



Standing Committee on Oversight of Government Operations and Public Accounts

Report on the Review of the 2013-2014 and 2014-2015 Annual Reports and 2015-2016 Corporate and Business Plans of the Nunavut Development Corporation and the Nunavut Business Credit Corporation

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Introduction

Section 100 of the *Financial Administration Act* provides that:

- (1) Every public agency shall submit its annual report to the appropriate Minister not later than 90 days after the end of its financial year or an additional period, not exceeding 60 days, that the Minister of Finance may allow.
- (2) Each appropriate Minister shall lay a copy of the annual report of each territorial corporation before the Legislative Assembly at the first opportunity following the receipt of the annual report.

The Nunavut Development Corporation's 2013-2014 annual report was tabled in the Legislative Assembly on November 6, 2014. Its 2014-2015 annual report was backdoor tabled on September 22, 2015, pursuant to the provisions of Rule 44(2) of the *Rules of the Legislative Assembly of Nunavut*. The Nunavut Business Credit Corporation's 2013-2014 annual report was tabled in the Legislative Assembly on November 6, 2014. Its 2014-2015 annual report was backdoor tabled on September 19, 2015, pursuant to the provisions of Rule 44(2) of the *Rules of the Legislative Assembly of Nunavut*.

The 2015-2016 corporate/business plans of both entities were included in the Government of Nunavut's consolidated set of 2015-2016 departmental and Crown agency business plans, which were introduced in the Legislative Assembly as part of the 2015-2016 main estimates and budget consideration process.

Between the 2010-2011 and 2015-2016 fiscal years, approximately \$23.0 million of public money was approved by the Legislative Assembly in direct contribution funding for the Nunavut Development Corporation and the Nunavut Business Credit Corporation. These amounts were appropriated through the annual main estimates of the Department of Economic Development and Transportation.

In June of 2015, the standing committee announced its plans to hold televised hearings in the fall of 2015 on the most recent annual reports and corporate/business plans of the Nunavut Development Corporation and the Nunavut Business Credit Corporation. The purpose of the televised hearings was to enable Members of the standing committee to consider, in detail and in a public forum, the annual reports and corporate/business plans of both arms-length entities. Similar televised hearings concerning the Qulliq Energy Corporation and Nunavut Tourism were held in September of 2014 and June of 2015, respectively.

The September 24-25, 2015, appearances of witnesses from the Nunavut Development Corporation and the Nunavut Business Credit Corporation before the standing committee took place in the Chamber of the Legislative Assembly. The standing committee's hearings were televised live across the territory and were open to the public and news media to observe from the Visitors' Gallery. Transcripts from the standing committee's hearings are available on the Legislative Assembly's website.

Observations and Recommendations

Issue: Statutory Mandates

Section 3 of the *Nunavut Development Corporation Act* provides that:

Objects of Corporation

3. The objects of the Corporation are

- (a) to incorporate, establish and carry on the business of companies or corporations and to develop, establish, operate, manage and carry on the business of projects, directly or indirectly, within the Corporation in order to
 - (i) create employment and income for residents of Nunavut, primarily in small communities,
 - (ii) stimulate growth of businesses in Nunavut, and
 - (iii) promote economic diversification and stability;
- (b) to invest in business enterprises in order to
 - (i) stimulate growth of businesses in Nunavut, and
 - (ii) promote economic diversification and stability; and
- (c) to promote the economic objectives of the Government of Nunavut.

It is important to acknowledge the progress that has been made by the Nunavut Development Corporation in measuring the extent to which its expenditures have served to fulfill its statutory mandate to “create employment and income for residents of Nunavut, primarily in small communities.”

The Office of the Auditor General of Canada’s report on the 1999-2000 financial statements of the Nunavut Development Corporation indicated that the corporation:

“... has not collected information as required under sections 16 and 17 of the [*Nunavut*] *Development Corporation Act* ... under these sections of the Act, the corporation may pay subsidies to cover operating costs to its subsidiaries, or invest in subsidiaries and business enterprises, based on jobs created directly or indirectly. The corporation has not collected the necessary information to determine the number of jobs created.”

Although this observation was repeated in the Office of the Auditor General’s report on the 2000-2001 financial statements of the Nunavut Development Corporation, it has not appeared since that time. Indeed, the Nunavut Development Corporation’s recent annual reports have provided very precise figures concerning the number of direct and indirect jobs that have been created and/or sustained by its investments in its subsidiaries.

It should be noted that in September of 2013, new regulations under the *Nunavut Development Corporation Act* were published in Part II of the *Nunavut Gazette*. These regulations provide that the “maximum amount ... for each job directly or indirectly created in a project or subsidiary ... is \$37,997.”

However, the methodology by which the Nunavut Development Corporation calculates the number of jobs that are created and/or sustained by its recent investments in private entities is unclear, as is its formal definition of what constitutes a “small community” within the meaning of section 3 of the *Nunavut Development Corporation Act*.

It should be noted that the 2014-2015 annual report of the Nunavut Development Corporation indicates that:

“... it is the intention of the corporation to divest itself of its subsidiary investments once the subsidiary has attained a sustainable level of profitability.”

However, testimony provided by the President of the Nunavut Development Corporation to the standing committee during its September 24-25, 2015, hearing indicated that:

“Pangnirtung Fisheries is no longer a subsidiary. We divested of our controlling interest. It became viable. Ivalu in Rankin Inlet is viable, but outside of that, the processing plants in Rankin Inlet and Cambridge Bay will never become viable, ever. It’s not going to happen. The remaining arts and crafts companies are probably not going to ever be viable or profitable.”

In recent years, the Nunavut Development Corporation has become more active in “investing equity capital (shares) in Nunavut-based companies that demonstrate significant employment and income-earning potential for Nunavummiut.” This strategy is consistent with recommendations that were contained in the 2003/2004 *Shupe Report*.

However, the extent to which this strategy promotes a “level playing field” between private entities that compete for business, especially in the sphere of government contracting and procurement, is unclear. For example, testimony provided to the standing committee during its September 24-25, 2015, hearing confirmed that the Nunavut Development Corporation’s current investment guidelines allow it to make equity investments in both co-operatives and municipally-owned ventures. From time to time, private ventures may compete with co-operatives for government contracts in such areas as fuel delivery services in communities.

Section 5 of the *Nunavut Business Credit Corporation Act* provides that:

Powers

5. (1) Subject to this Act, the Corporation may
 - (a) for the purpose of stimulating economic development and employment in Nunavut, make loans to business enterprises, guarantee loans made by financial institutions to business enterprises, provide bonds to resident

business enterprises and indemnify bonds provided by bonding companies to resident business enterprises; and
(b) acquire and hold security for the due discharge of obligations under a loan made, a bond provided or a guarantee or an indemnity given by it and sell or otherwise dispose of or realize on such security.

However, the Nunavut Business Credit Corporation itself acknowledges the challenge of measuring the extent to which its lending activities have actually served to “stimulate economic development and employment.” The Nunavut Business Credit Corporation’s 2014-2015 annual report indicates that the corporation:

“... is committed to developing quantifiable performance measures and annual reporting practices to enable an objective assessment of the corporation’s success in fulfilling its statutory mandate to stimulate economic development and employment in Nunavut.”

This issue was discussed in detail during the standing committee’s September 24-25, 2015, hearing. Testimony provided by the Acting Chair of the corporation’s board of directors indicated that:

“We do keep track of a company in how many people are working, let’s say, because this company borrowed money from [the] Nunavut Business Credit Corporation, there are four people working for that company. They could claim that we created four jobs in that community, but maybe Atuqtuarvik lent them money too and are taking credit for those four jobs that are created. In lending money, it’s not as easy for us to say that a specific X number of jobs were created, but we feel that with the \$23 million that we have out there right now, there are more people working than if we hadn’t invested that \$23 million, if we hadn’t lent out that money. There are 600 people currently working for those companies that borrowed from us. We lend money to clients who, in turn, create jobs in their communities. We monitor to make sure they do what they say they will do in their loan application. We require that they report to us in a manner that gives us an idea of the company keeping to the mandate or what they said they would do in their loan application. We keep track of how many people work for that company, but we don’t really know if that company is creating jobs just because we gave them money.”

It should be noted that the 2014-2015 annual report of the Nunavut Business Credit Corporation formally defines the corporation’s mandate as a “blend of being a lender of last resort and a developmental agency for Nunavut businesses.” It should also be noted that the 2015-2016 *Ministerial Letter of Expectation* to the Chairperson of the Board of Directors of the Nunavut Business Credit Corporation makes reference to supporting “harvesting, arts and tourism sectors.” However, the 2014-2015 annual report of the Nunavut Business Credit Corporation indicates that over 64% of its loan portfolio is in the construction, real estate and retail sectors of the economy.

Standing Committee Recommendation #1:

The standing committee recommends that the Government of Nunavut, in its response to this report, clarify, in detail, the methodology by which the Nunavut Development Corporation determines the number of jobs that are created and/or sustained by investments made in private entities through the corporation's Venture Investment Fund.

The standing committee further recommends that the Government of Nunavut, in its response to this report, formally define what constitutes a "small community" within the meaning of section 3 of the *Nunavut Development Corporation Act*.

The standing committee further recommends that the Government of Nunavut, in its response to this report, formally define what constitutes a "sustainable level of profitability" within the meaning of the Nunavut Development Corporation's current investment and divestment policies and/or guidelines.

The standing committee further recommends that the Government of Nunavut, in its response to this report, clarify, in detail, the Nunavut Development Corporation's position with respect to providing equity investments in private entities that are intended to enhance their competitive position vis-à-vis other Nunavut-based entities with respect to government contracting and procurement in such sectors as travel, hospitality, fuel delivery and construction.

The standing committee further recommends that the Government of Nunavut, in its response to this report, provide a detailed update on the status of the Nunavut Business Credit Corporation's work to "develop quantifiable performance measures and annual reporting practices to enable an objective assessment of the corporation's success in fulfilling its statutory mandate to stimulate economic development and employment in Nunavut."

The standing committee further recommends that the Government of Nunavut, in its response to this report, clarify the extent to which the Nunavut Business Credit Corporation's formally-defined role as a "blend of being a lender of last resort and a developmental agency for Nunavut businesses" is consistent with its statutory mandate and is complementary to the role of the Nunavut Development Corporation, which makes equity investments in private entities.

Issue: Governance

A significant number of individuals and entities play roles within the governance frameworks for the Nunavut Development Corporation and the Nunavut Business Credit Corporation. These are:

- The chairs and members of the boards of directors of the Nunavut Development Corporation and the Nunavut Business Credit Corporation;
- The Minister responsible for the Nunavut Development Corporation and the Nunavut Business Credit Corporation;
- The Presidents/Chief Executive Officers of the Nunavut Development Corporation and the Nunavut Business Credit Corporation;
- The Financial Management Board;
- The Executive Council; and
- The Public Agencies Council.

However, there has been a lack of public clarity as to where the ultimate decision-making authority rests with respect to such matters as the:

- Final approval of the annual corporate/business plans of the Nunavut Development Corporation and the Nunavut Business Credit Corporation;
- Final approval of the annual reports of the Nunavut Development Corporation and the Nunavut Business Credit Corporation;
- Final approval of the annual Ministerial *Letters of Expectation* to the chairs of the boards of directors of the Nunavut Development Corporation and the Nunavut Business Credit Corporation; and
- Final approval of the annual operations and maintenance budgets of the Nunavut Development Corporation and the Nunavut Business Credit Corporation.

In November of 2007, the Auditor General of Canada issued an unprecedented denial of opinion on the Nunavut Business Credit Corporation's financial statements. A number of actions were subsequently taken to address these concerns, including the relocation of the Nunavut Business Credit Corporation's offices from Cape Dorset to Iqaluit.

It is important to acknowledge the progress that has been made. In November of 2012, correspondence from the Office of the Auditor General was tabled in the Legislative Assembly. In his letter to the Minister responsible for the Nunavut Business Credit Corporation, the Auditor General noted improvements in the Nunavut Business Credit Corporation's governance and financial reporting.

It should be noted that neither the *Nunavut Development Corporation Act* nor the *Nunavut Business Credit Corporation Act* have been substantially amended since April 1, 1999.

This issue was discussed in detail during the standing committee's September 24-25, 2015, hearing. Testimony provided by the Acting Chair of the Nunavut Business Credit Corporation's board of directors indicated that:

"At our board meetings, we talk about how much more autonomy we can have as an arm's-length corporation. Sometimes we feel that the legislation should reflect that. I'm trying to remember a particular one that we felt needed change. As you say, the Act is very old and it doesn't always reflect the realities of today. Some of the reporting requirements are not indicative of the corporation being a mature corporation, for lack of better words, that they feel that we have followed our mandate and recovered the corporation to a state where we should have the power to deal with certain issues without always having to go to the Minister.

Some of them are reporting requirements that probably don't add to any more assistance to you, I guess, as people who have to read these reports that we submit to.

As an arm's-length corporation, I think it's important that we have the ability and that's only after we have proven that we can do the mandate the best we can with the resources that we have. Obviously the \$1 million threshold is a big one because they have the ability to go up to \$40 million and our goal to even reach \$25 million is way below the \$40 million that we could be authorized to give out."

The Nunavut Business Credit Corporation's 2013-2014 annual report indicated that the corporation's board of directors "has recommended to the Minister [of Economic Development and Transportation] that the maximum lending limit be increased from \$1.0 million to \$2.0 million, [because] the lending limit has not been updated since the *Nunavut Business Credit Corporation Act* came into force in 1991." This recommendation was repeated in the Nunavut Business Credit Corporation's 2014-2015 annual report.

This issue was discussed in some detail during the Legislative Assembly's recent consideration of the 2015-2016 main estimates of the Department of Economic Development and Transportation. This change would require the Legislative Assembly to approve an amendment to section 37 of the *Nunavut Business Credit Corporation Act*.

However, the extent to which the Minister of Economic Development and Transportation supports the recommendation made by the Nunavut Business Credit Corporation's board of directors is unclear. It should be noted that the standing committee has no specific opposition to the recommendation.

Section 20 of the *Nunavut Development Corporation Act* requires that the corporation's board of directors establish an "investment committee, an audit committee and a personnel committee."

However, testimony provided to the standing committee during its September 24-25, 2015, hearing suggested that this provision is outdated and is not actually being followed in practice.

The President of the Nunavut Development Corporation stated that:

“The corporation is not that large. Many years ago, we went towards an Executive Committee approach consisting of a Chairman, the Vice-Chairman, and a Secretary, with the Executive Committee assuming responsibilities for those three particular items identified in the legislation.”

Following the establishment of Nunavut in 1999, the Government of the Northwest Territories created a new Business Development and Investment Corporation (BDIC) in the year 2005 by combining its development corporation and business credit corporation into a single entity.

In 2008, a report was commissioned by the Government of Nunavut on this issue as it related to the Nunavut Development Corporation and the Nunavut Business Credit Corporation. This report, which was tabled in the Legislative Assembly on March 12, 2008, recommended that the Government of Nunavut establish a new “Nunavut Enterprise and Investment Corporation” in Rankin Inlet by combining the existing Nunavut Development Corporation and Nunavut Business Credit Corporation into a single entity. Ultimately, however, no amalgamation occurred.

The advisability of revisiting this recommendation was raised during the standing committee’s September 24-25, 2015, hearing. However, a clear position on the issue was not offered by witnesses from either the Nunavut Development Corporation or the Nunavut Business Credit Corporation.

The standing committee recognizes that the 2008 report was prepared in the context of the Auditor General of Canada’s unprecedented denial of opinion, in 2007, on the Nunavut Business Credit Corporation’s financial statements.

However, it should also be recognized that both the Nunavut Development Corporation and the Nunavut Business Credit Corporation exist to achieve complementary goals: creating employment for residents, generating income for communities, fostering economic development and encouraging economic diversification.

It should be noted that the 2014-2015 annual reports of both territorial corporations list 9 individuals who sit on the board of directors of the Nunavut Development Corporation and 7 individuals who sit on the board of directors of the Nunavut Business Credit Corporation. However, only one individual out of the total of 16 directors sits on the boards of both entities.

The standing committee observes that even if amalgamation of the two territorial corporations were to be conclusively rejected, there is no clear rationale for not increasing the number of individuals who sit on the boards of directors of both corporations.

These “co-appointments” would serve to enhance the capacity of both boards to provide strategic direction to their respective corporations in a manner that is more mindful of the other entity’s priorities, initiatives and operations.

Standing Committee Recommendation #2:

The standing committee recommends that the Minister responsible for the Nunavut Development Corporation and the Nunavut Business Credit Corporation table in the Legislative Assembly, at the earliest opportunity, all approved governance and operating policies of the boards of directors of the Nunavut Development Corporation and the Nunavut Business Credit Corporation.

The standing committee further recommends that the Government of Nunavut’s response to this report clarify, in detail, the respective authorities of the chairs and members of the board of directors of the Nunavut Development Corporation and the Nunavut Business Credit Corporation, the Minister responsible for the Nunavut Development Corporation and the Nunavut Business Credit Corporation, the Presidents and Chief Executive Officers of the Nunavut Development Corporation and the Nunavut Business Credit Corporation, the Financial Management Board, the Executive Council and the Public Agencies Council with respect to the:

- Final approval of the annual corporate/business plans of the Nunavut Development Corporation and the Nunavut Business Credit Corporation;
- Final approval of the annual reports of the Nunavut Development Corporation and the Nunavut Business Credit Corporation;
- Final approval of the annual Ministerial *Letters of Expectation* to the Chairs of the Boards of Directors of the Nunavut Development Corporation and the Nunavut Business Credit Corporation; and
- Final approval of the annual operations and maintenance budgets of the Nunavut Development Corporation and the Nunavut Business Credit Corporation.

The standing committee further recommends that the Government of Nunavut’s response to this report clarify, in detail, its position concerning the recommendation made by the board of directors of the Nunavut Business Credit Corporation regarding amendments to section 37 of the *Nunavut Business Credit Corporation Act*.

The standing committee further recommends that the Government of Nunavut's response to this report clarify, in detail, the extent to which section 20 of the *Nunavut Development Corporation Act* is being currently followed by the corporation's board of directors.

The standing committee further recommends that the boards of directors of the Nunavut Development Corporation and the Nunavut Business Credit Corporation formally submit a comprehensive set of specific recommendations for specific amendments to the *Nunavut Development Corporation Act* and the *Nunavut Business Credit Corporation Act* to the Minister responsible for both territorial corporations for consideration.

The standing committee further recommends that these recommendations be submitted no later than September 1, 2016, and that they be subsequently tabled in the Legislative Assembly during the fall 2016 sitting of the House.

The standing committee further recommends that the boards of directors of the Nunavut Development Corporation and the Nunavut Business Credit Corporation formally consider the advisability of amalgamating the two corporations into a single entity.

The standing committee further recommends that the boards' recommendations concerning amalgamation be submitted to the Minister responsible for both territorial corporations no later than September 1, 2016, and that they be subsequently tabled in the Legislative Assembly during the fall 2016 sitting of the House.

The standing committee further recommends that the Minister responsible for the Nunavut Development Corporation and the Nunavut Business Credit Corporation seek opportunities to increase the number of individuals who serve on the boards of directors of both the Nunavut Development Corporation and the Nunavut Business Credit Corporation.

Issue: Public Reporting Practices

During the standing committee's September 24-25, 2015, hearing, significant attention was paid to the public reporting practices of both the Nunavut Development Corporation and the Nunavut Business Credit Corporation.

The Government of Nunavut's annual reports on grants and contributions clearly identify the recipients of financial assistance from different departments.

The Government of Nunavut's annual reports on procurement, contracting and leasing activities clearly identify companies and individuals that have been awarded contracts by different departments, Crown agencies and territorial corporations.

Although the annual reports of the Nunavut Development Corporation clearly identify the private ventures that have received equity investments from the corporation, the annual reports of the Nunavut Business Credit Corporation do not explicitly disclose the identities of recipients of loans or other financial assistance.

It should be noted, however, that photographs of a number of identifiable individuals have been published in recent annual reports of the Nunavut Business Credit Corporation under the heading, "NBCC Clients." The corporation's rationale for including the photographs of a select number of clients in its annual reports is unclear.

The 2014-2015 annual report of the Nunavut Business Credit Corporation indicates that as of March 31, 2015, the corporation's total loan portfolio stood at \$23,196,954. The annual report also indicates that:

"Section 47 of the [*Nunavut Business Credit Corporation*] Act also authorize[s] the Government [of Nunavut] to advance to the corporation an amount out of the Consolidated Revenue Fund not exceeding \$50,000,000 for the purposes of providing financial assistance to business enterprises. In 2014, the Financial Management Board set the working capital advance limit to \$40,000,000. These advances are repayable to the Government of Nunavut on such terms and conditions as the Minister of Finance may determine."

It is the standing committee's position that the funds loaned by the Nunavut Business Credit Corporation to businesses and individuals are, ultimately, public monies, and should be subject to the same level of transparency and public disclosure as any other form of financial assistance provided by the government to individuals and enterprises.

Consequently, the onus is on the government to clearly demonstrate what policy objective is achieved by shielding loan recipients from public disclosure.

Although the standing committee recognizes that some businesses and individuals might *desire* to have their identities shielded from public disclosure when applying for loans or other financial assistance from the Nunavut Business Credit Corporation, the standing committee does not accept the premise that such businesses and individuals should be *entitled* to be shielded from public disclosure.

During the standing committee's September 24-25, 2015, hearing, the opportunity was provided to witnesses from the Nunavut Business Credit Corporation to publicly offer a clear and compelling rationale for the benefits and merits of secrecy in the corporation's current lending practices.

No clear or compelling rationale was offered for how such secrecy serves to help fulfill the corporation's statutory mandate of "stimulating economic development and employment in Nunavut."

The standing committee notes that section 15 of the *Nunavut Business Credit Corporation Act* provides that:

Confidentiality

15. Any information received by an employee of the Corporation or a director about a business enterprise that applies for a loan, bond, guarantee or indemnity is confidential and shall not be disclosed by the employee or director

- (a) **except as may be required in the administration of this Act** or the regulations or any proceeding under this Act or the regulations; **or**
- (b) **unless the business enterprise consents.**

The standing committee further notes that the *Declaration of Applicant* section of the Nunavut Business Credit Corporation's *Application for NBCC Assistance* form **explicitly requires** applicants to agree to the following condition:

"If financing is provided, the applicant provides permission for release of their name (if an individual) or the company name (if a company) to the public."

The standing committee further notes that the Nunavut Business Credit Corporation's *Business Client Consent Form for Use of Commercial and Personal Information* **explicitly requires** clients to agree to the following condition:

"The undersigned Client also acknowledges that as a territorial corporation and department of the Government of Nunavut, both the Nunavut Business Credit Corporation and the Department of Economic Development and Transportation are subject to the obligations imposed on public government by the *Access to Information and Protection of Privacy Act* of Nunavut, including the obligation to release information. **The undersigned client authorizes and expressly consents to the disclosure of all information, including "personal information" of any individuals (including the Client) relating to the Loan application and the Loan, to the public or to members of the public, at any**

time and from time to time following submission of the Loan application, where such disclosure is required pursuant to the *Access to Information and Protection of Privacy Act of Nunavut*, and provided always that any proposed disclosure complies with the procedures and other requirements of the *Access to Information and Protection of Privacy Act of Nunavut*.”

It should be noted that the issue of public disclosure of the identities of recipients of loans or other financial assistance from the Nunavut Business Credit Corporation was also raised during the standing committee’s September 28, 2015, hearing on the 2014-2015 annual report of the Information and Privacy Commissioner of Nunavut. During her testimony to the standing committee, the Information and Privacy Commissioner stated that:

“Let’s start by saying that companies *per se* have no privacy rights under the [*Access to Information and Protection of Privacy*] Act. Only individuals have privacy rights. In my opinion, if I were asked to do a review recommendation on this, I would recommend that the names of the corporations and the amount they receive be disclosed. The name of the person and the amount, off the top of my head, I can’t think of any reason why that kind of information shouldn’t be disclosed ...”

It is important to note that the Nunavut Business Credit Corporation’s lead witness publicly acknowledged the prerogative of the Legislative Assembly to statutorily ensure full public disclosure of the identifies of recipients of loans and other financial assistance from the Nunavut Business Credit Corporation.

Section 31 of the *Northwest Territories Business Development and Investment Corporation Act* explicitly provides that:

31. The annual report that the Corporation is required to submit under section 96 of the *Financial Administration Act* must include a specific category setting out the following information in respect of each business enterprise that the corporation provided financial assistance to or in which it made an investment in the financial year:

- (a) the name of the business enterprise;
- (b) the name of the owner or owners of the business enterprise as determined in accordance with the regulations;
- (c) the total amount of financial assistance provided to or investments made in the business enterprise;
- (d) the name of the community in which the business enterprise or its head office is located.

The annual reports of the Northwest Territories Business Development and Investment Corporation clearly disclose the recipients of all forms of financial assistance from the corporation.

It is important to note that there is no evidence to suggest that this public disclosure has reduced the demand for financial assistance from the corporation, or meaningfully impeded it from fulfilling its mandate.

Questions arose during the standing committee's September 24-25, 2015, hearing concerning the extent to which the corporations' annual reports on procurement, contracting and leasing activities clearly distinguish between award values and actual expenditures.

Questions arose during the standing committee's September 24-25, 2015, hearing concerning the extent to which the Nunavut Development Corporation's equity investments in private ventures include elements of ownership, direction and control of the ventures.

Although the detailed notes to the corporation's annual financial statements make reference to "partnership units," "share subscription agreements" and "fixed cumulative preferential distribution entitlements," the standing committee is of the view that the corporation's annual reports would benefit from greater clarity in this area.

Sections 30 and 36 of the *Nunavut Business Credit Corporation Act* provide the Minister responsible for the Nunavut Business Credit Corporation with significant authority to confirm or reject recommendations and decisions made by the corporation's board of directors in respect to loan applications. The Minister may also review applications (i.e. appeals) made by rejected loan applicants under certain circumstances.

Although testimony provided to the standing committee during its September 24-25, 2015, hearing indicated that no recommendations or decisions made by the corporation's board of directors in respect to loan applications had been overturned by the Minister in recent years, it is nonetheless important to recognize that the Minister's current powers under sections 30 and 36 of the legislation are significant.

Consequently, it is important that the exercise of these powers be accounted for in the corporation's annual reports.

Subsection 78(1) of the *Financial Administration Act* provides that:

Directives

78. (1) Where the appropriate Minister and the Executive Council are of the opinion that it is in the public interest, the Minister of Finance may issue a directive to a public agency respecting its financial management and financial administration.

Although the recent annual reports of the Nunavut Business Credit Corporation clearly indicate that no such directives were issued during the fiscal year covered by the report, the recent annual reports of the Nunavut Development Corporation are not as explicit.

It should be noted that the Nunavut Development Corporation's 2013-2014 annual report indicates that its current "investment policies and guidelines" and other related items were approved by its board of directors on June 24, 2010.

It should be noted that the Nunavut Business Credit Corporation's 2013-2014 annual report indicates that "four manuals concerning credit management, administration and conduct, board orientation and accounting have received approval from the corporation's board of directors and the Minister responsible for the Nunavut Business Credit Corporation."

It should be noted that the Nunavut Business Credit Corporation's current business plan indicates that the corporation has "entered into separate memoranda of understanding with the Baffin Business Development Centre, Kitikmeot Community Futures and the Atuqtuarvik Corporation." It also indicates that it is working to "formalize a relationship with the Kivalliq Business Development Centre."

Standing Committee Recommendation #3:

The standing committee recommends that the Government of Nunavut, in the interest of the greatest possible certainty and clarity, bring forward an amendment to the *Nunavut Business Credit Corporation Act* during the winter 2016 sitting of the Legislative Assembly that is explicitly modelled on the provisions that are contained in section 31 of the *Northwest Territories Business Development and Investment Corporation Act*.

The standing committee notes that this would allow the corporation's next annual report to the Legislative Assembly for the 2015-2016 fiscal year to fully disclose the identities of recipients of loans and other financial assistance from the corporation, as well as the amounts of financial assistance provided to recipients.

The standing committee further notes that this would also provide an opportunity for the government to introduce the amendment to section 37 of the legislation that has been recommended on a number of occasions by the board of directors of the Nunavut Business Credit Corporation.

The standing committee further recommends that the Nunavut Business Credit Corporation, in light of the observations made in this report concerning the disclosure requirements that are presently contained in the corporation's application and consent forms, clarify its position regarding its current practices in this area.

The standing committee further recommends that future annual reports on procurement, contracting and leasing activities which are prepared by the Nunavut Development Corporation and the Nunavut Business Credit Corporation explicitly account for actual expenditures incurred in these areas.

The standing committee further recommends that future annual reports on procurement, contracting and leasing activities which are prepared by the Nunavut Development Corporation and the Nunavut Business Credit Corporation be tabled in the Legislative Assembly in a timely manner by the Minister responsible for both territorial corporations.

The standing committee further recommends that the Government of Nunavut, in its response to this report, clarify, in detail, the extent to which the Nunavut Development Corporation's current equity investments in private ventures include elements of ownership, direction and control of the ventures.

The standing committee further recommends that the Nunavut Development Corporation's future annual reports more clearly account for the extent to which its equity investments in private ventures include elements of ownership, direction and control of the ventures.

The standing committee further recommends that the Nunavut Business Credit Corporation's future annual reports explicitly account, in detail, for actions taken during the fiscal year under the provisions of sections 30 and 36 of the *Nunavut Business Credit Corporation Act*.

The standing committee further recommends that the Nunavut Development Corporation's future annual reports explicitly account, in detail, for directives issued during the fiscal year under the provisions of subsection 78(1) of the *Financial Administration Act*.

The standing committee further recommends that the Minister responsible for the Nunavut Development Corporation table in the Legislative Assembly, at the earliest opportunity, the corporation's current *Investment Policies and Guidelines*.

The standing committee further recommends that the Minister responsible for the Nunavut Business Credit Corporation table in the Legislative Assembly, at the earliest opportunity, the corporation's current manuals concerning "credit management, administration and conduct, board orientation and accounting."

The standing committee further recommends that the Minister responsible for the Nunavut Business Credit Corporation table in the Legislative Assembly, at the earliest opportunity, the corporation's memoranda of understanding with the Baffin Business Development Centre, Kitikmeot Community Futures and the Atuqtuarvik Corporation.