Standing Committee on Government
Operations and Accountability
Hearings on the 2007 Report of the
Auditor General to the Legislative
Assembly of Nunavut on the Nunavut
Business Credit Corporation
Iqaluit, Nunavut
November 28, 2007

Members Present:

Hunter Tootoo, Chair Keith Peterson, Co-Chair Levi Barnabas Tagak Curley, C.M.

Staff Members:

Alex Baldwin Nancy Tupik Sue Cooper

Interpreters:

Mary Nashook Blandina Tulugardjuk Veronica Dewar

Witnesses:

Sheila Fraser, Auditor General
Andrew Lennox, Assistant Auditor General
Julie Charron, Principal
Elizabeth Stewart, Legal Councellor
Rosemary Keenainak, Deputy Minister of
Economic Development and
Transportation
Peter Ma, Deputy Minister of Finance
Gerry O'Donnell, Comptroller General

Gerry O'Donnell, Comptroller General Allan McDowell, Acting Chief Executive Officer, Nunavut Business Credit Corporation

Alex Buchan, Vice-Chair of the Board of Directors of the Nunavut Business Credit Corporation

>>Committee commenced at 9:10

Chairman (Mr. Tootoo): Good morning everybody and welcome back. Before we

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start off, I would like to ask Mr. Barnabas if he could lead us off with a prayer, please.

>>Prayer

Chairman: Thank you, Mr. Barnabas. Item 2 is the review and adoption of the agenda, members?

Some Members: Agreed.

Chairman: We'll continue on then with the committee's section-by-section review of the Auditor General's Report, and questions to the Office of the Auditor General and Government of Nunavut officials.

Before I go to anyone, I think Ms. Fraser wanted to respond to a question from yesterday. Go ahead, Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. There was a question yesterday as to whether there had been correspondence between the chair of the board and the Minister of Economic Development. I would just like to correct what we said yesterday. We, in our audit, have no correspondence between the chair and the Minister of Economic Development.

We did find correspondence between the chair and the Minister of Finance but it related largely to sort of administrative issues. So for example, the delay in the production of the financial statements and there was some correspondence about the letter of expectation as well. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Any members have any questions? Go ahead, Mr. Barnabas.

Mr. Barnabas (interpretation): Thank you,

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Mr. Chairman. Good morning. Welcome, Ms. Fraser and the officials. Your report indicates that the NBCC has experienced an extremely high rate of staff turnover. Were you able to locate and interview any former employees of the NBCC during the course of your audit? If so, what information were they able to provide to you? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Barnabas. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. As is our general practice, we would not necessarily consult with former employees. During the course of the audit, we would have expected the corporation to have in place all of the information that we required to do the audit. We did though speak to former employees as part of what we call our "clearance process" at the end when we issue our report, and we would advise them, and let them see, obviously, any text that would refer to them.

Most of the information that we would present would be from current employees. Obviously, even now, some of the people that were there when we did the audit are no longer with the corporation but we would have worked with the people during the period of the audit that were employed by the corporation. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Mr. Barnabas.

Mr. Barnabas (interpretation): Thank you, Mr. Chairman. We all know that the GNWT policies and guidelines that were in place were taken into the NBCC. You state in your report that they were not trained in the corporation to be board members and employees.

The NBCC has experienced an extremely high rate of staff turnover. How many of these employees were terminated and how many voluntarily resigned?

Chairman: Thank you, Mr. Barnabas. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. I don't know that we have that information as to who. I'm afraid I don't have that information as to why people may have left the corporation. The corporation officials might be able to provide that to you. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Ms. Keenainak.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. I don't know if his question was about the training of the employees. Maybe, Levi, if you can elaborate your question again. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Barnabas.

Mr. Barnabas: Thank you, Mr. Chairman. Because of the extremely high staff turnovers, I know that policies and procedures were adopted from GNWT, was there any training done with the new employees in your findings of your report or with the board? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Barnabas. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. We did look at the question of training of board members and found that the training was inadequate. The board members did

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not, as a group, possess all of the skills, I guess, that one would expect, especially with regard to financial skills. They would have benefited from having more training on that, as well as training regarding their responsibilities as board members.

We did note that there was some training given generally to board members for all of the territorial Crown and the board members did not attend that training that was available to them.

As for training of staff members, I don't think that we've specifically looked at that issue. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I welcome everybody to the meeting today. Mr. Chairman, I wanted to follow-up on a question that Ms. Fraser responded to earlier towards the opening there that there was no correspondence between the minister and the chairperson.

Do you find that unusual that there would be no evidence that the minister and the chairperson corresponded on a Crown agency of this importance to Nunavut and no apparent evidence that he was taking direction, or the chairperson was updating the minister on how things were proceeding at the NBCC? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. That is probably a question that is better explored with the chair as to how any updating would have been conducted.

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One of the problems that we've had throughout this audit is the lack of documentation. So the fact that there weren't maybe former or formal correspondence, I don't think we should necessarily conclude from that that there was no communication between the two.

We did note, as I have mentioned earlier, that there was correspondence with the Minister of Finance formerly and that was because a lot of the, for example, other expectations would come from the Crown Council which was under the responsibility of the Minister of Finance, and certainly, the provisions as well, that the Crowns were to respect were laid out in the *Financial Administration Act*, and again, it was the Minister of Finance that was responsible. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Fraser for that answer. When I was with the Northwest Territories Business Credit Corporation, we met on a couple of occasions with the minister directly. We invited him to our meetings to clarify what his expectations were of our board. One of our primary concerns was we didn't feel that there should be day-to-day interference from the Department of Economic Development and Tourism at the time.

So I'm wondering: is there any evidence that the minister physically met with the Nunavut Business Credit Corporation Board of Directors? Thank you, Mr. Speaker.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

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Ms. Fraser: Thank you, Mr. Chairman. We, again, are not absolutely sure that this may not have occurred in the past, but we do believe in the last two years, the minister did not attend a board meeting. But again, as we note, minutes of meetings were not very well documented and there could have been other occasions when the minister met with the board. That would have to be clarified with him. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms, Fraser for that information. Ms. Fraser, do you think it's important that there should be some regular communication between the chairperson of a Crown agency and the minister that has responsibility for that Crown agency? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. Certainly, one would expect that there be a clear statement of expectations at the beginning of each year and that there be some monitoring by the minister, or his staff, or, in many cases, it would be through the ministry, that there be some monitoring to make sure that those expectations are being met and some sort of annual review be conducted. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Fraser. Ms. Fraser, the Government of Nunavut has what they call the Crown Agency Council that issues

letters of expectations, and I believe they're, as I understand, they're made up of Deputy Ministers of the Government of Nunavut.

So it's quite possible that Ministers of the Government of Nunavut think that the Crown agency and deputy ministers provide the oversight to the Government of Nunavut's Crown Agencies. Do you think that accountability for Crown agencies can be delegated down to a Crown Agency Council from a minister when the department clearly is accountable to a minister? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. Certainly, under our system, the Westminster system, ministers remain ultimately accountable for operations of government, including operations of Crown corporations.

I would add, though, that in the past, we have noted that we were very pleased when the Crown Agency Council was established because, up until then, there had been very little oversight of Crown agencies. We view this as being a very positive move and that there would be, perhaps, more rigour and more attention paid to these corporations, and there had been a number of problems in the past.

We viewed that as being actually a very positive step that that council was established and we hoped that it would bring a greater link between the Crown agencies and the government departments. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Mr. Peterson.

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Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Fraser. I think MLAs thought that was good as well. I noted we get copies of letters that are sent out to various Crown agencies on a yearly basis and some of them were quite detailed. It seems that in the case of this Crown agency, the letters that were sent out were not adhered to, I guess, for lack of their worth.

How would you see a Crown Agency Council be more effective in providing oversight to the Nunavut Business Credit Corporation, or indeed, any other Crown agencies in the Government of Nunavut? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. I think that has to be considered in the whole question of the roles and responsibilities of the board.

Obviously, with the Crown corporation, the board should be the ones that are responsible for the oversight of the ongoing operations and the management. And certainly, in this case, we saw evidence where the board was being told that things were being corrected, or issues had been resolved, or that the issues that had been brought up were not correct, or that there were erroneous information.

I guess we would have expected the board, perhaps, to have probed a little more, to have not simply accepted the assurances that things were fine, and to have, perhaps, been a little more challenging in that information. I think that's an issue that should be looked at is: what is the relationship of ministers, the Crown council, and the boards of these Crown

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Chairman: Thank you, Ms. Fraser. Mr. Peterson.

Mr. Peterson: Thank you. Excuse me, Mr. Chairman, it's only 20 minutes in and I'm losing my voice. It must be the dry air in Iqaluit.

Ms. Fraser, there was a letter on September 29, 2006 from the Minister of Economic Development to Mr. Hanson, Board of Directors, and it was copied to the Honourable David Simailak, Honourable Paul Okalik, Honourable Louis Tapardjuk, CEO Mel Orecklin, and the Deputy Minister Alex Campbell. It's quite a detailed letter of what they expected; priorities, corporate and financial priorities, and so on and so forth. And then, there was a response from the chair on November 11, 2006, and the response to that letter is quite a detailed letter as well.

Have you had a chance to review those letters? I believe the letter from the minister at the time was Minister Akesuk and I believe it was in response to the Crown agency type of work. Have you had a chance to view that letter and then any correspondence that Mr. Hanson sent back to the minister in terms of getting and providing information that the minister asked for in his September 29 letter? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. Yes, our team has received copies of those letters.

Chairman: Thank you, Ms. Fraser. Mr.

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Mr. Peterson: Thank you, Mr. Chairman. Thank you, Ms. Fraser. I believe both of those letters were tabled in the House. I guess my question would be: if your team has reviewed both letters, do you feel that the information that the minister was seeking and the instructions he provided to the chair was adequate, and then, do you feel that the chairperson's response to the minister's letters was adequate? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. I'll ask Ms. Charron to respond to that question, Mr. Chairman. Thank you.

Chairman: Thank you, Ms. Fraser. Ms. Charron.

Mr. Charron: Thank you, Mr. Chairman. We have looked at the letter of expectation and the reply by the chair and the board. Basically, the chair was asking for an action plan and the letter of expectation was asking for more information in the annual report, if I recall correctly, and we agreed with the information that was provided by the chair with the action plan.

Now, has it been implemented? I'm not sure but we agree with the content of the letter. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Charron for that information. Shortly thereafter, I'm reading through some of your report that the CEO of NBCC, I think he left in December 2006.

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So I'm wondering, has some pressure been put on the Nunavut Business Credit Corporation management through the letter of expectation and the chairperson's response letter, and do you agree that the content in both letters is adequate? Is it your opinion, perhaps, that the CEO at the time felt that he couldn't comply, and therefore, it was better for him to move on? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. That's a question that would be best asked of the chair, and perhaps, the former CEO at the time. We would not know why he left. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Just a couple of questions I had from listening to your comments this morning. In your response, you indicated that erroneous information was being passed on. I'm just wondering if you could elaborate a little bit on that. Who was feeding who this information and any specifics on what type of erroneous information that you found in your review? Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. In April of 2006, a firm of chartered accountants had been hired by the corporation to provide accounting services and they wrote what we would call a management letter.

So they wrote a letter to the corporation, to the CEO, indicating a number of problems in the accounting procedures and records which, obviously, were very similar to the ones that we had raised in our management letters and which we report in the report that was tabled here. The chair at the time **>ና**Δ**ィ** (ጋጎትበJና): ፫°፬ የኦንኦህσ ላቴኦσኖቴኛኒህሁንቴጋቴ ΔቴፖペኦርናJና ላኒLኌቴርኦቴ ላቴርልኒΓ Δቴቴ፬Δታቴበኦርኦቴፖኒቲፈና. ቴኦንትርሁታቄዮ፬ናበJ ርርያር. ፕሬታያርቮቴ, Δቴፖペኦ፫ቴ.

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then wrote to the CEO on a number of issues, so one of them was asking that these problems that had been identified be addressed and he indicates then that he has a number of serious concerns.

In one of the examples, for example, was to please review this letter to prepare an action plan and to take corrective action. The CEO at the time, and these may be letters that you would ask the corporation to table, they prepared a management response in April of 2006, and in many of those, indicated that the comments from this firm were untrue. He challenged what they were stating. He said that they wouldn't have had sufficient time to be able to make those kinds of comments. Anyways, basically, challenged the issues and obviously, didn't believe that they needed to be addressed.

So it would appear then that the CEO was not in agreement with the issues that had been raised by this firm and was indicating to the chair that there were no problems there. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. I guess from that, was anything else done, or was that the end of it? Did they just take for granted the word that the CEO was saying that these were non-issues and not to worry about, or was there any follow-up done, or anything else done to try and clarify those issues? Ms. Fraser.

Ms. Fraser: To the best of our knowledge and I think based on what we saw in that audit, there was no follow-up done, which is unfortunate because in the initial letter from the chair to the CEO, he indicated that there should be an action plan prepared, he gave a timeline, and he even said that the board would be doing a follow-up and would be asking this accounting firm to

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come back in and make sure that things had been corrected.

Now, as to why that wasn't done, I think that would have to be asked of the chair and perhaps, the former CEO but one can maybe speculate that because the CEO was challenging the findings of this report, he may have convinced the board that there were no problems there. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Was there any evidence of that information being passed on from the chair or the CEO of those correspondences being brought to the attention of the minister responsible at the time? Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. The only indication we have that this was discussed at all with government was in the letter from the chair to the CEO. It had indicated that he had discussed with the deputy minister, he had discussed this initial letter from the accounting firm with the deputy minister at the time, but there's no indication that he discussed it with the minister.

Chairman: Thank you, Ms. Fraser. One of the other things that was mentioned yesterday, and I know that your team had, since last November, started looking at this and met numerous times with the staff that were there, the board members, and the chair, I'm just wondering how these meetings went throughout that whole time? Were they, "Oh yeah, no problem," or were there sometimes conflicting views on things? Ms. Fraser.

Ms. Fraser: I don't know how I would exactly characterize it, I mean, obviously, it was not an, and to be quite frank, it was not an easy situation for anyone. I think the

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corporation wanted to get the financial statements finalized and I know we had some frustration with that, but it seemed to be a very long process and wasn't being done successfully.

So I think there was some frustration on that since, I mean, obviously, from our side as well, it was difficult because we were trying very hard to avoid a denial of opinion and yet, weren't able to get the information even though the staff was trying in many ways to be able to do it.

So I guess I could say it wasn't always the most harmonious of relationships, but I think at the end of the day, the corporation recognized that the issues are serious and have taken action to resolve it. I would hope that we could focus on the going forward and trying to get the 2008 statements done, and kind of put these last two years behind us. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. I can certainly agree with you: they're probably looking forward to putting these last two years behind now.

I guess over that time, I understand that your team met with sometimes the board as a whole or the management, and sometimes individually with these individuals. I'm just wondering if, at any time during those meetings, if there were conflicting accounts of events, or conflicting information that was brought to the attention of your staff in those interviews and in those meetings? Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. As I was not part of, obviously, most of those discussions, I'll ask Ms. Charron to respond.

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Chairman: Thank you, Ms. Fraser. Ms. Charron.

Ms. Charron: Thank you, Mr. Chairman. There were circumstances and meetings where the office brought some points to the attention of the committee or of the chair of the audit committee and of the board. We have received conflicting information from the organization and it was not always easy to pass the message along. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. Would you be able to give us an idea of what type of conflicting information that was received? Ms. Charron.

Ms. Charron: Thank you, Mr. Chairman. For example, when we raised the question of the status of the files, whether the files were complete, or whether we had received all of the information, at many times, we were asked what is missing in those files and it was very difficult for us to say what was missing. We could just decide that we needed the loan agreement, or we needed the securities that went with the loan agreement, but we did not know what else was missing in the file because we could not redo the sequence of events that had happened.

So we kept having pressure to tell them exactly what was missing, and while we were saying, "Well, we don't know because we don't know what's missing in the file and what's happened," then we were being told, "Well, you have to tell us what's missing," and, on the other case, the corporation would come and say, "Well, we have provided all of the information. Everything is there," well, we knew there were things missing. So this is one type of example that I can provide with.

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I can't think of anything else at this point but I could bring back some more information to the committee at a later point. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. It sure sounds like it was conflicting information being passed on from the management. In your interviews with the board members, was there any conflicting information in interviews that were done with board members, what each of them thought was or wasn't going on? Ms. Charron.

Mr. Charron: Thank you, Mr. Chairman. I think the board was getting conflicting information between the information that we were providing to the board and the information that was provided to management. That's what I can offer at this time. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. Can you inform us, in your readings individually with board members, if there were conflicting stories that came up between board members, or was it just the information that they were being told from management and the information that they were getting from you guys? I was just wondering if it was just that, or was there any other conflicting information between the board members themselves? Ms. Charron.

Ms. Charron: Thank you, Mr. Chairman. We have not received any conflicting information from board members. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. It's good to hear. Mr. Curley, do you have a question?

Mr. Curley: Yes, thank you. My question

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is to the government and particularly to Mr. Gerry O'Donnell, Comptroller General. We, obviously, have heard that there may have or could have been some misappropriations or fraudulent acts. It's not confirmed but the minister did state in this House that he had asked the comptroller general to ask the RCMP to investigate. Has that request for an investigation been communicated formally by your office yet? Thank you.

Chairman: Thank you, Mr. Curley. Mr. O'Donnell.

Mr. O'Donnell: Thank you, Mr. Chairman. Yes, when that was announced in the tabling of the OAG Report on November 5 and the announcement by the OAG that there has been a serious breakdown of basic financial controls in NBCC. After that, I was asked to request for RCMP to review the matter and determine whether they needed to perform a full formal investigation.

Chairman: Thank you, Mr. O'Donnell. Mr. Curley.

Mr. Curley: Yes, I assume that happened. Obviously, the RCMP, as the national police, requires certain evidence be provided to them before they can conduct such an investigation.

What evidence did you provide to the RCMP that investigation is absolutely necessary in view of the fact that the Office of the Auditor General was not able to confirm whether or not these fraudulent acts had taken place or not? Do you have actual evidence that you provided to the RCMP that requires them to look into the... my question is: what? Is it the operation as a general, or the existing loans, or missing appropriation of funds from the others?

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Could you give us some examples, for instance, what evidence have you provided to the RCMP if you have asked them to investigate? I know the minister did indicate that he had asked your office, but certainly, it's now in your court in my opinion. Thank you.

Chairman: Thank you, Mr. Curley. Mr. O'Donnell

Mr. O'Donnell: Thank you, Mr. Chairman. Thank you, Mr. Curley. What I did when I met with the RCMP was to discuss the matter in terms of bringing them up to date as to what had occurred and I provided them with a copy of the Auditor General's Report. I also provided them with a copy of the yet-to-be approved financial statement, or year end annual report for 2005-06, and organizational charts. I also provided them with the contact numbers for OAG if they wanted to ask any specific questions to the OAG concerning their report.

I did not have any further evidence to provide them with regards to problems with the control issues identified by the Auditor General.

Chairman: Thank you, Mr. O'Donnell. Mr. Curley.

Mr. Curley: Thank you, Mr. Chairman. Since the minister announced; I assumed that you have spoken to the minister before he announced the intention to call upon your office to ask for the RCMP to investigate it; did you have a prior meeting with the minister that he was asking you to have your office in charge of the investigation? Thank you.

Chairman: Thank you, Mr. Curley. Mr.

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Mr. O'Donnell: Thank you, Mr. Chairman. I did not have a meeting with the minister on this specific issue. I did receive a formal letter the very next day asking for this matter to be turned over to the RCMP for investigation.

Chairman: Thank you, Mr. O'Donnell. Mr. Curley.

Mr. Curley: Thank you. To ask the RCMP to investigate an organization or the affairs of any corporate structure is a very serious issue and I believe it is a justice issue. Has the Minister of Justice ever spoken to you about the need for the RCMP to investigate certain actions, activities, or whatnot that may have been done improperly and so on? As this is a justice issue, have you actually had any contact with the Minister of Justice's office on these issues? Thank you.

Chairman: Thank you, Mr. Curley. Mr. O'Donnell.

Mr. O'Donnell: Thank you, Mr. Chairman. No, I have not had any formal communication with the Minister or the Department of Justice on this matter to date.

Chairman: Thank you, Mr. O'Donnell. Mr. Curley.

Mr. Curley: Thank you. As an important official of the government here, within the whole financial control of the government, don't you think that it would be appropriate for the Minister of Justice to actually authorize you to officially have contact with the RCMP instead of any other minister on this issue? Are you comfortable with the direction that you received from the Minister of Economic Development?

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Thank you.

Chairman: Thank you, Mr. Curley. Mr. O'Donnell.

Mr. O'Donnell: Thank you, Mr. Chairman. I am comfortable when a minister asks me to ask the RCMP to at least review the matter to determine whether there is a need for investigation by their criminal investigation unit.

That's all that was done and provided to the RCMP that request with any information that I had at the time, and then I also provided them with access to the OAG contacts to pursue any additional questions so that they, in their wisdom and judgement, could make the right decision as to whether it should be followed through with further investigation or not. We would provide them with ongoing information as was required if they deemed it appropriate.

Chairman: Thank you, Mr. O'Donnell. Mr. Curley.

Mr. Curley: Yes, I appreciate that information. I also wanted to ask you, if you have listened to my comments, I used the words, when the minister did announce that he was calling the RCMP to go on a "fishing expedition." That meant that I'm not undermining the RCMP. I think it's important that they look into whatever activity that may have been inappropriate if there was any evidence.

I don't think they should be asked to do work, that your office should be conducting whether or not if funds were misappropriated or missing, you, at least, should do your homework first or your colleagues in the government. Is that work being conducted, or have you asked NBCC to look deeper and try to narrow down the

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evidence, if any, instead of the RCMP going all over, and maybe seeing that they have all potential borrowers as suspects in this affair? Thank you.

Chairman: Thank you, Mr. Curley. Mr. O'Donnell.

Mr. O'Donnell: Thank you, Mr. Chairman. What has been done is that when the Auditor General was conducting their special audit that they received support from the Internal Audit Services Branch within the GN to review the loan files, try to come up with any additional information that they could, and to help support the OAG in concluding their review and providing us with their report.

So that's all, at this point in time, other than that the corporation would have been working diligently trying to provide what other information that the OAG felt was missing at the time that the review was being conducted.

Chairman: Thank you, Mr. O'Donnell. Mr. Curley.

Mr. Curley: Thank you, Mr. Chairman. My other question is; I assume the RCMP is still looking into whether or not they will actually conduct the official investigation. The initial contact that you have, obviously, requires certain evidence to be provided to them, or questionable decisions, or what not, or documentation.

Once that work is done, would the investigation be conducted locally here, or would that be a special commercial crimes unit division of the RCMP? Have they indicated who would specialize in that? Would that be from the Ottawa office or from this area? Thank you.

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Chairman: Thank you, Mr. Curley. Mr. O'Donnell.

Mr. O'Donnell: Thank you, Mr. Chairman. Yes, they have provided me with updates as to how they're proceeding. What they have done is they have forwarded the documentation provided to their Criminal Operations Section and that section will then determine what needs to be done in terms of whether they need to pursue further investigation or not. This would be handled by the Commercial Crime Section of Ontario. The reason for that is because in Iqaluit, they do not have a Commercial Crime Section to follow through on this matter.

Chairman: Thank you, Mr. O'Donnell. Are you finished? Mr. Curley.

Mr. Curley: Thank you. I didn't want to cut you off or anything but that information is important to us. It's troubling in some respects because the minister jumped the gun on you or many of us without having a real... I use the word "cautiously" that they are now suspects of theft or whatnot. The question is: who are these suspects in your mind? Thank you.

Chairman: Thank you, Mr. Curley. Mr. O'Donnell.

Mr. O'Donnell: Thank you, Mr. Chairman. I would not be able to say who would be a suspect. I would have to leave that to the results of any investigation that would take place by the RCMP. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. O'Donnell. Mr. Curley.

Mr. Curley: Thank you, Mr. Chairman. No, I wasn't asking for specific individuals

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or whatnot, but are they looking to the existing loans, or the loans that have been approved as not proceeding or whatnot?

I think the minister, or at least someone that had been called upon to provide information to the RCMP, has an obligation to tell the public which areas of NBCC's activities have been investigated. Otherwise, we will be like as we are, in a state of emergency, and everyone is a suspect.

Are you in a position to advise or request any of your ministers that clarification is needed? The business communities, who have done great work, many of them, who have done it properly, may be going through difficult times, that, not intentionally, have not paid back some of their loans as they should, they should not be suspects in this case.

Has that been considered by your office at all that the government must narrow down the possible evidence if any? Thank you.

Chairman: Thank you, Mr. Curley. Mr. O'Donnell.

Mr. O'Donnell: Thank you, Mr. Chairman. I concur that this matter needs to be dealt with quickly in order to remove any suspicion. I, therefore, did ask and have made that point at least three times now, that they need to expedite this matter quickly to determine whether, first off, any further investigation needs to be done based on the information that they have, and also advise myself or others in the GN whether further information is required at this time and if we can provide that, we will.

So at this stage of the game, I cannot say as to what area they're zeroing in on, any

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I do know that, as I've been involved in a number of these in other jurisdictions, supporting investigations by the RCMP, or the Ontario Provincial Police, that these matters can take some time. You don't know exactly how far you're going to have to delve into records and what sections or areas, until you have at least spent some time in that.

So they did indicate that they will expedite and keep us up to date, and I will provide that feedback instantaneously. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. O'Donnell. Mr. Curley.

Mr. Curley: Thank you, Mr. Chairman. What I understand from you is that the communication to the RCMP has initially been done and the RCMP has asked for further information. It is not clear whether or not they have agreed to go with the full investigation. Am I correct in that?

If that is the case, did they give you any indication exactly when they would decide to go through with the actual investigation, and if so, will they provide you with, if this as broad as possible investigation, or will you have an idea that they will narrow it down to specifics? Thank you.

Chairman: Thank you, Mr. Curley. Mr. O'Donnell.

Mr. O'Donnell: Thank you, Mr. Chairman. All that I have been advised at this stage is that they have referred this matter quickly to their Criminal Operation Section. They will then determine if this

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matter needs to be dealt with by the Commercial Crime Section in Ontario and that decision, hopefully, will be made quickly. All the information that I have at this time is that they are reviewing the matter expeditiously. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. O'Donnell. Mr. Curley.

Mr. Curley: Thank you, Mr Chairman. My last question to you is this: once they have determined that further investigation, or if there is any evidence that they wish to pursue, will they be advising or contacting your office, or will they be contacting the Minister of Justice? Thank you.

Chairman: Thank you, Mr. Curley. Mr. O'Donnell.

Mr. O'Donnell: Thank you, Mr. Chairman. They will advise me as to the status but that doesn't mean that they could not go directly to Justice with any questions that they might have. Also, as soon as I have been advised of anything, the Justice Department would be advised of complete details as to the results of their review or investigation depending on to what extent they're going to pursue this matter. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Curley.

Mr. Curley: Thank you, Mr. Chairman. I have a question to the acting chair, CEO of the NBCC. So far, you've been listening intently here and there, but could you, for the record, indicate how long you have been with the NBCC? The second question is: who do you report to? Thank you.

Chairman: Thank you, Mr. Curley. Mr.

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McDowell.

Mr. McDowell: Thank you, Mr. Chairman. I've been with the organization since April 27, 2006 and in my current acting role, I report to the Deputy Minister of ED&T. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Curley.

Mr. Curley: Thank you. That's quite simple, obviously. Is that reporting relationship that you currently have always been the case since you started working with the NBCC that the CEO reports directly to the deputy minister? Thank you.

Chairman: Thank you, Mr. Curley. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. I think that I can only speak to the role that I had before as the comptroller. I reported to the CEO and the CEO, how he reported, I don't think I can speak to it. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Curley.

Mr. Curley: Thank you. My next question is, Mr. Chairman: within your role, obviously, you had seen a number of board meetings that were held by NBCC, do you have any particular position exactly as to who should or where should the NBCC CEO report to? Should it be directly to the board, and if so, what would the main reason be for having a dual reporting relationship if one can work just as well? Thank you.

Chairman: Thank you, Mr. Curley. Mr. McDowell.

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The second part of your question as to who the CEO should report to, there is some administrative functions that have to be done through the department. So there is a necessity to have the relationship with the CEO to the chair for loans and NBCC business, but as far as the administration, because we are public servants, through the department and with the assistance of the department. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Curley.

Mr. Curley: Thank you. Yes, your views are important as an acting chair because really, for any organization to work effectively and independently of political interferences, really the Crown corporations should work completely arms length of the government. That's the whole reason for setting it up so that there is an arms length relationship not directly.

All organizations, Crown corporations, or whatnot, that have received funding from the government, including other organizations, pretty well operate independently but they do have an annual or whatnot contact with the government mainly to secure funding and that sort of stuff.

To have this confusion continue is not going to help you. You either agree to work directly with the board or not. Otherwise, there would be no reason for having an independent status of NBCC because I

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think that was the appropriate question the office of the Auditor General has posed to all of us. Should NBCC be incorporated into the department instead of having a separate organization?

So having said that, if I were Minister David Simailak, I would ask you, "What do you think?" I would ask you to not provide me with one page but a reason why you would want to have a relationship with the department at least. You said it was administrative. Give us some examples; I think we need some backup. Thank you.

Chairman: Thank you, Mr. Curley. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. Some examples are, since we are, again, public servants, so all of our payroll is functioned through ED&T or through the GN, matters of the functioning for reporting controls, of the accounting, is through the *FAA* and not the *NBCC Act*, and so hiring is, of course, HR.

So HR, Finance, and ED&T, all three of those things have to be a liason through somebody. So at this time, it's through ED&T, and for that, Mr. Chairman, I think I need to clarify something. I have had contact with the interim chair, as well, on NBCC matters. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Curley.

Mr. Curley: Thank you. I think it's very obvious why there is confusion with the relationship between the NBCC board and the minister's office for all that matter because the whole reason for having a separate corporation to run the service to the industry is to be independent and have an arms length relationship.

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I think you are not aware that the political interference can be much more easily influenced if you have a continuing relationship with the deputy minister and the department. Therefore, that creates very unclear roles and responsibilities particularly with the chairman of the board, as well as the board and executives of the board

So would you be comfortable if the arms length organization were chosen and would you work to support that there be complete independence on the deputy ministers, other than the annual requirements to seek funding and so on? Would that be acceptable if that were decided? Thank you.

Chairman: Thank you, Mr. Curley. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. I believe that, as part of the action plan, that is going to be looked at - the relationship, the reporting status - and of course, I'm going to support whatever comes out. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. A question that I'm not sure if it's to Mr. O'Donnell or Mr. Ma that would respond to it, and I know that the Department of Finance has an internal audit section in there. Once this all came out over a year ago, has the Internal Audit Division in the

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Mr. Ma: Thank you, Mr. Chairman. To date, our involvement with the Internal Audit Services Branch has been to assist the Auditor General in their review of the 2005-06 statements of NBCC. And, the reason we were involved was to add some additional capacity at that time to the AG's office with respect to the NBCC audit. Subsequent to that, we have not done any work on NBCC.

However, having said that, obviously, when we go into next year's audit plan, there may be work and it's true, at this point, for me to give you a definitive answer on that. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Ma. Another question, I don't know which government witness would respond to this. I know yesterday Ms. Fraser pointed out from their review how things progressed once the draft report was done, the recommendations were there, and the government's response. I know that her report concludes 15 specific recommendations, as well as 15 Government of Nunavut responses.

I'm just wondering if you could outline in detail for the committee the process that went into preparing the government responses and clarify whether or not the responses were approved by either the Minister of Economic Development and Transportation, or the Minister of Finance, or if they went to the Cabinet as a whole prior to being included in the report. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. As the Auditor General had

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indicated yesterday, the report was provided to the bureaucrats and there was assistance from the Department of Finance, Economic Development, and NBCC in drafting up the responses.

Those responses were vetted amongst the bureaucrats and once they were finalized, they were sent back to the OAG. They were not approved or vetted by the Minister of Finance or the Minister of Economic Development and Transportation. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Is there a reason why this information wasn't provided to any of the ministers responsible? Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I think at this point I'm going to ask Mr. Ma to respond about the audit function in terms of responses. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Ma.

Mr. Ma: Thank you, Mr. Chairman. The OAG's audit of NBCC is with respect to NBCC, and especially the reporting relationship between the Auditor General's Office is with the NBCC and its board. You'll note that the report was actually directed, even though it's to the government, is really specifically to the NBCC.

The report I guess is the administration of policy, and as such, we, as staff, then drafted the responses. The report is not anything beyond the administration policies, so it's only appropriately I think that we, as staff, respond to those particular recommendations. Thank you, Mr. Chairman.

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Mr. Ma: Thank you, Mr. Chairman. Throughout the process, we have tried, to the best of our ability, keep the respective ministers informed, but until we actually got the draft report from the AG's office, it's hard to see what the contents are.

So when we received it, I believe that we met via conference on October 16 or 17 with the AG's office. We didn't actually get a copy that we could keep but they reviewed with us the initial contents of what would be in the report.

I believe the AG's office indicated yesterday that we did then get a draft I believe on October 22. From there, then we proceeded to work with officials to provide adequate responses to the AG's report.

Now, I guess we need to recognize the fact that the time that we received the draft report in writing from the AG's office and when the responses were actually tabled in the Legislative Assembly, I think was about two weeks, so our time frame was tight. We did advise later, sometime after October 22, of the contents of the report that was going to be tabled by the Auditor General.

The minister did not get a copy of it because we were embargoed in terms of the

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Chairman: Thank you, Mr. Ma. Ms. Fraser, do you want to add something?

Ms. Fraser: If I could just add, part of our normal process of audits and the responses to audits, we only work with officials. We expressly ask officials not to share copies. So in this case, we provided drafts to officials and expressly asked that it not be shared. We do the same thing, quite frankly, in all of our audits. We ask that these not go to ministers.

If it is about, as I mentioned earlier, about the application of policies and procedures, and particularly, in this case, when there was the board also involved, we briefed the board but we, in fact, did not provide drafts to the board because it was still very early, and the main process for all of this, too, is that one of the important elements is to have a validation of facts and only officials can actually do that.

So it's important to us that there be very tight controls over the reports before they are finalized, especially given that this report was going to be tabled here in the Legislative Assembly, we would be very cautious I guess. That's why the timelines were very tight as well, because we were a little concerned if it was to leak, as we say, there could be a lot of unintended consequences from that.

So we specifically requested, in this case, that the copies be kept only by officials and that is why the responses were given by officials. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. I can understand that the working and going

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You and Mr. Ma indicated that you did share, not the copy of the report, but I would imagine some information in regard to the report to the minister. I'm wondering if you could elaborate on which minister, what information you shared with that minister, and when that happened. Mr. Ma.

Mr. Ma: Thank you, Mr. Chairman.

Deputy Minister Keenainak and I share a joint minister who is Minister Simailak.

He's the Minister of Finance, the Minister of Economic Development and Transportation, and also Minister responsible for Nunavut Business Credit Corporation.

Generally, what we shared was that there were two key components to the AG's report. The first part is what I would consider to be the operational side. There were a number of recommendations with respect to the operations of the NBCC. The second side is what I consider to be corporate governance. Those are the issues that have to be worked with reporting relationships.

Like all Members in the House, he would then receive a copy at the appropriate time when it was tabled by the Speaker in the Legislative Assembly. Thank you, Mr. Chairman.

Chairman: When did you share that information with the minister? Mr. Ma.

Mr. Ma: Thank you, Mr. Chairman. I'm sorry. I forgot to answer that part of your initial question. It was the Friday that we received the report, so I think that's October 26 off the top of my head.

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Mr. Ma: Thank you, Mr. Chairman. Yes, that's correct, Mr. Chairman. Thank you.

Chairman: We found out and he even indicated here in the House that they were aware a year ago last November that a denial of opinion was coming forward on this. Was there any briefing to the minister or Cabinet on this and the seriousness of it? What kind of direction came out since that time? I don't know who would respond to that. Mr. Ma.

Mr. Ma: Thank you, Mr. Chairman. As the Office of the Auditor General indicated yesterday, we were advised I believe in November of last year that there was a possibility of a denial. It was not a denial at that point in time. We were advised that there were serious difficulties with respect to the audit of NBCC for the 2005-06 fiscal year, that they and us would make our best efforts to avoid a denial and at least, hopefully, head towards a qualified opinion.

When that information was conveyed by the AG's office to myself, as Deputy responsible for Finance, I did advise our minister that that was a possibility because I thought was at that particular time. I also then advised the Deputy Minister of Economic Development who had the responsibility for the NBCC file.

Throughout the process, we have kept the ministers informed to the best that we can. Obviously, it's hard to talk more contritely until we are in receipt of the formal report from the AG's office, which, in the past month, we have been in receipt of. That's about all I can add, Mr. Chairman. Thank

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Chairman: Thank you, Mr. Ma. You indicated that that report was provided to you in October. Did the draft report already contain the Government of Nunavut's responses to the recommendations? Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. When the Auditor General presented the report on October 22, I believe, to the board, and we got a copy, that is when we started preparing the responses. So at that time, the government responses were not in there and that's part of the reason why the draft was provided, in order to formulate the government responses that were going to go into the report the Office of the Auditor General tabled on November 5. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. I have another question. I know in the report there are a couple of things that raised flags to me. One of them was an observation that there are at least two cases where more money was provided to someone then they asked for it. Also, there was a letter that was submitted that had false information on it about two companies. To me, it's more erroneous information on there.

Maybe I'll ask Ms. Fraser or her officials if they had any indication of those loans where more money was provided, was it a substantial amount of money and was there any explanation as to why they were given more money than what they required in their loan? Ms. Charron.

Ms. Charron: Thank you, Mr. Chairman. The cases where more money was provided, we're talking about thousands of dollars, I don't have the exact figures but

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it's thousands of dollars. And, as we indicated yesterday, in one case it was to pay taxes and the other case was the legal fees that were expected to be charged were lower than the amount that was actually charged to the corporation. The difference went to the borrower. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. Was there any others? As you found there, it says there are at least two, so I'm just wondering if there was more, or there could be more, or didn't look at them? Maybe if I could just get a clarification on that. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. In these two cases, of course, we were able to see the documentation. I think the problem in many of them is that there wasn't sufficient documentation in the files to know if the loans were in accordance with the applications. So again, it comes back to a question of documentation, and in all of our audit work, too, we just do a sample of loans. Thank you, Mr. Chairman.

Chairman: Okay, so then I would say it wouldn't show that there wasn't any fraud or anything like that where they're saying that they were getting more money than what they needed. It was just different things happened to allow that.

Say, in that one case there was a letter, it pointed out that it had erroneous information in it regarding the two companies and maybe if we can get an explanation on that, if that was, in fact false, information that was being provided by the management of the NBCC to the minister. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. This is the case, I believe, of the limit on

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loans to related parties and I am informed that there was evidence on file that one company was owned 100 percent by the other company. So clearly, they were related and yet, the letter from management indicated that they weren't. So it was erroneous. Thank you, Mr. Chairman.

Chairman: Sorry, go ahead, Ms. Fraser.

Ms. Fraser: If I could just add that we, obviously, don't know the motivation as to why that occurred; was it an error or was there some other reason for that. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. I'm just wondering if the case was that it was clear that the connection was there and false information was provided to the minister. In your view as an auditor, would that constitute some type of fraud or something by providing false information to access another \$1 million? Would that be considered fraud in the view of an auditor? Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. What you're really asking is about the motives behind this or the reasons behind this, and in our audit work, we, obviously, don't go into all of that. We were not given a sufficient explanation as to that letter. I don't know if the current officials of the corporation are able to do that or not, and obviously, a lot of the people that were there at the time are no longer there, which makes it difficult as well to get explanations. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. I know you say you weren't given a sufficient explanation. What kind of explanation were you given in regard to that? Go ahead, Ms. Fraser.

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Ms. Fraser: Thank you, Mr. Chairman. We were given information that the corporation relied on information that had been given from one of the companies and that was why, but we didn't get any more information other than that, which I think goes back to our point that, perhaps, the whole process and the rigour with which these applications were reviewed was not sufficient.

I should point out of course, that the minister does have the authority to approve these loans in respect to the fact that they were related parties but the information provided to him was not correct. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. So that's basically the applicant provided false information is what happened here. Maybe I should just ask one last question before we take a break.

In your review of the applications, the processes and the things that are in place, is there any mechanism or anything on the application, usually, the applicant has to sign off saying that this is correct information.

Is there anything in place that would basically say if they do provide false information that there could be consequences of any kind on that? Were you able to determine if there was anything like that in their applications, or in the process of an applicant applying, and if they looked into it after and found out that there was false information in there that there could be consequences? Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. I'm informed that there is no specific and there is no preset application form. We're not aware if there may be other

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 correspondence, perhaps, that would indicate something like that and the corporation might be able to better respond to that question. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. I'm going to go ask the corporation officials after a break if they could look at it. So maybe we'll take a 15-minute break right now and come back at quarter to. Thank you.

>>Committee recessed at 10:32 and resumed at 10:56

Chairman: Welcome back. Just another question, I know I was asking questions earlier about, and it's stipulated, I believe, in the Act of the \$1 million limit for loans to related parties.

Maybe if I could just ask Ms. Fraser or her officials: why is something like that there? What is the importance of having a limit or something like that set up in place? Maybe just get an explanation from your view. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. This, of course, is stated in the *NBCC Act*. I would imagine that it was put there simply to manage risk, that there not be an undue level of risk assumed in regard to a group of related companies. So the Act would require that there be a specific decision that people would consciously know because minister can approve to go over this limit, but then there would have to be, obviously, more diligence, one would expect, and then the explicit approval to take on that level of risk.

The difficulty could be, of course, if you have a lot of related companies, if you didn't have that kind of limit in there and each one had a loan of \$1 million, the

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Chairman: Thank you, Ms. Fraser. That kind of reminds me of the old situation that happened in the NWT. If I remember, there was a series done over there; the Empire Builder, I know that a bunch of development corporations set up, basically, just to do that, to siphon money. Hopefully, they look into this and it's not the same situation.

I will now ask, if you weren't aware in your findings there, I'll ask, I don't know which official from the government side, is when an applicant applies for a loan, maybe you could just walk us through the process. Do they just want those 60,000 emails that they sent over and say, "I want some money," and, "Do we give it to you?" What process does the corporation go through once they receive a request from someone? How do I go about applying for a loan? What information is provided by the applicant?

I don't know who would want to respond to that. Ms. Keenainak.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) I think I'll respond to the initial part and I'll ask Mr. McDowell to provide more of the detailed process itself.

As indicated in the action plan that was submitted, the operation and procedures manual has been re-instated, and it's quite clear in those procedures that were inherited from the NWT and those have been re-instated.

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the current acting CEO is a bit of a process mapping, or a process list, in terms of exactly what is needed. So that's what it is now, and I'll ask Allan to kind of go through the process for an applicant. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Allan McDowell.

Mr. McDowell: Thank you, Mr. Chairman. At the very beginning when the application is received, and we do have a standard application form, Mr. Chairman, which does include at the end a statement by the applicant that the information that he provides is true and accurate to the best of his knowledge or her knowledge.

Just to go through the steps of the loan procedure, at first, the investment manager receives the request of financial assistance and he sends out the application package, the investment manager receives the application and other documents from the client, and if there's information missing, there's a certain checklist that is required and all of the information must be provided. So there's some communication between client and the investment manager at that time.

After that, the investment manager completes the due diligence report and the information is entered into the software program. The investment manager, along with the comptroller and the CEO, then review the due diligence report. Mr. Chairman, this is the procedure that has been put in place currently.

So there's an analysis done on the due diligence report and challenges are made. The investment manager then presents that information at a board meeting to the board members. The board either approves or

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rejects the loan. If the loan is approved and if it's for more than \$500,000, then, of course, it's recommended to the minister.

Normally, the NBCC staff will send it to the Deputy Minister of ED&T, who would review it in conjunction with senior staff of the department. The deputy minister would then forward documentation to the minister for final approval.

After that, the board's secretary notifies the loans officer and it's entered into the information system, the loan agreement is prepared, signed off by the client who verifies rather, and then signs off as to the terms and conditions, and securities placed.

When the document is returned to us signed, we make sure that everything is adequate and accurate. The senior compliance officer or the loans officer then prepares the security checklist, which is within the procedures manual that's been re-instituted, then prepare the administration and the legal files checklist so that all documents that are required are here.

Once the loans officer has reviewed the checklist for security and all security has been registered, then that information is then passed over to the loans officer and the comptroller, rather once all documents have been received and the files are complete, the checklist is satisfied.

The CEO then instructs the comptroller to produce a cheque for the dispersement of funds which are not given to the client but advanced to the lawyer in trust, and then after the lawyer has given us information, if there were invoices that are being paid by the client, then once we receive those, then we advise the lawyer to disperse the funds finally to the client.

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That's the procedure from application to advancement of funds. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. I think everybody is relieved that that's been re-instated and being followed, and, I hope, eliminates a lot of problems that happened over the last couple of years.

I just want to go back, you said you had a general application in which the applicant signs saying that the contents of the application is true and factual information. In the case that we were just talking about earlier, the two so-called unrelated companies that received \$1 million each, was that application filled out and signed off by the applicants in both of those cases? Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. We do have an application from them and the information was provided and signed off.

The question as to related parties did come up by the staff at the time and they asked the client for verification. And, included on the file is a note from their lawyer stating how, in his opinion, he felt that they were not related. Again, there was no challenge made by the staff and that was accepted. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. I guess it's found that false information had been provided in the application. What can or what does the corporation have the ability to do in cases where they found that they have been provided with false information even if it is from a lawyer? Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman.

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Again, it goes back to the ability to challenge the information and to provide an accurate due diligence report. Within that report, it's my belief that whenever anybody applies for money, they're going to overstate certain things or understate other things.

It's up to the staff of the corporation to decide what has been and what hasn't been, relying on third party generated reports, independent process, and in determining their own analysis from the ratios, and then providing that in the report which is easily understood by the reader. So again, it goes back to proper due diligence. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Just maybe a question to Mr. O'Donnell, I don't know if this is the whole thing that we've just been talking about of incorrect or false information being provided on an application that's been signed off and provided to the corporation. If that is new information to him, and if so, would he plan on passing that information on to the RCMP to include it to look at in their investigation? Mr. O'Donnell.

Mr. O'Donnell: Thank you, Mr. Chairman. Yes, this is new information to me and I will discuss this with the corporal as part of providing them with information relevant to them determining whether further investigation is necessary, and I will leave that with them. If they request further information or re-documentation with regards to this matter, I will provide that to them. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. O'Donnell. In my next question for Mr. McDowell, in that particular case where you indicated that there was a note on file from the lawyer, was that lawyer acting for those

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Mr. McDowell: Thank you, Mr. Chairman. Perhaps, I should provide a little more context. It was embedded in an email between a client and the manager, but to answer your question directly, the lawyer was the client's lawyer and not NBCC's lawyer. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. So that lawyer didn't do any work for NBCC? Is that correct? Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. I'm not aware of whom exactly, when I look at the document, I can't tell from it who the lawyer is for that client. I can't make that determination. It is not a lawyer that was asked to work on behalf of Nunavut Business Credit Corporation, Mr. Chairman. Thank you.

Chairman: Thank you, Mr. McDowell. If it was embedded, how do we even know that it came from a lawyer then? Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. I feel sort of obliged to tell you about some of the information we have in our audit files where, in fact, there's a memo where it was clear that NBCC's lawyer knew that one corporation was owned by the other one, which I think, in the common and legal definition, would indicate that they are related.

But then tried to, I think, justify the fact that there were two loans on the fact, was trying to find a justification on the basis that they were in, perhaps, different kinds b└<♂? Ċჼd♪\ Ċჼd◁ ₫ჼጋ፭ቴበሰ°♂° L୯Ს°♂፭ჼ*በ፫ና ፭└Lኃ b└<♂ ፭└Lኃ L°? Ċჼd◁ ¹>°♂፭ჼ*ሰ° L୯Ს°♂፭**ሰ Ċჼd♪\ ፭ጋσና ¹ɓ♪® ∧୯ሊቭህዊ? ୮Ն L°C▷≫°.

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of businesses, that the businesses that these two corporations were conducting were not the same, which led us, I think, to sort of say that the corporation needed to clarify what the Act meant by "related" because the common understanding of that would be common shareholding and that you wouldn't want to create a lot of risk or a large portfolio of loans to a common shareholder rather than different kinds of businesses.

We can see here where he was trying to get that information and that seemed to be on the basis of which they had thought it was alright to go ahead because they were in different business, but it was clear that NBCC's lawyer had the corporate structure and knew that one corporation was owned by the other one. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Maybe through your review, were you able to determine who the other lawyer was that was providing the evidence Mr. McDowell said that they weren't related? Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. I think all that we seem to have is, again, an email message indicating that they relied on comments from this individual but I believe the individual was an official of the corporation applying for a loan. We did not see evidence that there was another lawyer involved in that but it was comments from this corporation indicating that they were in different businesses again.

So it's a whole question around what does "related" mean and there appears to have been a definition of "related," meaning they were in different business, when I think the common understanding would be, it would be the corporate structure, the shareholdings, not the kind of business that

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Chairman: Thank you, Ms. Fraser. I think almost everybody would agree with that definition and why it's there. I just want to clarify, so it was the note on the file, it was the lawyer for the corporation that pointed that out. Was that the note on the file and not a note from... Ms. Fraser, sorry.

Ms. Fraser: Thank you, Mr. Chairman. There is a note on file from the corporation's lawyer indicating that there was an issue around this limitation of loans and asking if they were in different businesses, and that that was, it seemed to be when the response came back from this person, indicating that they operated separate entities and are in different businesses, but again, it doesn't really address the question of how do you define related?

And, the easy thing at the end of the day would be to err on the side of caution and said, "Well, maybe they are related," and then gotten ministerial approval, which would have been possible. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. It feels kind of unfair to ask Mr. McDowell. I assume this happened prior to your appearance with the corporation, or to your starting with the corporation.

Given the way things are pointed out, if that situation came to you in an applicant, how would, under the new and improved way of doing business, that have been handled? Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. One of the best tools that we can use for providing due diligence or doing an

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Chairman: Thank you, Mr. McDowell. In light of that information coming out now, I would assume that this may have been new to Mr. McDowell, but this is something that the corporation has been aware of probably since the observation was made by the audit team. Have any steps been taken, in that particular case, to try and see what your options are from the corporation's point of view? Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. The options will have to be checked. We have loan agreements duly signed by the parties which won't mature for several years. So the options would be to see what can be done and, of course, follow the right path.

This kind of thing, based on the due diligence that we have in place now, can't be repeated. However, determining what to do with those that are in place, I'll have to get a pretty good legal opinion to follow that, Mr. Chairman. Thank you.

Chairman: Thank you, Mr. McDowell. What loan agreements that were signed off under false pretenses may be considered null and void? Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. If that was the case, however, I'm not a lawyer, and I can't make that determination, that would have to be reviewed by legal. Thank you, Mr.

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Chairman.

Chairman: Thank you, Mr. McDowell. Can you indicate if that, I'm surprised it hasn't happened yet, maybe just why hasn't that been looked at since it's been brought to the attention of the corporation? Mr. McDowell.

Mr. McDowell: Again, I can't answer as to why it hasn't been done up until now being new to the acting CEO role. It's determined that, obviously, they're related and it goes against the Act. So therefore, moving forward, it will be investigated. Our options will be searched and we will follow the right path. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. In relation to this particular file, maybe I will ask either Mr. Ma or Ms. Keenainak, when has the management been made aware of the circumstances in this particular case? Have there been any directives issued, either from yourselves or from either respective minister, in taking a look at these, or just to leave them alone? Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. Since the Auditor General's Report and over the last year, the emphasis has been on making financial statements up to par. I think Mr. McDowell has done quite a bit on that. The other thing, the concentration has been trying to make sure the loan files have required information, trying to make sure that there's monitoring of the loans and stuff like that. So that's been the priority.

The next step is going to be, once we act after this, to develop the action plan. Those are going to be some of the options we're going to have to look at, is cases like this. In terms of directives, there hasn't been a

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directive other than that. The operational procedures guidelines have been reinstituted, there are key processes now in terms of challenging information that the applicant does provide.

The other thing that did happen was that the Minister of Finance also issued a directive about the loan portfolio, that the corporation will be providing monthly information about the finances for the loan portfolios to make sure it's being tracked.

So those are the kinds of things that have occurred but the other issue, in terms of related parties, is something that we will have to look at. At this point, the concentration has been trying to clean things up in the corporation, trying to make sure that the loan files are updated, making sure that there's better monitoring of that but that will be the next step. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson, question?

Mr. Peterson: Thank you, Mr. Chairman. My question is for Ms. Fraser. Yesterday, Ms. Fraser you mentioned in your opening comments that you observed "a serious breakdown at the corporation of basic financial controls" and we received some information yesterday about the staff at the Nunavut Business Credit Corporation. They had a comptroller there from August 27, 2001 to March 17, 2005.

My question for you: can you tell us, during that period of time, were you satisfied that there was at least some basic financial controls in place at the Business Credit Corporation? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms.

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Fraser.

Ms. Fraser: Thank you, Mr. Chairman. I would say that the general answer would be yes, there were basic financial controls in place. We were able to issue opinions on the financial statements, so we did have qualifications. We had a number of management letters where we were pointing to improvements that had to be made.

Not everything was perfect but it was certainly not the situation that we saw when we tried to audit the 2006 financial statements. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Fraser for that answer. Could you give us a quick overview of what the role of the comptroller would be in the Nunavut Business Credit Corporation with respect to having basic financial controls? That's for the day-to-day operations and then there are the lending practices, like dispersement of loans, staying on top of lending documents and protocols. Could you give us a quick overview on that area? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. Obviously, the specific responsibilities could vary in various organizations but generally, a comptroller would have responsibility for ensuring that the books of account are up to date and accurate, that financial statements are produced, things like bank reconciliations are done, that the corporation knows what suppliers it owes and for how much money, too.

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The comptroller would generally also be responsible to ensure that there was some what we call "a division of duties." Now, in small organizations, that is more difficult but that people are not doing incompatible functions. There would be, obviously, a very close relationship with the loans manager to ensure that, and I guess, it would depend then on how responsibilities were assigned to the loan manager and the extent to which the corporate comptroller would be involved in the actual monitoring and follow-up on loans, but you would expect them, the comptroller at least be aware of all that if they were actually responsible for it; banking information, investments, those sorts of things; and certainly, to be providing as well oversight on the basic things like files, record keeping, and documentation.

I could probably go on and on but I think those would be certainly some of the things we would expect to see at which there was a breakdown in the 2006 audit. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Fraser. In the Nunavut Business Credit Corporation, you mentioned that it's a very small organization of four or five staff. How many staff were actually involved in the financial operations of the Credit Corporation? There's a comptroller, but did the comptroller have any staff reporting to him? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. I

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would imagine that given the size of the organization that probably everybody would be involved to some extent in financial management and the comptroller would have had people reporting to him. I'm not sure, so we would have to clarify. I'm being told, perhaps, he had no people reporting directly but I would think everybody would have had some function in financial management given the size of the organization. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Fraser for that information. I believe within the government departments there's, as mentioned earlier, like a division of duties between expenditure and payment type of duties, and there are six signing authorities that everybody has to sign up to a certain level.

When you did the audit of the Nunavut Business Credit Corporation, did you find anything on file that confirmed what authorities each staff member had to make recommendations and payments on? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. I'll ask Ms. Charron to respond to that question, please. Thank you.

Chairman: Thank you, Ms. Fraser. Go ahead, Ms. Charron.

Ms. Charron: Thank you, Mr. Chairman. There were two signatures that were needed on each cheque. At various times during the audit, because of the staff

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turnover, these signatories had changed, but overall, the CEO had power of signature, the loans manager as well. When the comptroller joined a certain length of time and expired before he got the signing authority, but he did get the signing authority and the chair of the board also had signing authority on cheques. There was always a need for two signatures on every payment. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Charron for that answer. Obviously, in the Nunavut Business Credit Corporation, the chairperson, CEO, and loans manager have the same goals, is to make loans payments to their clients so the comptroller would be sort of like "the buck stops here" type of guy. He has to scrutinize, review, and make sure all of the paperwork is done properly before it's sent off for processing before they issue the cheque.

When you said there always needs to be two signatures on the cheques, were they any two, or is it one always had to be the comptroller; you have the chairperson and the comptroller, the CEO and the comptroller, or the loans manager and comptroller? Can you give us some information in that area? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Charron.

Ms. Charron: Thank you, Mr. Chairman. To the best of my knowledge, there wasn't any specific individuals that needed to have his signature on the cheque, but because the corporation was without a comptroller for a certain period, obviously, the comptroller

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did not always have its signature on the cheque and it took a while before he actually got the signing authority when the new comptroller joined.

They would be more in a position to provide you the exact dates when everyone got the signing authority. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. Thank you, Ms. Charron. Do you think that is something that should be a priority that the comptroller should have his signature on every cheque before it goes out to the supplier or to a borrower? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Mr. Chairman, in many organizations, we don't see that kind of requirement. You would expect whoever is the first signature on the cheque would have to ensure that all of the proper documentation would be there, and that should be the responsibility of all signatories of cheques.

The most important, of course, the most significant amounts would be disbursements for loans. Those would, obviously, have to have gone through approval by the board and all the rest of it to be sent out. Given the size of the corporation and the turnover that it's experienced, I think we would be hesitant to recommend that there would be a specific position that would have to be on a cheque because it could seriously affect the operating capabilities of the organization going forward. Thank you, Mr. Chairman.

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Chairman: Thank you, Ms. Fraser. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Fraser. Can you tell us and does she think it's not probably practical for the Nunavut Business Credit Corporation to have the comptroller's signature on particularly when there is a high turnover, but when the payments are being processed, what is the minimum information that should go with the documentation that should go forward to the finance people to ensure that the payment should be made so that the manager, whoever signining the cheques, can be reassured and confident that they're signing a cheque and it's not you saying, as you were saying in your opening comments yesterday, that they're not contravening the laws and regulations that the Nunavut Business Credit Corporation is subject to? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. Obviously, as I mentioned earlier, the most significant disbursements would be for loans. So you would want to be assured that the proper due diligence had been made, that the loan amounts had received proper approval, and the people were aware of and had verified the various conditions within either the *NBCC Act* or the *Financial Administration Act*.

If it was other disbursements, say for goods or services, the person signing would want to have assurance that the goods or services had been received, that they were conformed to what have been asked for, and that the services, the charges were correct. So there needs to be a minimum of

that kind of information before anyone should be signing any cheque and that would apply to any business. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Fraser for that information. When you stated in your opening comments that transactions that contravene the laws and regulations, and that the regulations where the laws were the Financial Administration Act and the Nunavut Business Credit Corporation Act; in essence, are you saying that they broke the laws? Is that what you're saying? Is "contravening" another buzz word for "you broke the law?" Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. We have tried to make a valiant effort in the office to use plain language. I think Mr. Peterson is probably using even plainer language than we do.

Yes, that would be they did not respect the law, they broke the law. There are a number of areas where they did not respect the law. For example, on interest rates, interest rates were charged that was contrary to what was stated in the *NBCC Act*. In some case, too high interest rate was charged.

We've talked about the related parties. In some cases, they should have gotten additional authorizations to do certain transactions, or to have certain conditions, the additional authorization wasn't obtained. So yes, there were a number of cases that are listed in the report. Thank

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Chairman (Mr. Barnabas) (interpretation): Thank you, Ms. Fraser. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Fraser for clarifying that. I'm not familiar with how that works at the federal level. If individuals at the federal level, do you audit Crown corporations or federal departments, or even in the territories, when you're auditing, if it becomes clear that laws are being broken, what are the implications, first of all, and what are the remedies for dealing with the people that broke those laws? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. There are no, federally at least, there are no specific penalties outlined in the Act. I think there's been a number of policy, or guidance documents, which have been reissued in recent years. There can be sanctions imposed and sanctions can range from simply having a letter of reprimand, or a requirement to do additional training, to more serious consequences.

I wouldn't know in this case, I'm not sure if there's anyone left who was there at the time, so the question is probably kind of moot. The important thing I think is to make sure that going forward is that the staff are well aware of what are the requirements under the Acts and that there be a process in place to ensure that there is a monitoring of that, perhaps, checklists or listings that the people are reminded of what these conditions are. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Mr.

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Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Fraser for that information. I think it's important information I think people should pay attention to, and I'm not sure what the motivations were for breaking the laws, as you mentioned earlier, you're not sure either, that the people that would like to ask those questions of are not here either.

So I would like to think that it was hopefully done unintentionally because I know that the government and the Crown agencies have a lot of laws, Acts, and legislation that we have to follow. It's very difficult to stay on top of all that stuff, and I'm sure in a smaller organization with a high turnover, is probably fairly difficult.

Still, I harken back to the comments yesterday that we had up until about March 2005, when things were reasonably well, and it all collapsed after that when the comptroller left but we were provided with the employees start and end dates for the NBCC yesterday.

The comptroller at the time, he was there for about four years, almost four years, or maybe a bit longer, but the CEO started in July of 2004 and he didn't leave until December of 2006. The investment manager started September 13, 2004 and 2006. So there are three key people that have been there up until March, then one left, and then we had the total collapse.

So I'm wondering, I still can't wrap my mind about how, by taking the comptroller out, you would have a total collapse of the financial operating systems and the lending systems, if you at least had your investment manager and the chief executive officer, who should have known that they had the $\Gamma^{\downarrow}C \dot{\Lambda}C^{\bullet}$.

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day-to-day interaction with the comptroller, who was there from day one, almost.

So can you, perhaps, give me some indication, did the CEO and the investment manager, after the comptroller left, did they just sort of decide they were going to start running things their way and that now, we don't have a financial comptroller around to keep us in line, we can do what we please here and ignore the *Financial Administration Act* and the *Nunavut Business Credit Corporation Act*? I hope they didn't think like that but that's the way the timelines seem to be suggesting that's what was going on there. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. I'm not sure that we're able to give a very good explanation to it all. I mean, obviously, we see that the comptroller leaving had a pretty significant impact. He wasn't replaced for almost a year, which meant that those functions were, I think in part, filled by an outside contractor, an accounting firm was brought in to help do some of the bookkeeping, but the day-to-day presence obviously wasn't there.

Again, I was being told that the the CEO at the time didn't initially want to get a new comptroller, so I'm not sure how he thought that those functions, which are very important, would be fulfilled. I think those would be better questions to ask of them as to what exactly was happening during that period of time.

Chairman: Thank you, Ms. Fraser. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I

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thank Ms. Fraser for that. Perhaps, I will ask the government witness in order to hear, in their timelines, that Mr. McDowell, he didn't start until April 2006, the former comptroller left on March 17, 2005, so there are 13 months between the time that position was staffed.

Perhaps, Ms. Keenainak can clarify for us why it took so long, and then, secondly, who was providing comptroller oversight for the NBCC during that period of time? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) Again, not being involved in the day-to-day operations, I'm relying on some history here. At that point, the investment manager was doing some of the comptroller duties, and in terms of the financial, as Ms. Fraser has indicated, we did have an outside consultant help with the year end books on that one.

In terms of the staffing, I would have to find out exactly what happened in terms of the staffing process, I'm not sure if it was advertised a number of times and if they had no success or not, but we can get that information for either later on today or tomorrow. Thank you, Mr. Chairman.

Chairman (interpretation): Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak. Can the investment manager, that person will have a specific role and function within NBCC and the comptroller would have another role, and I'm sure they may have similar qualifications but I couldn't be certain of

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So can you explain to me how the investment manager would be qualified to look after the financial, or the comptroller duties in NBCC, and at the same time look after his own portfolio of loans? Thank you, Mr. Chairman.

Chairman (Mr. Tootoo): Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I've just been advised that the investment manager was a designated accountant and in a small organization like NBCC, when there is a vacancy, you normally do take on added duties, and with his designation, the belief was that he was able to do part of that, I mean it would add onto his duties, however, because of the vacancy, that's how it was done. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak. Ms. Fraser just indicated earlier in her answer to me that the CEO was a little bit hesitant in hiring a new comptroller. When the vacancies were created, would you happen to know why he was hesitant to hire a new comptroller? Thirteen months without a comptroller seems like an unreasonably long time for an important organization like NBCC. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Go ahead, Ms. Keenainak.

Ms. Keenainak: Thank you, Mr.

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Chairman. No, I can't respond in terms of his thinking as to the reason why he felt that he didn't need a comptroller. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Ms. Keenainak. When we were talking about the high turnover, we don't know why staff are turning over. I'm wondering if you could give us an indication of how many of the former NBCC employees were fired from their positions. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. As far as I know, there was one person. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak. Could you tell us who that one person is? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Or was? Go ahead, Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. You are kind of putting me on the spot. However, the person that was let go was the previous CEO. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak for that answer. It's interesting because it all seems to be

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pointing towards the former CEO as being made to start to look like the scapegoat for everything that has transpired during that period of time. So I'm sure tomorrow, we'll have some questions for the deputy minister or the minister when he appears.

Can you give us an indication; I know in the Government of Nunavut they have bonus payments and severance payments for senior staff; do you know if any bonus payments or severance payments were made to NBCC staff during their time at the NBCC? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. At this point I don't but we can look into that for either this afternoon or for tomorrow. Thank you.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak. We would be interested in getting that information.

For over the last day in presentations and questions was that seemed to be a direct link between the CEO and the deputy minister of the department in terms of the reporting relationship. It seems like the CEO wasn't reporting to the chairperson; he reported to the deputy minister. I realize you're new to the DM position, but how would the deputy minister position not be aware of the CEO's interest in not hiring a comptroller, or hesitancy in not hiring a comptroller? Wouldn't that be something that the deputy minister would be on top of?

Obviously, we know that there was a lot of

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high turnover and there were problems. As pointed out in previous Auditor General's Report, the Auditor General would be very concerned that a comptroller position was vacant. Why would it not be a big concern for the deputy minister that the CEO made it a high priority to hire a comptroller? As Ms. Fraser says, the comptroller was hesitant to hire a comptroller, so that should have raised a red flag somewhere in the system.

I don't know if you could shed some light on it, or if you want to take it back to the former deputy minister and ask him, but if you could take a crack at answering that question I would appreciate it. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. I think, for the record, he meant the CEO hired the comptroller, when the comptroller hired the comptroller. Go ahead, Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I believe Mr. Peterson has indicated that it's probably more appropriate to ask the previous deputy on that situation. I will add that the CEO provided oversight in terms of staff within the corporation.

And, like myself, I am normally involved in staffing for people that report directly to me, and the comptroller did not report directly to the deputy minister. So that is the position that I would take. The CEO is responsible for staffing and for positions that report to him.

In terms of the other scenario that you talked about, I think that's more appropriate to ask the previous deputy because I wasn't privy to that. Thank you, Mr. Chairman.

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Ms. Keenainak: Thank you, Mr. Chairman. I'm not sure of the timing of the discussion of the comptroller, so I won't be able to answer that yet. Yes, I was the Assistant Deputy Minister for Sustainable Development and Economic Development

Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Ms. Fraser, did you want to add something?

from April of 2002 until July 31, 2006.

Ms. Fraser: Thank you, Mr. Chairman. I just wanted to add that we saw a discussion of this at the board meetings and we think there might be something related to this in the letter of expectations. So the team has just gone to check and if we can find any additional information around that the question of the comptroller, we'll bring it back to you, perhaps, a little bit later this afternoon. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. In a small organization like this, obviously, everybody has their distinct functions, but if you have a high turnover, the role of recruiting staffing and retention would probably be a high priority. Who in the organization was in charge of all of those functions? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms.

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Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I'm sorry, can you repeat that? Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. The question was; there's a high turnover in NBCC, and as a small organization, you probably don't have an HR Department like a lot of small organizations.

So recruitment, staffing, retention, doing all of the interviewing and reference checks, all that sort of stuff is important, but who within the organization would be designated with all of those HR functions to make sure that the staffing is up to par? I'm thinking, who would be looking after the staffing of the vacant comptroller position within the organization? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. The NBCC employees are public servants and any staffing is done through the Department of Human Resources.

In terms of initiating staff actions and requisitions, that would have been the responsibility of the CEO for NBCC, who would then forward it to our department, and we would forward it on to Human Resources to go through the job evaluation process, the advertising, and at the interview stage, there would be representation from NBCC as well as Human Resources on that. Thank you, Mr. Chairman.

Γι Ράδοσος.

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Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak. Can you tell me, or can you provide me with some information that would show that there is a high priority placed on recruiting a comptroller once it became apparent that the former comptroller was going to leave his job? I don't know why he left. Maybe he quit, or he found another job, or transferred within the government.

I just don't think it takes 13 months to recruit a position, but perhaps, it does nowadays. So maybe you can help me out and help me understand what the government did, the HR Department did, working in concert with NBCC, to make that a priority to staff that position? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. What I can ask the staff to do is do a bit of a chronology in terms of when the previous comptroller resigned and then we can take a look at when the documentation had been initiated and so forth. I will commit to doing that probably before tomorrow morning. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. I would like to ask Ms. Fraser my last question this morning. I know your report clearly states that the audit didn't examine the effectiveness of the corporation's lending program.

This type of audit, I believe, would help reveal whether the corporation's activities

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had been successful in achieving its mandate. So I'm just wondering if you would consider undertaking a performance audit like that in the future as a follow-up to this report. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman. It's important to understand that we do not do effectiveness studies ourselves, and in fact, the *Auditor General's Act* is quite clear is that we are to look to see if the departments and agencies have in place the proper tools and instruments to measure their effectiveness. So, hopefully, at some point in time, NBCC itself will be able to assess the effectiveness of its loans programs and how well it's doing.

I would just caution that I think the first priority has to be to kind of get the books in order and get that under control, and then at some point in the future, look to effectiveness and that they themselves should be reporting to the legislature on the effectiveness of the program, if there are modifications that are needed or not, but I would suspect that will take some time before that can be done. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Fraser. I've been trying to get the government to do that in a lot of areas for a number of years and we seem reluctant to do so.

I'll just recognize the clock and I know, Ms. Fraser, you're leaving this afternoon but your officials will remain here. I would just like to give you the opportunity before we break for lunch if you have any closing comments that you would like to make to your appearance here, and again, thank you, very much, for coming. Ms. Fraser.

Ms. Fraser: Thank you, Mr. Chairman and your committee members, for the interest

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that you have shown in the report. As we said, we think these are important issues that I am pleased that government and the corporation are taking this so seriously, and I'm very hopeful that we will be able to issue an opinion on the financial statements as of March 2008.

And, I will say it is always a pleasure to come to Nunavut and I look forward to future visits. Thank you.

Chairman: Thank you, Ms. Fraser. And maybe with that, I'll recognize the clock and break for lunch. We resume here again at 1:30. Thank you.

>>Committee recessed at 11:59 and resumed at 13:44

Chairman: Welcome back and before we go back to Mr. Peterson, Ms. Keenainak you had some clarifications that you wanted to make. Go ahead.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) Mr. Peterson this morning asked a question about if somebody was dismissed and I need to make a clarification on that. To date, no one has been dismissed. The previous CEO, I can say, was disciplined and then he resigned. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak, for that clarification. Mr. Peterson, do you have further questions?

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak for that clarification. I thought about that in your comments this morning. So my first question after lunch I was going to ask you who fired the former CEO but I know that I can't ask that question. So I would like to ask you who

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disciplined him? Was it the board of directors, or the CEO, or the chairman of the board, or was it the Deputy Minister of Economic Development and Transportation? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) I have been advised that it was the chair and the board of directors. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak. That certainly helps a little bit. I've been hoping that, at some point, the board of directors and the CEO were more involved with the CEO by the mere fact that they took some matters into their own hands and disciplined him is a good sign.

There's been a little bit of confusion about who's directing the CEO here the last day; whether it's your department, or whether it's the Nunavut Business Credit Corporation, so I appreciate that clarification.

I wanted to follow-up on the Auditor General's office for a moment. We have been talking about lawyers. On the lawyer's office in Ottawa specifically, and perhaps, the Auditor General's office could clarify the identity of the lawyer in Ottawa and if the lawyer or lawyers of the firm cooperated fully with your audit. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. Lennox.

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Mr. Lennox: Thank you, Mr. Chairman. Yes, the lawyers did cooperate with us for, not just this past audit but in previous audits, when we needed additional information. And, to answer your first question, I think it would be best to pose that question to management as far as who their lawyers were. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Lennox. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. Lennox. And, can I propose that question to Ms. Keenainak, or to the acting chair of Nunavut Business Credit Corporation? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I think I will ask Allan to respond to that. Thank you.

Chairman: Thank you, Ms. Keenainak. Mr. McDowell.

Mr. McDowell (interpretation): Thank you, Mr. Chairman. (interpretation ends) The lawyer firm we used is Dubuc Osland. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. McDowell for that answer. I'm familiar with this firm; they do a lot of legal work in Nunavut for the private sector and for a lot of the land claims organizations, and I'm not sure who else.

I was a little bit surprised when I learned

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that they were your lawyers as well because of the fact that they do a lot of work for the private sector. Have you ever had any problems with them, or conflict issues with them, being your lawyer and being lawyers for possibly some of your loan clients in Nunavut? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. McDowell.

Mr. McDowell (interpretation): Thank you, Mr. Chairman. (interpretation ends) The lawyers have told us that they have many clients within the region and they have also said that any time if there is a conflict, they'll let us know, and he's also gone so far as to tell me what procedures he would take and that he would probably back out from both sides. It has been told to us that if there was a conflict, that's what would occur. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. McDowell. In that case if you backed out from both sides, do you think it would be wise to have another law firm retained to help you with your legal affairs? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. It's always wise to hold counsel with the most experience. Dubuc Osland has, as you've mentioned, great experience in the North. We have had other counsel. In situations like that, we would go back to one of the other law firms that provide service in Nunavut. Thank you, Mr. Chairman.

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Chairman: Thank you, Mr. McDowell. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. McDowell. I want to get a bit of sense what it's like to operate if you are the comptroller. I would say the acting CEO, but you're based in Cape Dorset.

Now, I was talking to Ms. Fraser yesterday about how difficult it must be to operate from a community like that where you don't have support services, such as lawyers, accounting firms, you don't have appraisers, you don't have any commercial banks, you don't have bookkeepers, you don't have a whole range of services that typically you would expect a lending agency like yourselves to have.

So when you're in a remote community like that and you don't have direct access to those sorts of support services, what is it like to operate in terms of covering two million square kilometres? You have 25 communities and it takes two days to travel to Cambridge Bay from Iqaluit alone, so I don't know what it's like to travel there from Cape Dorset. How do you cover Nunavut from Cape Dorset when you don't have a lot of staff and you don't have business support services to help you transact business in a fairly quick, efficient, effective, and hopefully, an errorless manner? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. It's as you've mentioned, it is difficult. I think it's probably difficult though in any one community to service all of them. Specifically in Cape Dorset, it's a fact that we don't have external professionals

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available immediately in the vicinity that we can call upon and travel, of course, does add a day.

Most everything is pretty much is the electronic age is with us and we're able to do a lot of things through electronic communication. Sometimes there's no need for a face-to-face meeting.

Cape Dorset has a certain amount of challenges for the Nunavut Business Credit Corporation, but speaking for myself, I certainly enjoy the community. As far as the business is concerned, it does restrict movement with short staff; we have to keep somebody in the office, of course.

So there are all of those challenges that you've mentioned, absolutely. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. Thank you, Mr. McDowell. When I was with the Northwest Territories Business Credit Corporation, their head office was in the capital.

I'm aware that the staff were having regular meetings with commercial banks, they were in constant contact with two or three legal firms, there were at least two accounting firms that they could call on, there were appraisers; there were all of these people. These were people that they could interact with on a daily basis and they didn't have to phone them up or send an email. They could arrange a meeting, they could come to your office, or you could go to their office, you could bring the loan files and spread papers out, and go through things in detail. And, that's how I'm familiar with lending.

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People have to understand stuff and be able to read it with the person that is asking the questions. So being up in Cape Dorset, I'm not 100 percent sure how you do that, and I have raised that in the House here numerous times, how the Nunavut Business Credit Corporation serves all of Nunavut with only four or five staff and then they have to rely on community economic development officers, many of whom are not qualified. They may be able to do some bookkeeping but they are certainly not accountants, they're not lawyers, they're not lending type people; they are more generalist.

I'm just trying to get a sense from you how you do that. You just didn't really give me a good overview in terms of the difficulties and the urgency. It's almost like a crisis. You make it sound like we can do it. It's a little bit difficult but not overly difficult.

I know from my own experience that it is difficult and that was back to the days when we did have lots of excellent development officers and experienced employees as my colleague, Mr. Curley, had mentioned yesterday. There were people who knew what they were doing, they could transact business, they could work with the clients, they could help develop business plans and write loan evaluations, they understood security documentation and getting the proper signatures on original documents, making sure original documents get in the mail because if things aren't done right, then they'll get sent back to be done again and that causes more delays.

So, maybe if you could give me a bit more detail on how you do all of that from Cape Dorset. Thank you, Mr. Chairman.

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Mr. McDowell: Thank you, Mr. Chairman. There are a number of items there. The greatest difficulty from Cape Dorset would be the banking; making sure that we can get the money to the interest accounts of the lawyers. Our in-house lawyer has a deposit here in Iqaluit, so the deposit must be made in Iqaluit.

It takes some creative answers that wouldn't normally be there if we were in a different location that's for sure. Being able to take the files out and meet with a council or meet with commercial banks, again, that's something that's not difficult, perhaps, in Yellowknife, but I have attempted to have some meetings in Iqaluit with the bankers here, and whether in person or not, that seems very difficult even here. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. McDowell. I know one of the reasons why we had problems with the commercial banks in Yellowknife was that they would just automatically turn a person down and they would go to the lender of last resort.

We were often told that the bankers must have kept a form letter at the bottom drawer, just pulled it out, signed it off and gave it to the applicants that "we can't touch you," so then they would include that letter with their proposal, and then our CEO would contact the bank directly to get more clarification and ask if they did actually go through their proposal. Did you actually review it and against your bank criteria for lending? Typically, we found

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that a lot of banks didn't take the time to do that.

That's just kind of a side bar at what I'm trying to get at here. The question for Ms. Keenainak, perhaps, and I touched on it yesterday, the Government of Nunavut has undertaken a review of the Nunavut Business Credit Corporation and the Nunavut Development Corporation.

And, I mentioned it yesterday, I think the study was commissioned last fall September or October of 2006 and was ongoing over the wintertime, four or five months over the winter time. Could you give us an update on the status of that review? Is it complete? Are you planning to table it? Perhaps, you could even give us a copy of that report during the standing committee meeting. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) Yes, the department did commission a report in the fall with a particular consultant with clear terms of reference that outlined a number of factors in terms of the operations of both organizations, what's working and what's not working, and looking at different options. When the report was provided to the department, it didn't deal with all of the key issues or the terms of reference that was requested. So at this point, the report was provided to the department, however, it was deemed to be incomplete.

So now, the department is undertaking a review of one major component which was the issue of amalgamation for NDC and NBCC. That particular section was not

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completed and that's where we are at. We are pursuing that right now and the Department of Finance, as well as officials from my department, as well as officials from NDC and NBCC, are participating and will be participating in that study, and once that particular section is completed and submitted to the department, then those reports will be tabled. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak for the clarification. You mentioned amalgamation. Is that the only option you're considering, or do you have two, or three other options that you're considering for the Nunavut Business Credit Corporation? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) Yes, that was one of the major ones, however, I believe that there have been other options identified in the last day or so, so those will be part of the study. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak. I read recently where the minister said that moving the headquarters of Nunavut Business Credit Corporation out of Cape Dorset was something he wasn't prepared to consider because it's government policy. Maybe I'm paraphrasing what he said but that's the message I got.

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If it makes sense to move the Nunavut Business Credit Corporation out of Cape Dorset into say Iqaluit, from a practical point of view and policy or political statements aside, is that a recommendation that you would make if it made sense? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) That will form part of the discussion in the options laid out for the minister and the Cabinet. The issue of decentralization is a policy decision and it has to go before Cabinet, so options and discussions will be brought forward. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak. Maybe I wasn't around in the government back in 1999-2000 when the decision was made to decentralize certain head offices around Nunavut. Some of them make sense, but when I was first appointed to the Nunavut Business Credit Corporation and I learned that the headquarters was up in Cape Dorset, it certainly didn't make sense to me and that was something I had brought up before during the early days in the few meetings we had.

Can you, perhaps, give us an indication why Cape Dorset was selected for the Headquarters of the Nunavut Business Credit Corporation? There had to be some practical reason for it being based up there. You just don't flip coins and put headquarters for important organizations in

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Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) I know that part of decentralization work, a lot of it, was done by the Nunavut Implementation and Planning Commission, and then there were some recommendations.

However, at the end of day, in terms of the reasoning, I don't have that information. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak. Perhaps, if I can prevail upon Ms. Keenainak to make a commitment that some time today or tomorrow that you would find some information that would help the committee to understand why the community of Cape Dorset was chosen to be the headquarters for the Business Credit Corporation, if you can make that commitment. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) I can commit to doing a bit of digging into historical information. I'm not sure if I will be able to get back to you by tomorrow. As part of our follow-up, if there are any other follow-up questions that may need a bit more research, then that will be one of

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them. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak. I think it would be very important information for the standing committee to have to help us understand partially why some of the problems started to occur in the first place. It seems to me, pretty much since inception, the Nunavut Business Credit Corporation has been struggling with the high turnover, the recruitment and retention of staff, and a whole host of other problems.

It may help us to understand when we're going through the deliberations on making recommendations on how to proceed after this standing committee, or in subsequent means we may have later on in the whole Nunavut Business Credit Corporation. We can possibly go back to where the seed was planted, so to speak, when the problems started to occur. So I think it would be very important that we have that information, Mr. Chairman. Thank you.

Chairman: Thank you, Mr. Peterson. If you want to just respond to that, Ms. Keenainak.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) Yes, I agree with Mr. Peterson that this information will be useful. I'm just saying that I'm not sure if my officials will be able to at least provide information, but we can commit to providing that as soon as possible. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I

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just wanted, for the record, I found comments in the Canadian Press story on November 9, 2007 by Bob Weber. He says, "Nunavut finance minister defends policy that led to RCMP investigation," but in the newspaper clipping, it says that "A report prepared for Northern Affairs Minister Jim Prentice last June found that of 459 jobs moved from Iqaluit into the communities, 27 per cent remained unfilled," and that, "The (decentralization) policy has only aggravated the human resource problem,' said the report."

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It goes on but Minister Simailak said problems at the Nunavut Business Credit Corporation have been rectified and lending will resume on Monday, and he's not backing off his support for decentralization. "It's something that we will continue to do until the mandate changes," he said. Just for the record, I wanted that written into the minutes of this meeting.

To'C YLAC® PSBCP%D% Dast alfosbyde (Business Credit Corporation) Abparcpdr pathologaspija Aspecpdr pathologaspija Aspecpdr Clar Vetagaspida Phad Uppathalogaspida Procipicopathico

If the Department of Economic Development and Transportation and the Nunavut Business Credit Corporation are serious in rectifying all of the problems in the Nunavut Business Credit Corporation, I think decentralization, for this particular organization, is going to have to be something that's going to have be looked at very closely and seriously if you want them to even have a chance of considering all of the possible options to improve the service delivery of that organization. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

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Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) I believe those are general comments for

consideration and I thank the member for that. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you, Mr. Chairman. I also have follow-up questions that I will deal with the deputy minister.

First of all, I want to deal with the existing structure of the NBCC. With respect to the acting CEO, could you indicate to the committee how in the world did you end up being appointed CEO? Thank you.

Chairman: Thank you, Mr. Curley. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. I guess since I was the recipient of the position, I think the person giving the position should respond, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. When the previous CEO left, there was an interim CEO on contract. That contract ended, I believe, on November 2. The issue of competition for CEO is still ongoing and is still being finalized now. I spoke with the chair at that point and with Allan, and he agreed to take on the CEO from November 2 to present. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you. My next question is again to Mr. McDowell. Obviously, when you accepted the role as an acting CEO, was that done by correspondence, and if so, did it indicate exactly who you

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Chairman: Thank you, Mr. Curley. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. It is my recollection it was done in person and it said that, as far as reporting requirements are concerned, I would be dealing with the deputy minister. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Curley.

Mr. Curley: Thank you. NBCC is a creature of legislation enacted by this House and I believe there's a clear set of appointment processes. I would like to ask the deputy minister: when the government, or when you asked Mr. McDowell to act, were you abiding by the policy, or by legislation, to appoint Mr. McDowell as an acting capacity in his role?

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. That's a very good question. I followed the Human Resources policy in terms of acting appointments. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Has this been formalized? Has he been given a letter of appointment that he is to act? He appeared to indicate to me that it was mainly a word of honour that he will honour the deputy minister's instruction. If that is the case, I think the deputy minister has an obligation to this committee to state exactly what his terms of references are as an acting CEO for

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NBCC, and if so, what are they? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. Mr. McDowell and I met in person to discuss the acting appointment, and it was followed up by an acting appointment form that we use within the Government of Nunavut, where he signs and I sign. In terms of the terms of reference, we refer to the job description. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you. I appreciate that, at least something exists on paper. My next question is: in that letter of appointment, did you specify, as the deputy minister, who the acting CEO is to report to? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I will have to get a copy of that but I believe it did say the deputy minister. I will confirm. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you. The Board of NBCC existed in November. Did you inform the board that Mr. McDowell will now be reporting to the deputy minister instead of whatever the case may be in the past? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

ἐαΔαα* (ϽʹϧϒηͿ·): ʹϭͰϧʹαΓ[†], ΔϧϟϘϷϹʹ[†].
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Ms. Keenainak: Thank you, Mr. Chairman. I did discuss with the previous chair about approaching and asking Mr. McDowell if he would act in the position. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: I understand all that now, but in that letter of appointment, is it clear who he is to report to, or receive instructions for his role as CEO, and who he is to deal with? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. As I indicated, I will have to take a look at the form. However, when I did discuss with Allan who we would report to, I did indicate that he would be reporting to me. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you. That's important information. My next question to you is: under what regulation or authority will you commit yourself to asking Mr. McDowell, who is obviously an employee of NBCC, to report to you, under what provision? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I believe the issue of reporting has been identified by the OAG and that it needs to be clarified. This is an example of one where it needs to be clarified, so that is an action plan that was identified. We will

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be seeking legal clarification on that and work on realigning the reporting relationship. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you. Yes, I think opposite the Auditor General, it's really quite clear the roles and responsibilities have created confusion, but the *NBCC Act* is really quite clear that the manager is a CEO and it states, "... shall receive instruction from the board and direct the business of the corporation." Why is the department violating this particular, clearly stated direction for the manager? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. Again, I'm going to repeat that that is one major action plan and a major issue that is going to be looked into with NBCC and as well as the department.

I will say that part of the issue has been the work of the OAG in identifying some of the financial information not being complete and so forth, which has necessitated further involvement, but I will again say that this is an area that will be looked on in short-term to clarify in terms of reporting relationships and that will be clarified. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you. My next question is to Mr. McDowell serving as an acting capacity as the manager who is, according to the law, CEO. Are you comfortable with the current direction that you have from

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Chairman: Thank you, Mr. Curley. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. I am. I might point out that my letter of acting appointment, as it is, is dated; it has a start date and an end date, so it's not onward going. So I'm quite appreciative of the reporting requirements as they are right now. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Curley.

Mr. Curley: Mr. Chairman, what I'm trying to get at is I would be uncomfortable if I was put in the acting position for NBCC and reporting directly to the deputy minister in contravention of the Act because the OAG has stated clearly that there are certain requirements that are not being adhered to.

Earlier this morning, Madam Fraser used the word that certain laws have not been abided by. One I believe is the appointment of the manager. The role, according to section 12 of the Act, states, "The manager is the CEO and shall supervise, manage and direct the business of the corporation in accordance with direction of the board." It doesn't say minister or deputy minister.

Why would the government and the deputy minister continue to contravene this position when it's very clear that there is no option except that the CEO must report to the board, and receive instructions and directions from the board? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr.

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Chairman. As I indicated, we'll be looking at the reporting issue in the action plan to make sure it's clarified. I will add that there were other instructions provided by the minister other than what's in the Act and I believe in the letter of expectation in 2003, the direction was for the CEO to report to the deputy minister. So that's one of the instruments that were used. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you. I think, including the Cabinet, in my view, it has to abide by the provisions of the Act and that really has to be clarified. I think clarifying doesn't mean that there will be a political connection, unless certain mandates have been practically overhauled, and that has not been clearly expressed by the government, that they will completely overhaul and amalgamate it.

The reason I'm quoting these provisions to you is because I believe that many of the top civil servants in the government have not been fast enough to just look into the Acts that guide the agencies and would have simply put the minister or the deputy minister into arms length because no wonder the chairman of the board, in some ways, had to try and wiggle his way to find what's going on.

I have a further question to the acting CEO. In your role as CEO, if you need to communicate with the board, how does it actually work? Do you make a phone call, or do you have a standard procedure where you advise all of the directors about a particular issue that they have to consider? Thank you.

Chairman: Thank you, Mr. Curley. Mr.

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McDowell.

Mr. McDowell: Thank you, Mr. Chairman. The standard practice would be if an item comes up that needs to go to the board that I would communicate that to the chair. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Curley.

Mr. Curley: Thank you, Mr. Chairman. With respect to the changes in reporting relationships, has the board been fully informed of the fact that the CEO now practically reports pretty well to the deputy minister? Are they in agreement with that reporting relationship, in my mind, which appears to contravene the law? Thank you.

Chairman: Thank you, Mr. Curley. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. I don't think I can answer to how they feel about it but I think it's the same reporting requirement that was placed back in December of 2006 that the CEO reports to the deputy minister. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Curley.

Mr. Curley: Thank you. That I believe will have to be looked at because I'm not sure if even the ministers are fully aware that the Act. It's really quite clear as to whom you should receive your directions from.

The whole reason for having a Crown corporation is to have an independent decision making arrangement so that there's no interference from the government, unless or otherwise certain, I would say, there's a compelling reason.

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What I wanted to follow-up with respect to the consultant's report. Why is it taking so long to complete a consultant study? It's almost taken a year now to do so. Aside from what the government may be needing, at least of preferences, is the reason part of the fact that the two organizations that are under review, one is working well, the NDC, is part of the reason that they're not in agreement with the amalgamation possibilities with NBCC? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I can't speak for the two organizations in terms of what they thought of the report. I do know that, as they indicated, the initial report that was provided by the consultant did not cover a major portion of the terms of reference.

When this was reviewed within the department, the recommendation was that there needs to be further work done on it. This was identified to Cabinet in terms of an update, however, the Cabinet directed us that this major piece of work regarding amalgamation, or other options that may be explored, needs to be done. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you. I personally believe that the terms of reference that were publicly issued, at least in terms of the RFP requests, were quite clear - a management review and an operational review of a number of the Crown agencies, including the two main ones, NDC and NBCC.

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I don't believe there are any disputes whatsoever with NDC. They have met and operate with success and have a very solid financial system and so on. There's no question about it.

What I am not getting from the deputy minister is I'm not sure exactly what you or the government is asking the consultant to do for them, other than what they have submitted last fall. The minister did indicate in June and the April session last year that he would table those reports in the House.

Exactly, what was the consultant asked to do again because initially, for the terms of reference that were publicly issued, they did present a report. What additional terms of reference work were they asked to do again for the government? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. The terms of reference, as you indicated, were clearly outlined as to exactly what the scope of the work was. The department worked on the review of the report with Department of Finance, and the one area that was felt was not fully explored was the amalgamation issue. That is why that particular piece of work was not accepted and additional work was asked of the Department of Finance. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you. I was speaking to some of the individual directors of the two corporations because we are aware that some of the directors there are public

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Some, obviously, don't share the amalgamation for a number of reasons. One is the pro-development, preoccupied with development projects and so on, and then the other side is being asked to get into the risky kind of lending business, which they feel is a conflict. So that's one reason. I don't think it's the consultant's responsibility to argue which case is better. That's for the government to decide.

So my question to you is; which do you prefer: amalgamation or two independent agencies? One, NDC operating as it is, since they shouldn't be mixed up with somebody else's problems right now, they should operate as they are. Which one of them are you going to recommend to your minister? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. That particular part of the terms of reference in the report that was provided, in our view, did not explore those options; they did not provide adequate background material; they did not provide the pros and cons of that particular option. So that's part of the reason why that we've been told to go back for that one, and in the last few days, the OAG has also identified a possibility of maybe it is a part of the overall GN.

There are other options out there that had not been explored. Until that work has been done, and the background and the options are clearly laid out, I am not in the position to answer because the work hasn't been completed yet. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak.

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Mr. Curley.

Mr. Curley: Thank you. I appreciate the comments because this government appears to have no initiative, other than asking consultants to do all of the thinking and recommending for them. I truly believe that there is ability within the government to think, propose, and initiate, instead of just leaving it to consultants.

I believe the consultants probably considered there are others; there's the Atuqtuarvik Lending Institution. Why not consider amalgamating your lending institutions to other lending institutions that work? I know that was brought up. Is that one of your options? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. That could be one of the options. Thank you.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you. You read the report. Was Atuqtuarvik mentioned in the report? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. Yes, I read the report. However, as I indicated, additional work is being worked on. That is part one of the work that is going to be done. Part two is yet to be completed. I think the minister has already committed to tabling both reports once they are done. Thank you, Mr. Chairman.

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Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you. I have a question to Mr. McDowell. How soon will you be having your next directors' meeting? Thank you.

Chairman: Thank you, Mr. Curley. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. Our next board meeting will be prior to December 10, I think around December 7; within the next two weeks. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Curley.

Mr. Curley: Thank you. Do you have, currently on file, applications that must be acted on, and if so, how many are there? Thank you.

Chairman: Thank you, Mr. Curley. Go ahead, Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. We do have applications. At this time, they are currently going through due diligence process and they will be acted on when we are satisfied with the information that we receive from the client is acceptable to complete the due diligence report for recommendations to the board. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Curley.

Mr. Curley: Thank you. The CEO indicated that when the due diligence is completed; any idea of how long it takes for one loan application? Is the size of it that complicates it, or the nature of the

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Chairman: Thank you, Mr. Curley. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. Yes, it's both of those things that you mentioned; depending on the size of it. It doesn't take very long once all of the information is within our grasp so that we can review the documentation, we can review the financial statements, we can perform our diligence, do the critical analysis on the ratios, make sure they have an ability to pay, the viability of the business, and look over the business plan.

Once that information is provided from the client, then the application itself shows what's required, and once the information is gathered, then the same information is done, whether it's a \$150,000 loan or higher, it's out to a certain level, and that's how that's performed. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. And sorry about that, little buttons on there sometimes go off silent when it's your pocket, I apologize for the interruption. Thank you. Mr. Curley.

Mr. Curley: Thank you. Yes, the clients, obviously, believe that NBCC is an important financial institution as they are waiting for some kind of decision. Will you actually be considering all of the applications at that time and be able to at least contact some of these applicants during after some indications from the directors? Thank you.

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Chairman: Thank you, Mr. Curley. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. The agenda hasn't been finalized for that meeting, but if those reports are ready, then they will certainly be brought to the attention of the board. Once the diligence is completed and the analysis is being performed by the analysis team, which is not just the investment manager but includes the CEO and the comptroller, to make sure that information is challenged, then it would be presented to the board for their approval or rejection. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Curley.

Mr. Curley: Thank you. My next question is again to the Deputy Minister of Economic Development. The organizational structure, as it is, seems to be very convoluted kind of thing, mainly due to the fact, I assume, that it tries to have representation from right across Nunavut's private sector of the economy. Is one of the considerations been given at all to whether not to reduce the size of the board?

Because reading through many of the minutes, as well as the problem identified by OAG, that the board had difficulty, or the CEO had difficulty having quorum to hold meetings, as a result, some of the loans were signed without having any approval status from work. Is that one of the areas that's being considered at all, whether or not if it would exist, that you would consider reducing the size at the moment to an acceptable level? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

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Ms. Keenainak: Thank you, Mr. Chairman. The current membership of, I guess, the make up of the board, according to the Act, has to be a minimum of seven to a maximum of 12. That's what it says right now.

In terms of the make-up by sector, that is currently not the way that it's set up. I know that comments have been made by the Office of the Auditor General that the corporation, or I guess the government, should be considering recruiting members with a legal, a financial, or an economic development background, and those are definitely areas that we will be looking into. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you, Mr. Chairman. I assume that if these corporations do exist beyond December, I don't know when, but I assume that if it does continue, it will be important that the government at least clearly try to put some efficiency into the whole thing because many of the institutions of Inuit organizations have succeeded in spite of difficulties and so on, but surely, this one should be able to function on it's own.

In order to have a clear understanding of what the role of the manager is, I believe there's a conflict right now as to the loyalty and exactly who should the CEO report to, I want some indication, at least legal advice on this area, and how the legislation is overridden by the minister to have the government representative be there providing direction to the CEO.

So in order to help me with that and the committee, I would like to ask our Legal

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Counsel how the manager, according to the law, is appointed and what the terms, responsibilities, and directions are supposed to come from, and whether or not there is a clearly indicated ministerial responsibility to override reporting relationships from the Minister responsible for overseeing the NBCC.

So maybe our Legal Counsel, Sue, can explain to us what section 12 of the Act indicates in terms of the role of the manager and who he or she is to be appointed by. Thank you.

Chairman: Thank you, Mr. Curley. Ms. Cooper.

Ms. Cooper: Thank you, Mr. Chairman. Section 12 of the Act provides for, first of all, the appointment of the manager, who is basically the chief executive officer of the board and the CEO is appointed by the minister in consultation with the board. That provision goes on to say that the manager shall supervise, manage, and direct business of the corporation in accordance with the direction of the board. So that suggests to me that he take his direction and instructions from the board.

There is also a provision in the Act, and I'm sorry, I don't have this section number before me right now, which does provide that the minister can provide policies - section 7(2), which indicates that the minister can issue written direction and policy to the board. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Cooper. Mr. Curley.

Mr. Curley: Thank you, Mr. Chairman. I have a further clarification. The minister has that provision, but on the routine

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Could you clarify for us whether or not that is similar to all of the other Crown corporations? NBCC is not the exception at all in that regard. Thank you.

Chairman: Thank you, Mr. Curley. Ms. Cooper.

Ms. Cooper: Thank you, Mr. Chairman. I hope I understand the member's question correctly. The intended structure of the organization, as I understand the Act, is that the minister issues broad policy, direction, and guideline to the board, and then the board implements those and provides direction to the CEO. So as I read the Act, it is not intended that there be a direct relationship between the government and the CEO; that it all go through the board.

I haven't reviewed the statutes in relation to all of the other Crown agencies, but certainly, in my experience, that would be in keeping with what the structure would normally be for a Crown agency. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Cooper. Mr. Curley.

Mr. Curley: Thank you, Mr. Chairman. My last question to the Legal Counsel is that in view of the conflicting roles and responsibilities, and the reporting relationship, is the Legal Counsel satisfied with the way in which the department is

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having a direct role? Is that in compliance with the provision, that you quoted section 7 and section 12?

It appears to be quite clear that the minister's relationship would be through the chair and through the board, and not necessarily directly with the employees of the corporation. Am I clear in that? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Cooper.

Ms. Cooper: Thank you, Mr. Chairman. I guess this is going to be a little bit legal and a little bit personal experience. To my opinion, the intended reporting relationship is from the CEO up through to the board and to the minister, and that there should not be a direct relationship when it comes to taking direction and supervision.

On the other hand, given my experience, I do understand that with small boards, such as this, in Nunavut, things like payroll, finance, and Human Resources often are administered by the government. So it may be necessary to have that contact on administrative matters but that is separate and apart, in my view, from sort of broad policy direction which should go from the top down. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Cooper. Mr. Curley.

Mr. Curley: Thank you, Mr. Chairman. I believe the Act is really quite clear, and I would like to ask the deputy minister: why would the department contravene this provision of the Act, in terms of the reporting relationship directly with the CEO of the Crown corporation, in this case NBCC, and will she abide by the law as it's set out and read by our Legal Counsel?

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Will you be satisfied with abiding by this particular line of responsibilities? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. Again, I'm going to be repeating myself. One of the main action plans is to take a look at clarifying the roles and responsibilities for the minister, the board, the CEO, the deputy minister, the department, and the corporation wanted to do that.

However, I would like to note that I believe Ms. Cooper is your Legal Counsel and we will be seeking our own Legal Counsel with our Department of Justice on this issue. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Maybe just before I go back to Mr. Curley, on that, Ms. Keenainak, did the department get a legal opinion on the fact that this is something that they could do prior to doing it? Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. As we indicated, we've been working on the action plan, and having received the OAG's Report, outlining that particular issue. We will be working through that process. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. My question wasn't answered is that the time when that decision was made to change that reporting relationship, did the department even bother to take look at whether they could legally do that? I guess is my question. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr.

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Chairman. I think it would be best if I ask the previous deputy minister on that question. Thank you, Mr. Chairman.

Chairman: Thank you. Mr. Curley.

Mr. Curley: I appreciate your follow-ups as well. Here's my point to the government: there's nothing wrong with the minister appointing one of officers to oversee NBCC and he should do that. That goes to the Minister of Finance, the deputy as well.

Here's where the problem comes in: when you try to use one individual to do both, it doesn't work and you're contravening laws as a result. This government appears to have no respect, through experience, with the laws that we have.

The CEO must report to the board. Reinstitute that as soon as possible so there will be no confusion. There's nothing wrong with the Act, but if you want to have someone overseeing it, yes, appoint somebody, and work with the CEO and manager or the departmental representative. There's nothing wrong with that, but to try and use me just in this case, as an example, and be an acting minister and MLA at the same time without a clear and defined role, would create confusion to the government.

So I believe part of the problem, and the OAG has been very gentle with you guys, the roles and responsibilities are not clear, even though the Act is really quite clear. So I would urge that new directors, you tell the ministers, as the board members, that they cannot have it both ways by using the CEO as a one stop solution. It doesn't work. He must have loyalty and direction only from the board.

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If the minister wants to have his hands on, appoint a resource person, give him a huge title, if need be, but work with the CEO. That would clarify the whole confusion. Right now, I don't know where you are getting your directions from. I believe that's part of the problem and I would like to ask the deputy minister whether or not that will be one of the considerations in order to free up this confusion and loyalties.

We have seen the chairman of the board having some involvement, no wonder, because the board was practically cut off from decision making. Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I would like to thank Mr. Curley for his comments, and as I indicated, the corporation, along with the government, will be looking at clarifying those roles. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Maybe just a question to the Legal Counsel who is here, or to the staff for the Auditor General's Office, that section on the legality of that change in reporting structure, is that something that you guys looked at, other than the fact that this causes confusion? As far as legalities, was that something that was reviewed by your officials during the course of the audit? Ms. Stewart, please go ahead.

Ms. Stewart: Thank you, Mr. Chairman. We did have a look at the impact of the December 2006 letter, and once again, it is a bit complicated because I am the Legal Counsel for the OAG, so I provide my legal advice to the OAG.

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We also looked at the instruments through which the instructions may have been given, and concluded that the letter in December of 2006 could, in fact, operate in that way and carry through that series of instructions. So that was not, of itself, necessarily a concern to us. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Stewart. My next question, I'll just redirect it towards Ms. Keenainak, is that: why did the minister feel it was necessary to change the reporting relationship from the board of directors to the deputy minister? Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. That was mainly due to the 2005-06 audit not being complete, and the minister's directive says that that reporting relationship change will be in place until he is satisfied that the 2005-06 audit is complete. Thank you, Mr. Chairman.

Chairman: Generally and specifically, he didn't have faith or trust in the board to carry out its duties to ensure that they could communicate to the CEO to make sure that that work got done? Ms. Keenainak.

Ms. Keenainak: Thank you, Mr.

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Chairman. I think there have been issues for a fair length of time and when the issues were brought to the attention of the Deputy Minister of Finance, as well as the Deputy Minister of ED&T at that time, the seriousness of it prompted this directive. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Can you just elaborate on what those issues were? Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I believe that I will ask Deputy Minister Ma, who was the one that they spoke with. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Ma.

Mr. Ma: Thank you, Mr. Chairman. I believe earlier in these hearings, the Office of the Auditor General has addressed some of those issues that were raised at that particular point in time.

At the time that I found out about some of the issues that were raised by the Office of the Auditor General, I then had a discussion with the Deputy Minister of the day for Economic Development and Transportation. We spoke to the Chairperson of the Board of NBCC and we felt this matter was a serious matter that needed some dealing with on an urgent basis.

At that time, the Board of NBCC convened a meeting and they attempted to provide some direction to the CEO of the day. It was not happening as they would have liked, so at that point, I believe the minister then issued his directive to the NBCC Board to have the CEO of NBCC to report directly to the Deputy Minister of Economic Development until such time

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that the 2005-06 financial audit was complete to his satisfaction, of course, it was a different minister at the time. I think Mr. Buchan was a board member at that particular point in time as well. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Ma. And maybe, Mr. Buchan, if you were on the board there, can you shed some light as to... it sounds like some of the frustrations the board had in trying to get some action or movement by the management to be able to perform the duties or the things that you had directed them to do. Go ahead, Mr. Buchan.

Mr. Buchan: Thank you, Mr. Chairman. I think one of the things that hasn't really been mentioned so far and one thing that I found particularly frustrating at the time was the issue of very religious entities, and this is a new accounting requirement that was put before the corporation at that time.

So there was a fair amount of board work, a fair amount of work taken to look at examining this issue, and whether or not VIEs existed within the corporation and loan portfolio. So for myself, that was probably one of the more frustrating areas is continually to have the issue examined and that brought to rest. Other than that, I don't think I can add very much more to the comments that have been provided already.

We did suspend staff travel, we suspended staff training opportunities, we put other measures in place to ensure that our CEO and the staff that reported to him concentrated on the task at hand, and that is to work and provide the information to the OAG to have this audit completed.

I guess after a certain point, I felt that it

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was coming down to a point of, well, our staff had provided all they could, no other documentation was forthcoming, and where that left the OAG in terms of the decision they had to make of whether or not they could make an opinion on our books. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Buchan. You just have one question, okay. Go ahead, Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I would like to ask Mr. Buchan a question. Earlier the Deputy Minister for Economic Development mentioned that the Board of Directors of NBCC disciplined the former CEO and then he subsequently resigned.

Could I ask, when you disciplined him, what disciplinary measures, either verbally gave him or put in writing, what did you say to him that encouraged him later on to resign? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. Buchan.

Mr. Buchan: Thank you, Mr. Chairman. I wasn't personally involved in the latter part of our former CEO's employment but I can tell you that the discipline that our board considered was progressive in nature. At every regular board meeting that I participated in, there was an in-camera session where we discussed the performance of our CEO and whether or not that be good or bad, we do that in private.

As we noticed first in MacKay Landau Report, and then the difficulties that our CEO and staff were experiencing working with the OAG, as that became more apparent over the course of the summer of 2006, we did direct the CEO to put the

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When we weren't seeing any movement and when we weren't seeing any progress, there was a form of reprimand provided to him, and then he was suspended with pay and from that point on, that was certainly a matter of that, myself, as a regular board member, I didn't have a direct knowledge of. I think our chair took the lead in dealing with the discipline from that point on. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Buchan. Just one last question before we go to the break, and I'll throw it out to everybody: does anybody know where this individual is? Does anyone know where the former CEO is? Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I believe he did leave a forwarding address. Thank you, Mr. Chairman.

Chairman: Do you know where it is? Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I believe it's in the west and I know that, as part of the OAG's clearance, I believe they made contact with the previous CEO. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. With that, maybe we'll take a break and come back in 15 to 20 minutes. Thank you.

>> Committee recessed at 15:10 and resumed at 15:32

Chairman: Thank you. Welcome back. Just before we left on the break, it was pretty clear that everyone knows where the former CEO is except for us.

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>>Laughter

To be real cynical, I'll say, isn't that just typical of government, eh? But I won't. I just wondered if someone, or as you know, we got the list of former employees and we're going to be issuing the letters of invitation to them. So I'm just wondering if we can get a commitment from somebody in the know that can provide us with an address where we can get a hold of that individual. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. We will provide the last known address that we have on file. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Is that the same address that the Auditor General's people have where they contacted him? Are you aware of that? Mr. Lennox.

Mr. Lennox: I guess the one thing I'll mention is that we obtained the address from the NBCC.

Chairman: Thank you. It should be safe then. Mr. Curley, do you have a question?

Mr. Curley: Thank you, Mr. Chairman. I want to follow-up with the appointment provision of the manager according to the legislation.

I believe we need the department's Legal Counsel's interpretation of that because it appears that if there continues to be a disagreement as to who has more authority to supervise and give direction to this manager; I believe that's right title, manager, who shall act as CEO of the corporation.

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If there's no clear division or understanding between the department and the Assembly, or the board and GN, the minister will continue to override the provision of the statute. I've been a minister before, so I know that administrative policies and procedures offered on a friendly nature to corporations cannot override as legislation. I believe letters of instruction cannot override legislation unless specifically referenced to a particular provision.

So will the deputy minister ask their Legal Counsel how they went about legally snatching this poor CEO of the little organization and say, "You're now going report to the deputy minister?" I did ask you clearly and you undertake to review it, but would you include a legal provision or a legal interpretation of that for us as well from your department? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. Yes, part of that process, as indicated, would be a legal review of that and advice from our Department of Justice. I know that lawyers are very particular when they are providing advice to their clients, so we will look at that as well in terms of releasing information for a standing committee. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you. That will help us, certainly myself, and hopefully, the board because OAG indicated that a number of compliance requirements have not been met. I think it's important that that provision also be included, that there be no

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So I'm going to ask our Legal Counsel, if the letters of instruction were to be taken in to court, what arguments would the Assembly take to try and protect the statute section 12 and 7 of the *NBCC Act* prevail instead of letters of instruction of the GN, the Crown Council would argue that this overrides section 12.

Would it be technically possible that the letters of instruction, or the administrative instructions, or policy directives from the minister can override section 12 and 7 of the *NBCC Ac*t, to our Legal Counsel, in the event that it would happen? Thank you.

Chairman: Thank you, Mr. Curley. I'll just note before I go to Ms. Cooper, I know that it's a hypothetical question and when we're in session, we're not allowed to ask those, but Ms. Cooper, if you feel comfortable or not answering to that, I'll leave it up to you. Ms. Cooper.

Ms. Cooper: Thank you, Mr. Chairman. If I had that kind of foresight, I would be much more successful litigator than I am.

>>Laughter

It's not unusual, of course, for lawyers to disagree.

I haven't seen the December 2006 letter, so first of all, let me make the comment that depending on what that letter says, it's not clear whether it is using the term "reporting" in a very literal sense as in

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If it is the former rather than the latter, then it would not contravene section 12 of the statute. If we were in a position where we had to argue this, the arguments that could be put forward to say that it contravenes the statute would be, first of all, it's sort of contrary to the whole concept of Parliamentary paramountcy that you could have a policy or a government directive override legislation and override the statute.

Also, in this particular Act, there are specific provisions where the minister can override the provisions of the Act but those limited circumstances are very clearly set out. And, the argument that I would make in regard to that is that it's obvious that the drafters in the Assembly turned their minds to the issue of overriding provisions of the statute when they drafted it and they specifically chose not to put that type of provision in section 12 indicating legislative intent that that provision not be overridden.

Again, all of this is qualified by the fact that I have not seen that letter, and so depending on the precise wording that's in it, it may not contravene section 12. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Cooper. Mr. Curley.

Mr. Curley: Thank you. Anyone who says that particular practice carried out by the minister contravenes certain laws would be in trouble, except for politicians that are appointed; they're not protected by the

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I see no problem whatsoever with the minister providing letters of policy directives or whatnot and so on, obviously, because they would be subject to the review of the director, or whatnot, of any corporation that the government owns.

Having said that, in my view, the administrative directive appears to have, in my opinion, overriden the provisions of the Act and practically crippled the director's ability to direct the CEO, despite the fact that the law does exist and has not been amended.

Mr. Chairman, my question is to the Legal Counsel of the OAG. The question is: if the NBCC is to comply with the provisions of any existing laws, why should the government be allowed, in your opinion, to disregard the provision of the organizational structure, in particular, the directions from the board not be given any longer to the CEO? Thank you.

Chairman: Thank you, Mr. Curley. Ms. Stewart.

Ms. Stewart: Thank you, Mr. Chairman. I guess that I would say that, as the Law Clerk has pointed out, one thing that lawyers do very well is disagree with each other. We have, in this situation, a case of a slight disagreement about what the terms of the statute mean and what they can be read to mean.

Just to put it as simply as possible, I guess that my interpretation of section 7 and section 12 is not that it is a case of one overriding another, which I agree might be problematic, but rather provisions that can be read together without forcing each other, and therefore, allowing, or permitting,

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certain actions to happen, in this case, the letter of direction. I also have to qualify by saying that I have not also seen the letter of December 2006, so I'm not entirely sure what the contents of it are either.

So all of these are very hypothetical opinions, but basically, that's where I would come down on it in terms of saying one interpretation sees it as a policy direction overriding something in the statute, one interpretation sees it as working together.

Certainly, it's open to the Legislative Assembly of Nunavut, in the event of a lack of clarity in the statute, to provide that clarity through amendments to the statute if that were the case that that would be required. Thank you.

Chairman: Thank you, Ms. Stewart. Maybe just to intervene a little bit on there, we could go "no one's seen this letter." Sorry, Mr. Lennox, you wanted to add something? Go ahead.

Mr. Lennox: Thank you, Mr. Chairman. Just while that is correct, that Beth herself hasn't seen the letter, in our office we have more than one lawyer in the office, and a colleague of Beth's has seen a letter and has provided a similar type of conclusion.

I just want to clarify that with respect to, while Beth herself hasn't seen it, lawyers within the office have seen it and have arrived at that conclusion. So I just wanted to clarify that slightly. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Lennox. I'll just maybe ask Ms. Keenainak if she could clarify or provide that letter to us, and then we can have a look at and maybe, if necessary, re-visit again or not. We can go

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Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) Yes, we can commit to providing the letter. The letter does reference subsection 7.2 in the letter.

Just another comment, I know the roles and responsibilities, and who's reporting to who has been an issue. I believe the department and the minister did this to try to help the corporation and that it's been made clear that this issue needs to be clarified. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Curley.

Mr. Curley: Thank you, Mr. Chairman. Yes, I appreciate the Legal Counsel, Sue Cooper, as well as Beth Stewart. Lawyers are no exception; politicians disagree, too. So as long as lawyers are right, no problem, that's all we're looking for.

I take all of the other organizational issues and so on; I think I used to the word in my opening comments, "to the dead dog," you know, "why continue to kick the wounded dog," and so on. All of the other organizational issues are manageable; I think it can be sorted out. Unless we deal with the practical structures and legal representatives clearly stipulated, you will have too many Inuit and not enough decision makers.

So that's what I'm trying to get at, if we're not clear as to who is to give directions to, it will create further problems. So that's

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CAL^ea Na/^b)^bb, a_a^b^b/L^e^b/d^c Pa^bd^e d^e/L^bb^b/bha^f^b/bC^ed^e/CDP/C^ean^e why I'm asking whether or not, I don't think the section 12 is ambiguous at all, it's quite clear it used the word "shall" receive direction from the Directors of the Board of NBCC.

So having said that, will the department assure us that, instead of amending that provision, it doesn't use the word "may," it uses the word "shall," so there's no ambiguity whatsoever in that regard. So I'm asking the deputy minister once again that you will uphold the provisions of the Act in a court in attempting to sort the mess that NBCC may be in. Thank you.

Chairman: Thank you, Mr. Curley. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. The action plan has clearly outlined that we will be looking at that situation, and I had previously committed to Mr. Curley, talking to our Legal Counsel and seeing if we can share that opinion. We will be looking at the reporting issue very seriously. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. In the way of providing information, I suggested through letters, I figure I'll try for some more.

We heard earlier this morning it was mentioned a lot of the issues that were identified in the management letter for the 2004-05 audit, and also, we have heard talk about the accounting firm doing a report or a review on the Nunavut Business Credit Corporation, and also, the fact that there were letters from the board to the CEO and back again, from the CEO back to the board on some of the issues that were identified in there. Would the department provide copies of those letters and reports to the committee? Ms. Keenainak.

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Ms. Keenainak: Thank you, Mr. Chairman. Yes, we will take a look at those management letters and responses, and so forth. Thank you, Mr. Chairman.

Chairman: Will you provide them to us? You just said, yes, you will take a look at them, but I mean will you provide those to the committee? Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. Yes, we will. Thank you, Mr. Chairman.

Chairman: Thank you. Anyone else have any questions right now? Mr. Barnabas.

Mr. Barnabas (interpretation): Thank you, Mr. Chairman. I have a question to the Office of the Auditor General's witnesses.

In the Auditor General's Report from Paragraph 60 to 64, your 2004 Report to the Legislative Assembly raised a number of concerns with respect to the NBCC's involvement in Nunavut's three regional business development centres. In your current report, you raise specific concerns about the failure of the NBCC to administer loans on behalf of the Kitikmeot Business Development Centre, which has not had financial statements prepared since 2001. Can you elaborate in detail on your concerns in this area, and indicate whether similar problems have been identified with respect to the other regional business development centres? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Barnabas. Ms. Charron.

Ms. Charron: Thank you, Mr. Chairman. In 2001, there was a letter from the development centres transferring the three

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development centres at the time to the Department of Sustainable Development and NBCC.

The Kitikmeot Business Development Centre was one of the portfolios that had been transferred. The two others have been transferred again to other organizations. So there only remained the Kitikmeot Business Development Centre under the administration of the NBCC and the minister had, in his letter of instruction or letter of expectation of 2003, provided direction to the corporation to find another organization to hand over this portfolio to.

The portfolio has now been transferred; we are talking here about 10 loans that were transferred upon the transfer and a bank account of approximately \$400,000. This was not administered by the NBCC. The bank accounts were transferred, the signing authorities were transferred to NBCC representatives, but there were no financial statements that were compiled, the books of accounts were not kept, and there was no monitoring that was done on those loans.

So in our view, the corporation should take its fiduciary role and at least compile the information and monitor those loans until a new organization has been identified to take over the loans, if that's still the wish of the minister.

We know, at this point, there is only the Kitikmeot Business Development Centre that is still under the administration of NBCC. In 2001, the Board of KBDC was dissolved and all of the risks have been transferred to NBCC, along with the assets that this corporation had. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. Mr. Barnabas.

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Chairman: Thank you, Mr. Barnabas. Ms. Keenainak.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) Since the audit discussions commenced with the Kitikmeot Economic Development Commission and from that discussion, there was a new organization formed called the Kitikmeot Community Futures Incorporated. So that's the organization we have been talking with about transferring over KBDC and that file. The department and NBCC have plans to transfer over the loan portfolio and the funds by March 31, 2008. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Barnabas.

Mr. Barnabas (interpretation): Thank you, Mr. Chairman. I have a question for the government witnesses. On Paragraph 65, the Auditor General's Report indicates that the NBCC made a number of errors in calculating interest rates charged to

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 borrowers. This problem was also identified in the Auditor General's recent report on the FANS program. Why does the government experience so many difficulties in correctly calculating interest rates and what is being done to address this problem? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Barnabas. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. The particular contravention, in terms of interest rates and stuff like that, there was, as was explained yesterday, some confusion over the regulations that were transferred over from the NWT. Those particular regulations stipulate clear interests rate in there and when the policy that was being done by the board was different from that regulation, the regulation took precedent, if I understood your question right. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Maybe I'll just follow-up on that, I'm not sure if I recollect having heard a lot of stuff yesterday, but I don't remember hearing an explanation of how all of that was done.

In the Act itself, as it sets out what the interest rates are, I believe, or what they should be, I'm just wondering how that could have changed, if the board came up with something different, did they not know that this is in the Act, this is what the interest rate is, or were they not aware of it. Maybe if I can get a clearer explanation to that. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. When the NWT legislation was transferred over, attached to that was an old regulation from a prior Act. There are two Acts. There's the *Business Credit*

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When it was transferred over, there appeared to be some confusion initially about whether or not those regulations were transferred over, and when the Auditor General pointed out that those regulations were in force, when the loan files were being reviewed, the interest rate charged was either a little bit lower or a little bit higher, however, the regulations were clear that it was prime plus two percent.

So since that was discovered, part of the process was re-instituting the operational procedures manual and to try to implement that. The other thing corporation did was we took a look at all of the legislative instruments; the Act, the regulations, the by-laws; that would have been transferred over from the NWT and to see which ones were relevant. And, that has been now enforced by the corporation. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. I'm going to go back to earlier on in the report here and ask a question for Mr. Lennox or Ms. Charron.

In Paragraph 11, you indicate that you interviewed the senior representatives of the Department of Finance and of the Economic Development and Transportation; you also interviewed the chair of the board of directors. Can you confirm which GN officials were interviewed?

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Ms. Charron: Thank you, Mr. Chairman. I would just like to have a clarification when you talk about GN officials, would you include in this the representatives of the corporation of NBCC as well? Thank you.

Chairman: Yes, if you would like, you can throw them in as well.

Ms. Charron: Thank you, Mr. Chairman. For the employees of the organization of NBCC, we have interviewed the former CEO, the acting CEO, we have interviewed the loans manager while he was there until August of 2006, we also interviewed the comptroller, we interviewed the loan officer, because for a while there was a loan officer in place, and we also had exchanges with the administrative staff that was in place at the time.

We had conversations with the DM of ED&T, we also talked with the DM of Finance, and by the DM of ED&T, I'm talking about the former DM of ED&T because all of the work that was carried out was before the current DM took over the portfolio. We also spoke with one representative in the comptroller general's office that attended the board meeting in August of 2006, and we had exchanges with the comptroller general as well.

In addition, we spoke with the chair of the board whenever there was a board meeting and we were notified of the board meeting. We have attended those board meetings and have had discussions with the board

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members that were present at the time. A lot of the time, the discussions at the board meeting were held in-camera. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. I guess the other part of that question was; and I know you have indicated certain points in the report that sometimes you didn't get a satisfactory answer, as you indicated, for the most part; if you had satisfactory or unsatisfactory responses from those individuals. Ms. Charron.

Ms. Charron: Thank you, Mr. Chairman. As we mentioned in the report, one of the main challenges we had to overcome was the lack of documentation on file, so it was very difficult for us to see exactly what had happened.

Obviously, we had numerous issues where we needed clarification and as we conducted our audit where we raised questions with the individuals and asked for clarification, we did not get all of the answers to the questions we asked because of a lack of documentation and also because there was turnover within the corporation. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. Let's go on to Paragraph 13 and start off with the observations and recommendations in that first section. There are managing and financing activities. I'll note again that we just got just before lunch there when our meeting started yesterday, we got a list of loans that NBCC has out there.

I'll ask my question but I'm not sure which witness will want to tackle it. This is a global list, it has everything in there and we noted that not all of them are in default, or arrears, or whatever, but I'm just wondering if the department or the

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corporation is able to break down the loan portfolio, including the number of loans that have been classified as impaired to the list that was provided to us. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. I'll take that question but I'm just wondering if you could quickly ask it again.

Chairman: Thank you, Mr. McDowell. I was just wondering if it could be broken down, including the total number of loans in the portfolio that are classified as impaired loans is what I was looking for. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. The impaired loans, as of March 31, 2007, there were nine loans that were impaired. One of the things that happens, of course, is we keep the books open for 2007, is that subsequent events, so anything that is acknowledged now, must be reported in the books for March 31, 2007, and since the books have been open, there has been one more. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. All it talks about is all of the 51 businesses in Nunavut; there were 62 loans but more than 51 businesses.

My question to the Auditor General's witnesses: was your audit able to determine if the corporation made any loans since they reviewed many of the loans since April 1, 1999 to individuals or companies in which former employees of the corporation, current or former board members, or current or former Members of the Legislative Assembly have had a financial interest in, or personal, or family relationship with principals of that company, was that something that you were able to determine throughout your

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audit? Mr. Lennox.

Mr. Lennox: Thank you. Actually, I'll ask Madam Charron to respond to that question, please, Mr. Chairman. Thank you.

Chairman: Thank you, Mr. Lennox. Madam Charron.

Ms. Charron: Thank you, Mr. Chairman. Our audit looks at who the loans were provided to and how much, and the process under which the loans were approved, but we don't necessarily have the knowledge of if those companies were provided to board members or former employees of the board because we don't raise the corporate veil when we look at the information.

We would expect though, that if there had been any conflict of interest that the board of directors would have declared the conflict before, and we are aware that, in some cases, directors have declared a conflict. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. If they determine if any former or current politicians, Members of the Legislative Assembly were in there, I'm just wondering if there were any loans that required a minister to declare a conflict of interest. Ms. Charron.

Ms. Charron: Thank you, Mr. Chairman. We don't have this information and we don't know. Thank you, Mr. Chairman.

Chairman: Thank you. Again, I'll get right into the GN witnesses. The auditor's report in Paragraph 19 indicates that the defaults rate for the corporation's loans approved since April 1, 2004, was higher than for previously approved loans. I am just wondering if you can give us an indication

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as to what factors caused that to occur. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I will ask Allan to provide that information. Thank you.

Chairman: Thank you, Ms. Keenainak. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. I'll first answer the question about the impairment rate to the entire loans side. The year ending in 2005, 4.1 percent was recognized as impaired, in 2006, 15.7 percent of the portfolio was recognized as impaired, and year ending in March 31, approximately 13 percent. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I have a follow-up on that question to Mr. McDowell or the deputy minister. Did the Minister of Economic Development and Transportation ever meet with the Nunavut Business Credit Corporation and give a suggestion or recommendation on what the loan loss rate should be for the Nunavut Business Credit Corporation?

I'm thinking, as it is a lender of last resorts, you probably normally expect it to be a little bit higher than a commercial bank. So I'm wondering if he met with any of you and the Nunavut Business Credit Corporation, and gave a percentage, such as say 10 percent, or 20 percent, or any other percentage for the portfolio. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

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Ms. Keenainak: Thank you, Mr. Chairman. I'm not aware of a meeting where they discussed that particular rate. I believe that the current minister has met with the board at least once but I'm not aware if that particular issue was discussed. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak for that answer. I think it's important that we understand that the Nunavut Business Credit Corporation is a lender of last resorts where, normally, we would expect them to take on higher risk loans.

So for the board of directors to effectively make decisions and the staff to do their evaluations, they would have to know what type of loans they're dealing with, and if it's a triple A type of loan, you probably wouldn't see them coming into the Nunavut Business Credit Corporation. They would probably go to the Royal Bank or another commercial bank.

So I'm wondering how the board of directors knew that they were empowered, so to speak, to take on and consider higher risks loans that they received if the minister never gave them some clear instructions in that regard. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. The letter of expectation that has been provided the last several years has not been at that detailed level. I know that they have talked about over-arching priorities of the government. As outlined in *Pinasuaqtavut*, if there are any financial

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reporting requirements, are outlined, as well as other areas. However, in terms of the loan loss rate for NBCC being outlined, I don't believe it's been provided in there. That doesn't mean that it can't be for the future. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak for that answer. I think where it also becomes important, again, is at some point, the Nunavut Business Credit Corporation is going to have to recommend that certain loans to be written off, or a provision made for loan losses, and then that will be on the Auditor General when they prepare their financial statements for the Government of Nunavut, will make note of this and it will come to the Legislative Assembly, of course, then the MLAs will be scrutinizing the financial statements and we would have to know that there was actually a decision somewhere made earlier that this is acceptable or not. So we have to know.

I think it's important for everybody to do their job properly and understand what their roles are. At some point, the Board of Directors and the staff of the NBCC should know whether they've been given instructions to deal with higher risk loans. Even higher riskier type loans, what are they supposed to do with those? Are they supposed to just outright reject them or not, or just tell them to borrow somewhere?

I'm wondering if the deputy minister could give us some comments in that regard of what kind of instructions the Nunavut Business Credit Corporation would receive from the Department of Economic Development and Transportation when they're being asked to oversee the portfolio

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 from the Business Credit Corporation. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) At the official level, when we were taking a look at some of the old operational procedures, manuals, and by-laws from the NWT, one of the things that we identified was that the level of risk that the corporation needs to take is something that needs to be worked on.

One of the things that are going to be identified in the work plan is that particular area, the level of risk that the corporation can take. We will be looking at industry standards. We'll also be asking for assistance from our colleagues from the Department of Finance on that particular area.

At this point, that's where we were looking in terms of having some kind of framework in the by-laws, or the operational procedures manual. But we can take a look at what you're suggesting in terms having it in a letter from the minister. At this point, that's what we are considering. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak for that information. Pertinent to that, looking through the list of loans that your department provided us yesterday, I noted that a lot of them are real estate loans and some of the larger ones are \$1 million. In real estate, it is what it is; you're putting up a building. It's not creating a lot of employment; initially it

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 will but in the long-term, it's not creating a lot of employment.

So I'm wondering if you could give instructions to the Nunavut Business Credit Corporation as well, what sectors they should loan their money into having the most economic benefit to community and to Nunavummiut. I'm thinking about sectors where people can work at, they can enjoy careers training, and not the passive type of investments where it's more like a real estate; you put up a building and then it only takes one or two people to properly manage it for the next 20 years.

So I'm just wondering, just looking at the list of loans you gave, the NBCC has given out a lot of \$350,000, \$1 million, \$990,000, \$1 million in one community, on real estate, I just don't know how that will really help the economy in Nunavut in terms of putting people to work. I'm just wondering what type of instructions your department gives the NBCC in that regard, what sectors to help business opportunities to develop. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak: Thank you, Mr. Chairman. I'm looking at the letters of expectation and I'll have to take a look at them in more detail. However, I know that there have been discussions before about the sectors, let's say for example, that's been identified under the Nunavut Accounting Development Strategy, the mining sector, the tourism sector, arts and crafts, as well as fisheries; those are sectors that we hope that Nunavut Business Credit Corporation will be going into. So other sectors have been identified. Thank you, Mr. Chairman.

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Chairman: Thank you, Ms. Keenainak. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak. One of the interesting things about real estate is that most times, the developers have long-term leases, whether it's with the Government of Nunavut, the Government of Canada, or land claims organizations. So those are pretty much the solid gold type of business development opportunities.

So you could walk into your neighbourhood bank, or a bank somewhere in Nunavut, or maybe the Business Development Bank of Canada, and say, "I've got this 20-year lease for \$500,000 or \$600,000 a year," whatever it is.

Why would the Nunavut Business Credit Corporation look at a real estate loan for \$1 million when there's probably a pretty good chance that they could get financed through a commercial bank, or Business Development Bank of Canada, or some other lender other than the lender of last resort, which is the Nunavut Business Credit Corporation, which, in our minds, are supposed to take on a riskier type of loans that have more chance of failure but will need a little bit of help that the banks won't touch.

Maybe if you could just clarify that for me. Why is there such a heavy emphasis on portfolios with real estate type loans? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Ms. Keenainak.

Ms. Keenainak (interpretation): Thank you, Mr. Chairman. (interpretation ends) That is a fair question. I guess one thing that we should consider is that the clients

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I think that you do have a fair question about some of the clients that may or may not have been able to go to the bank. However, at the end of the day, the clients are coming to NBCC, getting the application and providing the information. So I don't think, at this point, I can answer that other than just comments. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Keenainak. I was hoping they had the information but some of it's missing. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Keenainak for that answer. Again, when I was with the Northwest Territories, it was kind of an interesting thing. Clients would come to say, "Well, there's no bank in my community." So they had to come to the Northwest Territories Business Credit Corporation, but the reality is when our loans officers reviewed their proposals, whether real estate or some other sector that you're interested in, they worked with them and reviewed the financial statements, or the business plan, feasibility studies and all of that sort of stuff, and it looked pretty good. They would ask then, "Why don't you go to the bank, the bank would finance something like this."

So I know we had situations, as I mentioned earlier, where bankers in Yellowknife, for example, not to pick on them, but we figured that they were just automatically, because they had been

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instructed by their head office, "Don't take out certain loans. Just sign a letter off saying we will help review this."

So my question to you, when loan applications come in from clients with respect to borrowers, do your analysts sit down and evaluate them and say, "Okay, this is a triple A type of loan. It should not go to the Nunavut Business Credit Corporation because we're a fund of last resort." You should be able to shop this loan application around, whether it's to the Royal Bank, or to the CIBC, or the Bank of Montreal, or the Business Development Bank of Canada, before you come to us and say, "Don't just take one letter of rejection. Shop it around. Work with a plan to identify lending sources before you actually have to take it on through the NBCC."

Again, I said some of these real estate loans are looking very big and I bet that they all came with long-term leases attached to that that the NBCC is probably holding as security now, which a bank would have done as well. I wonder if you could comment on that. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. I would like to follow-up on that. The member, of course, is absolutely right. When it comes to real estate, the banks love to see long-term leases.

I remember on these files seeing the note that they didn't come with long-term leases and that's what the bank would be looking for. They weren't able to fill the occupancy rate prior to the construction or the renovation, as it may be, and that's why ▷ΦΕ ΦΛ[®]dΠυ ΔΕ^CΥ[®]Φ^C. CΔ[®]d4 CCΠ^CYL^CC Δ[®]D^CD4PL^CL^CL^CL Δ^PY Δ^CC^CC Λ^C SDP^CC^CL^CL Δ^PC^CC^CC Δ^CC^CC Δ^CC Δ^CC^CC Δ^CC
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they came to NBCC. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. McDowell for that. That's true but when you do put up a building and then you get almost 100 percent occupancy, and suddenly, you do have a triple A type of project, would the NBCC then take your client over to a commercial bank after two or three years, or four years of successfully operating a business, loan payments were made on time, then the bank would more than love to see a client like that. Is that something that the NBCC has done, or would consider doing, for some of their real estate clients? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. It's my opinion reading the mandate of the Act, the reason for NBCC is that all our clients would, at some point, be able to move over to the commercial banking structure, then we take on the higher risk, we hold them, and take care of them or provide them with funding until they can show that they have financial history, the kind of history that the banks, certainly up here, require.

So to answer your question directly, yes, that's exactly what we would want to see at NBCC. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. McDowell for that answer. I

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Is that something that, once you get through this process and the Government of Nunavut sorts out the NBCC, is going to be in your action plan so that the board of directors and the staff know what the ultimate reason is to help clients get in, help them build a foundation, become viable, move them on and free up the money so you could help new clients? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. The re-institution of the procedures manual, certainly, assists the staff because with that already built in; of course, we are going to work on an action plan to boost it.

Currently, the renewal of an existing loan requires a full application. So it's built right in there with the application, of course, is the requirement for a letter of refusal. So if they are, at that time, able to go to a bank, then, of course, we couldn't even see the renewal. So yes, that is what's happening. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Peterson. I'm sorry, Mr. Buchan.

Mr. Buchan: Thank you, Mr. Chairman. I just wanted to add a little bit of context to some of the questions that Mr. Peterson's been making. First of all, I've been involved in a number of loan application reviews, and certainly, the way I would look at it and the other board members look at it is that each applications looked at on

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its own merits. There are common types of applications but it's not as if you have one straight real estate deal and it looks exactly like the other one.

So I would say that we try to look at it on its own merits and there's often real estate development that actually can lead to job creation, especially in places where there's a lack of infrastructure. I know that in the Legislative Assembly, you discuss these matters at great length. If there is a housing or office space in a community, often that leads to some smaller business or consulting firm having the ability to operate there, and certainly, those are the kinds of things that we, as board members, look at. So I know it's a bit of a cliché to say "passive real estate," but in some cases and in some Nunavut communities, you really can make a case that real estate does lead to long-term job creation.

The other point I would make is that \$1 million is a large amount of money, and it certainly, for us as individuals to look at that amount of money, it is huge, but over the last few years, given the state of our Canadian economy, the buying power of our businesses now, our entrepreneurs here in Nunavut has shrunk. A million dollars does not buy what a million dollars even did two years ago. So it is often the case that they have to look at alternative sources of funding, and in the future, it might be necessary to take a look at that loan maximum amount to consider inflationary pressures. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Buchan. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. McDowell and Mr. Buchan for that answer. On the flip side of that, this all comes down to good evaluation and

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There's a risk putting a loan client into some serious difficulties by approving a million dollars or more, so there's that consideration. A million may not go very far nowadays when you're constructing something, but at the same time, when it comes time to collect, it could put a real burden on a client.

Mr. McDowell replied earlier about the loan rates. I heard 15 percent and there were some other percentages in there. I'm wondering from Paragraph 19 that the default rate for loans after April 1 was higher than previously approved, so that was kind of an interesting comment.

I would have to ask what factors caused that higher rate to occur, and what process kicked in by the NBCC board to monitor the loan as identified as in default and ensure that it continues to be repaid, or the business owner is not seriously harmed by that, and a community as well, because Mr. Buchan mentioned smaller communities, sometimes entire communities can suffer if a key business goes out of business.

How would the NBCC monitor loans that are in default and work with the clients to help them work their way out of the default position, and then, at the same time, protect the investment that the NBCC made in their business? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. Currently, impaired loans, bad debts, whatever you want to call it, of our loan portfolio, there are nine loans in default,

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Chairman: Thank you, Mr. McDowell. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. Maybe you could expand on that answer. Can you tell us how you work with those five, and then the other four who aren't making payments, how are you working with them to make the payments and help them manage their business, or improve their business so they can make stable monthly payments? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. We certainly attempt to open a dialogue with our clients. We have certain things we can do in regard to their payment if it's strictly a cash problem. If it requires further investigation, the best tool for this is receiving accurate and timely financial statements from our clients. Without that, then we won't know of the problem until they miss a payment, or until they miss a second payment, if it goes that far.

Again, it goes to communicating. You have to discuss with who you borrow from in any situation that you may have. We're perfectly willing to assist them in that regard, based on the capacities that we have. I mentioned some of those that we're not receiving payments from. We take our payments at a regular time, and if we receive a request from a client in written form, for documentation purposes, if they need an extra week or two for payment, then, of course, we work with them.

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ΚΩϹϧͺ ϹΔϷͼϧͺͰͼ, ΓΡΑσ Ͻϧϲϥϭ ϥϷϲϧϥ ϹΔϹͼα ϹΔϷͼϧͺͰͼ ΠΡΩϥͼͺͼϧͺͿ.

So it's our hope that we can work to minimize the risk, not only to NBCC, but as the member mentioned, to the location in which it is located. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. McDowell for that information. The loans that are in the list that we have is pretty extensive; it's spread all across Nunavut but you only have staff based in Cape Dorset. So how do you interact with your client at the community level in terms of monitoring their loan?

I know you say you get payments, that's one way, but sometimes the payments are not always indicative of what the situation of the loan or the client in a community, which requires visitations, meetings and that sort of stuff. How would you work with a client in a community that are in, let's say, Cambridge Bay or Kugluktuk? If you're over here in Cape Dorset, how would you help that client with their business? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. Certainly, we are across the territory, as you mentioned and it does require on-site visits by the investment manager to the location of the client. That's how you get the best feel in case there's something going on that you can't tell otherwise.

Again, though, historical information is pretty important, so timely financial statements is a good indicator of current situations, and then if you require contact and communication, every hamlet within

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P³Jσ^cΠ^aσ^b Σαυ¹Δ^c Lσ^b2Γ^c Λ^lLΛΔ^lLC. Paphcα^ld^c P³Je^alc CΔL^aα αμαδρη^cb^aa^lLC Δ^lLμ^cD^a Σλασ^cb^cl D^cb^cbη^cbα^cLC Hd^lcσ^cL^c the territory is accessible. So on-site visits, I know that previous staff certainly travelled around and the clients appreciated that, that's something we want to continue. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. McDowell for that answer. I read somewhere that the Government of Nunavut or the Department of Economic Development and Transportation provided you with \$450,000 annually for your quarter operations and that would hire five or six staff, I guess.

You think that that they would be more effective and efficient that that budget should be increased to hire more staff, maybe have some staff based in the Kivalliq region and the Kitikmeot region where they can get to a client more rapidly if they need to be there, instead of having a fly-in fly-out situation where you're in there for two days or one day, depending on flights and weather.

Do you think it would be more effective for Nunavut that you should have a larger budget and be able to have some staff in the other parts of Nunavut, where you have a lot of these clients with large loans and would probably appreciate having more regular contact with your staff, as you said? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. I certainly wouldn't say no to a larger contribution agreement.

As far as staffing on a permanent basis, the

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regions, I don't know. It's very important for the regions to have representation from our loans. I don't know, it's something that we have to look at, properly representing the regions outside of Baffin, and if that takes a permanent staff elsewhere, I'm sure, if that's what would it would take, then that's what would happen.

Once you service the client, the last thing I want as a borrower is to have my banker watch me on my daily operations for the whole year. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. McDowell for that answer. Sometimes it's good to have your banker watching you because it would keep you on a straightened arrow. I think you would become a very frantic banker and help you with some of your problems. If you have a cash flow problem, he knows your business; he can help you with your financial statements.

I know the banker in Cambridge Bay in the Royal Bank of Canada since they came to the Kitikmeot I think it was in 1996. They have been very proactive in working with business clients throughout the region, and I noted that there's not very many Nunavut Business Credit Corporation loans in the Kitikmeot, so the bankers are probably picking up a few of them, which is good for the bank.

Part of the reason I asked that last question was, in Paragraph 19, the Auditor General's Report indicated that there was little evidence that loan applicants were assessed for credit worthiness, or the viability of the business. So the loan proposal comes in, I don't know who's

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putting it together in the regions, but you take the application and supporting information, and then, apparently, you were the board who was receiving the information from the staff and then making decisions on that.

It just seemed to me that, perhaps, you may require more staff out in the regions that could do the leg work for you, to go into a community like Taloyoak, for example, or Kugaaruk, and sit down with the client for three or four days and then actually assess what they've got, talk to the local market, talk to anyone in the community that would help shed some light on what the potential borrower's character's like and that sort of stuff. So I think that's important, to have more hands-on contact.

However, after saying that, my question is: when the Nunavut Business Credit Corporation did receive these type of applications where the Auditor General identified that the credit worthiness, or the viability of business, was suspect but the NBCC received the applications anyways, how did they decide which applicants would receive loans and which ones weren't when the whole analysis or evaluation of their proposals was suspect in the first place? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. I certainly can't disagree with the member. The due diligence, but I can only speak from the practices that we've put in place while I've been there in regard to due diligences specifically, and amongst some of the changes is that we are moving more in our approach to the critical analysis.

We are moving more towards the debt

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servicing calculation, the ability for the client to repay, the flow of cash, rather than just making sure that we have security coverage. So it's not just, "Okay, well, who cares if they fail," we're not saying this is what happened in the past, but the way we are looking at it is not just, "Okay, well, they want this much money," but we have registered security far in excess of that amount. So what we're doing now is, of course, we want security but we're looking more to their ability to pay, the viability and the success of the business. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. McDowell for that answer. I don't know if he has this information but we did receive this document yesterday that outlines the active loans or current loans since April 1, 1999.

I'm wondering if you could give us some information on how many loan applications that the NBCC has received since April 1, 1999 and how many were approved, and more importantly, how many were rejected by the NBCC? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Peterson. Mr. McDowell.

Mr. McDowell: Thank you, Mr. Chairman. I don't have the information on how many applications we've received since 1999. However, I have done some analysis on this and it's my understanding that, of the recommendations to the board, there have only been three rejections. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. McDowell. Maybe before I continue to Mr. Peterson,

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I'll look at the time and we'll continue tomorrow morning. Committee members, again, we're adjourned for the day and continue tomorrow morning at nine o'clock.	/ኁዖኁህኑኈ 5-」⊲፫ናLና ኄÞ<< ▷ና፫ኈ₫ና ለቦ⊲ኈዮኇናσላኁ>Jና. ፚኈ፞፟፟፟፟፟፟፟፟፟፟፟ ዾዀኇ፞፞፞፞፞፞፞፞፞፞
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