



**Government of the Northwest Territories Response to Committee
Report 23-19(2): Report on the Review of the 2018-19 and 2019-20 Public Accounts**

The Standing Committee on Government Operations (SCOGO) presented its “Report on the Review of the 2018-19 and 2019-20 Public Accounts on December 2, 2021. This report contains five recommendations for the Department of Finance. On December 8, 2021, CR 23-19(2) was considered in Committee of the Whole.

SCOGO made a number of recommendations, which the Department has reviewed and has considered. Finance remains committed to working with Committee on their recommendations for the Public Accounts reporting, and ensuring the process is clear and transparent.

The following is the GNWT Department of Finance response to the recommendations contained in Committee Report 23-19(2).

Recommendation 1

The Standing Committee on Government Operations recommends that the Department of Finance classify the project to refurbish Old Stanton as a public-private partnership (P3) and report on it accordingly

GNWT Response

The GNWT Public Accounts are completed in accordance with Canadian Public Sector Accounting Standards (PSAS). While the newly-formed standard for P3s was not in force for the 2018-19 and 2019-20 Public Accounts, and only comes into force on April 1, 2023, the GNWT had been applying the exposure draft criteria, which is an early non-enforceable version of the standard that is prepared and published by the Public Sector Accounting Board.

As a result of the review of the exposure draft criteria and subsequent P3 standard, the GNWT determined that a P3 arrangement did not apply for this particular contractual arrangement. This position was formed primarily on basis that the risk transfer from the GNWT to the contractor was virtually non-existent based on the financial investment required from the GNWT as opposed to the contractor.

In terms of transparency, while not accounted for as a P3, the GNWT continues to disclose this project within its contractual obligations notes. Additionally, this project was appropriated as a separate project in the capital estimates.

The GNWT is not able to accept this recommendation as Finance has determined the most appropriate accounting treatment based on the review of the PSAS.

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Recommendation 2

The Standing Committee on Government Operations recommends that the Comptroller General enhance reporting in the Public Accounts of contingent liabilities arising from claims and litigation, and specifically (a) include a breakdown of claim amounts by category and (b) identify individual claims above a certain threshold.

GNWT Response

For further clarity, the GNWT response is referring to the amounts that are disclosed in the notes of the Public Accounts in 2020-2021 as follows:

Note 18(b) on page 34 in Section I: Consolidated Financial Statements

Note 19(b) on page 33 in Section II: Non-consolidated Financial Statements.

This disclosure amount represents claims that have been made against the GNWT for which the outcome is unknown. The GNWT only accounts for claims as a liability in the financial statements if there is an outcome that is determinable, and an amount is known. In this disclosure, the outcome (or likelihood of the claim succeeding) is not determinable, and the totals are based on the maximum the claimant is seeking. In other words, the disclosure accounts for the “worst case scenario”, which is unlikely to occur. In some cases, the GNWT’s insurance program would cover the cost and the GNWT would be responsible for the deductible.

This disclosure is included in the public accounts to comply with one of the requirements of the PSAS. It is important to disclose this amount because even though the GNWT has not accrued for it in financial statements and the outcome is not determinable, there could be a future claim that may impact financial resources.

The GNWT appreciates Committee’s interest and concern regarding this note disclosure and the amounts. Therefore, the GNWT partially accepts this recommendation and will explore what further information can be included for this note disclosure going forward while ensuring it is in compliance with privacy requirements and other legal obligations.

Recommendation 3

The Standing Committee on Government Operations recommends that the Department of Finance undertake a review of the Fiscal Responsibility Policy to ensure that the policy meets its objective for long-term fiscal sustainability and provide the Committee with the opportunity to comment on any proposed revisions to this policy.

GNWT Response

Finance agrees with this recommendation and will, at the appropriate time, provide Committee with an update on its work.

Recommendation 4

The Standing Committee on Government Operations recommends that the Comptroller General add to the Financial Statement Discussion and Analysis section of the Public Accounts several reporting items that are present in the Public Accounts of other jurisdictions, specifically:

- a) Population data
- b) Unemployment rates
- c) Key non-financial results of major sectors
- d) Variances between budget and actuals and between current and prior year actuals by revenue source
- e) Variances between budget and actuals and between current prior year actuals
- f) Discussion detail on each liability line item
- g) Classification of the indicators of financial health to one of three elements – sustainability, flexibility or vulnerability

The Standing Committee on Government Operations further recommends that the Comptroller General extends all historical charts in the Financial Statement Discussion and Analysis section of the Public Accounts to include ten years of data.

GNWT Response

Finance completed a review in 2020 on a number of jurisdictions and what information they included in their public accounts, in order to compare them with the GNWT's public accounts.

The outcome of Finance's review was that the GNWT's public accounts were generally similar to other jurisdictions. As a result of that review, the following changes were made to the 2020-2021 public accounts:

- Provided more information to compare actuals and the revised estimates;
- Revised the graphical content throughout the document for easier understanding;
- Included a discussion of non-financial assets;
- Incorporated a discussion of asset retirement obligations;
- Grouped public private partnership and associated liabilities into one section;
- Presented the indicators of financial condition/financial health including sustainability, vulnerability, and flexibility;
- Presented the fiscal management strategy information in one section;
- Expanded the variance analysis discussions to include budget to actual as well as current year to prior year; and
- Provided an explanation of the impact of COVID-19 on the public accounts.

While the Financial Statement Discussion and Analysis (FSD&A) section within the public accounts is one reporting tool available to the GNWT, it is not always the most appropriate tool depending on the nature of the information. The FSD&A is required per accounting standards and requires robust review by both the GNWT and the Office of the Auditor General prior to being published. Therefore, any changes to this section must be done prudently and add value for the readers of these financial statements.

For information that provides population data, unemployment rates, and key non-financial results of major sectors is currently included the GNWT's Fiscal Review, and the Department is not looking to include that information in the public accounts. The Fiscal Review is published for public consumption and tabled in the Legislative Assembly annually as part of the budget speech.

With respect to expanded descriptions for liability amounts, the Consolidated Statement of Financial position in Section 1 of the GNWT Public Accounts currently include a separate note for all but one liability line (deferred revenue). The notes to the financial statements form an important part of the overall public accounts and provide additional details. The GNWT will include a note for deferred revenue starting with 2021-2022, on a consolidated basis. Currently, the note for deferred revenue is reported in Section II: non-consolidated Financial Statements but will be included in the consolidated financial statements going forward for easier reference.

The Public Accounts and the FSD&A have evolved over time and Finance will continue to review these documents to identify improvements that can be made that provide added value to the reader and are sustainable to maintain into the future. In light of that, the GNWT will take expanding its charts to 10 years of data under consideration during this continuous review and will review the variance explanations with the focus on providing commentary that is meaningful to the reader of the statements.

Recommendation 5

The Standing Committee on Government Operations recommends that the Comptroller General, in consultation with the Office of the Auditor General of Canada and the Standing Committee on Government Operations, study potential changes to the Public Accounts to make them more user-friendly and accessible while ensuring a high degree of transparency and accountability from the Government of the Northwest Territories.

GNWT Response

Finance has already included continuous improvement of the public accounts in its annual process, including attributes of accessibility. Finance accepts this recommendation.

Other Information Related to the tabling of this report

During the public discussion in Committee of the Whole on December 8, 2021, for tabled document #23-19(2), a number of comments were made that the GNWT wishes to provide further clarification on.

It was suggested that the GNWT does not factor in actuals when preparing future years budgets, or that the GNWT does not have an understanding of future revenues. This is inconsistent with the current process and the information that has been previously provided to Committee. In developing budgets, departments evaluate existing budget allocations relative to previous expenditure levels and projected expenditures. If required, departments will propose budget reallocations to meet these projections as best as possible. Additionally, departments will consider changes to their budgets caused by forced growth (i.e., inflation) or additional resources required to accomplish their mandate commitments. These proposed, incremental changes are largely informed by previous years' actual expenditures and forward-looking projections.

In support of the budgeting process, Finance also prepares and delivers fiscal updates to the Standing Committee for Accountability and Oversight twice each year. One update is provided at the start of Committee's consideration of Main Estimates and a second update at the start of Committee's consideration of business plans and capital estimates. The fiscal updates presented to Committee take into consideration actual data impacting the GNWT's revenue projections, expenditure projections, cash flow requirements, and borrowing requirements. Regular reviews of the GNWT's fiscal situation mean that external variables (i.e., changes in interest rates) are considered when Members are regularly updated.