

## **GOVERNMENT OF THE NORTHWEST TERRITORIES RESPONSE TO COMMITTEE REPORT 4-17(4) - REPORT ON THE REVIEW OF THE 2011-12 PUBLIC ACCOUNTS**

### **Introduction**

The Government of the Northwest Territories (GNWT) acknowledges the time, effort and commitment provided by the Standing Committee on Government Operations' (SCOGO) review of the 2011-12 Public Accounts. It is also appropriate to acknowledge the work of the Office of the Auditor General (OAG) which is responsible for expressing an audit opinion of the accounts of the GNWT and assisted in the review by SCOGO.

The GNWT considers the Public Accounts to be an important accountability document that provides the Public with key information on the financial position and financial results of the GNWT. The review by SCOGO is a welcome level of accountability that allows for an informed dialogue to take place to increase the understanding of the information provided within the Public Accounts.

As required under the *Northwest Territories Act* the Auditor General of Canada is required to perform an audit on the Public Accounts of the GNWT. The Auditor General's audit report expressed an opinion that the consolidated statements presented fairly the financial position of the GNWT as at March 31, 2012, and the results of its operations, changes in net debt, and its cash flows for the year ended, in accordance with Canadian public sector accounting standards. As in previous years the opinion expressed by the Auditor General of Canada contained no qualifications or reservations.

### **Consideration of SCOGO Recommendations**

The GNWT has considered SCOGO's recommendations and provides a detailed reply to each recommendation in this response.

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

The report on SCOGO's review of the Public Account clearly articulates some of the challenges that have been faced in recent years in completing the Public Accounts on a timely basis. As the Committee noted there has been significant improvement, however there is still some progress to be made. SCOGO has made four recommendations that address the timeliness of the Public Accounts.

### **Recommendation One**

The Standing Committee on Government Operations recommends that the Comptroller General include a list of agencies included in the consolidated Public Accounts which did not meet the deadline for completion of their audits, as part of the standard reporting process.

## **GNWT Response**

Timely completion of the audits of agencies that are included in the consolidated Public Accounts is a major factor for the GNWT completing the Public Accounts in a timely manner. Under the *Financial Administration Act (FAA)* agencies have 90 days after their year-end to submit their Annual Report but may request an extension of up to 60 days from the Minister of Finance. The Comptroller General will provide a report to SCOGO that will provide information on when agencies completed their audits and details of any extensions requested.

## **Recommendation Two**

The Standing Committee on Government Operations recommends that the Minister of Finance provide the committee with the final Public Accounts immediately upon sign-off, with the understanding that the committee may conduct a public review before the document is tabled in the Legislative Assembly.

## **GNWT Response**

The GNWT recognizes and shares SCOGOs' desire to provide timely information to the public on the financial position and financial results of the GNWT. The GNWT will provide SCOGO with the final Public Accounts after they have been provided to the Financial Management Board which has a statutory responsibility for the Public Accounts under Section 4 of the *FAA*. However, as the GNWT does not view it as appropriate for a standing committee of the Legislative Assembly to hold Public hearings on a Government document that has not already been made public by the Government, any release of the Public Accounts to SCOGO will only be done on the condition that the GNWT must release the Public Accounts to the Public before SCOGO can conduct any public hearing. As the GNWT recognizes the importance of a timely public review the Minister of Finance will publically release the Public Accounts no later than 30 days after signing.

## **Recommendation Three**

The Standing Committee on Government Operations recommends that the Minister of Finance provide the committee with the interim Public Accounts by August 31, in time for committee review of the government's business plans.

## **GNWT Response**

In accordance the Sections 51 (2) and(3) of the *FAA* the interim Public Accounts which are the non-consolidated, unaudited financial statements of the GNWT must be completed by September 30 each fiscal year and tabled at the next sitting of the Legislative Assembly. As with the Public Accounts, they are required to be submitted to FMB prior to any release. The interim Public Accounts will be provided to SCOGO in time for review of the government's business plans. The 2012-13 Interim Public Accounts were transmitted to SCOGO on September 12, 2013.

## **Recommendation Four**

The Standing Committee on Government Operations recommends that the Department of Finance continue to work with the Auditor General of Canada and GNWT departments, boards, and agencies toward the completion of both the interim and final Public Accounts at the earliest possible date each year.

## **GNWT Response**

The Department of Finance, through the Office of the Comptroller General will continue to work with the Auditor General of Canada and GNWT departments, board and agencies toward the earliest possible completion date for interim and final Public Accounts. In addition the Minister of Finance will continue to make his clear expectations that the Public Accounts are a priority for every Minister.

## **Independent Auditor's Report: A "clean" Opinion**

As noted by the Committee, the GNWT received and unqualified opinion on its Public Accounts. However as was noted, one component the Northwest Territories Housing Corporation (NWT HC) did not. The qualification of the component's financial statements was not significant enough to affect the Public Accounts.

The NWT HC statements were qualified for not meeting the statutory reporting deadline, which has been a recurring issue. There was also a qualification on internal controls from the previous year audit that carried over as it affected the comparability of information year over year.

## **Recommendation Five**

The Standing Committee on Government Operations recommends that the NWT Housing Corporation submit its 2012-13 annual report within 150 days of the fiscal year end. If this does not prove to be possible, the NWT HC should provide the House with reasons.

## **GNWT Response**

The Auditor General of Canada is the auditor of the Northwest Territories Housing Corporation (NWT HC) in accordance with subsection 99(1) of the *Financial Administration Act* of the Northwest Territories. In March 2013, the OAG provided the 2012-13 Annual Audit Plan to the Minister Responsible for the NWT HC which proposed a completion date of the Annual Report by October 2013. This timeline reflects a realistic assessment by management and the OAG of an achievable completion date. It represents continued improvement in comparison to completion date of previous years Audit Reports. The NWT HC anticipates that further timing improvements in upcoming years.

### Loans Receivable

The Committee noted particular its' concern over the NWT HC mortgage portfolio and a general concern for the level of allowance for doubtful accounts relative to the total loans receivable.

### **Recommendation Six**

The Standing Committee on Government Operations recommends that the Government of the Northwest Territories monitor its loans receivable and develop targets and measures to improve collections, with a view to reducing the allowance for doubtful accounts to less than 30%.

## **GNWT Response**

The GNWT has a number of loan programs with a variety of program objectives. These programs include Student Loan through Education, Culture and Employment, Housing Loans through NWT HC, and Business Loans through the Business Development and Investment Corporation. The nature of the programs is such that the GNWT accepts a higher risk than a commercial lending institution.

The allowance for doubtful accounts for Student Loans is roughly 65%. Education, Culture and Employment is currently reviewing the Student Financial Assistance program to determine if program design changes could address this issue.

The allowance for doubtful accounts for Student Loans is roughly 47%. Included in the allowance is a projection of the value of student loans that will be remised at a future date. The remaining 37.5% is attributable to loans where the repayment is doubtful. Education, Culture and Employment is currently reviewing the Student Financial Assistance program to determine if program design changes could address this issue.

The allowance for doubtful accounts for BDIC loans is just over 14%. The Corporation will continue to pursue outstanding loans as it has in the past.

## Environmental Liabilities

As pointed out by the committee as at March 31, 2012 there were 139 sites which the GNWT has identified that there is a potential for environmental remediation by the GNWT. Most of these sites have been investigated but full environmental assessments have not been conducted for over half of these sites. Additional assessments may result in a change in the estimated liability for these sites which was \$23M.

### **Recommendation Seven**

The Standing Committee on Government Operations recommends that the Government of the Northwest Territories provide this House with a timetable or schedule for the environmental assessment of all known potentially contaminated sites for which the GNWT is responsible.

### **GNWT Response**

The GNWT has a strategy to address potentially contaminated sites. The strategy requires initial identification of sites, a preliminary assessment of contamination and a variety of approaches depending upon the nature of the site and contamination. Generally sites are remediated when they are no longer active. Exceptions would occur if the contamination is considered an immediate threat to human health or the environment. In some cases active or inactive sites are contaminated but monitoring will take place to obtain baseline data or to monitor the potential for migration of the contaminant.

There are a number of sites where assessments are planned in the following two years to determine the extent of contamination and provide information to base decisions on future actions, whether that be remediation, monitoring or no action being required.

Typically operating sites where it is determined that an immediate threat does not exist are not subject to an assessment until the site is no-longer in operation or some other event occur that changes the risks associated with the contamination.

The following tables provide a summary of the status of sites with known or potential contamination. The tables do not include sites that have been remediated and received clearance certificates.

## Remediation

Remediation is occurring on these sites or scheduled to commence by 2015. Remediation plans are based upon completed environmental assessments.

<b>Community</b>	<b>Dept.</b>	<b>Site</b>	<b>Contaminant</b>
Yellowknife	ENR	Giant Mine	Arsenic trioxide
Fort Simpson	ENR	Helibase	Petroleum hydrocarbons
Fort Simpson	ENR	Air Tanker Base	Free cyanide
Deline	PWS	Former Fuel Tank Farm Site	Petroleum hydrocarbons
Gameti	PWS	Former Fuel Tank Farm Site	Petroleum hydrocarbons
Tulita	PWS	Former Fuel Tank Farm Site	Petroleum hydrocarbons
Nahanni Butte	PWS	Former Fuel Tank Farm Site	Petroleum hydrocarbons
Jean Marie River	PWS	Fuel Tank	Petroleum hydrocarbons
Tsiigethchic	PWS	Former Fuel Tank Farm Site	Petroleum hydrocarbons
Tuktoyaktuk	ECE	School – Fuel tank removal and related contamination.	Petroleum hydrocarbons
Fort Good Hope	ECE	Fort Good Hope School	Petroleum hydrocarbons
Wrigley	DOT	Airport	Petroleum hydrocarbons and glycol
Lutsel K'e	PWS	Former Fuel Tank Farm Site	Petroleum hydrocarbons
Fort Resolution	PWS	PWS maintenance garage	Petroleum hydrocarbons
Enterprise	DOT	Highway Maintenance Facility	Hydrochloric acid
Fort Providence	MACA	Solid Waste Landfill Site (closed)	Undetermined
Fort Resolution	MACA	Maintenance garage	Petroleum hydrocarbons

## Sites – Base Monitoring

These sites are being monitored through soil sampling, well logs, bore holes or site reviews to determine if remediation is necessary as all indicators in the assessments done to date indicate that the contamination is minimal and not migrating. These sites are low priority but are being monitored to detect any significant changes that may occur.

<b>Community</b>	<b>Dept.</b>	<b>Site</b>	<b>Contaminant</b>
Fort McPherson	PWS	Fuel Tank Farm & Re-Supply Line	Petroleum hydrocarbons
Wrigley	PWS	Former marine pipeline area	Petroleum hydrocarbons
Trout Lake	PWS	Main Tank Farm	Petroleum hydrocarbons
Fort Smith	ECE	School – property contamination	Petroleum hydrocarbons
Tulita	ECE	Bison Ranch	Petroleum hydrocarbons
Tsiigehtchic	ECE	Tsiigehtchic School	Petroleum hydrocarbons
Inuvik College	ECE	Inuvik College Building	Petroleum hydrocarbons
Behchoko	ENR	Helibase	Petroleum hydrocarbons and BTEX
Inuvik Monitoring to begin in 2014	ENR	Shell Lake Helibase	Lead in groundwater.

## Sites – Planned Assessments

Environmental assessments are scheduled to be carried out over the next two years to determine next steps.

<b>Community</b>	<b>Dept.</b>	<b>Site</b>	<b>Contaminant</b>
		<b>Planned 2014 Assessments</b>	
Yellowknife	ENR	Bretzlaff Drive Complex	Petroleum hydrocarbons, BTEX and metal contamination
Yellowknife	ENR	Air Tanker Base	Free cyanide and Petroleum hydrocarbons
Hay River	ENR	Helibase	Petroleum hydrocarbons
Norman Wells	ENR	Forestry Drive Compound-original Helibase Site	Possible Petroleum hydrocarbons
Liard	ENR	Helibase	Petroleum hydrocarbons
Norman Wells	ENR	Helibase	Petroleum hydrocarbons
Norman Wells	ENR	Air Tanker Base	Potential free cyanide
Hay River	ENR	Air Tanker Base	Free cyanide and Petroleum hydrocarbons
Fort Smith	ENR	Air Tanker Base	Free cyanide and Petroleum hydrocarbons
Fort Smith	ENR	Initial Attack Crew hut & Workshop	Petroleum hydrocarbons and metals
Fort Providence	MACA	Above Ground Pool	Petroleum hydrocarbons
Sachs Harbour	MACA	Icicle Inn	Petroleum hydrocarbons
Yellowknife (Ingraham Trail) (Ptarmigan Mine)	MACA	Abandoned mine site	Undetermined
Kakisa	MACA	Solid Waste Landfill Site	Closed land fill - unknown contaminates
Lutsel K'e	MACA	Solid Waste Landfill Site	Old scrap metal/barrel disposal site.
Wrigley	MACA	Water Treatment Plant	Hydrocarbon
Yellowknife	MACA	Old Highway 3	Abandoned rusting vehicles and equipment
Yellowknife	MACA	Highway 3, 312 Km	Abandoned rusting vehicles and equipment
Yellowknife	PWS	Welding Shop	Petroleum hydrocarbons
Tuktoyaktuk	PWS	Workshop	Petroleum hydrocarbons
Inuvik	PWS	Plumbing shop and old records building	Petroleum hydrocarbons
Yellowknife	DOT	Airport	Septic and glycol
Fort Simpson – Checkpoint	DOT	Highway Maintenance Facility	Petroleum hydrocarbons and buried debris
Fort Providence	DOT	Highway Maintenance Facility	Oil spills and salt deposits
Hay River	DOT	Hay River CRF	Petroleum hydrocarbons
		<b>Planned 2015 Assessments</b>	
Sachs Harbour	MACA	Quarry	Undetermined
Inuvik	ECE	Sir Alexander Mackenzie School	Petroleum hydrocarbons

## Sites in Operation

Some potentially contaminated sites are still operational. No further assessments will be undertaken until such time as the facilities are no longer operational although ongoing monitoring is occurring on some sites to ensure that the contamination is not migrating off site.

<b>Community</b>	<b>Dept.</b>	<b>Site</b>	<b>Contaminant</b>
Fort Providence	DOT	Airport	Petroleum hydrocarbons, hazardous and solid waste materials
Fort Resolution	DOT	Airport	Petroleum hydrocarbons
Ulukhaktok	DOT	Airport	Petroleum hydrocarbons
Fort Good Hope	DOT	Airport	Salt
Yellowknife	DOT	Highway Maintenance Facility	Soil staining in several areas
Dempster Highway (No.8 – Km 14)	DOT	James Creek Maintenance Facility	Petroleum hydrocarbons and metals
Various Communities	MACA	Operating Water Treatment, Sewage Lagoons and Solid Waste	Undetermined
Fort Good Hope	PWS	Fuel Tank Farm & Resupply Line	Petroleum hydrocarbons
Paulutuk	PWS	Fuel Tank Farm	Petroleum hydrocarbons
Sachs Harbour	PWS	Fuel Tank Farm	Petroleum hydrocarbons
Whati	PWS	Fuel Tank Farm	Petroleum hydrocarbons
Wrigley	PWS	Fuel Tank Farm	Petroleum hydrocarbons
Fort Providence	DOT	Dory Point Marine Compound	Hydraulic spills, buried waste debris and fuel spills

## Other

There are other sites where based upon information in hand, decisions are being considered as to future actions.

<b>Community</b>	<b>Dept.</b>	<b>Site</b>	<b>Contaminant</b>	<b>Status</b>
Yellowknife	DOT	Airport – Transport Canada Bldgs	Lead contamination in groundwater.	Discussions with Transport Canada Ongoing monitoring of ground water.
Deline	DOT	Deline Airport Reserve	Derelict vehicles and possible fuel spills.	Future action to be determined.
Deline	MACA	Various lots in community	Petroleum hydrocarbons	Assessment was carried out in 2011 and it was determined that the contamination does not pose a risk to Human health so long as the soil remains undisturbed. Future action to be determined.
Norman Wells	MACA	Former site of Laundry-drycleaner	Undetermined.	Waiting on a final clearance report from Biogenic.
Inuvik	MACA	Gravel Pit (operating site)	Arsenic	Assessment stating that the levels are within those of natural occurrence. Future action to be determined.
Lutsel K'e	MACA	Great Slave Lake Shoreline	Lakeshore adjacent to PPD tank farm & NTPC facility. Petroleum hydrocarbons	Future action to be determined.