "How long this has been going on?" and "Oh, my goodness, how could this go on?" and acknowledge there are huge gaps.

The basic expectations are that you have demonstrated, through facts, that things are going wrong, but the moral of the story is we can correct things and get the process back on track, and I want to thank you for that.

I'll leave it at that point, which is, again, I'm grateful for your time. You're a busy woman; you've got lots to do; and you run a big organization that works very, very hard. Thank you.

**Ms. Bisaro:** Thank you, Mr. Chair. I don't have much to add. I would like to thank you, as well, for coming, and to all of your staff for the work that you have done. This is a very good document, and it has highlighted some fairly serious holes in the Housing Corp's operations that we can certainly act on.

I'm looking forward to meeting with the Housing Corporation this afternoon and asking a few pointed questions.

Thank you for the document. It's self-explanatory, and a lot of our public are going to be somewhat concerned with what's in here. They'll be looking to the Assembly to take action on it, so I hope we do that. Thank you.

**Mr. Abernethy:** Thank you, Mr. Chair. I'd like to thank you, as well, for coming in and for the report and the clarity that you provided us this morning to help us be prepared for this afternoon, when we meet with the Housing Corp. Thank you very much for coming in. It's a great report. It's going to be very useful this afternoon. Thank you.

**Mr. Jacobson:** I'd just like to thank you for coming in. Housing is so important in the smaller communities in the Northwest Territories. For myself, being from the most northerly settlements that I represent, it's a big issue.

Your report was in-depth, and I really look forward to sitting with the Minister this afternoon. Thank you for coming and taking the time for us.

**Mr. Menicoche:** Some closing comments, Ms. Fraser?

**Auditor General of Canada (Sheila Fraser):** Thank you, Chair. I would just like to thank the committee members for their interest in the report. Our job is to provide you information, to help you to hold government to account. I do hope that this report will be useful in improving the way the Housing Corporation conducts its operations and addresses the housing needs of people in the Northwest Territories.

I'd just add, in closing, that it's always a pleasure to come to Yellowknife.

Laughter.

**Auditor General of Canada (Sheila Fraser):** Thank you.

**Chairman (Mr. Menicoche):** Thank you very much, Ms. Fraser, and your staff, for your appearance today. As you can see, the report is, of course, of great interest to all our members and the general public. We look forward to pursuing our discussions with the witnesses from the Housing Corporation this afternoon.

Once again, I'm glad that you're there, and I applaud you for your hard work and excellent service to this Legislative Assembly over the years, and in time to come, as well.

For the information of those who wish to continue to observe our proceedings, we will resume at 1:30 p.m. with the president of NWT Housing Corporation.

With that, I adjourn the meeting. Mahsi.

The Committee adjourned at 11:15 AM.

The Standing Committee on Government Operations met at 1:40 PM on Tuesday, March 4, 2008.

**Chairman (Mr. Menicoche):** Welcome to the continuation of the review of the Auditor General's report on the Northwest Territories Housing Corporation. Our next witness is the president of the NWT Housing Corporation, Mr. Jeff Polakoff.

Just before we get going, I see we've got some new media and some new people in the crowd. Just for the record, I'll introduce the people at the table here.

We have Ms. Wendy Bisaro, MLA for Frame Lake; Mr. Tom Beaulieu, MLA for Tu Nedhe; Mr. Robert Hawkins, MLA for Yellowknife Centre. On my immediate left is Mr. Jeff Jacobson, Member for Nunakput; and Mr. Glen Abernethy, Member for Great Slave.

As well at the table with us are members of the Auditor's General Staff, Mr. Andrew Lennox, Lawrence Taylor and Andrew Ross. With me I have Clerk of the Committee, Ms. Patricia Russell, and Ms. Regina Pfeifer.

Jeff, will you introduce yourself and your staff, and some opening comments?

**Mr. Polakoff:** Joining me this afternoon for this review is Mr. Jeff Anderson, vice-president of finance and infrastructure services with the Housing Corporation; and to my right is Mr. Stephen Pretty. Stephen is the manager of strategic planning, policy and communications with the Housing Corporation.

Mr. Chairman, I just want to thank you again for having us and also for allowing me the opportunity to provide this presentation. We did feel it would provide some context to our comments and may provide some additional important information for the committee's consideration as we move through this review.

With that, I will ask Stephen to proceed.

Interjection.

**Chairman (Mr. Menicoche):** Go ahead, Mr. Polakoff.

**Mr. Polakoff:** Mr. Chairman, just by way of an outline, what we thought we would do is provide opening remarks, but also provide you with some of the context within which the Housing Corporation operates in the Northwest Territories. Obviously the focus of our discussions today is going to be on our response and the findings of the Auditor General's report, so we'll get into that. We also felt it would be helpful to provide a bit of an overview on "Framework."

With that, Mr. Chairman, I would also ask your advice as to the approach we might want to take as we're going through the presentation. I'd certainly be happy to answer questions, or leave them to the end. Certainly it's up to the committee and your discretion, sir.

**Chairman (Mr. Menicoche):** Thank you. Typically it does work out best if we just go through the whole presentation and save our questions for the end.

**Mr. Polakoff:** To begin with, just from a Housing Corporation perspective, we felt the performance audit that was undertaken by the Office of the Auditor General of Canada was a very fair and balanced document and also provides good information.

The Housing Corporation has welcomed this report. We also welcomed the opportunity to work with staff from the Auditor General's office, because we felt that not only the findings but some of the discussions we had throughout the audit process were very insightful and provided us with a good understanding and, to be quite honest, provided us with another set of opinions and things that we felt were very valuable.

The audit coincided with a period of intense review and activity at the Northwest Territories Housing Corporation. Just prior to the audit there had been some fairly intense consultations undertaken on a new mandate review for the Housing Corporation. There was a new president, myself, appointed in June of 2006, new operational committees have been formed throughout 2006 and into 2007, we were in the process of delivering the Affordable Housing Initiative throughout 2006, there was a new program rollout in 2007, as well as an arrears collection initiative announced in 2007, and a recently announced reorganization of the Housing Corporation.

During the audit period, the NWT Housing Corporation also engaged with standing committees from the 15<sup>th</sup> Assembly on a broad range of matters. One of the things we wanted to do when we first looked at a renewal process with the Housing Corporation was to make sure that we engage on a more consistent and constant basis with committees. During that period we had discussion with committees on the new programs, the mandate of the Corporation, the arrears issue, our approach to addressing the arrears issue as well as issues associated with CMHC funding reductions, which of course are very important matters for us, and the "Framework for Action" most recently, approximately a month ago.

In addition and on an ongoing basis, there was an internal review that highlighted the need for program and policy review and organizational change. That's one of the focuses that I took as the new president in 2006: to take a look at the organization, to try to come to grips with where I felt some changes needed to be made and to undertake a planned and very appropriate and focused review on what kind of organizational renewal I felt was necessary, in concert with staff from the Housing Corporation at all levels.

In consideration of those reviews, some of the things that we focused on and some of the things that became very evident were the requirement for better communication coordination and strategic planning, additional and more focused policy control, more support for regional offices' community delivery agents, better capital planning processes, arrears management, and interdepartmental cooperation and coordination when we're dealing with some of our sister departments with the GNWT.

Some of the context within which the Housing Corporation operates will be no surprise to most of the folks in this room. The Housing Corporation really focuses its efforts on the core housing need for residents of the Northwest Territories in the various communities. In the 2004 survey, it was noted that 2,260 houses of almost 14,000 were in core need, or approximately 16 per cent. It also shows that 4,015 of the 13,902 have had some form of housing problem, or 29 per cent. The core need numbers have decreased from 20 per cent in 2000 to 16 per cent in 2004 and we

continue to focus our efforts on trying to ensure we get those core need numbers down.

It's also important to note, and it's been confirmed by the most recent census from Census Canada, that the percentage of households with six or more persons in the NWT is 6.1 per cent and, in comparison to a Canadian average of 2.8 per cent, is very high. In addition, the percentage of households in the NWT requiring major repairs is almost 17.5 per cent, as compared to 7.5 per cent, again the national need. The percentage of dwellings with more than one person per room is 4.6 per cent as compared to the Canadian average of 1.5 per cent.

These are the measures of adequacy, suitability and affordability we look at when we're looking at core need. I think they provide a good understanding of the high degree of need for housing in the Territories and the importance of having a planned and targeted approach to housing in the Territories.

The uncertainty of federal funding is another issue that we have been and continue to be very concerned about. Over the next 30 years we're going to see a cumulative shortfall of almost \$339 million in funding based on the funding that we currently get from the federal government through the Canada Mortgage and Housing Corporation. That's a significant issue and provides a significant driver for us as we look at the ways we can address need over the years. That, in conjunction with the construction activity — where we are very pleased that the Housing Corporation through the GNWT was able to get funding for 500 units over approximately three years through the Affordable Housing Initiative — must continue to be an important focus of our Corporation. The need in the Territories continues to be great.

It's also an important issue from our perspective territorially that the cost of housing is going up continually and the ability for us to access trades to construct housing continues to be a significant issue.

One of the areas I'm sure we'll be talking about later, and something that we've also focused on, is the collections of rental arrears. Rent collections in communities is approximately 78 per cent. Through discussions we've had with our LHOs and district offices as well as just our centralized discussions with other GNWT departments, it's very clear there's a need for timely assessments to be undertaken in communities. We're currently in the process of looking at options for timely assessments as well as working effectively with other government departments.

Currently we have over \$8 million in outstanding mortgage arrears, as well, and that's a significant issue for us. It is one we've had on the table for a number of months that we've been dealing with.

Perhaps one of the most significant issues, as well, is the whole question of land planning and management. The Housing Corporation is required to secure our assets, be they mortgage based or be they public housing based. Land and security of land tenure is an important issue and one that we've been dealing with over the last number of months and are quite focused on.

We are currently improving our current land planning capacity to support increased delivery of affordable housing. The delivery of the Affordable Housing Initiative is dependent on having appropriate tenure instruments, be they long-term land leases or others, in place for all new construction. I might add that that's an item that has been raised by the Auditor General's Office and one, again, that we take very seriously along with the other findings.

Mr. Chair, moving on to some of the findings of the Auditor General, again I recognize that we'll be getting into some detail, but I thought we would cover these off in a very summary fashion.

First of all, in the area of public housing, the monitoring of local housing organizations and allocations of public housing units need to be improved. That's a fundamental finding of the Auditor General and one that we absolutely agree with. The findings also include comments on the Corporation's abilities to monitor the circumstances of LHOs, the need to improve that monitoring, the identification of the need for action to improve the collection of rents by LHOs, as well as the need to establish and implement a strategy for monitoring and assessing LHO operations. As I mentioned earlier, we would agree with that.

In the area of LHO monitoring and evaluation, it's been suggested that the point-rating system is one that we can tighten up. We agree. It should be conducted consistently, and exceptions should be provided in client files. This process should be regularly monitored. And to be clear, while we believe that we do have monitoring processes in place, a suggestion has been made that in those cases there may be subtleties or nuances that may not have indicated a point rating. For example, in an area where somebody may have been housed through economic rent, it's recognized that it needs to be part of the file, and we will endeavour to do so.

Yearly condition ratings, inspections and reporting are mandatory and have been mandatory through the Housing Corporation since the summer of 2006. We'll continue to monitor those LHOs' performance on the proper completion and timely submission of annual condition ratings. Again, this is an area that we think is very important, and it links back to the whole question of maintenance and the approach that we take to maintaining our assets. Our assets are absolutely critical for us to maintain, and we recognize that our focus has to be on them.

The Corporation is committed to working with all LHOs, particularly those that are in a deficit position, to ensure sound fiscal management at the LHO level. We will monitor their operations and provide the necessary support towards achieving this goal.

One of the areas that we've really focused our attention on over the last number of months has been increased and improved support to LHOs. It's the LHOs where the rubber hits the road, if you will, in terms of where our clients are and support to our clients. Very early on it's been recognized that the support we provide to LHOs has to be significantly ramped up and more support provided, either through our district office or through coordinated support elsewhere. The Corporation is committed to working with all LHOs, particularly those in a deficit situation, and we're going to be doing so in a focused way.

Public housing management. As a general area, again, the relationship between LHOs and the Housing Corporation had previously been focused primarily on community development. The current fiscal reality, however, requires a balance between community development and policy control in order for us to provide continuity of policy as well as good advice to the LHOs, and changing our policies where they require change.

We have been focused most recently on undertaking a policy review process that is responsive to the need for policy change and recognizes that the demographics as well as the changing housing needs for people in the Territories requires a fairly responsive policy regime. Policies should be in place to provide people with housing in a manner that suits the changing needs of folks. With that in mind, I would also suggest that there is a need for us to work and continue to work closely with other GNWT departments where there is overlapping responsibilities.

The recent NWT HC reorganization will provide more Housing Corporation support for districts in monitoring LHO operations and ensure improved policy control.

In the area of rent collections, Mr. Chair, the Corporation agrees with the recommendation that has been made by the Auditor General and has committed to work with the LHOs to collect their assessed rents, to determine why tenants are not paying their rent, and to develop an action plan to improve collections.

That said, we also recognize that there are a number of reasons why rental arrears have been high over the years. We recognize a need to work with our clients on a very planned and appropriate basis and work through the arrears collections with them, with the understanding that at the end of day, it's an important issue for us, particularly if we're going to be able to provide for reinvestments into the housing assets that we have.

In partnership with EC&E, the Housing Corporation continues to work on strategies to eliminate rent collection issues related to public housing and the rental subsidy administration in conjunction with the overlapping responsibilities there, as well.

The Auditor General also provided us with some very clear findings on home ownership. It was suggested that home ownership programs must achieve their stated objectives in a cost-effective manner. There have to be improvements to the mortgage collection process. That's been a very significant issue, again, for us, and one that we've spent a lot of time looking at and developing processes around. In addition, we need to regularly monitor our district offices to determine compliance with policies and procedures.

Again, policies are an important issue for us. Evolving the policy regime is important. Some of the committee structures and processes we've put in place, we believe, will provide us with the tools we need for some of those improved policy controls while also recognizing, again, that this is an evolving issue and we need to be responsive on an ongoing basis.

In looking at our home ownership programs, during 2006 we had undertaken a full program review in looking at bringing forward a selection of housing programs named

“Housing Choices,” which was aimed at consolidating approximately 14 housing programs that had been in place. It would provide for a more seamless and more simple array of housing programs.

A full evaluation of the Housing Choices program, or the suite of programs under Housing Choices, will commence in April of this year, after having undertaken about one year worth of delivery. That is part of the process that we engaged in about a year ago, recognizing that following the roll-out of the Housing Choices program we needed to review the programs themselves to make any adjustments necessary. Again, those adjustments are in consideration of a policy and program evaluation regime that we’ve put in place. It looks very keenly at input from communities from our districts as well as looking at the overall approach we’ve taken and making changes where necessary — and also taking into consideration some of the good input that we’ve had from committees such as this.

The policy review committee that’s been established within the Housing Corporation is an important component of the approach we’re taking. It’s intended to create fair and equitable application of policies and procedures to ensure district offices are properly administering programs and allows for regular review of program effectiveness and amendments as necessary. There’s a broad-based participation in that committee, and we view it as an essential element to our success in the future as we continue to adjust our policy regime.

Planning and reporting. Again, another very important element of our approach within the concept of strategic planning. By the “Mortgage Collection Initiative” — thank you, Stephen. Through consultations with standing committee during the 15<sup>th</sup> Assembly, the Housing Corporation developed a collection initiative that we’ve entitled the “Mortgage Payment Plan.” This plan provides for options to clients to become successful homeowners and provides options available, which include refinancing the mortgage, transferring to rental program or setting up monthly repayment plans. The Mortgage Payment Plan also provides an information package that is to be sent to all mortgage clients, community leaders and district staff. This went out in August of 2007. In addition, district staff has begun delivery and have a timeline of approximately two years to have a plan in place and agreed to by each client.

The overall approach, Mr. Chairman, is to provide good information to individuals who may find themselves in an arrears situation, provide them with the direct opportunity to discuss with Housing Corporation staff the circumstance of their arrears, and talk with them about the approach we may collectively take in addressing these arrears over a long period of time, recognizing that we have to be fair and balanced in our approach.

Moving on to strategic planning and the planning and reporting elements, as identified by the OAG, it’s been suggested that a strategic plan needed to be developed, that we needed to ensure identification and mitigation of risks, that improved performance measurement and reporting approaches were incorporated into the operational approach of the Corporation, and regularly to report on progress in reducing core housing needs.

In consideration of the approach that we've taken corporately, and as noted, the Housing Corporation is committed to strengthening its management practices. I've mentioned the policy review committee previously. In addition, the strategic planning process is going to be an important piece of our overall approach to dealing with the broader based initiatives, both on a short-, medium- and long-term basis. We've recently undergone a reorganization, as I'd indicated. And we anticipate that this is going to be very helpful as well.

The "Framework for Action" that we speak about and had reviewed with committee about a month ago is based on measures and deliverables as well as establishing accountabilities for completion of these actions within the organization. The "Framework" addresses the issues raised by the OAG as well as issues raised in public consultations and identified during the internal review.

That said, it's also important to recognize that having now had an opportunity — or once we've had the opportunity — to make this presentation, the findings of the Auditor General report will be incorporated more specifically into the plan. We believe that we've hit most of the areas that the Auditor General had raised. But we'll pay very close attention to making sure that the OAG recommendation findings do find their way in a very specific way into the report and that we report on our progress on an ongoing basis.

Mr. Chair, going into the.... I'll try to be very brief here, because I know some of the members of the committee have been through the "Framework for Action" previously. But I thought it would be helpful if we gave a taste of what was incorporated into the "Framework" for those that had not had an opportunity.

First of all, providing access to affordable, adequate and suitable housing is our number one goal. Providing funding for new, affordable housing, BHI completion and needs assessment all go hand-in-hand. In addition, we've recognized the need for improved capital planning, the arrears strategy that I mentioned earlier, and a policy renewal and program delivery process and linkage between all three.

All of these have to be linked back not only to the "Framework for Action," but the "Framework for Action" has to be, and will be, linked directly to the business planning processes of the GNWT. This will make sure that the "Framework for Action" is a living document and is responsive in a manner consistent with the approach that's being taken by the GNWT in its business planning processes.

Ensuring long-term sustainability of the existing stock. The Housing Corporation has identified the need for continually evolving our maintenance strategy, improved maintenance and regular updating of that maintenance, closer working relationships with the LHOs, the communities and our districts.

Public housing replacement and repair. We've committed to quarterly updates on the progress of the replacement and repair of Public Housing Program as well as in the area of home maintenance, education and counselling.

One of the areas that we feel is necessary and is reflected in our new program array is expanded delivery of home maintenance and education counselling to current and

future clients and interested members of the general public. We believe that good communication processes as they relate to housing, both as they relate to the maintenance of the assets themselves and an understanding of our programs, is an important aspect of what we do and a responsibility that we take very seriously in terms of working directly with our clients and with other stakeholders.

Improving energy efficiency is an obvious area for focus. Such matters as climate change mitigation through adaptation, energy consumption and public housing, and testing new technologies all hold the promise of providing for a more efficient and better equipped and higher performance housing stock. These are areas that we intend to provide more focus on, and we have been doing that over the last number of months.

In addition, securing and protecting our investments, as I mentioned earlier, is an important issue for us. Land inventory and policy renewal is critical. Land partnerships with other government departments and communities as well as stakeholders are going to be critical as the Housing Corporation looks at ways to partner with other organizations and individuals in the NWT as a means towards providing better efficiencies for housing.

Again, emergency preparedness and response, while it's not something that has been identified as a specific area, is an area that we believe is important, again from a policy coordination perspective.

Generally, we believe that housing has a very large role to play in contributing to safe, healthy and sustainable communities. With that in mind, we believe that community-driven solutions are absolutely critical. These community-driven solutions can best be obtained, in our view, by working with LHO managers, board chairpersons and regional directors that contribute more to the setting of strategic directions at the NWT HC.

In other words, we believe that the people in the community and in the districts understand their communities and their circumstance as well as if not better than anybody. And it's important that we work with them to understand what they believe are the opportunities open to them and make sure that we take their advice and work with them closely to ensure that we are providing the best service in accordance with the needs.

Serving communities without LHOs is another area. The Housing Corporation not only delivers in communities with LHOs but also in communities without LHOs. And it's important that we work with those communities as well, looking at their housing needs.

I mentioned land assembly options in communities with limited capacity. This is an area that we also believe is a major challenge. Land is a challenge to the Housing Corporation and to communities. And there are many ways and means of dealing with some of the land issues. But we have to work with them co-operatively with government departments, both territorially as well as federally as well as with communities that have the responsibilities in certain areas, for municipal services and so on.

Training opportunities in housing is an area that continues to be more and more of a challenge. We believe trades' training and secondary and post-secondary adult learning as well as the training of apprentices and NWTHC employee-specific training is necessary. Again, this goes hand in glove with our desire to make sure that we're dealing with issues on a consistent basis and making sure that our staff are as well-equipped as possible within resource availabilities to deal with the significant housing challenges that we have.

Fostering partnerships as we move forward and as we look at some of the challenges that we have in housing and some of the resourcing issues that we have, it's clear that CMHC and the Housing Corporation have to work more closely together. And we are doing so on communication strategies as well as looking at areas where the LHO managers, board chairs, and NGOs as well as private sector folks can work more closely with the Housing Corporation.

I mentioned communicating effectively with those we serve. This continues to be a very important aspect of what we do. Communication is critical if we're going to work with housing organizations in communities and elsewhere to deal with some of the challenges more effectively.

Mr. Chair, I think that we can conclude our opening comments there with perhaps a brief comment. Again, I want to re-emphasize that the Housing Corporation is pleased to have had the opportunity to work with the Auditor General. We believe the advice that's been provided by the Auditor General has been a significant and very important series of recommendations. We were pleased that a lot of the recommendations were consistent with some of the findings that we ourselves had.

The overall approach that we believe needs to be taken is a recognition of the importance of housing in so many different aspects of everyday life of the folks in the Northwest Territories, be it related to community development, to health or economic development.

We believe the processes we have in place and some of the responsiveness that we've put in place through the focused "Framework for Action" will provide us with the tools and the ability to get us where we need to go in providing more and better support to the residents of the Northwest Territories. That said, it's also not lost on us that there are many challenges ahead of us, and we look forward to working on those challenges with other organizations, individuals and departments in the NWT.

**Chairman (Mr. Menicoche):** I'll open up the floor to questions from committee members. I just wanted to say that our review this morning was with the Auditor General's Office, and it pointed out many inconsistencies. We saw over the last few years and constituents and clients have been telling us that the Housing Corporation hasn't been taking a leadership role. It seems as if it's somebody else's mandate, but because we've got an agreement with LHOs, it shows up in the Auditor General's report that the Housing Corporation is still very much responsible for the issues that happen there.

One of the issues that I consistently bring to the forefront, as well, when I do my work as an MLA and travel to the communities is that people are coming to me with their

issues, and I realize a lot of it is like an appeal. They're appealing to me is what they're basically doing. They're saying, "The Corporation is saying this and doing this. Can you get them to change their mind?" The Auditor General's report speaks to that: there's a lack of an appeal system. I think it would be beneficial not only to the Corporation but also to the LHOs if you move toward that. I don't know if you mentioned that in the presentation or not, but I believe that's something that should be pressed forward.

The fact is that you came up with your "Framework for Action" concurrent with the time of the Auditor General's report. I don't know which came first, Maybe you can address that. Is that something you were working on anyway when the audit was concurrently happening, Mr. Polakoff?

**Mr. Polakoff:** Yes. I've been here for approximately 18 months, and one of the things that I believed was important right from the outset was to look at some of the changes that were required irrespective of the audit. The audit was a very important element, but I viewed it as a collateral approach. At the end of the day, what I wanted to do was look internally, work with staff from the Housing Corporation to see what we felt were necessary changes, as well as work with the communities and the LHOs and district staff to try to determine what kinds of approaches might best affect some of the changes we felt were necessary. It's been an ongoing process.

That said, we were absolutely pleased at the kinds of things that the Auditor General came up with that were somewhat consistent with some of the findings we had as well.

**Mr. Hawkins:** Thank you to the president for your presentation. I'm not exactly sure where to start. I listened in great detail, and I went through every word you said. I was trying to think it through. I appreciate, first, that you put a lot of credit behind the review that's going on and the fact that you're taking it very seriously, and I'm glad to hear that. But if I may speak broadly at this moment, what I didn't hear was a hard and steadfast action plan.

Now, I know you're going to go back and say the "Framework" will be our key, but some of the stuff that really is missing here is when and how much some of these things will cost. I think that for us to see that it's being taken seriously by the Housing Corporation, we need to see that. We also need to see things like how we're going to follow this up, how we're going to measure this, how we're going to balance public interests versus process.

What I did hear were things like "Well, we're going to train more. We're going to create a committee, and we're going to monitor it. It's those elements that are going to be seen as us moving forward." I will say for the record, and our Auditor General made it clear in the sense of my question. My point is that there's no theoretic wrongdoing. There's no mystery bag of money that went out the door or ill-appropriation. Yet it's a disturbing approach: a clear trend of not following policies and regulations.

I sort of gasped, I have to tell you, when we had to set up an NWT Housing Corporation policy review committee. I guess I'm worked up in this situation here, but

what do we need to review? We have policies and practices in place, but unfortunately they're not being fulfilled, such as the point-rating system or the way we follow through on allocation of housing or even rental units. They're not being fulfilled. Why would we need a policy review committee if the policies we have in place aren't being followed through? I can go through page after page, but I think you know where I'm going. We can go through that detail. I'm more than prepared to do that, by the way. I wouldn't mind hearing your thoughts on any or all of those comments.

But the real key to me is if we want to move forward — and I really do, and it's not just to put the finger on the blame but it's to put the blame on the problem — how do we solve the problem, and then how do we move forward? How are we going to deal with the action plan, follow-through and the tight fiscal times that were going to create fiscal checks and balances? The fact is that every department has just cut back, so a lot of these things have to do with “Well, we're just going to come up with this; we're going to come up with that.” It sounds very expensive.

**Chairman (Mr. Menicoche):** Just before I get Mr. Polakoff to answer those questions, I just want to remind members that we're going to follow the same kind of template that we did with the Auditor General this morning and try to stick to the content of the report. I think we're going to begin on page 5, and we'll let our discussions flow from there.

**Mr. Polakoff:** Thank you for those comments, Mr. Hawkins. To begin with, on the strategic planning process itself, you had mentioned that the document itself needs to be, I think it would be fair to say, fleshed out, and it needs to be more detailed. We would agree. The original document was intended to provide us with an overview of the specific areas of focus that we needed to take, to provide some timelines for how we were approaching the issues, as well as understanding that it's important that we put in place a process where we can deal with each one of these issues in a very targeted manner. So I would suggest that the strategic planning process itself or the “Framework” is a document that's going to be evolved over time. A lot of the details you seek and the reporting that would be appropriate back to MLAs and others will come out of the process that is engaged by the strategic planning. In other words, as the strategic plan itself is implemented, a lot of that detail will fall out.

You mentioned the policy review committee. In my view, policy review committees are important committees organizationally, irrespective of talking about a housing Corporation or if you're talking about public or private sector. I think policy review is part of the overall organizational requirement for any organization. It speaks to the need for continuous improvement of policies and ensuring that the policies are reflective of changing demographics in the Territories or elsewhere.

I think it is also important to recognize, at least from my perspective, that I consider policy review as one of the more important indicators of whether or not the policies and programs you have in place are reflecting the needs of the people in the Territories. I think policy review is important, and I think it's important on an ongoing basis.

Finally, you mentioned, I believe it was, timelines and how the process is going to evolve. Again, it's important that the "Framework" be placed within the context of things like business planning and the notion that we will be reporting back on an ongoing basis to answer some of those questions that MLAs and others have.

The other piece that I would add to that would be the ongoing engagement that we would have as a Corporation with committee structures of the GNWT to make sure the kinds of things that we're doing as a Corporation are consistent with the advice that we receive from MLAs and others that represent constituents in the Territories.

**Mr. Hawkins:** With respect to the President, I think he missed my point on the policy review committee. The fact is whether you have a policy review committee or not, I don't personally care. The fact is good policy needs to continually be evolved and moved forward and discussed. And if it's good it continues; if it's bad it needs to be reviewed and tinkered with. I agree with that. But that's not the point. The point is that we have good policy in place. Pay your rent. That's a policy. We have good policy that says pay your mortgage. That's good policy. But we're not following through on these. We have good policy that says you need to have a point-rated system, things like that. Those are good policies, but they're not being followed up on. Audited statements. That's a policy.

You know, we'll get into the mechanics of these things when we report paragraph by paragraph, but the fact is what I see is more bureaucracy added to the problem. We have good policy that exists now.

I'm just worried that, you know, I'm seeing a position.... I mean, we're looking at making sure that they're driven at the local housing authority level. It's well and good to make sure that the programs are relevant, but that being said, they also have to be accountable back up the food chain to the Housing Corporation. So if the Housing Corporation is confused on what good policy is, maybe we need to have that type of discussion. Because following through on the policies is the issue. We have good policy.

I'm not sure what to say. I certainly don't want to come across crass or angry, but the fact is it seems very clear that policy is not being followed, or procedures are not being followed, and it's been going on consistently. So the real issue here, if you need to set up a policy review committee, is go right ahead. But the fact is we have good policy that exists, but it's not being implemented. What I want to hear is the policy review committee is going to make sure policy is implemented. That's what I want to hear. Not to sit around and talk about it. That's, I think, the absolute key for starters before we move forward.

As far as the other stuff goes, it's really great to talk about the fiscal framework, but the fact is we already have things in place that should be working. I guess that's the issue. If this doesn't work in two years, we'll come up with a new plan and a new plan. But the principles of why the Housing Corporation exists will never change. We need to get people into houses, and we need to make people who can't afford to buy houses have opportunities to be sheltered. It's a very inspiring thought to think that, geez, we have to make sure people are healthy and safe. Good families work, and we

have to find housing for them and make sure that happens, whether it helps them with their mortgage or helps them with the issue but...

**Chairman (Mr. Menicoche):** Mr. Hawkins.

**Mr. Hawkins:** Sorry. Member's statement. My apologies. As you can tell, I really give a damn.

But the fact is I think you're missing the point on the policy issue. We have them. I want to hear today, Mr. Chair that you will start implementing the policies that we have on the books. I'm okay with you reviewing them, but I want to hear today that you're going to start implementing them equally and fairly across the Territories.

**Mr. Polakoff:** You will hear from me today that we will be implementing policies. But I also want to just reflect back on the fact that the policies have to be appropriate as we move forward, and that's part of the policy review. So it's two things: it's implementing policies in an appropriate way, and it's making sure that we have the right policies. In my view it has to go both ways. I believe that that is the direction that we're going. The policy review committee provides us with that guide, but absolutely, the operational aspects of how we implement policy.... I couldn't agree with you more, Mr. Hawkins that it's fundamentally important, and that's absolutely where we're going.

**Mr. Abernethy:** Following Robert's comments, I understand the need for policy development and I understand the need for keeping policies current, but I also understand the need for delivering programs the way that they're designed. Reading this audit.... I read it the first time and went, "This can't be right; it can't be that bad." I read it the second time and it was like, "Yes, it's still that bad." I read it the third time and was like, "Wow, this is bad."

The Housing Corporation has policies. Whether you agree that they're the right policies or not, you still have them right now. There are large numbers of situations in here where there was an expectation for the LHO to provide something that they didn't provide, and there seems to be zero to no ramifications for not providing those things. Ultimately the Housing Corporation.... Member's statement. I know. Just give me a second.

Ultimately the Housing Corporation is responsible. The LHO is a partner. So when these organizations don't provide you the information that they need to provide to you in order for you to assess the effectiveness of your programs, you're missing.

When I read that, a lot of what I got here is that the Housing Corporation isn't even living up to the programs that they've designed. So in moving forward and reviewing your programs, to me it will be difficult for you to assess how effective your programs are unless you put it in really solid evaluation frameworks: what you're collecting, why you're collecting it, what it's going to show you, and where it could lead to improvements.

I scanned the "Framework for Action." It just sounds like more words to me. Its "We're going to do this; this is going to work out; this is going to be great." But I seriously

don't see anything that talks about how you're going to evaluate your programs to ensure that you're meeting your mandate. In reading this document, the audit, I would suggest that you may not necessarily be meeting your mandate today with the amount of outstanding money that is being lost, misplaced, not collected and all those types of things.

It's not really a question but a bit of a Member's statement, but I do suggest that in anything you bring forward, there should be some solid evaluation frameworks so that we know what you're collecting, so you know what you're collecting and why you're collecting it, and what you hope that information will show.

**Mr. Polakoff:** We wouldn't disagree. We would also suggest, however, that in order for us to provide that kind of information, the best way to put together an approach that takes care of each one of those issues is to have a plan in place. I think that's why the recommendation from the Auditor General to have a strategic plan is so important; it's something that we believed was important as well. But I agree with you that having such things as evaluation frameworks in place to measure your responsiveness to the mandate, to measure whether or not you're achieving your objectives and those sorts of things — those absolutely link in with the "Framework," but more detail is required — more detail on how we've done in responding to the issues that are raised. That's part of the process that would be incorporated within the "Framework" itself.

**Mr. Beaulieu:** Going through this audit, I noticed that there seems to be a major planning document, a strategic plan for whatever length or period you choose to do the strategic plan for, but I can't see how you could do a strategic plan without doing a needs survey. I'm not understanding why a needs survey hasn't been done for the period that it hasn't occurred. I'm wondering what your plans are to do a needs survey and how you are going to roll out the strategic plan — the timing and everything pertaining to the needs survey and the completion of that.

**Mr. Polakoff:** We're working with the NWT Bureau of Statistics on the next needs survey. For those in this room that may be aware, the Housing Corporation used to undertake a needs survey on its own; we now do it in conjunction with the GNWT. We're in the process of working through that with them right now to try and identify timelines and that sort of thing.

**Mr. Beaulieu:** What type of timelines? Again, I consider that to be the most important document. Not just an important document, but *the* most important document. How do you expect to complete a strategic plan when you don't know what the situation is in non-market communities versus market communities? What type of programs are you expecting to develop? How are you going to include the CMHC declining funding into the strategic plan when you don't know what the needs are currently? The last needs you're operating with are from 2004. I don't see the urgency on the part of the Corporation to do the survey. I'm wondering why.

**Mr. Polakoff:** The next survey is scheduled for 2009. However, we also have been using information that we've gleaned from the 2006 Census Canada material that's been released over the last couple of years, some of which is helpful as we move

forward. We would agree that understanding the need is critical. As a member, we'll be aware. They're scheduled on a regular basis, so 2009 is the next scheduled survey.

**Chairman (Mr. Menicoche):** I'm just following up on Mr. Beaulieu. It begs the question of when the strategic plan was scheduled to be completed, then.

**Mr. Polakoff:** The strategic plan itself doesn't have a completion date. It's an ongoing document that would.... It's more of an ongoing process. Strategic planning doesn't have — in my view, anyway — a beginning and end date so much as there's an ongoing requirement to plan appropriately corporately.

**Ms. Bisaro:** I'm just going to provide a couple of general comments in light of the whole document. I have some questions when we get to specific pages. I was, like my colleagues, struck by the number of things that came to light, particularly in terms of monitoring and the lack of monitoring, the applications of policies — not necessarily unfairly but in a haphazard manner that's not consistent. There's no consistent application of policies from what I can understand from the report.

In looking at management responses that are in the report, I didn't see any indication of how the Corporation is going to achieve the monitoring function that is necessary in order to bring the Housing Corp to the standard we would expect. So that's one that was glaring to me.

I have to speak to your statement about the strategic plan. Your understanding of a strategic plan seems to be fairly different from what mine is. To me a strategic document is a document, which is worked through over a period of months, but it is a completed document, which lays out a plan for a number of years, generally. It's revisited every year, but I don't see it as an ongoing document that is never finished.

I would hope that if that's what you are intending, you might reconsider what your plan is going to be, because a strategic document, to me, is finite. It lays out your goals, your objectives and gets down to very specific actions, which is what I see is necessary in order to provide a proper response to the Auditor General's report that we have.

I did want to know when we could expect some of the detail that you referenced. You're basically saying it's going to be after a needs assessment, which is going to come in 2009, so we're probably not going to get a strategic plan until 2010, and I have a real problem with that. I'll leave it at that for now.

**Mr. Beaulieu:** I was going along the same lines also, Mr. Chair. I also had a different interpretation of what the strategic plan was. I've used strategic plans where you pick a point in the future and work towards getting to that goal. Completing an environmental scan is a significant part of developing a strategic plan. Again, if, as the member who spoke before me indicated, the needs survey is going to be part of the strategic planning document in 2010, and then I'm assuming all the necessary scans will occur before then, it's still fairly late into this government's term in any event. It would be two years down the road where.... We were elected in 2007, so if something comes out in 2010, it would probably be something that we would have little impact

on, considering that in the smaller communities, housing seems to be the number one issue for us.

It would be good for us to be armed with what the Housing Corporation plans to do at the community level when we go into the communities, to say, "There's a light at the end of the tunnel; here's the plan." That's something we may not be able to do until 2010. I guess that's my commentary.

**Mr. Abernethy:** Once again, probably no questions, but here I go anyway.

In your responses you often talk about planning. In your presentation you start off by talking about some of the challenges resulting from the audits because they're going on at the same time you're doing a new mandate; there's a new president, there's new operational committees. There's a lot of new planning going on. Planning, planning, planning, planning, planning.

I don't think you can plan your way out of this. I do think at some point you have to have a plan; you just can't keep planning and planning and planning and planning. Ultimately, at the end of the day, the Housing Corp is spending public money. They need to be accountable for what they spend, and they need to make sure they're spending it in an efficient, effective manner.

As we go through this today, we start breaking it down and we start looking into things you would think would be fairly simple, like making sure people pay their rent. If they're not paying their rent, find out why. Those types of things were missed. When we're going through the audit, there seems to be a lot of holes where those types of things weren't done.

I'm sharing the same concerns. You're not going to be able to plan your way out of this. You have to have a plan, yes, but continual, perpetual planning isn't going to solve some of the problems. We need to get out there. We need to make sure the LHOs are providing you the information that they're supposed to provide to you by your agreements and your arrangements and your policies and your procedures, which they don't seem to be doing, and you turn around and blame the LHOs. Ultimately the NWT Housing Authority is responsible. As we go through, we'll see that.

I'm concerned that everything I look at says you're going to plan; all your responses here say you're going to plan. I hear you say you're planning. I hear you say you've been planning. I still don't see the results, and that's where I'm concerned. We need to make sure these are delivered effectively, efficiently, timely and that the LHOs have the resources they need to provide their services. You guys need to monitor them, and you need to keep them accountable as well. You are spending public dollars.

**Mr. Polakoff:** Just in terms of the planning process, planning by its very nature changes and evolves over time. I think there's also.... If we're talking about planning as well as implementation, I think that's fair. I can say we've been implementing many things, not just planning to implement. We have been doing many things over the last year number of months.

I do think it's important that the plan itself be recognized as a dynamic document. The plan is what it is at any given point of time. The planning process itself continues. That's the point I'm making. A strategic plan changes over time and evolves. But any given time you pick up a plan, it should be consistent with the way in which things are being done and evolving to suit the needs.

I just want to be clear that when I'm talking about... I believe that planning does not end; it continues. You may have plans that have a shelf life, but the planning process itself has to continue, as does the implementation. The implementation has to reflect the work that's gone into the plan.

**Mr. Hawkins:** The fact is that all we hear about is the plan. I guess it's the nuts and bolts and mechanics of the problem that really isn't being solved here. That's what I want to hear. I don't want to hear about the plan, we are planning the plan, and when we plan, we'll plan some more — the plan needs, the closure plan. Eventually the planning will need to be stopped.

I mean, the Housing Corporation was in the delivery of this product — the product of delivering housing and homes and rentals, long before this latest buzzword came in. The buzzword, I'd call it now, is the "Framework for Action." The fact is we just continue to plan. We must be doing something, I assume. I know we are doing something in the Housing Corporation. I know that they are delivering houses to some people who need them — notice I didn't say "all." They are certainly providing rental opportunities for some people who need them, too.

We'll go through those details where we will highlight some of the areas of concern when it is been audited, but the fact is, this latest renewal — like the phoenix rising from the ashes — from the Housing Corporation is that it now has a brand new plan that is still being hammered out, and it is almost two years in existence. You know, I am not going to pretend to say that it all lies on your shoulders, but the facts are the facts.

You don't need almost two years to just come up with "where are we going?" as a vision statement, mission statement. I mean, the housing program is the plan. We don't have to hire anyone. I'll tell you that right now for free. Deliver good housing. Follow policy. If you want, I'll write it down.

It's just that all I hear is plan. I want to hear mechanics. I want to hear how we are going to deliver this. I want to hear how we are going to meet on the budget and stuff like that. The fact is it is one strategy after another. It is highlighted by other members, and quite rightly so. We don't know if we are going to see some of this documentation by the next survey, by sometime in the fall of next year, and then it is highlighted quite correctly. We may not even have any fingerprints on any sort of performance by the end of our term. We'll lose a whole term by just planning.

I guess I want to say that we've got to stop talking about planning as the only objective. We've got to starting showing that we are willing to "do" as part of the series part of our objectives, as well as following policies and procedures.

To be honest, and no disrespect, but you weren't absolutely clear when I said that I wanted to hear from you today that those policies and procedures that we have on the books you'll start following absolutely, today. And by the way, if they are wrong, well, let's scratch them and refine them. That's fine. But I want to hear, absolutely today, that that will be an absolute minimum, and that when you leave the room today, that will be followed through. I would like to hear that you are going to follow up with us to show that you are demonstrating that you are doing that today.

**Mr. Polakoff:** If I can be real clear, let me try again. We are following policies and doing everything we can to make sure that policies are developed to reflect the needs. So it is both. It is changing policy and it is following policy.

We would also be very pleased to meet with committee, as we have done in the past, to provide updates on progress in the specific areas they are interested in. In other words, as Mr. Abernethy and others have said, I think people want to know, "Where is the beef?" I think that is fair. So this not just about planning; this is about delivering. We are pleased to provide those updates on an ongoing basis based on some of the information that we have been including in the plan. We are absolutely committed to doing that.

**Chairman (Mr. Menicoche):** I think most members have commented upon the opening presentation, and I think we'll get to the guts of the report: the Observations and Recommendations. We'll be beginning on page 5. Typically, we have been doing it in sections.

Mr. Polakoff, on page 5 we have "Monitoring of local housing organizations' (LHOs) allocations of public housing units needs to improve." What we have found this morning is that we are better able to have a more focused discussion. In this case, it will be getting more details on the Housing Corporation and how they saw it and how they are choosing to manage it. With that, we'll get to Ms. Bisaro.

**Ms. Bisaro:** I'll start with your pet peeve, in case you don't get a chance to get to it. Paragraph 17 talks about a provision for an independent appeal being absent. I thought in the presentation there was some reference to an appeal mechanism. I feel that it is imperative that the Corporation sets up some sort of appeal process for applicants who feel that they haven't received fair treatment to which they feel they are entitled. I would like to ask Mr. Polakoff whether or not the Corporation is planning to set up an appeal mechanism?

**Mr. Polakoff:** The answer is yes. We would also agree with you that an appeals mechanism is necessary. Initially, what we have suggested is that the appeals mechanism be similar to what is utilized in the financial assistance model with a two-tiered approach. We also wish to provide some of our suggestions to some of our partners, the LHOs and so on, to get their input on that. But yes, appeals, we think, can be very helpful and is a mechanism that we are going to incorporate into our operations.

**Ms. Bisaro:** Just a quick follow-up. When might we expect to see an appeal document or an appeal mechanism as a document?

**Mr. Polakoff:** We have indicated that an appeal mechanism will be incorporated within '09.

**Mr. Jacobson:** Mr. Polakoff, what has been put in place to regularly monitor the LHOs for complying with policies and procedures?

**Mr. Polakoff:** There are a number of things. In the past, there have been compliance audits on the actual work of the districts and the LHOs, but in addition to that, through our re-organization, we have put a focus on operation rigour and providing support to the districts and the LHOs. With that in mind as well, we also have been reviewing some of the questions that have come about as a result of our reviews. Those go back to the policy review committee to look at the application of those policies, or the need for change.

**Mr. Abernethy:** My questions are similar to Jackie's. In paragraph 16 we talk about where the auditors indicate that they reviewed 74 applications. Of those, 21, or 28 per cent, were ultimately successful but had not been properly assessed. This morning when we were talking to the auditors, I got some clarity that was across all of the five LHOs they examined. I wondered initially if it was focused on one LHO and whether it was one LHO that was a problem, but it was clear that it was across all of them, so these numbers come from all the LHOs, which indicates that it is a bigger problem than picking on one LHO.

So I am curious. If 28 per cent, all of which were successful, were not properly assessed, what has the Corporation done — because I am hoping they have already done something — to address the issue of the non- or the mis-ratings, where they have been approved?

**Mr. Polakoff:** We have advised our district offices to make sure that point ratings are done, in fact, in all cases, and to make sure that the LHOs are aware of that. Because we weren't party to the specifics of each one of the reviews.... One of the points that had been raised by the Auditor General, and we thought it was a good one, and through some of our discussions that we had with them, we indicated that there may be some circumstances where an LHO may not feel that a point rating was necessary because there was a vacancy, or the unit itself may have been a market housing unit. One of the recommendations that had been made by the Auditor General was that even in those cases where you might not necessarily require a point rating in order to rate the applicant because of their level of income and so on, it is important to put a notice on the file to make sure it is clear why something was done. So that's another issue. In other words, complete the file.

**Mr. Abernethy:** I'm glad you've advised them that they are supposed to do their jobs. I'm more curious as to what you've done to ensure that they *do* do their jobs.

**Mr. Polakoff:** Thank you, Mr. Abernethy. Through our focus on operational support, we've also put in place a process whereby we review with the LHOs, or will be reviewing with the LHOs on an ongoing basis, by doing spot checks and so on.

**Mr. Abernethy:** On that one, if you were to go out today and do a review, do you think the majority of them would come back as being completed, or are you still going to have a lot of successful applicants who weren't properly assessed?

**Mr. Polakoff:** You would still find some that still require point rating, and that's going to be a process that will take some time.

**Mr. Beaulieu:** I just want to carry on with what Ms. Bisaro was talking about on the appeals mechanism. Could you give us a bit of detail on the appeal mechanism — whether it's going to be community, regional or territorial?

**Mr. Polakoff:** I would suspect — because we're going to be providing options — we would like to have an appeal mechanism that would have two elements to it. A first step in the element would be Housing Corporation staff reviewing an appeal with a separate, independent review mechanism that would be territorial-wide in focus, probably. But that again is dependent on what options are chosen and how the options will be reviewed by a number of different areas. We would want it to be territorial-wide, but I hesitate to tell you what the ultimate appeal mechanism is going to look like.

**Mr. Hawkins:** Mr. Chairman, I have a number of questions in this area.

I guess first I'll work backwards from one of the last issues that was raised, which was compliance on the point-rating system. Even management's responses, you will agree, agree with the fact that the point-rating system needs to be conducted consistently. But yet it makes it sound like you're creating some wiggle room there, whereas — obviously you'd have to back to transcripts — you'd said something to the effect that LHOs are basically emphasizing.... There are LHO circumstances where they may not want to follow that or don't feel the need. I wasn't quite getting that.

But regardless of that, that isn't the issue. The issue is, I want to hear you clearly say today.... I mean, I'm not going to give you wiggle room. I want you to say that it is an operational directive that everyone fills out a point-rating system and justifies the reason why they've given out a unit. And that being said, certain circumstances will allow more flexibility. Okay, I agree with that. That's real life. But the fact is, everyone needs to be consistently and fairly and appropriately allowed to go through a system that they can bet on. So if I applied for housing — not me, personally, obviously — to an LHO in Tuktoyaktuk, or if I applied for housing in Lutselk'e, I know that I will be treated exactly the same. And that's the consistency and fairness, but we're not seeing this. I want to hear a directive that it is done that way.

It's time to put down the carrot and pick up the stick approach and say, "Look, if we can't find people who want to do this, we have to question what we doing with those on the top of the pile, and what are those who are doing it within the system." Because if the managers, which is the Housing Corporation, can't do this, we're going to have to find people who can do this. And so the bottom line is: will you make it a compliance directive that they have to do this? And you can threaten them with all the little spot-check all you want. That's your job in the management of that. But I want to hear it as a clear directive.

Thank you.

**Mr. Polakoff:** Agreed.

**Mr. Hawkins:** Excellent answer, by the way — just the way I like it.

I hate to say it, but I'm going to go back to it only for a second. Is this being done as of today, or will we plan for that?

**Mr. Polakoff:** It will be done immediately.

**Mr. Hawkins:** Even better answer. Excellent.

Okay, going to paragraph 17. We did hear about the appeal, and I think the appeal process is a very good idea. I think that's a good initiative. One thing I did not hear out of your comments about the appeal, although I was nudging our Chair to get some clarification while the issue was being raised a couple of times, is: will it be independent, outside of the Housing Corporation, to provide feedback to the organization?

**Mr. Polakoff:** What we're suggesting is that there be two stages, and that the final stage be independent.

**Mr. Hawkins:** That's certainly acceptable and reasonable.

Moving along. Going to paragraph 16, although it's been highlighted, some of the issues we've noted are that there is no documentation on some people who've qualified. I guess we're in a bit of a quagmire here. Let's first qualify it. I'm not going to suggest we throw anybody out. But the problem is, there are people in here who look like they shouldn't have been there, as highlighted in the sample the Auditor General's Office has taken. So I guess it's sort of a question of what are we going to do in a situation where we have people going into housing that shouldn't belong there, when we probably have people on the list who should go on there? How are we dealing with that problem?

**Mr. Polakoff:** Thank you for that question. That will be part of the follow-up to the Auditor General's report, where a specific direction will be given that we do those kinds of reviews.

**Mr. Hawkins:** I guess, in the follow-up now, it begs, of course, the detail. What do you mean by follow-up, and when should we see something, and is the department — I'm calling it a department, but you know what I mean — is the Housing Corporation going to come up with a policy on how to deal with people who technically don't qualify to be there, but we have them there?

Thank you.

**Mr. Polakoff:** I think the first thing we would like to see is the detail around the scope of the problem. If there are people that are in housing that should not be there in the first place, then there would be a policy developed to ensure that's taken care of. So the answer would be yes.

**Mr. Hawkins:** And can we expect something like that done sooner or later? Obviously, I know it's difficult to say we'll start it by Thursday, but I'd like to hear it will be done. When do you expect something like this will be addressed? Thank you. Not completed, but addressed?

**Mr. Polakoff:** The direction itself will go out, as I said, immediately. And the process itself will.... We will use the policy review committee to look at the scope of the problem. Okay?

**Ms. Bisaro:** I wanted to speak to this topic of applications that haven't been properly assessed and/or there is no explanation as to why they weren't properly assessed. To me, it goes to the monitoring of what the various LHOs are doing. Ultimately it is the responsibility of the Housing Corporation to know what the LHOs are doing and to ensure that what they are doing is following policy accurately.

I can't remember if it's mentioned in the "Framework for Action" or if it's mentioned in the Auditor General's report, but we have had some discussions about the value of an internal audit function. I don't think the Housing Corporation at this point has an internal audit function. To me, I would suggest that it's a valuable tool for monitoring the LHOs. They should be reporting what it is they are doing. I see an internal audit committee or function as looking at those reports and/or going out and looking at the paperwork that's on file with the various LHOs and determining whether or not it's accurate.

So my question, having said all that, is whether or not it's something that the Housing Corporation currently does, and if not, would you consider doing it or are you considering doing it, and when would it be in place?

**Mr. Polakoff:** We currently have an internal audit function. We also work very closely with the GNWT and the Audit Bureau. In addition to that, there are private audits of LHOs, as well — of each LHO. We have an internal audit committee that's comprised of functional areas as well as district representation in the Housing Corporation where we review these functions as well.

The other aspect to this that I'd like to reflect on, as well, is the need for.... We believe that there is a need for improved engagement, if you will, from our financial folks in the district for an ongoing review in order that it isn't only related to audit where we bird-dog issues, but it's as the issues are evolving. I think that's the other aspect that we consider important from an operational perspective.

**Ms. Bisaro:** I would like to follow up. So if there is an internal audit function or an internal review function now, what is it that they are reviewing or auditing where the problems identified in the Auditor General's report didn't come to the forefront already?

**Mr. Polakoff:** I'll ask my colleague Mr. Anderson to answer that.

**Mr. Anderson:** As Mr. Polakoff mentioned, we do have an audit committee in the Corporation. We do a three-year plan initially, to identify risk areas in the organization that we would like to focus on with our audit group. That plan is operationalized into

an annual plan, and they go out and have a pretty significant presence at the Local Housing Organization level on a compliance basis. Most of it has really been more geared towards cash management. We worry about the cash that floats through the organization, and it's to make sure we don't have any problems in that area. As well, we've done a fair bit of work on the maintenance side of our organization.

In regard to this issue, and I don't want to underscore the requirement to have proper documentation in our files, but the LHOs do have a pretty good, close working relationship with the district offices, and I don't believe there are very many cases where we have people in the units that don't have any business being in there. As an example, we have had communities come to us and say, "There's a professional in the community. We need this professional, so will you make room for them in one of your public housing units? Because there is no other option." If the community wishes to do that, we support that approach on a term basis. We won't do it indefinitely, but we'll do it for a period of time.

**Ms. Bisaro:** I guess this is a comment and not a question. I would suggest that if you've got the cash handling sort of in-hand, I think the Auditor General's report points out that you need to broaden your internal function and look more at the documentation. I don't think anything the Auditor General told us suggested that there were people in housing who shouldn't be there, but how do you know that if the documentation doesn't tell you? That's what is so glaring for me. You really don't know whether or not the people who are there are supposed to be there. That's where I think your internal audit function could delve deeper.

**Mr. Polakoff:** I don't disagree with that, Ms. Bisaro, but I would also suggest that it could also be very helpful to the LHOs for more engagement from the district offices just on an ongoing basis, as I mentioned. It shouldn't be reliant on audit only; it should be operational in nature as well.

**Chairman (Mr. Menicoche):** At this time, I would to acknowledge that the Minister Responsible for the Housing Corporation did enter the room. Welcome, Mr. Miltenberger.

After this next line of questioning, we'll take a brief 15-minute recess.

**Mr. Hawkins:** Very good and very timely, Mr. Chair. I'm sure the Housing Minister is listening very attentively, of course.

Mr. Chair, the item I'm going to now refer to is item 13. We talk about the Corporation being responsible for regularly monitoring and assessing LHO operations, then it goes into motherhood statements about how they do this and what it's about, but the fact is.... What I really want to start off by asking is the details of what the Housing Corporation does today to monitor principles of compliance. Whether they are policy and procedures or in the context of properly spent financial resources, what do we do to monitor as of today?

**Mr. Polakoff:** There are a number of different ways that monitoring is undertaken. At a district level there are program officers, program managers who work with the LHOs in how they are delivering the programs, and they also work with them on reviewing

the approach that they've been taking. There are also technical staff who provide assistance to the LHOs and work with them on ensuring that the policies related to technical administration are undertaken appropriately. And then there is also the audit function.

That said, the policy compliance part is typically dealt with by items being brought forward to the policy review committee, and the policy review committee reviews them to ensure that things are being done on a consistent basis across the Territories and between LHOs.

**Mr. Hawkins:** Would the President of the Housing Corporation agree with the statement that the Housing Corporation has not been living up to its part of the program for compliance of the LHOs to date?

**Mr. Polakoff:** I think the findings of the Auditor General indicate that there was some slippage in compliance, so I wouldn't disagree with the fact that there were some inconsistencies.

**Mr. Hawkins:** No, that's not what I said. My question is: are you in agreement that they have not been following up on these policies? Because everything you had said, if it was working, we wouldn't be reading these recommendations, as you had stated. I guess to plainly put it: would you agree that the department has not fulfilled its obligations broadly to follow through on its compliance and overview of LHOs?

**Mr. Polakoff:** I would agree.

**Mr. Hawkins:** Seeing how we don't want to let the very agreeable president go too quickly here without hearing some comments — because the break may change his thought patterns, especially with the Minister here. As far as I'm concerned, some of these things that we talk about on these assessments.... Assessments, as far as I'm concerned, need to monitor key principles on how we're doing things. One of the suggestions that I'd certainly like to see forwarded is that we bring forward a checklist of things. It could be as simple as a piece of paper where we checklist what the LHO does, and we have to get people to sign it. We should be getting things like the board and the board chair or the executive director of the LHO to ensure that these things are being done.

One of the things that you've just agreed to is that there is slippage there. And as we've highlighted.... Even the Auditor General said not every person, or I should say LHO, is a bad situation; some are certainly less good and we have the evidence here. The fact is we want to ensure that people are doing the things you talked about: program compliance, technical compliance, administration compliance.

I didn't want to get into the discussion about audit function just yet. It's a little down the road here — and you'll hear from me on that too. But the fact is, even the audit function compliance....

When you talk about policy compliance from your point of view of this new committee, I'd like to hear you — certainly, hopefully, you will say, yes — but I'd like to hear you

today commit that we'll come up with a strategy where we can monitor these things through a compliance program.

But we actually have a checklist. I'll go through them. And we can sign them off by the LHOs board chair as well as the executive director of the LHO to make sure, because if something goes off the rails, at least we have something accountable to go back to because we can hold up this piece of paper. And although we're not on that page yet, we have, you know, a piece of paper that says, "This whole LHO said everything was fine; they checked them all off. Well, I don't believe you. And you know, I want to take that to task."

So the fact is, will you agree to that today, while you're very agreeable right now? Thank you.

**Mr. Polakoff:** I think the approach that you're suggesting, Mr. Hawkins, certainly makes sense. I think what we can commit to — and it's contained within the "Framework for Action" — is that we're going to be focusing our efforts on ensuring that compliance is undertaken both between the district offices and the Housing Corporation as well as the LHOs.

The document itself, what the document looks like, or how we do it, I think, is going to be a matter of discussion between us and the LHOs as well as other partners to make sure that we do it in a manner that's appropriate. But certainly a commitment that we will be focusing our efforts on ensuring compliance with policies, I think, is absolutely agreed to.

**Mr. Hawkins:** I know everyone wants a break. But I just want to really boil it down to the meat and potatoes, which is the fact that I want to make sure that the LHO itself has to sign these off. So the LHO is taking responsibility that they're complying with the policies as directed by you, through the Housing Corporation.

If I can get a yes on that, we can all go for a break. Otherwise, I'm quite prepared to sit as long as it takes. Thank you.

**Mr. Polakoff:** Yes.

**Chairman (Mr. Menicoche):** Yes. Okay. I just wanted to add that I heard a beautiful quote by Churchill. He said: "If you don't learn from history, you are doomed to repeat it."

With that, we'll take a break.

Interjection.

**Chairman (Mr. Menicoche):** Yes, 15 minutes and be back here soon, please. Yes.

The Standing Committee on Government Operations took a short recess.

**Chairman (Mr. Menicoche):** Moving on to the next section of the report, I believe it's pages 7 to 9, paragraphs 19 to 25: "The Corporation does not adequately monitor LHOs' inspections of public housing units and rating of condition." Any questions on that?

**Mr. Abernethy:** In paragraph 22 of the audit, it says: “The LHOs are expected to allocate the funds according to the needs identified in the annual property inspection and condition rating process.”

In paragraph 23, it talks about the fact that only 64 per cent had up-to-date condition reports, which basically means 36 per cent didn't. There is obviously a lot of concern around that. How do they allocate their funding if they haven't done the inspection reports?

In your response you indicated — or rather, the Housing Corp indicated — they're going to start random property inspections, number one, to ensure that they're being done appropriately, and number two, to encourage the LHOs to do them as well.

I'm curious about whether or not you've actually started to do your random property inspections, as you indicated in your response.

**Mr. Polakoff:** Thank you, Mr. Abernethy and Mr. Chair. Just to be clear, Mr. Abernethy, what I had indicated was that we do annual inspections as opposed to...

**Chairman (Mr. Menicoche):** Random?

**Mr. Polakoff:** ...random, yes. So in 2006, we began requiring LHOs to do annual inspections of their units.

**Mr. Abernethy:** Does the Housing Corp itself go out and do audits of the individual units to ensure the LHOs are in fact doing fair and accurate assessments?

**Mr. Polakoff:** Thanks for that, Mr. Abernethy. Yes.

**Mr. Abernethy:** In here it talks about the fact that they were able to identify two of the LHOs that had actually completed all their forms, which was great, except every form was filled out exactly the same. That calls into question the validity of the inspections themselves.

This is more of an encouragement. I'd like to encourage you to toss in some random inspections, and go out to some of these places on a random basis to ensure that they are in fact being done accurately. That would also encourage the LHOs to do them on a regular, annual basis.

I go back to the original statement there. They're supposed to allocate their funding based on what it is they're doing. How do they know what they're doing if they don't do the inspections? Ultimately, the Housing Corp is accountable, so I would suggest that you might want to build in, somewhere along there, some random inspections, to go out there and take a look at the quality of the actual units.

There is a question in there somewhere.

Laughter.

**Chairman (Mr. Menicoche):** Just before I go to Mr. Polakoff, I have to excuse myself for 15 minutes. Mr. Jacobson will continue in my place as Chair.

**Chairman (Mr. Jacobson):** Okay, let's proceed. Mr. Polakoff?

**Mr. Polakoff:** Thank you, Mr. Chair, and thank you for that question, Mr. Abernethy. We would agree. I think that's good advice. We're aware of the two circumstances, and we are concerned, as well. That's problematic, in terms of the validity of the findings, if everything is rated the same. We recognize that.

I also think the suggestion about doing some reviews on a surprise basis, if you will, would make a lot of sense.

**Chairman (Mr. Jacobson):** Ms. Bisaro? Or Mr. Beaulieu. I'm sorry.

**Mr. Beaulieu:** Sorry, Jackie. Go ahead with Ms. Bisaro and put me on the bottom of the list.

**Chairman (Mr. Jacobson):** Okay. Ms. Bisaro?

**Ms. Bisaro:** My chair's going backwards. Somebody's getting back at me because I complained.

I wanted to visit paragraph 24 as well. Glen touched on it. It has to do with the condition of the units. He mentioned that there were two LHOs which had rated all of their units the same.

It goes, for me, to the same thing I brought up earlier, and that's the monitoring of the reports get them from the LHOs. I would think of it as a red flag if an LHO provided me with a report which showed that every unit had exactly the same rating, in terms of repairs. It's like, "Yes, that was easy. Check off the first box all the way down."

To me, this report indicates that the Housing Corp doesn't have anything in place to do that sort of review of the information you're getting from the LHOs. I used the word "monitoring," and I'm thinking that you need to be looking at that kind of information and doing something with it, as opposed to just taking it and filing it in a drawer.

I don't know whether or not you've got a plan in place to do that, or if it's something that you do already. If you do it already, why wasn't this a red flag for you?

**Mr. Polakoff:** Thank you, Ms. Bisaro. It was a red flag, and we dealt with it as a red flag. In other words, "We know what you're doing; don't do that again." But I hear you. It all goes back to monitoring. It goes back to making sure that everybody understands the importance of monitoring. Everybody's busy, but everybody needs to understand the priority of some of these tasks and that they all link together. So we do agree.

**Ms. Bisaro:** I'll follow up with a general comment and question.

In a lot of the recommendations in the report, it struck me that much of what's being required is work on the part of the Corporation. The answers, the management responses that I read, didn't really indicate who would be doing the work in terms of monitoring, reporting and spot-checks and all that sort of thing.

As I finished the report, I wondered whether or not the Corporation currently has the manpower to do the work that's being recommended by the Auditor General, and whether or not there's a consideration on the part of the Housing Corp that you're

going to need more manpower to achieve the success in the recommendations that are outlined here.

**Mr. Polakoff:** Thank you, Ms. Bisaro. A couple of items. I take your point about the management responses, but I want to be clear that in terms of our management responses to the audit itself, just by way of a general statement, we typically don't get into a management response with a great deal of detail. The detail, in our view, would be incorporated into the "Framework for Action" and the strategic action plan. But that's just a general statement.

In terms of the strategic framework itself and the point you raise, Ms. Bisaro, about resources, I agree with you. In my view, the strategic action plan is fairly aggressive and has a broad range of initiatives. We will be challenged in terms of our resources. Given the current circumstances and availability of resources, that challenge is going to result in us needing to prioritize our objectives very, very clearly and make sure that we make the best use of our resources.

That said, we also are mindful of the fact that the circumstances are today that resources are very dear and hard to come by, and we will do the best we can with the resources we are allocated. If it were up to us, we'd have more, but it's not up to us.

Laughter.

**Ms. Bisaro:** That's a perfect segue into your strategic plan and the "Framework for Action," which I don't see as being a fully fleshed-out strategic plan. You're talking about prioritizing. You're talking about people doing things and having to do more. Again, I have to stress that the "Framework for Action" is a good start, but for me, it's not specific enough. It doesn't go to the detail that is needed to achieve the recommendations outlined in the report. That's more of a comment than a question. Thank you.

**Chairman (Mr. Jacobson):** I was just going to say that, but thank you, Ms. Bisaro. Mr. Polakoff?

**Mr. Polakoff:** Thank you, Mr. Chair, and thank you, Ms. Bisaro. We would agree. The strategic framework only goes as far as it currently does, and it's the initiatives held within the "Framework for Action" and the detail that's provided around it in terms of how we implement it and how the different elements link together.

That's the other issue: how we link those elements together so we have a cohesive plan. The plan, as we talked about earlier on, is also used as a prioritization document so we can keep our eyes focused on the ball, if you will. There are some things that are absolutely critical for us to get our collective heads around. Quite frankly, using opportunities such as this to talk about our approaches with committees, to gain insight from committees and others as we move forward, is going to be critical.

**Mr. Hawkins:** One of the concerns I have starts to surface each time we talk about management's responses. In many cases — and we'll get to the ones that don't — the management, the president, is agreeable to some of these things, but we tend to

get a response from the president that, well, they're moving around and "the latest we've heard" and that you can't provide the fullness of detail. We've even heard this from the Auditor General, where requests have been made to pare down responses "or else we'll pare them down for you."

One of the things that I'd like to start off with is this: is management also willing to provide committee with a more detailed response on how they're going to meet some of these objectives? I would like to see the following: a description of how the objectives will be put into action and paid for and when they become effective; a timeline; and an explanation of how management plans to come up with a formula of compliance.

If you feel your responses were limited because of the regulations on how they come up with the reporting, I'm willing to accept some of that as an excuse for the missing detail. Would you be interested in providing us a follow-up one-pager, for example? Because I don't want these things to look like another document with every sentence that's provided here.

Some of the issues you raise are probably fair, but in the meantime, that would provide a relationship that we're going to build today. I have an expectation, which I think you've come to see very clearly, that some of these things.... "The actions stop today in terms of how we've been doing it the old way, the old business, and the change starts today." Although I know it's been initiated in a few cases, I want to see that being done now.

In all fairness to the Housing Corporation, you could spell that out, and committee can go away feeling confident that the Auditor General's report has been received well, as you have said, and you can demonstrate that through actions.

You say you accept and are appreciative of what they've done. Do you think we could have documentation before May — before we start the next session, that is, in May — if not sooner, to clarify that?

**Mr. Polakoff:** Thank you for that, Mr. Hawkins. I don't want to speak for my Minister, but I would suspect that if my Minister were here, he would suggest that is precisely the kind of thing he would like to consider.

What he would also like to suggest is that we take next steps as they relate to the strategic action plan itself, and work through some of those with committee, and perhaps identify some of those areas of priority.

**Mr. Hawkins:** The Housing Corp president is getting the issue that I'm raising, which is that we need to continue this dialogue to make sure we're keeping the train on the tracks. It's like, "Well, we didn't do an assessment," and suddenly the train's off the tracks, and things like that.

I need to make sure that I feel comfortable, when we leave here today — or tomorrow or, if you're lucky, we're still here on Friday, discussing this matter.... I see the Auditor's staff are sweating now.

Laughter.

**Mr. Hawkins:** I assure you, if I need to, I will keep committee here that long.

The fact is, we need to make sure, with the highest respect, that you get it, and that we leave knowing that you get it, and you mean it and we're going to keep it on track.

I'm going to continually ask, "When did this start? How are you going to do this?" But that also saves us a lot of time, through the discussion process, if you're willing to commit to those types of details.

If you want a list, I'll provide it, as I pointed out: actions, timeline, paid for, things like that. I'll give you a list separately. I see the president nodding.

Mr. Chairman, I want to go to paragraph No. 19: "The Corporation is responsible for the prudent management and stewardship...." It also goes on to talk about their maintenance program. That's 20, and 21 highlights its liability.

One of the concerns here is I'm not seeing prudent management. We don't have to go through this exercise of "Do you agree or do you disagree?" The fact is it's laid out here that this wasn't being done. We don't have to split hairs. What are we doing today to make sure this is being done?

**Mr. Polakoff:** Thank you, Mr. Hawkins. Specifically related to 21?

**Mr. Hawkins:** I was highlighting the themes throughout these things, because if we don't do prudent management of our assets by reviewing them.... I was just building the three paragraphs together on a review. The last one ends with a health, safety and liability factor. Basically, if we're not maintaining them properly, if we're not reporting them systematically — and I'll get to it — through the maintenance management program that you have, how are we making sure that this is done? It's going to come up later through the audit process. What's happening with these housing units? It says here that they're not being regularly monitored to make sure that they're in a safe state. I could go on, but I think you get it. Has this changed, and what's being done?

**Mr. Polakoff:** Thank you, Mr. Hawkins. Probably one of the main things that we've done was the requirement for the annual condition ratings, but linking the condition ratings back to the capital plan and how we spend money is also really important as well.

Again, our closer working relationship with the LHOs is an important aspect of how we integrate this as well. We expect the LHOs to go out and do condition ratings. If we have that expectation of them, we need to work in conjunction with them very closely to make sure there's consistency in the way it's done, and that sort of thing. It's a linkage between actually getting the boots-on-the-ground reviews done, linking that back to the budget exercise and identifying how we spend our money as effectively as possible, and linking that back to the capital maintenance planning process.

**Mr. Hawkins:** The issue I have here is I'm not sure it's being done and being done properly. I want to make sure that it *does* get done and done properly.

As cited in paragraph 22, “To calculate the annual funding it provides to LHOs for repair and maintenance,” it leads me to question what’s been done with the money in the past years. If these things aren’t being done properly and consistently — and maybe are being improperly documented — it causes you to wonder where the money’s been going, on which houses it has been spent, strictly to make sure that these corporations are afloat. In other words, maintenance money is being diverted for program money that keeps them, hopefully, in good books.

The fact is these are very critical. Maintenance money is meant for maintenance. Anybody who has a maintenance background will tell you that’s the first thing they always cut when they need to find money in the system.

**Mr. Polakoff:** Thank you again, Mr. Hawkins, for that question. Mr. Chair, if I may, I’m going to ask Mr. Anderson to provide a little bit more detail as it relates to budget, through his responsibilities as CFO.

**Mr. Anderson:** One of the things that certainly came to life for us in the last several years is the amount of money that we allocate to maintenance to look after our public housing stock. I want to make it clear that that money we provide to the Local Housing Organizations for maintenance is for preventative maintenance and demand maintenance. Specifically, preventative maintenance is the key piece of it, to be able to keep those units in a good state of repair.

The other piece that we have — and this is more driven towards the condition rating piece — is our modernization and improvements, which is capital dollars that we spend to do retrofit and upgrades to our units: maybe new windows or new roofs, mechanical systems, or whatever we need to do to help keep those units up to the condition that we expect.

The third thing we do under our Affordable Housing Initiative is that half of the 500 units that we’ve set aside, or that we plan to, over the three-year period is public housing replacement. What we’re doing is identifying our oldest, poorest-condition housing stock and using the Affordable Housing money to replace those units with modern, multi-configured housing to increase the value of the overall housing portfolio that we have.

The condition rating is one of the tools that we need to use as a performance indicator of whether or not we’re making any progress in maintaining our units with the dollars that we have allocated to that process.

As Mr. Polakoff mentioned, we started that in 2006. There were a few problems in some of the communities. We’re doing it again; it’s already underway for the next year. We’ll use this as a trend, to see how well we’re doing in each community, and at the same time it will be one of the indicators we use to help us develop our capital plan in the future. Thank you.

**Chairman (Mr. Menicoche):** Is it something related? Because we have other pieces to cover.

**Mr. Hawkins:** No, it’s the same issue, Mr. Chair, thank you.

The fact is if we go to paragraph 23, it says “The Corporation does not monitor the condition of its public housing portfolio.” Then we go back and we say that not properly monitoring the public portfolio is linked to how we calculate the funding for the LHO repairs. Then we ask ourselves, “Well, if it’s not being managed properly and if it’s not proper steward management...” You’ll notice these are all just the same issue.

The fact is — and I hate to say it — we have demonstrated that people aren’t even doing these assessments properly. Paragraph 24 says they’re not even doing them properly, if they *are* doing them.

It leaves me very uncomfortable to say that we’re providing good stewardship to our assets, and we’re basing our stewardship on funding....

**Chairman (Mr. Menicoche):** Mr. Hawkins, do you have a question there?

**Mr. Hawkins:** It’s the same issue.

**Chairman (Mr. Menicoche):** Well, have you got a question, then?

**Mr. Hawkins:** The fact is I’m not sure we’re doing this, and if we read this, you’ll see that we’re not. I want to make sure that stops today, and we go forward. If we don’t have the skills on the ground.... Are you making sure that the skills are on the ground, if they’re not there?

**Mr. Polakoff:** Thank you, Mr. Hawkins. Just an observation. I get your point, but it’s also important to understand that there was change happening while the audit was being undertaken. In some cases, because of the sequencing of it.... The findings of the audit are absolutely accurate, but change was happening at the same time. That’s not, in any way, shape or form, intended to say that it was done in an inappropriate way. I’m just saying that while change was happening, some of the audit review was being done, so some of that could relate. I’m not making excuses; I’m just saying, logistically, that’s what was happening.

**Chairman (Mr. Menicoche):** Mr. Hawkins, I have other people waiting, so I’ll go to Mr. Beaulieu next.

**Mr. Beaulieu:** Thank you, Mr. Chair. I have a couple of quick questions.

I’m still not 100 per cent clear on access to the Maintenance Management Operating Systems by some LHOs. I’m not clear what that meant in the audit. When I asked the auditors, they said I should ask you. Can you explain to me how that happened?

**Mr. Polakoff:** Thank you for that, Mr. Beaulieu. All LHOs have access to MMOS. In some cases, they may not choose to use it as much as others do, but accessibility isn’t the issue, unless perhaps there may have been an issue with regard to a computer or something like that.

In our view, all LHOs have access to MMOS, and it’s a matter of whether or not they choose to use it more or less.

**Mr. Anderson:** As of today.

**Chairman (Mr. Menicoche):** Thank you, Mr. Polakoff.

**Mr. Polakoff:** As of today.

Laughter.

**Chairman (Mr. Menicoche):** Thank you. Mr. Beaulieu.

**Mr. Beaulieu:** Okay.

**Chairman (Mr. Menicoche):** Yes, a good opportunity to ask a follow-up.

**Mr. Beaulieu:** That's good. When the auditors pointed out there was a lack of access, I asked that question because I felt there was access, but that probably should be cleared up in here.

**Mr. Polakoff:** As of today.

**Mr. Beaulieu:** Yes, okay.

**Chairman (Mr. Menicoche):** Excuse me. I'll call on Mr. Lennox for clarification.

**Mr. Lennox:** During the course of the audit we had identified a number of cases where they did not have access, but what I'm hearing today is that they now have access. Is that clarification?

**Mr. Beaulieu:** My other question may be more general, but Mr. Anderson brought that up: the split in the Affordable Housing Initiative and the fact that a lot of it is going to replacement of public housing units now. I'm not 100 per cent sure that's a good idea, because if the CMHC funding is diminishing or declining — both, I guess — and they're not going to have enough money to operate all 2,000-plus units, then my feeling was that once public housing reached a point where they had to replace it, it should be replaced with a home ownership unit. What is the theory behind replacing public housing units in light of the CMHC declining funding?

**Mr. Polakoff:** Thank you, Mr. Beaulieu. I think Mr. Beaulieu raises a good point, but it's a bit of a double-edged sword, too, because it goes back to the discussion about need in the N.W.T. Very clearly, the need for public housing and home ownership continues to be extensive. It's a decision that was taken based primarily on need and the recognition that there is an ongoing requirement.

The point Mr. Beaulieu raises about the declining CMHC funding is absolutely accurate, and we would agree with that. We also are aware that whenever we go into communities, people are very, very concerned that there isn't enough public housing. Those people who can't afford good-quality housing, and perhaps cannot afford home ownership, still need quality housing. In our view, it's necessary to take steps to try to address both needs with the resources we have available to us.

**Chairman (Mr. Menicoche):** Mr. Beaulieu, a short follow-up, and then we'll go to the next member.

**Mr. Beaulieu:** Thank you. That's a good point. I would ask that the Housing Corporation provide us with the impact of that decision, not just the fact that you're

letting the 300 or so public housing units fall off the table, as they reach a point of write-off, and you're replacing them. It would be good to know that we could have the financial implications of that decision.

That's not my question. I have another question. That's just a comment on my last question.

Laughter.

**Mr. Beaulieu:** And if Mr. Polakoff wishes to answer that, he can, and if he doesn't, that's okay, too. It was just a comment.

We were curious, during the presentation — if I just go back there for one second — about the statistic regarding “more than one person per room,” on page 3. We're sitting here, wondering how on earth only 4.6 per cent of the units have more than one person per bedroom, if couples are factored in.

Laughter.

**Mr. Polakoff:** The calculation is based more on gender and children. It's okay for couples to have a room, but it's more...

Laughter.

**Mr. Polakoff:** You knew the answer to that question, didn't you?

Laughter.

**Chairman (Mr. Menicoche):** Thank you very much, Mr. Polakoff. Next, I have Mr. Hawkins.

**Mr. Hawkins:** Thank you very much, Mr. Chair. The real issue here is we have a consistent demonstration that prudent inspections of these units haven't been taking place. If I may, I'll qualify that by saying we don't know if they're being done, and if they're being done consistently. That's really the issue at hand. If we can boil it down to basics, that's the issue that needs to be solved.

I'll get to the maintenance management program, but I want to keep that aside for a second, because that's some issue.

What are we doing to implement this, to make sure this actually happens? We have a notation here that communities are blanket-rating our units. I'm speaking to section 24. If we don't have confidence in the fact that people are doing these overviews, how do we know we're budgeting your Housing Corporation properly to maintain them? How are we protecting our assets as a government organization? I need to feel confident that you're making sure this is a priority, that this work gets done, and properly done. If you come to me and say you need an amount of money, now I'm going to start questioning what you really want it for.

**Mr. Polakoff:** Thank you, Mr. Hawkins. The directive has been given to the LHOs and the districts that they will do this. It was raised at the recent LHO meeting with the

chairs, managers and so on — that, in combination with monitoring the information as it comes in. Obviously the monitoring piece is an important aspect of what's been raised by the Auditor General's office. It's not only doing but monitoring the doing.

**Mr. Hawkins:** I would consider a principal mandate of your organization is to make sure these are safe, healthy, secure, et cetera. I then would question whether we have the resources and the talent in these communities — and in these LHOs, because they may blanket multiple communities — to do this type of work.

**Mr. Polakoff:** Thank you, Mr. Hawkins. We would suggest that we do. In some cases, it's a challenge. I'm not going to comment on talent, but I will say that, overall....

Interjection.

**Mr. Polakoff:** Yes, we have skill-sets that can provide for that. It's more a matter of making it a priority for people to do on their day-to-day business.

I should also mention that as part of the Affordable Housing Initiative, there had been agreement to provide some additional technical resources to the Housing Corporation, which had been done in the past. Parts of those new technical resources, while time-limited, were technical in nature, and that has helped.

**Mr. Hawkins:** The last thing I want to do is create a fascist state where we're breathing down people's necks, but then again, maybe that's what is needed for the next little while, to make sure people feel the pressure that these things need to be done. We can see that it's not being done regularly, fairly and consistently.

This section is being left off, because we're at the end of this section, but I want to make sure that is hammered home, that this is going to be done.

I don't want to hear that the Housing Corporation has offloaded all their responsibility — and we'll get into partnership later — because the relationship shouldn't be one way. The Housing Corporation has to be prepared to take some of the responsibility for this moving forward, because we'll be coming back to you. I don't care which LHO it is. We'll be coming back to *you* and asking *you* what you did to make sure this is happening.

Your responses seem to say, "This old way of doing things ended yesterday, and a new day started today. The new plan, by the way, is we're going to do business differently." I just want to make sure of that before we move on.

**Mr. Polakoff:** Thank you, Mr. Hawkins. Just to be clear: I'm not suggesting that the old way of doing business ended yesterday. I'm suggesting that the old way of doing business has been ending over the last 18 months.

I think the point you raised about LHOs is an excellent one. I'd just like to make a quick comment on it, because I think it's important for everyone to understand. In our collective view, we consider the work that's being done by LHOs to be pretty good. Those folks are out there doing what we think is very, very good work. In my mind, in my view, when we had those LHO chairs and managers in to meet for a two-day

session, I would certainly suggest that I had never seen as many committed folks in one room. They're very committed to providing good housing. They're very committed to their jobs. They come to work every day wanting to do good work. I don't think there's anything in the Auditor General's report that should be construed to mean that anybody is suggesting they are intentionally doing a poor job.

I do want to say, as well, that from the Housing Corporation perspective, quite to the contrary about offloading the LHOs. We consider our responsibility to the LHOs and to the clients that count on those LHOs to be elevated quite a bit. We think we need to provide them with more and better support and more and better information. That's a very fundamental aspect to what we're doing. I think that the LHO folks are doing a tremendous job with the resources they have. I think what they've been looking for is increased support.

With that said, I think there's a lot of good that's been happening with district offices as well. So I just want to clarify that.

**Mr. Hawkins:** I agree with your point about the LHOs. It's not written in the report. Passion is good. How they get the job done is your business; making sure the job gets done is my business. I wouldn't want to give you that sense that that shouldn't be highlighted. It's very important. The report, as I started to say at the very start of this discussion, didn't report on bad people doing bad things. There were just lots of gaps. Not just one or two, but lots.

That being said, let's finish it off this way. Are you willing to mandate that they sign these off — the LHOs and the board or the chairs and the executive director of the LHO that sign these reports off to make sure these units are properly inspected and are fairly inspected in a consistent way?

**Mr. Polakoff:** Yes. Currently that is reflected in the process.

**Chair (Mr. Menicoche):** On to the next section. We've got pages 9 and 10. "The Corporation needs to improve its monitoring of the LHOs' financial reporting against plans and assist those LHOs that have accumulated deficits." With that, again, Mr. Abernethy.

**Mr. Abernethy:** In paragraph 29 it says, "We found that the Corporation regularly compares the operating results of the LHOs against their budgets but it does not obtain explanations from them for any significant variances."<sup>1</sup>

This struck me as a little odd. Can you explain that to us – why you wouldn't be seeking explanations for the variances?

**Mr. Polakoff:** It struck us as odd, as well. We're seeking a variance. To be clear, though, when we're looking at variances, it should be also understood that there is a significant level of analysis that was done on the information that was provided. We do variance analysis now.

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<sup>1</sup> AG report, joh

**Mr. Anderson:** A couple points to make. It's important to have a bit of an understanding of how we fund our local housing organizations. We separate out the line objects of their budgets into controllable costs and semi-controllable costs. Controllable costs, basically, include administration and maintenance, as well as rent collection. So if an LHO ends up with a surplus in those three areas, they can keep those funds. If they end up with a deficit, they have to eat those funds.

The other areas of their operations, which include all the utilities, is the major expenditures and leases with private landlords and property taxes and rent assessments. Those are things that are basically outside the control of the LHO in terms of performance, other than the consumption limits on utilities. But the pricing is what really drives the cost in those utilities.

Under that scenario — if they have a deficit in non-controlled or semi-controllables, we pay for those costs at the end of the year. If they have a surplus, they return those costs to us. That's the mechanism we use to work with our local housing organizations.

When we get the.... It's true that we don't ask for a specific explanation of why they're over on water or power through the variance allowances. We do monitor it and we do a complete analysis of it at the end of every fiscal year. That gives us an indication of the performance on the consumption side. It also tells us where we're at with the pricing aspects of utilities we pay for in the N.W.T. That information is used for projections that support the Department of Education going forward for supplementary estimates on utility increases due to fuel rate increases and those types of things.

There's quite a bit of work that's done to keep track of what's happening to those LHOs.

**Mr. Polakoff:** That said, Mr. Abernethy, just to speak very simply to their question of variance analysis, it's something we believe needs to happen. It needs to happen from a capacity-building perspective so people understand as quickly as possible if they're over and why they're over. We have a discussion about that. Notwithstanding the good information Mr. Anderson provided, we do think variance analyses are required. We're pursuing it.

**Mr. Abernethy:** That's good to hear. Can you go into a little bit of detail for me on what it is you're doing to ensure those explanations — reasonable explanations — come in? When I read that, it did strike me as odd that they weren't being done. I hear that they are, but they're also not. What are you doing to ensure the explanations are coming in?

**Mr. Anderson:** We do get the information on a quarterly basis from our local housing organizations. It's consolidated at the district office level. It's reviewed there and it comes in here. We will be working with the district and the LHOs to beef up that level of detail to support those projections.

Here again, just because an LHO was over, for example, on maintenance or administration, that doesn't necessarily mean we have the ability to provide extra funds to them. They have to live within those targets.

The other aspect that I would say.... A couple of other points I would make. In our funding model for LHOs there's about a million dollars across the whole system, and other income that we don't include into the funding approach is from things. They invest cash and some of their revenues that they get. It's not much on a community-by-community basis, but I believe it's almost a million dollars total. That gives them a bit more flexibility as well. If they decide they have a maintenance priority, they can actually use those resources to do that.

The other piece we're looking at is we have universal partnerships with the local housing organizations. It keys into the issue raised earlier about making sure they get things done — condition ratings, variance analysis and these types of things.

With the new relationship with the Department of Education and the impact of that in our relationship with local housing organizations, we're looking at putting some pieces into our universal partnership agreements that will require compliance. There'll be financial penalties in the short term. That's one of the things we'll look at to make sure people are complying with the requirements of those agreements.

**Mr. Abernethy:** In reading this section in your reply, you indicated that.... Sorry. You described that you have a comprehensive approach to developing LHO budgets and rental rates. If this is already in place, how can the Corporation explain occurring deficits at the LHO level?

**Mr. Anderson:** It's a slightly complex issue, but I'll try. In the controllable costs — administration and maintenance and rent collection — those are the only three areas where an LHO would end up with a deficit. If they're overspending in administration, overspending in maintenance or not collecting 90 per cent of their rent assessments, they would end up with a deficit. We give them an incentive to live within their means, and if they make more money on it, they can keep it. But if they overspend, then it ends up on the bottom line of that organization.

**Ms. Bisaro:** I wanted to follow up on some of the comments that Glen had made. Two things, I guess. Paragraph 28 talks about actual operating costs from a lowest amount to a highest amount, and it varies from \$9,000 to \$34,000, which kind of blew me away. So I guess I have two questions. One is: is there is an explanation for how there can be such a huge difference between costs per unit, and what the Housing Corporation does with that information when it's received? Again, it goes to monitoring. Is that information monitored? How do you use that information? And to the local housing authority, is there some sort of penalty for them, or do you work with them to try and get those amounts down?

It's the same question relative to the arrears. Sorry, not the arrears, the audited financial statements. Twelve LHOs.... I have to get the figures right. Twenty-three LHOs had financial statements, and of that, fifteen had been audited. Anyway, a number of them were late. So my question is, again, if somebody is late with their audited financial statement, is there a penalty for that? It goes to monitoring, again. I

could have my audited financial statement done a year after year end, and that's not acceptable. So two things: what do you do about paragraph 28, and what do you do about the financial statements that don't come in on time?

**Chairman (Mr. Menicoche):** Thank you, Ms. Bisaro. Mr. Polakoff, what's your plan?

Laughter.

**Mr. Polakoff:** Thank you, Ms. Bisaro, for the question. Going to the first question.... It may not at first be obvious, but one of the main differentials in cost is the location of the unit. It costs much more in Sachs Harbour, say, than it does in Fort Smith. Okay?

In terms of detail, I'll ask Mr. Anderson to provide you with a little more of a detailed response on the audited financial statements.

**Mr. Anderson:** Okay, that first one is answered; you're happy with that.

There are a few things when we develop budgets for a local housing organization. One of the things we look at is the number of units they have. When you can allocate the fixed cost over a larger number of units, it's going to reduce the cost per unit, for sure. When you get into some of the remote communities — as an example, Paulatuk, and Mr. Jacobson may know this — Paulatuk is \$800 a month for water. That's because we pay the government rate for water, which is significantly higher than the residential and commercial rates. So these things drive our costs as well.

In our rent calculations, we go from a five bedroom, which in some of the Beaufort-Delta communities are at \$3,500 or maybe a bit more than that, down to a low, and Fort Smith is probably the lowest one at \$607 for a bachelor unit. So that's what drives it. It's the actual cost to run a local housing organization that drives those costs.

As far as the audited financial statements go, some of the challenges that we have right now are the auditors. They like to try to match their travel to also deal with the hamlets at the same time. Their timeline is a little bit different than ours. Ours is actually sooner than the hamlets' because we consolidate those results into our results. But as I mentioned in the previous question, we are looking at putting some of those incentives — or disincentives, I guess I would say — into our universal partner agreements, to put more emphasis on those issues.

Thank you.

**Ms. Bisaro:** Thanks. I guess just a follow-up, then. I have to assume that the Auditor General wouldn't have put paragraph 28 in there unless the information that you just provided was not available to them, because I think they would have provided some sort of an explanation. I can understand the explanation is good. It's still hard to imagine that \$34,000 per unit is the highest as opposed to \$9,000 for the lowest. But I do accept that we certainly have variances within the Territory. Yes.

It struck me that the Housing Corporation is getting this information but doesn't seem to be reconciling it. You've got the explanation, you've given me the explanation, but I have to presume it wasn't forthcoming when the question was asked by the Auditor

General. So it strikes me that this would be a red flag, when you look at \$9,000 and \$34,000, and “Wow, was this really true?” Okay, fine, it is true, but that information just doesn’t seem to be there. The monitoring and reporting function, again, is where I’m coming from. So, no question. Sorry.

**Chairman (Mr. Menicoche):** Thank you very much.

**Ms. Bisaro:** I believe the question is, was it a red flag? I think it’s probably been answered.

**Chairman (Mr. Menicoche):** Thank you, Ms. Bisaro. Would the Auditor General’s staff care to answer? Mr. Taylor.

**Mr. Taylor:** Yes, actually, we did. We could have had an intuitive explanation for those variances. That wasn’t unknown to us, that there were some economies of scale to be had. We knew about the high cost of utilities in Paulatuk and Sachs Harbour, and our analysis shows that. I think we did it to illustrate and put a little bit of emphasis onto the next paragraph, that there are variances.

I know the next paragraph is a comparison between budget and actual, but what we would like to see is the challenge of the whole budget, to see that there are no built-in inefficiencies there. If Paulatuk is charging \$400 per month, did you say, for water, is anybody challenging them?

**Some honourable Members:** Eight.

**Mr. Taylor:** Eight hundred dollars? Is anybody challenging them and saying, “This is ridiculous”? I mean, I don’t know.

**Mr. Lennox:** I think the issue is, we did this analysis ourselves, based on the audited financial statements, or the financial statements audited or not audited — the information we have. We calculated these amounts. I think the issue is, they are what they are, based on audited financial statements. But audited financial statements doesn’t mean.... It means that those costs are accurate. It doesn’t mean those costs result in efficient amounts.

I think the only point we were trying to raise is that there’s a huge difference. It’s important to know whether in those amounts there are efficiency improvements possible, and if there are, we should push for those and something else should be done as to whether.... Rather than just accept the audited numbers as, “Well, that’s the way it is,” we would look at it a little closer and say, “Does this make sense?” Would we expect these differences to be there, are those differences changing over time, and does it make sense that those changes would take place over time? Some more analysis would be expected, rather than just say, “Well, those are the audited costs; it must be right.” True, it’s the amount that we’re paid, but are those efficient? That was the issue that we were raising.

**Mr. Polakoff:** I couldn’t agree with Andrew more, and with Lawrence as well. And the point that was raised — are there challenges on this? — I think that’s the point. In our view, there are some inequities in the system that we would like to see sorted out. We had some discussion about that very issue around this table at committee to ensure

that committee members were aware of the fact that there was a real issue there. We have identified it, and we are also working through it with some of our colleague departments. In my view, it's an issue that's been there for quite a while, and it needs to be addressed from the perspective of accuracy of budgets and ensuring economies are built in.

**Mr. Hawkins:** Just on paragraph 28, every question has been asked but, I think, the right one, which is: will you do this strategic review and analysis and come up with some parameters as to what is considered reasonable — not against actuals, but what is considered reasonable — and have that evaluated?

**Mr. Polakoff:** Yes, that's part of our plan.

Laughter.

No, all kidding aside. That's one of the areas that we've identified that we need to sort our way through, so the answer is yes.

**Chairman (Mr. Menicoche):** Thank you very much, Mr. Polakoff. Mr. Hawkins?

**Mr. Hawkins:** Thank you, Mr. Chairman. Thank you to the president who can find time to throw in a small bit of humour this late in the day. Of course, it is a tense subject, because we all want the same end, by the way, and there is not one of us in this room who doesn't. And those who do want the same end, they all left earlier with their cameras because they are all looking for a hornet's nest.

The challenge, I think, is as my colleague Ms. Bisaro raised under section 29. I think she was close, but she forgot one portion, which was the fact that eight weren't audited. Eight of the statements weren't audited out of the 23. So it looks as if they have complied by meeting the target deadline, but they weren't audited properly within the scope as suggested. The fact is, if the statements aren't all being audited, are they eventually being audited? What are we doing with the audited information?

If I may stress why I ask what are we doing with this, it is because we use this, as highlighted before when I was talking about preventative controls, whereas people were signing off maintenance and rent reports and things like that when they are actually taking ownership and accountability to that. We also need to take accountability from a detective point of view to find out what is happening in a post-mortem sense and to make sure the following year will be better if we can improve things. Were those statements provided by the end of the year as we've highlighted the last 23? Were they all eventually audited, or I should say finalized, properly?

**Mr. Polakoff:** Thank you, Mr. Hawkins. Yes.

**Mr. Hawkins:** That's good news. Now it looks like not everyone is meeting the deadlines. What do you do to ensure that they are complying with the deadlines and that they are all audited by the actual March 31<sup>st</sup> deadline? As I understand it, there were eight that didn't comply at the audit level when they handed in their financials. So can I find out what you do to make sure that they do this?

As a footnote, in my riding in the city of Yellowknife, many NGOs talk about not having enough money and empowerment to be able to comply, but yet they do with the audit demands the Financial Management Board puts on them. Are we letting this group off easy? I want to make sure that we are not. What are you doing to make sure that they comply?

**Mr. Polakoff:** To a large extent there may be sequencing and resourcing issues. We do our best. They do their best to comply, but in some cases it's problematic. Mr. Anderson mentioned the sequencing with hamlets, as well. I'll let you add to that if you wish.

**Mr. Anderson:** There is no question we get audited financial statements completed every fiscal year from our local housing organizations. There are some timing challenges also with some of the resources that the external auditors have, as well, to get this stuff done. We do require draft statements by June 5<sup>th</sup> of every year so we can consolidate it into our financial statement. It has been slipping in a few communities, probably due more towards the accounting records not being quite up-to-snuff, in some cases. It takes a bit more work to get these things done.

**Mr. Hawkins:** In the same tone but slightly different, when we talk about not seeking explanations, is it in the variances, back to that detective positioning? We can monitor what has been happening, and I am talking about the things that we can change. We are not going to suggest that we can change property taxes. They are as they are.

What policies have been put into place to ensure that we are reviewing these variances in these audited statements to make sure we do have compliance and therefore we can help control these potential deficits and bring them in line with the bigger picture?

**Mr. Polakoff:** One larger piece to that, too, that is worth mentioning is the audit committee itself. The audit committee is intended to provide for oversight as well and to make sure the findings of the audit don't go on the shelf some place. That is one aspect to your answer that may not at first be self-evident.

**Mr. Hawkins:** To help wind some of this down here, one of these issues that I notice when you talk about surplus, referring to paragraph 27, basically, is if you manage the books properly, in the sense that you have money left over, whatever "properly" means may mean different things in different years.

Have you ever taken the position that you have to put money in a reserve because just letting them keep whatever they find left at the end of the year is kind of a dangerous situation? Not that I am going to encourage the committee to go back to this, but if we go back to the previous section where we talk about proper maintenance and we talk about being able to do maintenance properly and those types of things, in theory there really shouldn't be a whole heck of a lot of money left over if we are budgeting properly. Have you ever thought about getting away from letting them keep the cash and building a reserve for deficit years?

**Mr. Anderson:** We have considered putting replacement reserves in. We do have them in place with a lot of our NGOs in some of the other deficit funded programs that

we offer. As far as public housing goes, though, I can assure you that there is very little room to manoeuvre on surpluses for LHOs. The only real area where you can get ahead of the game in that regard is if you are collecting more than 90 per cent of the rent assessment which is a very difficult process. That includes a lot of the old arrears, too.

I will say that we have had some LHOs, through the common experience payments, that have been able to collect more this last year through that process, so that will give them a little bit more leeway. Any surplus they have does have to go back into housing at the end of the day as per the terms of our agreement.

**Mr. Hawkins:** I think other members have questions.

**Chairman (Mr. Menicoche):** Well, with that, I don't actually have any more members, but I do have a suggestion that we can conclude. Well, we will have to resume in the morning. So with that, I will adjourn the meeting and we can reconvene in the morning at nine o'clock.

The committee adjourned at 4:35 PM.