

26 February 2007

Mr. Robert Hawkins, MLA
Yellowknife Centre
NWT Legislative Assembly
Government of the Northwest Territories
P.O. Box 1320
Yellowknife, NT
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Dear Mr. Hawkins:

Thank you for your letter of 25 January 2007, requesting my thoughts on legislation that would provide the Legislative Assembly of the Northwest Territories (NWT) with the tools to review the performance of Crown corporations and their subsidiaries.

The Assembly may wish to determine whether the respective roles and responsibilities of those accountable for the performance of territorial organizations are clearly defined in legislation or elsewhere. Those accountable would consist of boards of directors, officers, employees (including those responsible for internal audit), ministers, government, and the Legislative Assembly. In this respect, you may wish to compare the existing legislation in the NWT with the requirements of the federal *Financial Administration Act* (FAA). The FAA defines roles and responsibilities for all key parties associated with federal Crown corporations: management, the board of directors, the Minister, the Treasury Board of Canada, the Governor in Council, and Parliament. The Act also provides for the preparation and tabling of corporate plan summaries and annual reports from Crown corporations.

While my Office has not compared the legislation, I am aware of a key difference: federal legislation requires special examinations of Crown corporations while territorial legislation does not.

The purpose of a special examination is to provide the board of directors of a Crown corporation with an independent, objective assessment of the management of the corporation as a whole. It looks at whether the Corporation's systems and practices provide reasonable assurance that

- assets are safeguarded and controlled;
- human, physical, and financial resources are managed economically and efficiently; and
- operations are carried out effectively.

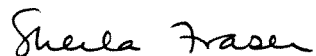
Territorial legislation providing for special examinations of organizations is one tool available to the Legislative Assembly that would permit its review of the performance of territorial Crown corporations on a regular basis. Current federal legislation requires that such examinations be carried out at least every five years; however, the federal government is considering extending that period to eight years—a proposal that we support.

Alternatively, the Legislative Assembly may wish to consider providing my Office with the mandate to conduct performance audits of the territorial corporations. The timing of such audits and the choice of audit subjects would then be at the discretion of my Office.

Of course, the decision to enact any requirement in territorial legislation is the sole prerogative of the Legislative Assembly of the Northwest Territories.

I hope you find this response helpful, and I thank you for your interest in our Office.

Yours sincerely,



Sheila Fraser, FCA
Auditor General of Canada