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
February 5, 2008

Members Present:

Hunter Tootoo, Chair Keith Peterson, Co-Chair Tagak Curley, C.M. David Alagalak

Staff Members:

Nancy Tupik Alex Baldwin Susan Cooper

Interpreters:

Mary Nashook Blandina Tulugarjuk Veronica Dewar

Witnesses:

Mel Orecklin
Miles Voakes
Rajan Jhaveri
Steve Hannah
Robert Hanson
Julie Charron, Principal
Elizabeth Stewart, Legal Counsellor

>>Committee commenced at 13:46

Chairman (Mr. Tootoo): We're all here now; some less luggage but it's... Maybe before we get started with our meeting, I would like to ask Mr. Curley if he could start us off with a prayer, please.

>>Prayer

Chairman: Thank you, Mr. Curley. I think the Agenda Item 2, Review and Adoption

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of the Agenda, is the Committee agreed?

Some Members: Agreed.

Chairman: Before I get into my opening comments, there's just a couple of housekeeping things. I know that over this distance you can't always hear what everyone's saying clearly sometimes. The headsets are there and the different channels will tell you whether it's in English, Inuktitut, or the floor language, whatever you choose, but it will make it a lot easier for you to hear what is being said if you use the headset.

The other thing is that there will be transcripts of the hearing. I ask everyone to go through the Chairperson so that when they're doing the transcribing they know where the break is and I can identify who is speaking so they know who's talking and stuff like that. So just little formalities that make things a lot easier to process after the fact, I would appreciate that.

With that, I'll start off with my opening comments:

Good afternoon, welcome, and thank you all for participating.

Again, I would like to welcome everyone to this meeting of the Legislative Assembly's Standing Committee on Government Operations and Accountability. We have convened today for the continuation the Standing Committee's hearings on the 2007 Report of the Auditor General of Canada to the Legislative Assembly of Nunavut on the Nunavut Business Credit Corporation.

The terms of reference for the Standing Committee on Government Operations and Accountability mandate us to review $4^{\circ}\Gamma^{\circ}\Gamma = 4^{\circ}\Gamma^{\circ}\Gamma =$

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Nunavut's Public Accounts and the reports of the Auditor General to the Legislative Assembly.

On November 5, 2007, the Auditor General's Report on the Nunavut Business Credit Corporation was tabled in the House and referred to this Standing Committee for review.

The Standing Committee's initial hearings on the report were held from November 27 to 29, 2007. Witnesses from the Office of the Auditor General, the Government of Nunavut and the Nunavut Business Credit Corporation appeared before the Standing Committee to respond to members' questions. In addition, the former Minister of Economic Development and Transportation appeared before the Standing Committee. Transcripts from these public hearings have been available on the Legislative Assembly's website since December 17, 2007.

In light of the Auditor General's denial of opinion on the financial statements of the Nunavut Business Credit Corporation and the serious observations contained in her report, the Standing Committee has been of the view that a full public accounting of past decisions and actions taken by Nunavut Business Credit Corporation and Government of Nunavut officials is required.

As I indicated in my opening comments last November, the Standing Committee has sought to hear the testimony of a number of former office-holders associated with the Nunavut Business Credit Corporation, including the former Chairperson of the corporation's Board of Directors and former senior employees of the corporation. The former Deputy Minister of Economic Development and

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Transportation appeared before the Standing Committee in November of last year.

It is the Standing Committee's view that these former office-holders have relevant testimony to provide in relation to the Committee's examination of this matter. It is the Standing Committee's sincere hope that learning from the mistakes of the past will help to ensure that they are not repeated in the future.

I would now like to take some time to review the agenda for the week. After the conclusion of my remarks, I will invite my colleagues on the Standing Committee to make opening comments. Following a brief break, the Committee will reconvene, at which point the former Nunavut Business Credit Corporation office-holders in attendance today here with us as witnesses will be formally sworn in. Prior to responding to members' questions, each witness will be provided with the opportunity to make a brief opening statement to the Committee.

It is important to note for the public record that Nunavut's *Legislative Assembly and Executive Council Act* provides for protection for witnesses appearing before Committees such as this. The Act provides that evidence compelled or documents required to be produced under the relevant provisions of the statute may not be used against the person who gave the evidence or produced the documents except in a prosecution for perjury.

The Standing Committee will continue its questioning of former office-holders of the corporation on Wednesday and on Thursday morning as well if required. On Thursday as well, the Government of Nunavut's lead witness will be invited to

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make an opening statement to the Standing Committee. We have requested that the government provide us an update to the Standing Committee on such issues as:

- The status of the implementation of the Government of Nunavut's draft action plan that was provided to the Standing Committee at its November hearings;
- The status of the investigation into the matters of financial records and controls that were referred to the RCMP by the Comptroller General on November 6, 2007;
- The status of the Government of Nunavut's operational review of the Business Credit Corporation and the Nunavut Development Corporation.
- The Department of Economic Development and Transportation issued a Request for Proposals in September of 2006 for an operational review of the Development Corporation and the Nunavut Business Credit Corporation.
- The review was to "assess the effectiveness of each of the Crown agencies in fulfilling its mandate under current legislation and evaluate the mandate in the context of the changed economic policy environment in Nunavut, and present options for the future roles and responsibilities for the Crown agencies for the next ten years." I would note that a number of important questions were posed to witnesses during our November hearings concerning the government's rationale for keeping the Nunavut Business Credit Corporation in its present location;
- Another item that we're looking for an

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update on is the employment status of the former Acting Chief Executive Officer of the Nunavut Business Credit Corporation who testified before the Standing Committee at its November 2007 hearings; and

 A detailed explanation of the process by which the Government of Nunavut's Crown agencies conduct background checks, employment references and criminal records checks on applicants for senior management and executivelevel positions.

On Thursday, members will also have the opportunity to pose questions to the newly-appointed Chief Executive Officer for the Nunavut Business Credit Corporation, in addition to other currently-serving GN and NBCC witnesses.

With that, I will now open the floor to opening comments from other Members of the Committee. Thank you. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. I would like to welcome my colleagues to round two; I guess it's what is commonly referred to across Nunavut. I welcome the witnesses, I know a lot of you came from great distances to be here and I appreciate your time this week. I would like to welcome the officials from the Auditor General's Office as well.

Last November, we had some very interesting meetings for three days, we probably could have sat for two weeks or longer but didn't have the time. We had a lot of good questions, a lot of interesting questions for witnesses at that first session, Government Nunavut witnesses, some of the current Members of the Board of Directors of the Nunavut Credit Business Corporation.

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We were keying in on a lot of the operational side of the Nunavut Credit Business Corporation. I was particularly interested in the board relations between the staff, the staff to the board, and then the relationships of the board of directors to the Government of Nunavut.

I had a lot of questions about the lending policies of the Nunavut Business Credit Corporation and the Auditor General's Report raised a lot of serious issues. So the areas that I was asking some of the members or witnesses were the loan review, the lending policies, the loan documentations, loan monitoring, and the loan security. I wasn't getting very many answers because, obviously, most of them weren't involved in the day-to-day, which is why we had to invite you folks to the meeting.

Hopefully, in the next few days, we can get clarification about how the Nunavut Business Credit Corporation operated with respect to relationships between the board and the staff, the board and the communities in Nunavut, the relationships between the board and the staff, to the Government of Nunavut officials, and clarification about how the Business Credit Corporation processed the loans and documented the loans, and how you administered the whole loan process.

So I'm looking forward to an open and candid hearing; I encourage you gentlemen to speak freely. We're seeking information and we're hoping that, through this process, that we can strengthen the Nunavut Business Credit Corporation so that it can get back to serving Nunavummiut. We do need a strong and effective Business Credit Corporation to help our private sector to develop and

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create the employment that we desperately need in our communities in Nunavut.

So with that, Mr. Chairman, those are my opening comments, and I thank everybody for being here today. Thank you, Mr. Chairman.

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

Mr. Curley: Thank you. I, too, would like to welcome all of you. I personally don't know many of you and I even never have seen you here and there. I know the chairman of the board, the previous chairman of the board very well, welcome.

This is an interesting challenge that we have. I know that it appears somewhat complex but in reality it isn't because, in Nunavut, when something is complex, it is normally complex. We're dealing within an operation of one entity, which is not a large one, in my opinion, but there appears to have been some breakdown of essential operational stuff, not only from the officials' level but from the political level as well.

I dealt with the politician because politicians have to be accountable for the problem right to the top. If they cannot provide the agencies of the government departments with enough resources and comfort to deal with the actual mandate, it will not work.

So in my view, there were some politicians who were responsible who were not making correct decisions and I believe there were also some, in my opinion, political interference when there shouldn't have been. For instance, who does the CEO report to? You know, that is really quite clear in the Act. I did not find any

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provision other than operational responsibilities that the minister has to issue certain direction, but I did not see the reporting of the CEO could be overridden by the minister's letter of instruction or whatnot.

So I think the committee has a challenging responsibility in that that we have to make the Act a lot clearer so that there's no confusion. The Auditor General's officials would not be confused as to who the CEO should report to. When a certain ship is sinking, someone has to try and rescue it. If the minister is not provided clear direction, then someone steps in, including the person, whether it is be chair or the director, we all have to try and finally, we got to this stage, where our role is trying to find what went wrong.

So I want you to be open minded. Our role is not like any other Parliamentary review process. We are quite limited in terms of what we can do.

So I want to you to feel comfortable. We certainly welcome your clear responses because we're going to need those in order to fix what needs to get fixed for the future. There are questions that my colleague just referred to, but we will address all of those. So I want you to feel comfortable for the next couple of days. *Qujannamiik*. Thank you.

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

Mr. Alagalak (interpretation): Thank you, Mr. Chairman. I will be speaking in Inuktitut, so please use your receivers. I wanted to speak Inuktitut because the majority of Nunavummiut speak Inuktitut. I would like to welcome you because we cannot work and resolve this by ourselves.

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As we all know, if we work on this just by ourselves, we won't be able to understand what has been done.

I know that the Nunavut Business Credit Corporation is the only entity that can provide loans to the businesses and it's very beneficial for the future of Nunavut, especially for businesses and for business to make sure that they have a place to go to.

As I stated before, welcome and be relaxed. I will be asking questions. I, myself, was unable to be here, I apologize. I had to be at the hospital for health reasons. So I would have known more about this if I had attended the first hearing.

Listening to the media, I was concerned that there was a lack of understanding, policies, and day-to-day operations. Because they were so busy, some of the work was left behind without looking into the issues.

So as a businessperson and when I was working for Economic Development, I had to work with the business development corporations and I had to work with some individuals. When we forgot one step or any daily operations, problems would arise and I know that from experience.

If there was an applicant who would like to get a loan and there is a lack of understanding with what the money is going to be used for, we would have to see if the applicant would be able to repay the loan in the years to come. If you don't practice due diligence, then you will find some applicants unable to repay their loans. If we don't practice due diligence, then we need to look into the future. If we don't look into the future and if we don't know what the loan is for, sometimes problems

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occur.

When some co-workers are told what to do, sometimes they tend to let go. So when that occurs, it doesn't really make sense. I want to really understand this issue. The government departments, ministers, officials, the office-holders and NBCC directors should work together and check with each other to make sure that the work is being done.

I'm not sure if they met on new policies or issues. Have they met together and dealt with their business. Also, when working in a Business Credit Corporation like that, the CEOs have to work closely with the correspondence or lack of it. So these are some of the issues.

(interpretation ends) It is very difficult for me to understand perfectly of actions that were taken by the government, the board, and the workers at the NBCC office. I really cannot understand why - because of the poor directions, or overlooking the policies and the objectives of the organization itself. I really have a hard time that all of the things within that organization were translated to the board, or the board maybe overlooked by providing them with where the problem is.

Maybe the staff were afraid to tell the board or the government that they need more staff, or they just cannot finish what they're doing because of lack of assistance, or the filing system, or the policies, or any procedures that were not provided properly - overlooking some of the loans that need evaluation, and rationalize the intention of that applicant, making sure that they can repay that loan.

It's very difficult for me to understand that because from ground one to the completion

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of the application, the intention of the applicant, that we had to do in my life when I was in the same field of those workers that were in NBCC. The only time I was lacking in doing what I was supposed to do was because I didn't have enough staff, or I didn't have enough directions, or I didn't have enough things that I should have known of things that are new to us new policies, new procedures, new guidelines and so forth.

I just can't seem to put blame on anybody because it just came incidentally, accidentally, and was overlooked, in my opinion, in some cases. We need to see that organization continue to service the business people in Nunavut and we just cannot see it diminish, or demolish, or put away for good because we need that organization in good running condition.

(interpretation) I am saying this because I believe that we need to move forward and I believe that it would be very beneficial to the government. And also, we will try to assist in ensuring that this entity has a good future and ensure that it is being used by the private businesses in Nunavut. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Alagalak. Also, I will make just a couple of comments as an individual and not as a chairperson.

I would like to echo my colleague's appreciation for all of you voluntarily attending these hearings to try and help us understand and resolve, and try to build a better organization in the future so that we don't run into some of the observations that were outlined in the audit report in the past for whatever reason. We want to try to find out and try to understand. The whole idea is to try to build a stronger organization

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into the future.

With that, I know that some of you, I'm sure, in your time with the organization, all wanted to try and help fulfill the mandate of the organization. I think that I have met most of you on more than one occasion and I genuinely believe that, and I look forward to getting some clarification on some of the observations that were made.

Again, I can't say enough but I just appreciate your attendance here. I know some of you have just come from Apex, some from Pangnirtung, and some from a lot further off. I know you're taking time out of whatever you are involved in these days and I think that shows that you are committed to trying to help resolve and bring light to some of the issues that were identified. I, myself, have told my colleagues that we appreciate greatly your commitment in doing that by being here.

With that, maybe we will just take a short five-minute break and we'll get things set up for the swearing in and that after. So we'll take a short five-minute break and then reconvene for that. Thank you.

>>Committee recessed at 14:13 and resumed at 14:24

Chairman: Welcome back. Maybe we'll move on with having the witnesses sworn in. We'll just start off with Mr. Hanson on the left end and just move our way to the right. Mr. Hanson, I understand you wish to take the oath, so I would like to ask you to please rise and take the Bible in your right hand.

Mr. Hanson, do you swear that the evidence to be given by you in these proceedings shall be the truth, the whole truth and nothing but the truth so help you

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Mr. Hanson: I do.

Chairman: Thank you. Please be seated. Mr. Orecklin, please rise and take the Bible in your right hand. Do you swear, Mr. Orecklin, that the evidence to be given by you in these proceedings shall be the truth, the whole truth and nothing but the truth so help you God?

Mr. Orecklin: I do.

Chairman: Thank you. Mr. Hannah, please rise and take the Bible in your right hand. Do you, Mr. Hannah, swear that the evidence to be given by you in these proceedings shall be the truth, the whole truth and nothing but the truth so help you God?

Mr. Hannah: I do.

Chairman: Thank you. Mr. Jhaveri, hopefully, I pronounced it right. Mr. Jhaveri, do you swear that the evidence to be given by you in these proceedings shall be the truth, the whole truth and nothing but the truth so help you God?

Mr. Jhaveri: I do.

Chairman: Thank you. Mr. Voakes, do you swear that the evidence to be given by you in these proceedings shall be the truth, the whole truth and nothing but the truth so help you God?

Mr. Voakes: I do.

Chairman: Thank you, very much, gentlemen. As I outlined in my opening comments, after the swearing in, we would invite any members or any of the witnesses. Maybe I'll ask if you could

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So maybe with that, we will start off with Mr. Hanson on the left and then just move our way down. Go ahead, Mr. Hanson.

Mr. Hanson: Thank you, Mr. Chairman. The name is Robert Hanson. I am the previous Chair of the Nunavut Business Credit Corporation. I have lived in Nunavut, and especially Iqaluit, for the past 43 years. I am very pleased to be able to be here today to give evidence in my capacity as the ex-chair of NBCC and only as the ex-chair of NBCC, and not as Bob Hanson, resident of Iqaluit. That's why I'm here.

I am looking forward to the questions you have and I will definitely answer them to the best of my ability. Mr. Chairman, *Qujannamiik* and thank you very much.

Chairman: Thank you, Mr. Hanson. Mr. Orecklin.

Mr. Orecklin: I have a written opening statement which I presented to the committee this morning.

My name is Mel Orecklin and I was the Chief Executive Officer of the Nunavut Business Credit Corporation from August 2004 through December 2006 at which point I was suspended. I subsequently agreed to resign from my position and signed a Termination Settlement Agreement dated February 6, 2007. The reason listed on my Record of Employment was "Term Not Renewed."

That agreement includes a clause requiring

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non-defamatory behaviour and a confidentiality clause. I especially want to thank the efforts of the Committee for the assurance that anything I say today will not violate the terms of my Agreement. And, I am certainly willing to answer any questions that you may have of me, and I can either answer as the previous CEO or as a private individual.

All records, email and correspondence that I had were returned to the Corporation or destroyed and I must rely on my admittedly imperfect memory for those comments and answers to your inquiries.

If it were not so tragic, the scale of this investigation has a sense of the absurd. The Nunavut Business Credit Corporation has five PYs – a CEO, a Comptroller, an Investment Manager, three of whom are right there, an Accounts Manager, and a Secretary, and if I remember correctly, we were at full staff for something like two weeks when I was with NBCC. The Office of the Auditor General had up to six CAs and a separate auditor for the computer system in our office conducting the audit. The Committee might find it interesting to compare the cost of the OAG audit to NBCC's annual budget. I know that if the Corporation had the resources to add six accountants to our staff, the files would have been more complete.

It is my opinion that had the Auditor General undertaken a similar audit at any point in the Corporation's history, their results would have been significantly more damning. During my tenure, we spent significant time reviewing the files, working with our lawyer and resurrecting previous work. What was found lacking would have been much worse had this work not been carried out.

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I find it interesting that the Office of the Auditor General's Report does not mention ACG-15, a new accounting rule that may have occasioned the increased level of attention paid to the corporation. This rule caused staff to expend significant effort as it required a review of the history of every loan and there was a reasonable chance that ACG-15 alone would have caused a denial of opinion.

Much focus has been placed on the two loans made to related companies in Rankin Inlet. Mr. McDowell, in the first set of hearings, answered questions about the definition of "related" and I am afraid that I can offer the Committee no further insight as I don't have access to any of the records.

All applicants for an NBCC loan must first be denied a loan from a bank. Access to capital is a fundamental necessity for economic growth. While CEO, I and the then Chairperson, Mr. ... sorry, I'm really trying to concentrate on this, my apologies, it's very sincere. I and Mr. Hanson met with the Royal Bank and CIBC senior staff to ask if the banks had any additional tolerance for risk in Nunavut. Their answer was a very clear "No." It is not easy to obtain a commercial loan for any business in the territory unless the firm has 20 years of successful operation and a strong asset base. Unlike the situation in the south where there is competition for commercial loans and many options for those seeking loans, in Nunavut it's essentially NBCC, possibly Atuqtuarvik, or nothing. In my opinion, NBCC was not the lender of last resort; it was the lender of only resort.

NBCC's interest rates are higher than commercial banks and any rational applicant seeking a loan would make every effort to be bank financed. I have spoken to many small business owners in this ▷ናቴየት/L°ትቦ·LC Ċቴdላ ACG-15, Ċቴdላ ⊅Ċና

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territory and their experience in obtaining a bank loan was consistently negative.

The two companies in Rankin Inlet, and I apologize for spelling that "Ranking Inlet," were building infrastructure – ordinary office space in a market where office space was a premium and there was little risk that the buildings would remain vacant. However, without signed leases, they could not obtain a bank loan, and lessees, including the Government of Nunavut would not sign a lease without a firm commitment to proceed with construction. And, this was a catch-22 that I believe NBCC was able to solve.

NBCC did not charge a fee for early repayment and I fully expected that most loans for construction would be paid out in a fairly short time when a track record had been established and the banks more willing to lend.

On a number of occasions I brought the need for access to capital forward within ED&T and I continue to believe that access to capital is necessary for the growth of this territory.

The reason I was suspended in December 2006 was I was accused of deleting computer files. I had to wait two very painful months before the GN would offer a settlement agreement. I can only presume that the GN did not have proof of any wrongful behaviour and so could not fire me, though the deputy minister specifically stated that, in his opinion, that's what he wanted to do.

The Auditor General's report states, "Data had been erased from the network," but no proof is provided beyond nor are there any specific examples. Significant effort was placed by the Corporation on a computer

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system within its control. There was a documented case where backups were lost by NBCC on the GN system and this, along with the procurement system that cancelled an order for a laptop that had been sitting for more than six months, drove us to purchase our own system.

An independent consultant was on contract to review the backups and assure the system was working well. I looked at the backup system when it was first installed and never afterwards. If I knew that there were multiple backups that I could not delete without a log being created, I leave it to you to consider if I would attempt to delete data. I still don't know what data I was alleged to have deleted or even from which computer.

The OAG report states, "Other information was not easily accessible—for example, about 60,000 emails, some of which contained information on loan activity, were stored on the hard drive of the CEO's computer." This may lead the reader to the conclusion that the email was stored only on the CEO's computer. I would like to point out that I believe this is incorrect. NBCC used Microsoft Exchange which synchronizes email on the client's computer with the Exchange Server. So all Exchange information is on the server and is regularly backed up.

In private conversations with OAG staff, it was clear they felt email should be printed and stored as paper files. In a Records Management workshop that I took, it was stated that the GN's policy was email should be printed and the electronic version deleted from the computer. I suggest to the Committee that if this is in fact the GN's policy, that the policy needs to be reviewed in light of such technologies as Google desktop search and Outlook's extremely

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good search capabilities which can locate any information on a hard drive within seconds.

The most important point that I wish to make is staffing. NBCC is a commercial lender and lending institutions such as banks are known for their long-term employees. An employee with only ten years is still considered a newcomer. Compare this with NBCC where we were all new and not a single employee remained from the transfer from the NWT. I suggest to you that retention of employees must be improved.

In my interview, when I first took the job, I admitted to having no experience in the financial sector, so in retrospect, it's not surprising that I failed to uphold the standards necessary. I didn't know what the standards were and the previous CEO's knowledge was, I don't think, very much better than mine, so there was no history to lean on.

I was hired after another candidate refused the job offer because of the low salary. I was paid at least \$20,000 less than the minimum range for the head of the smallest of the Crown federal corporations, and that's public information. Banking at senior levels is a very well-paying profession and the GN must take this into account when determining salary levels for any of NBCC's employees.

I wish the Corporation the very best under its new leadership and hope the new CEO has the requisite expertise in financial reporting, board governance, client liaison, advertising and promotion, analysis of loan applications, computer applications, and especially the loan management system TEA, staffing, budgeting and the myriad of other responsibilities for which he is

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responsible.

I thank the Committee for their detailed investigation of NBCC. They should remember that the OAG's report did not examine the effectiveness of NBC's lending program. There are businesses today in Nunavut that would never have survived without the injection of capital from NBCC. The role played by NBCC, I believe, is critical to business in this territory and I hope that the Corporation is able to continue to be an effective lender. Thank you very much.

Chairman: Thank you, Mr. Orecklin. Mr. Hannah.

Mr. Hannah: Thank you, Mr. Chairman. My name is Steve Hannah. I first came to the territory to work in the Department of Sustainable Development. I've spent four years as their Regional Superintendent Director in the Kitikmeot.

From there, I went to the Northwest Territories doing the same type of work and semi-retired in November 2006 and was asked to take on the role of a consultant, and on December 7, I was asked by the Deputy Minister of ED&T and the Chairman of NBCC to take on the role of Acting CEO with some objectives applied to look at getting the organization through the 2005-06 audit and/or non-audit, and to give the reasons why we couldn't get an opinion on the books if we could not get it to the state where it could be audited.

I spent 11 months working with the organization and my contract ended on October 30, 2007, and I subsequently moved on to work with the Department of ED&T in Pangnirtung as the Director of Community and Economic Development.

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I'm happy to be here today and I hope that any of the questions that you have I'm able to answer, and hopefully, clarify some of those issues that have been raised throughout the previous testimony. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Hannah. Mr. Jhaveri.

Mr. Jhaveri: Thank you, Mr. Chairman. I have written my statement this morning also and I would like to read the statement.

I thank the Honourable Members of the Standing Committee and Nunavummiut for giving me an opportunity to present myself in this august Assembly. I thank the Government of Nunavut and Nunavummiut for giving me an opportunity to work as the first Comptroller of the NBCC. I thank the greatest community of Cape Dorset, where I enjoyed to the fullest extent the golden opportunity to know and integrate with a culture similar to my own. I am very proud of my role of the first Comptroller of NBCC.

All my confidence and performance at NBCC, I thank two mentors who fully supported me professionally and giving me valuable guidance and advice. One was Bob Long, Manager of the Baffin Business Development Centre, and the other one was Tyrrel (Darren)Allen, then Director of Corporate Policies of the GN department of Economic Development and Transportation. I would now also like to thank Mary who was the supervisor of the GN audit of the Office of the Auditor General of Canada, responsible for the NBCC audit. She also provided great advice from time to time. I owe my success at NBCC to these distinguished professionals.

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At NBCC, I had a unique opportunity to work with the great businessmen of this territory, and my knowledge and exposure to this territory was enhanced by my constant contact with them. I owe them a lot too for proving me right and investing in their businesses by NBCC.

I left NBCC and Cape Dorset at the end of March 2005 with a very heavy heart. I didn't realize until then how much I was attached in our business at NBCC and Cape Dorset. NBCC was my life and it was my bidding, I had worked very hard and tackled several people who proved to be an obstacle in the past of NBCC. These people could find no fault in my performance, except that I was not so condescending and didn't accept all of the ideas and styles of working.

In a technical sense, most of the time that I was with NBCC I was alone, and therefore, I wore several hats at NBCC with a fuller spectrum than initiated. It prompted me to apply for the position of the CEO which was vacant for a long time. My application was rejected after the interview. I was not given a good reason for the refusal. I thought that maybe a better person than me would be hired. That would be completely acceptable to me because it would be good for NBCC too.

Besides being the Comptroller, I was also performing all the duties of the Investment Manager since a long time. All this work had required me to put in extraordinary hours of work at NBCC without being compensated but I took appreciation for my NBCC borrowers as my compensation. Because of my long hours, my wife, who also used to work for the GN Department of CGS in Cape Dorset, and some people in Cape Dorset thought that I was really crazy

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because I was rarely acknowledged.

Ultimately, Mel Orecklin was hired as the new CEO, who, in turn, hired the new Investment Manager, Mile Voakes. Within five months of his joining NBCC, at my performance evaluation meeting, Mel clearly indicated to me that my performance was good but nothing at NBCC would collapse if I left NBCC. Mel knew that I was really uncomfortable with the working style, knowledge and judgement that Miles exhibited. I didn't agree with the way that things were going. It would wipe out years of hard work and it would put NBCC back into deficit.

Before these two joined, NBCC had wiped out \$1 million deficit and reduced non-performing loans to a trickle. I was getting into conflict with what was being done and what was proposed to be done. Both of them felt like they were being kept in line by me, which I knew I had to do in order to continue the progress of the NBCC. What a terrible waste of time and resources it is if all we are to do is to keep a few people in check and not being able to focus our skills and energies on sustainable growth, progress and development.

I argued for things to be done in the right manner but to no avail. I was told and I quote, "Your old way of doing things do not matter anymore." The message was clear to me and I decided to leave NBCC. Instead of God, I should really thank Mel and Miles for the wonderful life I'm having today in every way - professionally, economically and socially - but that would be selfish considering what has transpired at NBCC and the full effect it has had on every one of us. It is not a surprise to me, as well as to some people in Cape Dorset at the time, that things at NBCC would come to such a pass, but I must confess that I had

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never imagined that things had gotten so bad so soon.

Before I left NBCC on March 30, 2005, I had prepared all of the audit documents and realtor accounting for the fiscal year 2004-05, which were emailed to all the relevant authorities. All the audits for the previous fiscal years, we had successfully completed before I left, and the audit for the last fiscal year I was responsible for were subsequently completed.

I am still emotionally attached to NBCC and Nunavummiut, and I am pleased to do my utmost in whatever is asked of me to help resolve this difficult situation. Thank you, Mr. Chairman. *Nakurmiik*.

Chairman: Thank you, Mr. Jhaveri. Mr. Voakes.

Mr. Voakes: Thank you, Mr. Chairman. I apologize, I have a bit of a cold, and I apologize for the way I'm dressed. The airline company misplaced my bag.

I was the Investment Manager from September 2004 to September 2006. I have no opening comments, so I guess I'm finished. Thank you.

Chairman: Thank you, Mr. Voakes. Maybe with that, we'll take a 15-minute break and reconvene at five-to.

>>Committee recessed at 14:46 and resumed at 15:06

Chairman: Welcome back. I'll just open the floor now to ask any members if they have any questions that they would like to ask. Mr. Peterson.

Mr. Peterson: Thank you, Mr. Chairman. My opening questions, I'm going to direct

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them to the former Chairperson of the Nunavut Business Credit Corporation, Mr. Hanson.

First of all, Mr. Hanson, I think the committee's interested in knowing whether you resigned on your own or you were forced to resign as the Chairman on the Board of Directors of the Nunavut Business Credit Corporation. Can you tell what the reason was for your resignation? Thank you.

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

Mr. Hanson: Thank you, Mr. Chairman. I have offered my resignation to three ministers within that department. Olayuk Akesuk, I offered my resignation to him because there were some problems happening with NBCC that I could not solve. I was asked to stay on.

I re-offered my resignation to Peter Kilabuk, when he was the minister also, for the same similar reason. I didn't have the proper staff or enough staff and we did not have the members on the board that we needed as an organization to run. It was again requested that I do not resign.

This time here, I offered my resignation also to Minister Simailak at the time before. Again, it was refused and the most recent resignation, the request was made to me, "Would I resign?" And, I said, "Most certainly I would," and I did, and I wished the organization all the best in the future.

I know the work that I had put into that organization for the passed nine years, a lot of my time and effort has gone into that, and I hope that I did make a difference to the organization, I know I have. It was a very hard decision to make to resign but I

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thought it was appropriate with what came out of the Auditor General's Report and I'm a great believer in making Nunavut look good. (interpretation) Thank you.

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

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. Hanson for that information. You stated that you attempted to resign three times previously prior to the successful resignation; I guess you could call it successful.

Can you tell us why the ministers wouldn't accept your resignation previously? Obviously, when you resigned, did you tell them why you wanted to resign? Can you give us some background on what discussions took place between yourself and the ministers when you did try to resign? Thank you, Mr. Chairman.

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

Mr. Hanson: Thank you, Mr. Chairman. I think, to be honest, if it's just frustration, as the chair, trying to hold meetings in various communities when you could never get a quorum, it was the staffing issue that we had to deal with for many years, and it was more just in direction that was brought forward by the various audits over the past number of years and trying to make everything work. And, we thought we were doing everything that we possibly could.

I just thought, perhaps, it was the chairman that is holding everybody back, and maybe I should resign, and that's why I offered my resignation. I guess it wasn't accepted because I think they must have felt I was doing a fairly good job. I appreciated their confidence in me and I really thought I

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could make a difference.

The last time where you say it was accepted, I don't think it was accepted; I think it was a necessary thing to do because of what has been transpiring over the past year and a half. I guess my feeling is I just wasn't doing the job that I was supposed to be doing as chairman of the board and that's why I resigned. Thank you, Mr. Chairman.

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

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. Hanson. But don't you think, as the chairman of the board, you're in a better position to understand how successful you are as the chair in guiding the board of directors and the staff reporting to you?

So when you try to resign, you would have all of that insight; you would know. You should just be confident in yourself that this is a right thing to do. Why would the ministers not accept your resignation? And, second to that, when they refuse to accept your resignation, why did you go back? Why didn't you just keep walking and say, "I'm out of here," whether accepted or not? Thank you, Mr. Chairman.

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

Mr. Hanson: Thank you, Mr. Chairman. I guess, really, Mr. Peterson, it's got to do with my commitment to Nunavut as a whole. In all of the years that I have served on very many community organizations or other boards, or other agencies, I have never resigned. I have served out my full term, always.

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

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. Hanson. You touched, earlier in one of your answers, about some of the challenges. Could you provide a bit more detail, as your role as Chairperson of the Business Credit Corporation, on what your daily and annual challenges were to oversee that organization, and how you tried to deal with those challenges and control the organization? Thank you, Mr. Chairman.

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

Mr. Hanson: Thank you, Mr. Chairman. I think, basically, what we have to do is stop saying "I." I am only a spokesperson for the board that I had with me and the direction that I received from the board is what I acted on, and tried to act on to the best of my ability.

When direction was given by the board, that's when I did what I had to do. When I found out about the problems that the Auditor General was having in the 2005-06 audit, I then, again, worked to the best of my ability to get this audit done with the staff that we had. Thank you, Mr. Chairman.

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

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. Hanson. Can you tell us what your most significant challenges were as a chairperson of the board and how you tried to address them?

You mentioned that you found out about the difficulties during that audit, but what **Δ•/«ኦር**•• (ጋጎ.ኦበJና): የ<mark></mark>ժታ•<mark>ፌ</mark>፫•, Γ^៶ር ዘፈ[•]ጎ•. Γ^៶ር ለርጎ•.

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kind of things did you try to do to help overcome those problems with the audit and then problems with some of the loans, or the day-to-day operations as the chairperson? Thank you, Mr. Chairman.

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

Mr. Hanson: I keep pushing this button but I guess I don't have to. Thank you, Mr. Chairman. Basically, I guess it's finding out what the problems were in the running of the day-to-day operations because I'm not there.

The board had a problem that the organization was too far away. I think the reality is that the board is not employees of NBCC and were not there all the time to see what's going on, and when something came up that we were required to deal with, such as the files were not adequate to make a decision - if there was lacking of information and so on and so forth, then we had to find ways to correct that problem, and that's what we worked on for about a year and half. Thank you, Mr. Chairman.

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

Mr. Peterson: Thank you, Mr. Chairman. Mr. Hanson, you talked quite a bit about your relationship with the board, the board was not employed. I think we recognize the board of directors of the organization are volunteers and they come from all across Nunavut; I think there were two or three from the Kitikmeot that were on the board of directors.

Can you outline for us your approach to overseeing the board of directors and ensuring that the policy of the Business Credit Corporation was carried out and PYGLAYCPCP%)"-> 4"L-> "BPCL"%7PNNJ"
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ὀCነ⁶ (Ͻʹ៶ϟΩͿʹ): ʹϭͿϧʹͼϲϳʹϧ Γʹς Ηϭʹϲʹ϶. ϧΩͰϟϘʹϧΩΩϭ·ϭϤ ϘʹϧϷϒʹϹͰͿϧϾʹ ϭͰϹͻ ϹΔϧϤϤ ϧΩͰϟϲ ϤͰϹ·ͽϲϧϲϹϷϹϷϧʹϹϹ ϷϭϧϲϹϲͻ ͼϹϲϳʹϧ ϷͼͺϷϲϷͺʹϽͶϧ ʹϧϹͿͼͺϷϹϷϤϤ ΛϧϹϧ;ϧϥϲϦͼϧͰͿϲϲͺϲϧϥϭϲ Φϧϒͼ;ϷϹϷϲϲ.

ΔϽαΔγΔζ^αα^ιιλ^c, ίδο^ι CΔ⁶d Δρς ίδις οριξ¹ι^αιν ορι² α¹L Δρο ορισο implemented by your staff? What was your relationship with the board in ensuring that you worked as a team? Like you said, the word "I" is not a word that you want to use, it's "board," working together. What was your relationship with the board in carrying out the policy of the Business Credit Corporation? Thank you, Mr. Chairman.

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

Mr. Hanson: Thank you, Mr. Chairman. I guess, basically, the relationship that we had with the board was at our meetings face-to-face. The vice-chair and I communicated by emails and we tried to always involve copies being sent to the full board and try to keep them up to date on what's going on and not just here three or four times a year.

With the policies, I would have to say to be quite honest, there wasn't much about the policies. What policies that we did make, it was done at a meeting and they were implemented by the staff, I would say, to the best of their abilities. Thank you, Mr. Chairman.

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

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. Hanson. Mr. Hanson, can you tell us what you think or what you believe are your most important accomplishments as a Chairperson of the Nunavut Business Credit Corporation?

I believe that you were a chairperson for approximately seven or eight years, so in that time, you must have had a lot of... You started an organization from the beginning, so you saw the growth, so, perhaps, you could give us an overview of

bΠ°°U'¬''' Λ⊂ΛϤʹϦʹϦ·ϹϹϷʹͽʹͰϹͿͽʹʹ ϤϹϷʹϷʹ¬''. ʹϧʹϼͼ ΔʹͼϧͼϪϧʹϧΠϹʹ·ϹϤʹϭ·ʹϧϲͺϷʹͼϧϒʹ ϧϹͿͰ ϹʹͼͿϼʹʹͿͺϼͼͺϷʹͺϹͼʹϦͼʹϽϼͼͺϔͼͺϷϧϧϥϗϧ ϥϤʹ϶ʹϯʹϧϥͼʹϼ·ʹ;ͺʹϥϧͼͺϲʹͱͺϪϧϒͺ«ϷϹʹͼ·

Δ⁶/<6> (Ͻ^ϳλΑηͿ^c): ⁶d۶⁶Φ[†]⁶. Γ¹C Η^{Δ⁶6}.

Δ•/«ኦር• (ጋጎት/በሆ): የሀታ•ሲቮ• ዘረቅ-ነት. Γነር ለርነት.

ለርነ° (ጋጎትበJና): 'dታ°ሲቮ° Δየረየኦርጐ. 'dታ°ሲ፫ጐጋJጔ ΓʹC ዘፈግነግ. σ"፫ኦበናቴዖ°ሲኈለና ሲ"ርፈ ለንሂፈሲσጭሩ"ህLኦናኒግኒናለና Δየረየኦርሲታኦ°ጔበና?

what you think are your major accomplishments. Thank you, Mr. Chairman.

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

Mr. Hanson (interpretation): Thank you, Mr. Chairman. (interpretation ends) I guess one of the main things is working with the staff that I had in meetings with the various people over these eight years that I was chair, working with the board members that I had with me over the eight years was very rewarding in setting NBCC up to where it is today. I'm very proud of what we have in Cape Dorset and very proud of the present board.

I think the Government of Nunavut had a very strong board in NBCC over the passed year, year and half, one of the strongest that I've ever seen. The individuals were committed; the individuals attended all of the meetings, conference calls, and they all put in their valuable opinion in what we were doing.

I think starting from an organization where everything came over from BCC, Mr. Peterson, I think you and I both were on that organization before; we did inherit a lot of problems from that time and worked quite diligently to correct that problem. That's a major accomplishment and I think the loans and assisting the entrepreneurs within Nunavut to excel and grow the way they have over the past number of years is also very rewarding for me. Thank you.

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

Mr. Curley: Thank you, Mr. Chairman. (interpretation) I would like to say something in Inuktitut. (interpretation ends)

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(**Δίλη): 'd>°α Γ'. Γ'C Ηά°ς°.

Δαρς υθυνός μαθυνόμενος βαργυνός Ε΄ διασ Δαριτ αιτστόθος Αργυνός βαργυνός Αργυνός Αργ

CAL⁶U⁶ Aral⁶16-5U Fic Ách⁶, CAb&<<cp⁶billlu⁶, Peu⁶, Fic Ách⁶. Allo Nucp⁶billu⁶ Ca⁶da abp⁶rcppá⁶ Araci⁶bpa⁶c Ca⁶dao d⁶6pul⁶bicc⁶pan⁶d.

Bob, I respect you tremendously because I've known you for most of my life, since the 1960s, late 60s and so on.

I certainly welcome your opportunity and for the time you gave I believe your heart and soul to NBCC because you were not only the newcomer in 1999, like most people say they did. I don't know how but I often am surprised that people say that they're joining a new territory; I never could really understand what that meant. But you and I understand that, I believe.

When I started hearing some of the comments, I'm both a critic of some of the wording that the Auditor General used for individuals like yourself and I'm not proud of that record because there's absolutely no sensitivity to the commitment and the organization facing itself of lack of abilities to make decisions, in view of the diversity of Nunavut, very complex. But when OAG makes recommendations, they look at the contours, concept of running a corporation and say the CEO and chairman of the board is completely separate. Everything is one, two, three steps and roll. Up here, it's not quite like that.

I believe because of the absence of the fulltime staff, you were forced into situations where you had to at least offer your services, which may have not been as black and white as it could be, but in my opinion, you offered your time as best as you could during those difficult times.

What troubled me most is the particular reference that they say you were heavily involved in running day-to-day operations. It doesn't say positive offer of services. It just makes a statement that maybe it is the new junior CEO is... I think they owe an explanation to you of what they mean by engaging in those services because I

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Ͻ·ʹ·Ͱ/·ʹΠΛϤʹ·ʹ ϹΔͰ/Ͱσ ϤͰ/϶·ΠϤʹ·ϽΓ Δʹ·ͰϭϲϪͰϲϷʹϚϗ· ΝΒϹϹ-ປʹ·ϼ·, Ϲʹ·Ϳϼʹ· ͼͺͰʹΓσϲʹ·ϼ· ϤϽʹ··ϽϤϗͰͿͼʹϼ·. 1999-Γ ϼ·ʹΠϲϷʹ·ͰʹͰͰϹ. Ϸʹ·ͰϽʹ·Ͱϧʹ· ΔϲϷϲʹ·ͰϹϳʹ· ϼϹͿ· ϼͼϻ·Ϳ· ʹϧϼʹ· ϽϷʹϧͰͺʹ·ͺͰʹ Δϲʹʹϒ· ʹϧϷͰͿʹ·ͰϾʹϹʹ·Γ·ͰϹ. ϽϷϒͰ·ΠϤʹ·ϽͿʹ·

believe, in my opinion, you were offering the best you could. Could you explain to the committee what type of advice or whatnot you were offering to whatever remaining staff there was to try after the audits were during that time? Thank you.

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

Mr. Hanson (interpretation): Thank you, Mr. Chairman. (interpretation ends) I did take offence originally to the comment that was made but I realized after what was probably found when they were doing their investigation that I was involved with NBCC as the Chairman of the Board and they made that statement.

The day-to-day operation, no; probably anywhere from two days, four half-days to a maximum three and half days per month and I have timesheets to show that I was involved at that level.

It was on the recommendation of the board, the deputy minister, and the Auditor General to make sure the information was flowing that was required by them to make that, which I thought was going to be an opinion audit. Thank you, Mr. Chairman.

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

Mr. Curley: Thank you. That's important to put on the record because I believe it is really incredibly important that reference be made at least by you because the audit in itself is not totally complete because the policy still has to be addressed by the politician, the minister, and the Auditor General doesn't make any reference to what the minister should do. It's all within the bureaucratic level, so this is, I believe, where we're coming in.

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Δ৬/ペレር% (ጋኒ/አበJና): የ៨৮° ፚ ፫ ካ, Γ'C d̄ Ⴀ. Γ'C H̄ Ϥ° ኒ °.

Hዻ፞፞፞፞፞፞፞፞፞[፞] (ጋ፞፞\ၣበJና): 'dታ°ዺ፫፞፞[†], Δ^ﻪታペϷርʹ[†].

ታ%ʹሮ ሬ¹ ውር ውናጋ ፈናቅጋጐሁ Δናቅፅሮ ውር ውነትር

ርዜጐ ውና ውን ተለታ ውና የታላመ የዕቅት ር ውን ትህ

የጐግጐሁህና 'ዕቅት ትውር የሚያር የዕቅት አልበጎ ነገር

ርΔነተይ ልር ውር ውናት ተይማና መን ላጋናቅጋላል የዕና NBCC
ዕና ልቅታ የወር ሲታቅ በጎ ጋጐ ርልቅ ተይማ.

'ቴኦርቪ'የላኦበጐቦ ውና ለলጢ 'ቴርኦ ጋላሬ ኦጐቦንጐሁ. Δዛሬ 'ቴ ኦዮ ፌዮ ሬናት ውና, Δዛሬ 'ቴ በኣፈና ኦዮ ፌል ΔαΔ° αጐሁውና 3 ½ ኦዮ ጋΔና ርጐዖርቪና ለলጢ 'ቴኖር ሬ ኦዮንጐሁ Δቴናዮቴ በበና 'ቴኖር ሬ ኦጐሮቴ ለፖኒስዮ ጋ.

Płdoc d⊃cfdbcÞჼn°⊐° bNLÞÞť, ϽჼՐϲჼႱჂ ΓσʹCÞ′ dŀLɔ CŀLჼŧłLťჼŧłÞ∩₺ď Ͻ∖Ⴑ՝∖Δና CL₺dd ∖ჼ₽ኘҌናርΐσ°⊐Րና Λ₹L♭ჼՐና Ċ₺dd Δ/LՐ♭Γ°σ₺ በበናዖ°α′σ°ъ∩ና αΔ∖Δ⊂Þჼъ∩°⊃Րና.

Δ⁶/<β/>/ (Ͻ[΄]λ²Λ)²): ¹d² ⁶, Γ¹C H²d² ⁶. Γ¹C d²C.

ἀc (ϽʹϞϒΛͿʹ): Δ΄, ʹϭͿϞʹʹϙͺΓʹ⁶. Λ^ιLΛΡ^ιL^c Ϲʹ⁶α ΔϲϧϷʹϭʹʹͻͿ ϭΛϲϷʹͽͰͿϲͿ^c. Λ^ιLΛϷ^ιL^c Ϲ⁶ͽϤ^d. CΔͱʹ;ϭʹʹͻϹ, Δϲ⁶ Ϸʹ;ϷʹϭʹʹͻϽ^c. αΔ\Δσ⁶ C^ιL⁶⁶γL⁶⁶γϷ⁶ Δ⁶⁶⁶⁶Δ⁶⁶γL⁶⁶γ¹L^c Δ¹Δ⁶ ⁶ bL⁶⁶γΡ⁶⁶Λ⁶⁶⁶ Δ⁶⁶⁶⁶⁶γ⁶⁶ C^ιL⁶⁶γL⁶⁶γΡ⁶⁶β⁶⁶ Γσ⁶C⁶γ⁶⁶ ⁶Δαραγ⁶⁶⁶⁶ Δ¹L⁶⁶ (⁶« CΔĹ⁶ Δ⁶⁶γ⁶⁶<0. So for that reason, I was personally a bit angry because on paragraph 79 it says here, the wording in part, the second part of the sentence, "... the Chair normally manages the affairs," we all understand that, "... while the CEO manages the day-to-day..." In NBCC's case however, it was found that the chair was very involved in the corporation's day-to-day operations.

Now, my next question has to deal with whether or not what your relationship was like with the CEO. Did you have, while the CEO was in place, did you have a businesslike professional relationship with the CEO? Thank you.

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

Mr. Hanson (interpretation): Thank you, Mr. Chairman. (interpretation ends) Again, I felt that my rapport with all three of the CEOs was very good. They had never once refused to speak to me; they never once refused to do what was asked. I guess the only thing, perhaps, that was not done was more that needed to be done for the Auditor General.

My dealings with, the very beginning, I guess Michael Sanagan was good, Mel Orecklin was very good. And Mr. Hannah, who came on after, I was more involved with him in the day-to-day operations in receiving feedback from him on the problems that they were going to have to work on to get us to an audit which never came. Thank you, Mr. Chairman.

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

Mr. Curley: Thank you, Mr. Chairman. I appreciate your clarifying some of these

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Δ•/<>C'• (Ͻʹ៶>ΛͿና): ^ናd>σ Ϲ˙•, Γ'C d̄c. Γ'C Hd̄c. Γ'C.

 $H\dot{q}$ (ጋኒትበJና): 'dታ° $a\dot{r}$ (ጋኒትቦJና): 'dታ° $a\dot{r}$ (ጋኒትቦJና): 'dታ° $a\dot{r}$ (ጋኒትቦJና): 'dታ° $a\dot{r}$ (ጋኒትቦJና): \dot{q} ነው የውና ለ የሀረት የተመሰው የተ

points. I also would like to find out a bit about how your relationship, during that time that you were chair, was with the deputy ministers of the government at that time. I know that they were doing some pretty serious correspondence with the CEO, I'm not particularly sure, with all three CEOs, I believe, at that time.

Were you able to have formal communications with the deputy minister of the day? From the time you were the chair, did you have a very professional relationship as well with him and did he ever explain any or send you some instructions as to where the board should be heading into that, and if so, could you give some examples to the committee, please? Thank you.

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

Mr. Hanson: Thank you, Mr. Chairman. I just wanted to go back to a previous comment. We did receive an audit, and I have said we did not receive one but we did receive an audit. It was an un-opinionated audit but we did receive one. I want to clarify that.

My reporting with the deputy ministers, especially Mr. Campbell, was very open. The door swung both ways at his office and at mine. He is a very busy man and I know I am a very busy man, and we couldn't spend as much time, perhaps, as we needed to as two individuals together. The present deputy minister and myself communicated the same way - the doors went both ways, my office was her office, and it was always there and always open. The communication would normally filter through to me by the deputies.

I can't say if information went to the CEOs

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Δ৬/ペレር% (ጋጎ/ትበJና): የ<mark></mark>ቫታ°ሲቮ⁶, Γ¹/ር ቨር. Γ¹/ር ዘ፭°1,

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without my knowledge. I wouldn't be privy to that, but I know when the ministry had the CEO reporting to the deputy minister, that was a very hard thing for me at the time and I had to deal with my staff on an imaginary line reporting relationship with them. I will commend both CEOs past that that communication link was always open to me and they informed me on, I hope, everything that was happening so I could report to the full board. Thank you, Mr. Chairman.

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

Mr. Curley: Thank you, Mr. Chairman. Yes, that's important to understand, the working relationship. We certainly will be addressing those issues a little further down.

I also wanted to find out, during your term as the chair, you were the first, in Nunavut at least, to hire a CEO, is it my understanding that all of the Human Resources does all of the screening and everything else for you, and you guys, did you take part in the interviews and hiring the CEOs at all as the chairman? Thank you.

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

Mr. Hanson: Thank you, Mr. Chairman. Senior managers, as you say, are through HR, and most certainly, when we hired the first CEO, I know that the chair and the vice-chair were in the meeting for the selection for sure.

The second individual, I'll have to ask Mel, but I'm not sure if it was myself or the vice-chair. I just can't remember. I know that we talked to him at a conference call

₫∿Ր⊀ჼჼԵՆՐ ፴₫ჼቴՐሮσჼኒჼჼ 'ቴΡኦኒ-°ՆՐՐጋጐሁፆሁጋ₫ჼ የሃ₫σ፫ ር∆°ዉ ለ፫ሊኖልጐሁ ኦσჼቴჼቴՐር፫ჼ•በርኦ፫ჼ፥በ"ጋህ ₫ʹ፫«ልኑΓ ₫ጐՐ⊀ჼჼቴ′ ጋጐՐ፫ጐሁውና Γσጐርኦ′ ፫°ዉ ₫⁰ፖ₫ጋჼ ለኦኘσ፫ኦ°ጐՐՐጋጐ ኦሚ°ውና. ር∆ፕፖቲσ Δჼቴዕፈኦነ፥በትዕጋ ለ፫ሊንሲፈየቴኘጋቦና ፫፻ጋ በበ₫፫፡ቅፖኒጋበና ኦσቴቴፕቴናርሊ₫′ቴናቴጐቦ°ውና ኦለቦኦቴ ርኒቴዮ ₫ʹ፫«ልኑΓ ₫ጐՐ⊀ჼჼቴህ፫ኦነትጋና ኦፕቴፕፅበሶናቴናርσ፣Ίና Lጋ∆ጐሁ∆°ዉኦንድ▷ኙኒበ ኦሚ°ውና ₫ኒ, ር∆₺₫ላ ኦσቴጵን°ዉናσ₫ናኒ ቴበኒኦውና. '₫ታ°ዉ፫ჼ.

Δ৬/«▷ር·Φ (Ͻʹ៶ͰΩͿ·): ·ϭͿϧ··_ΦͺΓ'₀, Γ'₀C Η⟨ί^α\^α. Γ'₀C d̄_C.

ዕC (ጋ\ትበJ^c): 'dሃ°ሴ፫'^c, Δ⁶ሃ'«Þ፫'^c. Δ΄, ለ¹Lሲኦ¹L^c ưሴ ጋየሃ'በላሲላ¹\^c Δ⁶bሴΔሃ¹bበ'b'σሲታΔ^c Č⁶dላ Þላ'በላፖ⁶b°σ⁶ የÞσላና'በJ.

Δογ<>C¹⁰ (Ͻϳλληυς): ¹dγ²α, Γ¹C Ηζ²η².

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My problem, I guess, Mr. Curley, is I run a business and I don't have the time when they're doing interviews and I can't make it, but if I can't, I try to send somebody from the board and preferably the vice-chair, but if you want to ask me the one did I set, or who did set, I'm pretty sure somebody from the board did. Thank you, Mr. Chairman.

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

Mr. Curley: Thank you, Mr. Chairman. I think that satisfies the committee, at least myself, that there is a connection that the board is asked to participate at whatever level. That's important to understand.

The second question that I have is: of all the CEOs that were hired, did the board understand clearly that the CEO reports directly, or received instruction from the chairman of the board; was that your understanding? Thank you.

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

Mr. Hanson: Thank you, Mr. Chairman. That was the board's understanding that when the chief executive officers were hired, they did report directly to the chair, who, in turn, reported to the board. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Hanson. Mr. Alagalak.

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Firstly, when the office of the NBCC in Cape Dorset was being discussed at the time, the federal government's Auditor General was being discussed at those stages and the position of the NBCC being in Cape Dorset was discussed as to where it would be better, maybe move it closer to the Government of Nunavut, or that it would be combined with the Nunavut Development Corporation.

That's what was discussed; if they would be in one office and the loans that could be given out to the people of Nunavut. Have you ever thought of these ideas when that was in discussion in the early stages? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Alagalak. Mr. Hanson.

Mr. Hanson: Thank you, Mr. Chairman. I guess it was a political decision to put the Nunavut Business Credit Corporation office in Cape Dorset. It was not up to the NBCC Board. It was done by decentralization. Now, I'm not privy to what was discussed in this room but I know that the decision was to put headquarters in Cape Dorset and that's what happened. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Hanson. Mr. Alagalak.

Mr. Alagalak (interpretation): Thank you, Mr. Chairman. Looking at it as a whole when these discussions arose, it seemed

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Chairman: Thank you, Mr. Alagalak. Mr. Hanson.

Mr. Hanson: Thank you, Mr. Chairman. That discussion happened fairly quickly in the beginning of NBCC and where we were, and a possibility of moving NBCC headquarters from Cape Dorset to another community and offering that recommendation to the ministry.

We didn't want to say where but we did discuss it a number of times over the past number of years, and most certainly, recently in the past two or three years for sure, when we could not get staff to fill those positions that were required. We knew that we needed a lot of assistance at NBCC to help us and that assistance was here at headquarters. I'll stop there. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Hanson. Mr. Alagalak.

Mr. Alagalak (interpretation): Thank you, Mr. Chairman. Thank you, Mr. Hanson. It's understandable and clear. I am sure it will become clearer within this week as to why some of the staff and positions were a concern, and as to where the NBCC would be moved. These things stopped the process of the organization in trying to find employees and these become hardships to the organization, so we will be discussing these further.

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I have another question besides what I asked. The Auditor General of Canada identified that the people that wished to get a loan from NBCC, following the policies of NBCC, they were given to the board of directors for them to review to see whether or not they would be approved and whether they would be adequately scrutinized by NBCC and sometimes they have to be scrutinized for the loan applications.

So when the problems arose like before it's approved, in your view, what caused this failure to occur? When they became unclear and the applications were not written properly, what was the cause of the failure? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Alagalak. Mr. Hanson.

Mr. Hanson: Thank you, Mr. Chairman. I'm sorry but I don't understand what he means by the failure. I just need clarification on what David means on the failure, please.

Chairman: Thank you, Mr. Hanson. Mr. Alagalak.

Mr. Alagalak: I'll proceed with a bit of English here. When the applications were presented to the board by the staff and they were not completely completed to the satisfaction of the board, or scrutinized according to the policies and procedures, and the guideline, when you come to that point and you wanted to go further to proceed to discuss over a certain application, and when there were some problems to delay, or delay some of the applications while the applicant probably wants to hear it next day or something, knowing that the board was meeting, what do you think of all this? What sort of action

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Chairman: Thank you, Mr. Alagalak. I think Mr. Alagalak is referring to the section in the report where it identifies a number of areas where the headlines for the loan applications were not evaluated adequately before being recommended for approval to the board. I think, generally, that is the gist of the question that Mr. Alagalak was asking you, and hopefully, that helps. Mr. Hanson.

Mr. Hanson: Thank you, Mr. Chairman. Thank you for that question. I think most of the loans that came before us, what we received, is what we discussed. We are never there to do the evaluations and to do the day-to-day things that need to be required to present us the loans.

What we would do as a board when a loan application came to us, we would read it over. We would request the investment manager to do a presentation to us on why this is a good loan because it's coming to us for recommendations, so we had to deal with that. The CEO would also discuss the reason why he is signing on this loan. We would then be talking amongst ourselves as members of the board on should we or should we not give this loan to the individual.

If and when we found information lacking for us to make a proper decision, and that goes two-fold, if there's information that just needs to be signed by them, such as insurance or anything else to give this loan, we could then approve the loan and send it back to the staff to make sure that that information is in that loan prior to the loan being dispersed.

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In all of the eight years that I was there, I don't want to say in two hands but maybe there were 10, or 15, or 20 loans, I'm not even sure if that many, that might have been refused. I don't really think that that is what I have read in the report. There is other information that may come out as the questions are asked on it but I think when the loans came, we dealt with what was given to us. One of the biggest problems we had was that we depended on the staff to present the loans to us.

Now, by having representation from within Nunavut, we always had that person to fall back on and talk about who the person is - what kind of person are they, what kind of a company are they, will it work, will it not work. So you also involve the community member or somebody who may know that person to make a decision because we don't have the education that the bankers do, where a person off the street has to make a decision that may effect the lives of the people of Nunavut and that's what we try to do. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Hanson. Mr. Alagalak.

Mr. Alagalak: Thank you, Mr. Chairman. I guess I'll go back a little bit on these incidences. Did you notice if some of those applications came back more than once for lack of information that the board requested? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Alagalak. Mr. Hanson.

Mr. Hanson: Thank you, Mr. Chairman. I wouldn't say very often they ever came back. When they were refused, they were refused for a reason. If there was a lack of information that we didn't feel the loan would be approved, it was sent back to the

Δ⁶/<β> (Ͻ[΄]λ²Λ)²): ⁵d⁵⁶ μ[†]⁶, Γ⁵C Ησ^{΄6} Υ⁶. Γ⁵C σ_CC⁶.

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staff to discuss another approach to present the loan to us, and maybe not as much as trying to get other funding elsewhere.

We never really intended to turn anybody down. When it was, it was just additional information that was required. Thank you, Mr. Chairman.

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

Mr. Peterson: Thank you, Mr. Chairman. Mr. Hanson, you mentioned earlier in one of my questions that you didn't spend a lot of time developing policy at the board level. Paragraph 20 of the Auditor General's Report says that "NBCC does not have a comprehensive set of policies, procedures, and guidelines to guide its operations." So my question to you: if you didn't have those important documents, how were you able to run the Business Credit Corporation for eight years? Thank you, Mr. Chairman.

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

Mr. Hanson: Thank you, Mr. Chairman. I don't agree with this because I thought there was and have been procedures. I know there is. Where are they? I have no idea. Guidelines were always there in place. For comprehensive policies and procedures, we tried to set a committee. We did make a number of policies and procedures over the eight years that I was the chair.

It was an ongoing learning experience for us in almost every meeting and when we felt we needed to do something we did it to make it a better organization, and that's what we did and I know we did. Where are they? I don't know because we couldn't

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

Mr. Peterson: Thank you, Mr. Chairman. I would like to direct a question to the Auditor General's Office as a follow-up to Mr. Hanson's response to my questions.

Perhaps, the Auditor General's Office could clarify what paragraph 20 means when they say "NBCC does not have a comprehensive set of policies, procedures, and guidelines to guide its operations." Can the Auditor General's Office tell us what they found and what they didn't find? If they can clarify the whole paragraph. Thank you, Mr. Chairman.

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

Ms. Charron: Thank you, Mr. Chairman. As we outlined in paragraph 21 in the report, we would have expected to find policies and procedures on specific items, such as privacy and security of confidential information, the way electronic data around information technology should be kept and stored, and proper file documentation; do we have a paper copy if we keep electronic files; what should be kept; how should it be stored; when should it be deleted; for example.

It is the same thing on loan renewals. When a loan was due for renewal, what was the process? How much in advance shall we notify the recipient that the loan was up for renewal? What was the process to renew it? What is the new interest rate, if any? And, what were the documents required to renew

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It is the same thing for monitoring of loans. All along the life of a loan, we would have expected that reports would have been produced, that the information that was needed for the board and for management to conduct the operations would be clearly outlined and communicated to staff so reports could be done. Also, when a loan got impaired, what were the procedures to foreclose the loan if there were any?

And finally, given the growth of the portfolio, we would have expected that the corporation would have assessed where it needed to grow, where it wanted it to be in the future years - short, medium, and long-term.

We found out that the corporation had inherited policies from the NWT, but at the time we did the audit, those policies were not being followed and we were told that they did not exist. It's only later in our audit that the policies and procedures were identified and were reinstated within the corporation. Thank you.

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

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Charron for that answer. Just a follow-up question to Ms. Charron, the former Chairman of NBCC said that they worked on policy and guidelines but he doesn't know where they are. So did you find any evidence anywhere in your audit that something existed, that the board of directors had developed policies and guidelines, and at some point in those years, that they were following some policies, guidelines, rules and procedures to proceed with the processing of loans, disbursement, follow-up, and all that sort

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of stuff? Thank you, Mr. Chairman.

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

Ms. Charron: Thank you, Mr. Chairman. As we indicate in the report, the minutes of the board of directors were not always clear and did not always capture what had happened in the meeting, so we had no evidence that this was discussed.

We did find, however, some evidence in some, I believe, reports of meetings in 2005 but nobody in the corporation at the time in the audit could provide us with those procedures and guidelines. It's only later in the audit that they were able to provide us with the NWT guidelines and I believe it's when Mr. Hannah joined the corporation that the procedures and the policies were provided to us. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. Maybe before we go on, Mr. Peterson, we'll take a very short five-minute break. Forget that then, I thought that was the signal.

>>Laughter

Chairman: Mr. Hanson.

Mr. Hanson: Thank you, Mr. Chairman. Just to follow-up, I think, for Auditor General's comment about the minutes, I realized too that when we looked at the minutes and we discussed the minutes at our next meeting, the minutes may have been short and concise but some of it is what we talked about.

Let alone having the appropriate staff to do it verbatim at our meeting, a lot things have been discussed at our meeting as the **Δ•/«▶C** (ጋጎት/በሆ): ^ናዕታ°ሲ广*, Γጎር ለርጎ°. Γጎ ጎና°.

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A lot of the issues that are in the report, I think as the Auditor General said, they did find evidence of that, and yes, we were working on it ongoing because we were a new organization. I know in the past two or three years the work that the staff and the board have put into NBCC has greatly improved. There's no question. Thank you, Mr. Chairman.

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

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Charron and Mr. Hanson for those comments.

I found paragraph 22 of the Auditor General's Report very interesting, to say the least, and Ms. Charron touched on it, it said that the OAG found that "the Corporation had inherited procedures from the Government of the Northwest Territories that existed upon Division that were still valid, in the period covered by our audit the Corporation operated without regard to written procedures and guidelines." Then further on in the paragraph it says, "Employees told us that there were no written guidelines and procedures." And, "... that guidelines and procedures were developed when a situation called for them." In an example they said, "... the former Chief Executive Officer (CEO) informed us that the Corporation had no guidelines on loan foreclosures, because they were not NBCC's practice."

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So my question for Mr. Hanson: would you agree or disagree with what's said in that paragraph by the Auditor General's Office? Thank you, Mr. Chairman.

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

Mr. Hanson: Thank you, Mr. Chairman. I personally cannot give you an opinion. I'm sorry, I wish that I could.

I would say, you know, you have ex-staff here that would be able to answer this. I just don't remember I'm sorry to say. Thank you, Mr. Chairman.

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

Mr. Peterson: Thank you, Mr. Chairman. It gets particularly dangerous without policies and procedures at the board level to guide the board to make decisions and the staff to process loan applications is when you're making decisions without rules.

On page 20 of the report, it's above paragraph 65, you said, "There were numerous contraventions of laws and regulations." And, if look further in that section, "NBCC exceeded the \$1 million limit permitted by the NBCC Act on loans to related parties. Two loans of \$1,000,000 each were approved for a parent company and its fully owned subsidiary." "... a letter from the NBCC management to the Minister indicated that the companies had developed independently from two unrelated companies, when in fact they had not."

My question is: when the chair or the CEO and staff presented loan applications to the

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board of directors, and in particular, the million dollar loans of this size, there are two of them, one to a parent and one to a sub, how did you evaluate them to ensure that they comply with the *NBCC Act*, and policies and guidelines that should have been in place at the NBCC itself? Thank you, Mr. Chairman.

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

Mr. Hanson: Thank you, Mr. Chairman. I guess, basically, Mr. Peterson, what we did as a board is we approved two loans for \$1 million. That's what we approved and that's what was sent to the staff to deal with. Thank you, Mr. Chairman.

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

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. Hanson. When you received these loan applications... I've sat on the NWT Business Credit Corporation for six years and the Nunavut Business Credit Corporation for a year just when we came over, so I know when loan applications came to the board, the board would receive applications and then write up analysis, all the security analysis, review of financial statements, all of the analysis with ratios, all those sorts of things, and security. When we got together as a board, we would ask questions, and as a board, some of the things we would always ask are: is it eligible; does it comply with the policy; is it within our lending limits, and that sort of stuff. We would also ensure that the staff were present to answer those questions.

When these two loan applications came before the board, were the applications complete and was your full analysis done? Were you able to ask the manager, or

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whoever presented, if they fit within the policy and the guidelines that you were operating under? Obviously, according to the Auditor General, the policy was broken; a law was broken when these two loans were issued.

So I don't think it's appropriate to say that you received two applications and you approved them. There's a fiduciary responsibility to ensure that these loans comply with the current eligibility criteria and the policies, and the *NBCC Act*. So I'm just totally puzzled about how these two loans slipped through the NBCC and then got to the minister's office. Thank you, Mr. Chairman.

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

Mr. Hanson: Thank you, Mr. Chairman. You're having two issues here and I think this is what the misunderstanding is for the members. We, as a board, were given a loan for up to \$1 million and that's what we approved. It went back with the staff, with the approval. We moved to recommend that the loan for \$1 million would be passed on to the appropriate minister to be signed. That's what the board approved.

In their evaluation, the OAG found that it was over the \$1 million. That is not what the board approved. The board approved \$1 million. Now, if there were additional funds spent over the \$1 million, we were not aware of that at that time. Thank you, Mr. Chairman.

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

Mr. Peterson: Thank you, Mr. Chairman. It was actually two loans that were

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approved; one million each were approved for a parent company and it's fully owned subsidiary, and that contravenes the *Nunavut Business Credit Corporation Act*, and I think that it's been fairly well covered in the first meeting and then the Auditor General explained it to us. I think the Department of Economic Development has provided us with some background as well.

The two loans of \$1 million each were made to a parent company and its fully owned subsidiary. This should have been picked up by the staff for sure, but when the board saw two one million dollar loans, what were they looking at? What criteria and what analysis did you undertake that allowed you to approve the loans, or recommend the loans for \$1 million and send them back down to the staff to deal with? Thank you, Mr. Chairman.

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

Mr. Hanson: Thank you, Mr. Chairman. Well, to the best of my ability, it was not the same day that these loans came. I can't remember when they actually came but they did come at different times.

The due diligence that was done by the staff and all of the questions that you keep referring to, Mr. Peterson, were definitely addressed by the board at the meeting and they were approved. Now, it's come to our attention, as it was to yours, that these are parent companies. That is an opinion, I think, of the Auditor General but it wasn't the opinion, I guess, of the staff that was presented to us as the board. And, we made our decision on what was given to us. Again, I respect their opinion. That's what they're doing and that's why they did the audit for us.

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As a member of the board, as the chairman of the board, I have to accept what is given to us as the board to make our decision. I know, Mr. Peterson, you keep referring to the old NBCC and the new NBCC and how we did things, and I personally thought that we were doing the same thing as what was previously done.

I have no control on what happens when I walk out of the meeting and what happens in the end. This comes out and I read it too and I have to deal with it now, the same way you are. Thank you, Mr. Chairman.

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

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. Hanson. To interpret this paragraph written by the Auditor General, it said, "Although the Act permits the Board or the Minister to determine whether parties are related, a letter from NBCC management to the Minister indicated that the companies had developed independently from two unrelated companies, when in fact they had not."

So what you're telling us is that you didn't know about that letter. After the loans were approved by the board, it went back to the manager, so then the manager forwarded the two loans to the minister's office, and then provided the minister with a letter saying that the two companies are unrelated. Can you clarify that for me? Thank you, Mr. Chairman.

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

Mr. Hanson: Mr. Chairman, I would say that is probably correct because I have no other evidence that is not correct except what I read in front of me, the same as you.

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Thank you.

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

Mr. Peterson: Thank you, Mr. Chairman. I thank Mr. Hanson for that answer. I would like to ask the Auditor General's Office then if they could tell us, or tell the committee, are you aware in your audit, when the two loan applications went to the board, were they aware, or would you be aware that these two companies were related? In other words, did they get a copy of the letter that the NBCC management provided to the minister? Did the board also get the same letter so that they would be aware of the possible violation of the Act? Thank you, Mr. Chairman.

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

Ms. Charron: Thank you, Mr. Chairman. I would have to look at the file to see exactly what was approved by the board and the date it was approved. I have information here showing that the two loans were approved and were sent to the minister at the same time for approval of \$1 million each. I will have to get back to the committee on more detailed information related to that. I just need access to my files.

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

Mr. Peterson: Thank you, Mr. Chairman. I think it's important that we know that information because a lot of people are thinking that the board approved the two \$1 million loans and then they had knowledge that these two companies were related, when in fact, the former chairman was saying, "We didn't know it was related,"

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but what he seems to be telling me is that they approved the loans and then they gave them back to management to process, and then the manager provided the minister's office with a letter saying that the two companies were unrelated.

So what I'm reading is the paragraph from what I'm hearing from Mr. Hanson. So I think it would be good for us to know that information. Beth or Julie, if she can confirm, can she tell us when we could get that information? Thank you, Mr. Chairman.

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

Ms. Charron: Thank you, Mr. Chairman. I actually do have the information on file, I'm sorry about that. I have information here - the memo that was sent to the minister outlining that both loans were approved at the regular board meeting on the same date. Thank you.

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

Mr. Peterson: Thank you, Mr. Chairman. I thank Ms. Charron for that information. Can you confirm that if there was a letter being made available to the board of directors showing that the two companies were related, or after they left the board of directors meeting, went back to the CEO's office and then they went to the minister's office, was that when the letter was provided to the minister saying they were unrelated? Thank you, Mr. Chairman.

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

Ms. Charron: Thank you, Mr. Chairman. I will get back to the committee on that

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

Mr. Curley: Thank you, Mr. Chairman. I want to follow-up on some of the questions with respect to the statement that the Auditor General's Office made on paragraph 31. I'm just going to give an example. They were commenting on how the decisions were made of all the information that the board required on applications for loans. And, the reference is that they saw "no indication that the former CEO or any other employee had reviewed or challenged this work." That means that there was not enough proper due diligence evaluation of this.

Also, on paragraph 34 of the report, it troubles me when I see that in about 65 percent of the files they reviewed at the Auditor General's Office, indicated that in one case, a company indicated it had \$600,000 in cash reserves, when in fact it was invested in affiliated companies. Were these kinds of reports shared with the board, or was it pretty much at the hands of the investment manager or CEO? Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Curley. Were you directing that to Mr. Hanson?

Mr. Curley: Yes.

Chairman: Mr. Hanson.

Mr. Hanson: Thank you, Mr. Chairman. I guess to the comment about item 31, what we received was adequate for us to make our decision to approve the loan. When we left the meeting and they went back to the organization in Cape Dorset, what information was not available in the files

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when the OAG came, I can't answer you because I don't know. I took it for granted the information was there.

On item 34 that you discussed, there may have been \$600,000 in cash reserves that, perhaps, was given to us; I'm not sure, in another venue but I can't tell you. I just don't know. I know the decision at the time was the approval was given with the information that was given to us to make the decision.

Now, when that goes back to Cape Dorset and the files that, when the OAG went in to do their audit, when that information was not there, that's when the lights come on and said, "We can't find it. Now, we have to find it." And, that's the kind of problem that we had since Mr. Hannah came and these files are now adequate.

If I may, I do want to make a comment. When you quote the numbers out of the OAG report, I received this less than two days ago. I'm not privy to this. I was not privy to this when it was presented by the OAG. I was told that I was not to receive it nor was the board, and even the summary that was given by the OAG, we were not allowed to see. So how can I, as the board chairman, and the board stand up on behalf of something we're not even privy to?

Luckily, our ex-CEO requested that the copy of the summary be at least given to us so we could see it, but we weren't allowed to have it in our hand until it was given to the House. So it was very difficult for us to make any comment on this report until I received it after. I received a call from one of the people from this committee saying, "Do I have a copy," and I had to say, "No, I was not." Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Hanson.

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If I recall correctly, I think the former Minister of Finance, I believe it was, or ED&T, I don't know which hat he was responded to the questions on. He had indicated or someone had indicated to the government that there was a meeting with the entire board of directors to go over the report. You are now saying that such a meeting never took place. Is that prior to it being tabled in the House? Is that correct, Mr. Hanson?

Mr. Hanson (interpretation): Thank you, Mr. Chairman (interpretation ends). No, that's not what I'm saying. There was a meeting with the OAG that was held in Iqaluit with the board and Ms. Fraser, and we discussed the summary at an in-camera session. It was very hard for me, and I think the board, to absorb everything that was given to us in over an hour that took about a year and a half to prepare and expect us to answer all of the questions. It was almost impossible.

So what we received verbally was the one thing. When I saw it in print, then we could deal with the issues. So it's quite difficult for us as a board to deal with this. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Hanson. Maybe just a question, I know and you have known for quite some time when we were inviting you to appear here and we know that the report actually was tabled quite some time ago at this table, it's a public document, why is it that you waited until two days ago to get a copy of the report if you knew it was tabled in the House and that you would probably be

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questioned on them during these hearings? Why wait until two days ago to get a hard copy of it? I guess I'm just curious. Mr. Hanson.

Mr. Hanson: I appreciate your comment. I didn't feel it was necessary to have one. I am no longer the Chairman of NBCC. I appreciate receiving one. I am no longer with the NBCC. I appreciate getting one because it gives me an idea when the questions are asked that I can read it and try to come up with answers as required for the committee, which I am doing. I do not belong to NBCC anymore and I didn't think it was even necessary for me to have the copies. I just made a comment that when we're quoting passages in a report, I received it, thank you, and I'm dealing with it. Thank you, Mr. Chairman.

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

Mr. Curley: Thank you, Mr. Chairman. Yes, taking that into account, for instance, the Office of the Auditor General has made serious allegations of missing information. So when I quote paragraph 34, preamble of that says, for example, it says in the first paragraph, "the information presented to the Board contained errors or was misleading due to omissions." Did you ever get the feeling that the staff was providing misleading information to the board? That would likely be a very clear question during your term as the chair of the board. Thank you.

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

Mr. Hanson: Thank you, Mr. Chairman. No, Mr. Curley, I never thought that the board received misleading information from our staff. I think, I know, I don't

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think, I know that the staff had respect for us and was doing to the job for us.

Where the fall down came when they went back to Cape Dorset, perhaps, the information was not put in the file, and that's a housekeeping issue that the board did not deal with because they were never there, and when the OAG went to Cape Dorset to find the information, it was not there.

The information that we have received, the files and loans that we were given; it was always adequate information that we required to make a decision. If it wasn't, then we requested further information in doing our own due diligence for the files, yes. Thank you, Mr. Chairman.

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

Mr. Curley: Thank you. In that paragraph they also give an example. They say a particular applicant did say how much a loan applicant was for to save the company, with information provided by the staff, indicated that the loan applicant had \$600,000 in reserves, and then they said it's a matter of fact it belonged to an affiliated company.

Was that kind of information to your knowledge or memory do you feel that it was adequately presented to the board? Thank you.

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

Mr. Hanson: Thank you, Mr. Chairman. Again, what is given to us is what we dealt with, and in their audit, they found this information was improperly given to us and they didn't have that there. We

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wouldn't know this, so I don't know what question you want. I just think we're dealing with what was given to us, and if they find that it was not true, well, it's too late now because the loan's already been approved with what we received. Thank you, Mr. Chairman.

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

Mr. Curley: Thank you, Mr. Chairman. I appreciate that response, it clarifies what is termed "misleading," and maybe, in fact, to use the word of the Office of the Auditor General, "misleading due to omissions," is one excuse that they used. It is really quite a serious charge, in my opinion. It's probably a lot more serious allegation than what the other amount of loans were approved for because they do have backup, they are paying their interests, and they're paying their loans.

So this kind of information is troubling coming in from the Office of the Auditor General. So maybe if I ask Ms. Charron, why do you feel the misleading information was deliberately provided, or was it, in your mind, just an omission? Thank you.

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

Ms. Charron: Thank you, Mr. Chairman. I cannot provide information. I cannot opine on whether the omission or the errors were voluntarily made. I can confirm that for the files that we have reviewed, there was information that we felt should have been brought to the attention of the board and that was not in the information that was brought forward to board members.

When we reviewed the information that

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went to the board members, we have not seen this type of information, or information on file was contradictory to what was provided to board members. Therefore, we concluded that there were errors and those errors could have been figures that did not match with what was in the loan applicants' files, or the review that was done on the figures that were brought forward by applicants, information did not jive, or we felt that there were omissions. Thank you, Mr. Chairman.

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

Mr. Curley: Thank you, Mr. Chairman. Yes, I consider it quite serious because it could not be one or the other. When companies ask for certain services, particularly in Nunavut, where access to capital is very complex, very difficult, as we heard from one of the officers presenting, that if it's either an omission, then it's understandable, but if it's misleading information, that is quite a serious charge.

I don't think the Auditor General's team should have... I believe you should give a clearer definition exactly what it was presented because the information I got from the former chair is that this information is either... Maybe you didn't see a tabled document to the board, but was it discussed? That would probably be one way of covering that part of the angle. If it was verbally debated, that's one thing.

In your review, did you actually find that cash reserve was mentioned, and if so, how do you know it was not presented to the board? To Ms. Charron. Thank you.

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

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Ms. Charron: Thank you, Mr. Chairman. In that specific case, the loan applicant file was very clear that the information, the \$600,000, was not a cash investment. The file did say that it was invested in an affiliated company. However, the information that went to the board said that there was an investment in cash. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. So I guess you're saying that they had contradictory or misleading information in there and that was presented to the board. Is that correct in what you're saying? Ms. Charron.

Ms. Charron: Thank you, Mr. Chairman. That is right.

Chairman: Thank you, Ms. Charron. I guess I keep hearing you, Mr. Hanson. You are saying, based on information provided to you by the staff and the board, is that it almost sounds like whatever they gave you, or when they said nothing is missing, it's all okay, then it was just approved and done like that. Was that the case of how things happened?

You keep saying that we just agree to what was given to us and I just want get it clear that whatever was presented to you by the staff, if they said it was complete and it looked okay, then the board would say, "Yes, okay," or "The staff should know it's not good if it's missing this," then you say, "Okay, go back and get that." Is this basically what was happening? Mr. Hanson.

Mr. Hanson: Thank you, Mr. Chairman. No, we did not just take what was given to us. We took what was given to us to make a decision to appoint. We then read over

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and discussed everything in the loan. We also discussed everything that pertained to the loan over and above who the individual was - where they live, what sort of revenues - we discussed the revenue aspect of: can the individual afford to pay the loan back?

You make it sound as if here's a piece of paper, this comes from the committee, this came from the staff, approve it and life will go on. That is not true. The board did their due diligence always on a loan and we did discuss that loan thoroughly before our decision was made and we tried to deliver our policies and procedures that we have remembered that we brought on from different organizations and are self-taught over the years that we all served in the communities.

We did our due diligence to the best of our ability. Now, we just didn't look at here it is and deal with it. Thank you, Mr. Chairman.

Chairman: We can take a short break, a five-minute break. *Nakurmiik*. Thank you.

>>Committee recessed at 16:34 and resumed at 16:46

Chairman: Welcome back everybody. If we can get back at it here, we'll probably go until five o'clock just for those who have other things to do after five o'clock.

Before we proceed, and I know that this was a cause of a bit of confusion during our first round of hearings, as well as far as who has seen the report, when, and stuff like that. I would like to ask Ms. Charron, if you can give us an idea of what you guys call your "clearance process" is for your reports like this, and hopefully, that will clarify things a little bit. Ms. Charron.

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Ms. Charron: Thank you, Mr. Chairman. It is normal process in the office to clear the facts that are contained in the report with management, and also, when we make a reference to a third party, or to specific references to the chair of the board, for example, or any other employees, or organizations, that we clear what we say in our report with those individuals prior to releasing the report to make sure that people are aware of what's in there and that they agree, or that we have had a chance to hear what they have to say about the information in the report.

In the case of NBCC, we have met with the board of directors on October 22 and we provided the whole board and management with an overview of the findings that were contained in our report. Following the board meeting, we met individually with the chair of the board and the vice-chair of the board to validate the references that concerned the chair of the board directly. We also shared a copy of the report as a whole with the president, the acting president at the time, Steve Hannah. We left him with a copy of the report.

We agreed that we would provide the members of the board with a copy of the recommendations that were included in the report. We control the copies that go out, who has those copies, and we make sure they come back. We're always concerned about leaks and the information shall not go out before it is tabled in the Assembly. That process is followed not only here in Nunavut but throughout the various Legislative Assemblies and the federal government as well. So it's not just because it's NBCC. That's the normal process.

So the chair of the board was not left with a

copy of the whole report before the report was tabled, however, management was and the Deputy Minister of ED&T was also provided with a copy of the report because we expected to have the government's responses included in our report before tabling. Thank you, Mr. Chairman.

Chairman: Thank you, Ms. Charron. If you want to clarify, was it in September or October that you provided a copy to Mr. Hannah at the time and also to the deputy minister? Could you clarify a date or a timeframe that it was provided to those individuals? Ms. Charron.

Ms. Charron: Thank you, Mr. Chairman. The copy of the report was provided to management on October 22. We had discussed some preliminary findings with deputy ministers earlier in the month of October but a copy of the report was left with management on October 22. Thank you, Mr. Chairman.

Chairman: I don't know why I put my hand up, I'm just used to it I guess.

>>Laughter

Chairman: Is it my time? Can I ask a question? When you say that report, I just want it clear, is the final report, the copy that was tabled in the House, or a copy of the report without the government's responses in there? I just want to get it clear what was all that was provided to those individuals at that time. Ms. Charron.

Ms. Charron: Thank you, Mr. Chairman. It was a draft copy of the report without the management or the government's response in it. We were expecting to receive the management or the government's response in that.

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I also would like to add that we had a similar clearing process with the individuals that are mentioned in the report, either the companies or any other employees that would have been identified or could be identified in the report. Facts were cleared before the report was tabled. Thank you.

Chairman: Thank you, Ms. Charron. Maybe just a couple of questions for Mr. Hanson, and I think you used the word "frustrated" and "frustration" in your comments and responses earlier in dealing with the limited resources and hardly any staff.

One of the things that's pointed out in the Auditor General's Report is that there didn't seem to be resources or training available to the board of directors to ensure that they fully understood what their roles and responsibilities were under the Act, as it outlines what your roles and responsibilities, and what your duties are to do.

Maybe if I could just get an idea from you as someone that has been there for as long as you have, was that an issue that was brought up at any time, or did you, at any time, ask the minister or the government saying that you need further staff or anyone to develop some type of a plan or a program, whether it would be on an annual thing or once you get a new board member, something so that they go through some kind of a workshop so that everything is pointed out to them as to what their roles and responsibilities are and what kind of things that they should be looking at like a workshop-type thing? Mr. Hanson.

Mr. Hanson: Thank you, Mr. Chairman. I could only go back to eight years and work my way up but that was always an issue for

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the board was the lack of one-on-one training with a trainer. We all had training over the year. At almost every meeting, we always had time that was there at our meetings with the staff to assist us in that type of training.

I guess that the biggest problem we have is the size of this territory. I haven't got to tell anybody that who's sitting in this room. It is so vast that it's scary. Trying to get the board together for a full meeting was almost impossible. To get them together for training was even harder. I think Mr. Peterson can probably contest to this because he had commitments in Cambridge Bay and quite often, he couldn't come, and other members from other regions could not come due to weather, due to whatever.

Every time we ever did set up training with previous CEOs, it always had to be cancelled because nobody could make it. There was never enough time and I guess it's the individuals themselves is not having enough time. The time was given for the board to do the board work.

I don't know whatever happened with training, I guess it just wasn't a priority of the existing board because it was never requested by them. So I took it that they understood what they were doing and when I discussed loans with people like Mr. Peterson, who has that knowledge - we're not accountants. We make decisions from within and maybe that's wrong, but that's how it got us to where we are today in this new territory to do this type of evaluating of loans.

We know there are mistakes that we have made and I know we're going to learn from the mistakes that we have made over the past number of years. And, I'm looking forward to get this committee all of the CLC ΔC°σ4%ΠCΡδC%/L4JC ΔάJσC
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information they need to make a decision, definitely to make NBCC a better organization. I am all for that. I am all for everything that has been discussed here to make it a better organization. I have no problem with that. I'm just sorry it didn't happen during my tenure and it's not from lack of trying because I definitely tried for sure and I know my board has. That's one of the things that we have to live with for the rest of our lives is being asked to resign off an organization that I valued quite dearly to me, on behalf of Nunavut and that's why I did this. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Hanson. Has the board, in your tenure, did you ever convey to the minister responsible or anyone within the government that more resources were required? It's not like there were not enough resources at staff level, or at the board level for training, and ensuring that board members were aware of the responsibilities that they had been entrusted to them. Mr. Hanson.

Mr. Hanson: Thank you, Mr. Chairman. Not so much for the training but definitely for the staff, that was always required. The communication was always there, not to the minister but to the minister's department, through the deputy minister to him. Most certainly, that was an ongoing issue that we had. We have not had an investment manager for over two years. I think Mr. Vokes left two years ago. We have not had an investment manager. We have not had a CEO for well over a year. Every time we do interviews, again, it just never happened. It was very hard for us to get the appropriate staff that we needed.

In the training issue, again, I don't think it was an issue for the present board because the people that were on that board, I'm

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talking about myself as chair, Mrs. Wilcox, Ruth, vice-chair, Mike Howley, Alex Buchan. These are all business within Nunavut and have the knowledge as required and Tommy Uluyuk, Lauren Kusugak; these are very prominent people within the regions, within our communities, that were doing their job to the best of their ability. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Hanson. One thing that you've mentioned and you just mentioned again, is the staffing issue of just vacant positions. I think that that's one thing that was raised during our last round of hearings on that too is that the ability to be able to attract and retain the type of individuals needed to run an organization like that.

I'm just wondering if... I know it was mentioned earlier that the government is looking at the idea of possibly merging the NBCC and NDC together; move it out of its current location to a different location; we had talked about that earlier, or getting rid of it altogether and having that function being done by a government department.

All of those different options are there, or just leaving it exactly like it is. I'm just curious to hear your perspective on that. Do you think it should be moved? Do you think it should be merged? Do you think it should be left alone? Do you think it should go into a government department? Just based on the experience that you've had over the last seven years, I would just like to hear your views on that. Mr. Hanson.

Mr. Hanson: Thank you, Mr. Chairman. My views are on record. My views are as the board is in motions within our meetings. We had recommended to the minister to move NBCC out of Cape

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Dorset by a motion. It's in print within our motions in our minutes, and if they have been approved, then they come through the department to the Assembly. I think there was a retreat done over the summer and it was discussed at that time. The decision came down, I think it was "No, leave it where it is and deal with it," with what it was.

There was talk within the board of amalgamating other organizations with us and taking board members from other lending agencies within Nunavut and amalgamating them as a stronger board - bring in the staff of all the lending agencies under one roof. We never said to move the organization here, but even though that may be the best thing to do, that wasn't really what we decided.

We decided to leave it up to the politicians because that is their mandate, because decentralization is something that's happened, sometimes good; sometimes not. But it happens and we have to live with the decisions of our Assembly. If they say "Stay in Cape Dorset," then we'll stay in Cape Dorset.

Yes, all of the issues that you discussed have been discussed and not just once but a few times. Motions have been made from this past board and previous boards that I have been on, and I think even when Mr. Peterson and I were on NBCC, it was discussed at the very beginning and there was a toss up between I think Iqaluit, Cambridge Bay, and Rankin Inlet. The minister of the day made a decision with the Assembly to put it where it is today. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Hanson. I guess you were putting it in the hands of the politicians. Like you said, it's not

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Chairman: I can say that, it's alright. I know one thing that you indicated, you did request, by motion to the minister, that it be relocated out of Cape Dorset and you know, as Members of the Assembly, we don't see those minutes, we don't see that stuff. It goes to the department officials and if it makes it past there, then it goes to the minister, and then it goes to Cabinet. We never see that information. Most of the time, like you, we just get told that it's going there, it's staying there, or that's the decision that's made by that.

In any of those requests, did the minister ever give you an indication, at the time when that request was made, why they were rejecting that recommendation to move it? Were you ever given a rationale or a reason why they said no and that they were going to leave it there? Mr. Hanson.

Mr. Hanson: Thank you, Mr. Chairman. I know it was brought forward to the deputy to be sent to the ministry, and where it went from there, I don't know. I thought all MLAs were privy to our minutes and I thought, at that time, that all of our motions, all of our minutes are public documents, and I'm not sure if you ever received them but they are definitely there for all members' perusal.

I guess nothing ever came back in writing to us that the decision was made to leave it in Cape Dorset. It was verbally told to me through the acting CEO of the day, I think Mr. Hannah, and I, in turn, informed the board verbally that we were not going to move and that it was the decision of Cabinet. That was only verbally.

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I don't want to sound as if Cape Dorset is a bad place because it isn't. It's just that what we're finding is we cannot attract staff there and the banks are not there, and we all know that. The government is not there and we know that. We have had a hard time and I'm sure the present board is still having a hard time.

I really hope they succeed in answering all of the requests. They might not answer them all but, hopefully, enough of them so that the Auditor General of Canada can give an opinion for 2007-08. I hope, because all of that work that I and our board that I had with me have worked on, including the past acting CEO and Mr. McDowell, and people like him, have been very dedicated to get us to where we are today.

Now, we know there's more work to be done, and I feel that the organization and the members that are left are still in good hands. I'm hoping that appointments from within the MLAs to replenish the board will assist them in making this a very viable organization and leaving it where it is, unless somebody decides to move it. Thank you, Mr. Chairman.

Chairman: Thank you, Mr. Hanson. I told you guys earlier that we're going to quit at five and I don't want to show that politicians never tell the truth. So I'll recognize the clock and I'll adjourn the meeting for today and reconvene at nine o'clock tomorrow morning. Thank you.

>>Committee adjourned 17:09

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Δ•γ<βC</br>

Δ•γ

>>b∩Lσ⁵⁶ _0⁵⁶b⁵⁶D⁵⁶ 17:09Γ