

ANNUAL REPORT

NUNAVUT LIQUOR LICENSING BOARD

2012 – 13

July 31, 2013

THE HONOURABLE DANIEL SHEWCHUK
MINISTER OF JUSTICE
GOVERNMENT OF NUNAVUT

Annual Report of the Nunavut Liquor Licensing Board: 2012 - 13

On behalf of the Nunavut Liquor Licensing Board, I am pleased to submit the Annual Report for the Nunavut Liquor Licensing Board and the audited financial statements for the Board's operations for the fiscal year ended March 31, 2013. This report is submitted pursuant to section 9(1) of the *Nunavut Liquor Act*.



David Wilman
Chair
Nunavut Liquor Licensing Board

The Mission of the Nunavut Liquor Licensing Board is to foster an environment that guides and regulates the legal and responsible use of alcohol in Nunavut.

Duties and Powers of the Nunavut Liquor Licensing Board

1. All Board decisions must be made and business conducted in a manner consistent with the *Nunavut Liquor Act* and Regulations, other applicable legislation, and the policies of the Board.
2. The Minister is authorized to set out guidelines not inconsistent with the Act, and the Board must act in accordance with those guidelines.
3. The Board must control:
 - a. the conduct of licence holders;
 - b. the management and equipment of licensed premises;
 - c. the conditions under which liquor may be sold or consumed on licensed premises.
4. The Board may:
 - a. issue, renew and transfer licences;
 - b. after a hearing, cancel or suspend licences;
 - c. generally advise the Minister on all matters of policy, legislation and administration relating to the sale, distribution and consumption of liquor;
 - d. make rules or orders governing its proceedings.

Authority: *Nunavut Liquor Act*, s.6

Members of the Nunavut Liquor Licensing Board: 2012 - 13

David Wilman	Chair	Iqaluit	Appointed: October 2005 Reappointed: November 2007 * Reappointed: November 2009 Reappointed: September 2011 Reappointed: September 2013
Jimmy Kilabuk	Member	Iqaluit	Appointed: September 2006 Reappointed: September 2008 Reappointed: September 2010
Ralph Porter Sr.	Member	Gjoa Haven	Appointed: December 2007 Reappointed: March 2010
Leesa Sowdluapik	Member	Pond Inlet	Appointed: December 2007 Reappointed: November 2009 Reappointed: September 2011 Reappointed: September 2013
John Maurice	Member	Iqaluit	Appointed: September 2011 Reappointed: September 2013

Notes:

* Dr. Wilman served as a member of the Board from November 2007 - 2009.

Chair's Report

The Nunavut Liquor Licensing Board (NLLB) is a public regulatory body established under the *Nunavut Liquor Act*. The Board's mission, duties and powers are outlined on Page 2 of this report and are set out in Section 6 of the *Liquor Act*. The Board is responsible for the control of the conduct of licensees, the management and equipment of licensed premises, and the conditions under which liquor may be sold or consumed in licensed premises. In order to carry out these responsibilities, the Act provides the Board with the power to issue, renew and transfer licences, and to hold show cause hearings that might lead to suspension or cancellation of a licence. The Board reports to the Minister of Justice and provides advice to the Minister on all matters of policy, legislation and administration relating to the sale, distribution and consumption of alcohol.

The Board's mission '*is to foster an environment that guides and regulates the legal and responsible use of alcohol*' in Nunavut. In pursuing this mission, the Board takes the position that licensees share the responsibility for this mission, and endeavours to maintain a positive relationship with the businesses and organizations to which it grants licences.

The Board normally holds four regular meetings each fiscal year in order to handle the business, requests, applications and issues that come before it. One meeting is scheduled in March each year to approve licence renewals for the following fiscal year, which is also the licensing year. During 2012 - 13, meetings were held in June and September 2012, and January and March 2013.

Chair's Involvement in the Ministerial Task Force Reviewing the *Nunavut Liquor Act*

As described in the Board's Annual Reports for 2010 – 11 and 2011 - 12, in April 2010, the Honourable Keith Peterson, Minister of Finance and Minister Responsible for the Nunavut Liquor Licensing Board, announced the formation of a Ministerial Task Force to review the *Nunavut Liquor Act*. The Chair of the NLLB was appointed as one of the ten member Task Force that was given the mandate to conduct hearings in every community in Nunavut and undertake research into alcohol related issues in Nunavut and to reporting its findings and recommendations to the Minister during 2012.

The Task Force's Interim Report was submitted to the Department of Finance in April 2012 just two years after the establishment of the Task Force. The interim report was titled *What we Heard* and contained a synopsis of what the Task Force members were told at public and private meeting held during the consultation phase, and in briefs or other submissions submitted to the Task Force without interpretation or comment from the Task Force.

The Final Report, titled *Halting the Harm*, was submitted to the Minister in August 2012, and tabled in the Legislative Assembly on November 2, 2012. It contained recommendations for changes to the *Act* that reflected the needs and the recommendations of the people of Nunavut as expressed to the Task Force, and are representative of their values and wishes. The Task Force stressed the need to understand that alcohol is not an ordinary commodity; rather, it is a

legalized drug with the capacity to impact many lives. For some Nunavummiut, alcohol consumption contributes to poor health, family breakups, poor education outcomes, and crime. For others who drink in a low-risk manner, alcohol can enhance personal and social experiences. The Task Force heard a dichotomy of opinions about how government should regulate alcohol: some people called for outright prohibition in all Nunavut communities, while others called for a liberalization of current liquor laws. Still, the majority of participants that spoke to the Task Force wanted to see laws that provide an appropriate balance between protecting society from alcohol-related harm while allowing individuals the opportunity to drink responsibly. With this in mind, and with a strong belief that many of the alcohol-related problems that exist in Nunavut today are preventable, the Task Force developed inter-related recommendations aimed at reducing alcohol-related harm and encouraging responsible drinking behavior through strengthened community empowerment, greater enforcement against the illegal alcohol trade, more efficient sale and distribution systems, and a new focus on harm reduction and social responsibility.

This will require significant changes to the *Nunavut Liquor Act*, including a new policy framework and approach principally aimed at curbing alcohol-related harm while also serving the needs of the responsible consumer. The recommendations in the Report are evidence based, and respond to the call for harm reduction heard in every community in Nunavut. Each recommendation is an integral part of a comprehensive strategy and, if the effectiveness of the proposed strategy is not to be compromised, should not be viewed in isolation of other recommendations. The key elements of the strategy include:

- Replacing the current Nunavut Liquor Act with a new Act that is easily understood by all;
- Targeting special measures to stop bootlegging and the illegal manufacturing, sale, and distribution of alcohol;
- Strengthening community empowerment to deal with alcohol related issues;
- Changing the drinking culture;
- Improving the alcohol control, supply, and distribution system; and,
- Increasing efforts to help individuals and families struggling with the outcomes of addiction.

Because the Board must frequently consider and apply *the Liquor Act and Regulations* in the course of carrying out its duties, it has a unique vantage point from which to identify weaknesses in the existing legislation. In November 2012, the Board made a formal submission to the Ministerial Task Force that identified the most significant issues that have come to the Board's attention and provided the Board's recommendations for revision of the legislation. Among other issues, the Board recommended that the current *Act*, much of which is archaic and confusing, should be overhauled to eliminate inconsistencies and contradictions and to ensure that the provisions are organized in a logical and coherent manner that will facilitate understanding and ease of use. The Board also recommended that more funds should be allocated to provide alcohol education programs and alcohol-related harm reduction initiatives in every community in Nunavut, and that alcohol addictions treatment facilities should be established in each region of Nunavut.

From the Board's perspective, reflecting a major concern expressed in every community in Nunavut during the Task Force's public consultations, the most pressing issue to be addressed in the new legislation resulting from the Task Force's final report and recommendations is the illegal sale and distribution of alcohol - bootlegging – which is a major contributor to the social problems facing many communities, a factor in most criminal offences, and a major drain on Nunavut's financial resources. Currently, this illegal activity is literally out of control in Nunavut. To remedy this unacceptable and harmful situation will require that the Government of Nunavut takes control by becoming the sole importer, supplier and distributor of alcohol in Nunavut; that the legal loopholes currently provided by import permits be eliminated, and that penalties for bootleggers, including civil forfeiture, are maximized.

Public Hearings on Licence Applications

Under Section 28(1) of the *Liquor Act*, the Board is required to hold a public hearing when it receives an application for a new liquor licence or for significant changes to an existing licence. In March 2012, the Board held a public hearing in Rankin Inlet to obtain community input on the application by the Rankin Inlet branch of the Royal Canadian Legion for a Club Licence. This hearing was held to finalize a situation that had first come to the Board's attention during the public consultation hearing of the Ministerial Task Force on the Nunavut Liquor Act held in Rankin Inlet in August 2010. At that hearing, the Task Force heard a presentation from two individuals claiming to represent licensed establishments in Rankin Inlet, but the Board had only issued one liquor licence there. When this anomaly was investigated, it came to light that a branch of the Royal Canadian Legion had been operating in the community since before the establishment of Nunavut in 1999, opening two or three times per week with each opening being covered by a locally issued special occasion permit. While the Legion executive believed that they were operating legitimately, from the Board's perspective this appeared to be a way to circumvent the need to obtain a proper licence. The situation clearly stretched the limits of the liquor licensing legislation as set out in *the Act*. However, since this situation had already existed for at least 15 years and had been inherited from the NWT, the Board decided that the best course of action was to work with the Legion to regularize the situation as soon as possible and properly license the establishment once it met all licensing requirements.

The situation was complicated by the fact that the community had prohibited the sale of beer through a plebiscite vote that would remain in force until December 2012, the earliest date at which a further plebiscite could be held on the question of beer sales. This meant that had the Board approved a licence for the Legion in 2010, it would have done so for the proverbial 'pub with no beer' because of the prohibition on the sale of beer in the community. So, the Board allowed the Legion to continue operating on special occasion permits, but for only one evening a week until the beer prohibition was rescinded in a further plebiscite. At the same time, the Board began to monitor this situation very closely by requiring that all financial reports and purchasing requests be submitted weekly to the Board's executive secretary for approval.

In the December 2012 plebiscite, the prohibition on beer sales in Rankin Inlet was rescinded. Following that, the NLLB scheduled a public hearing in March 2013 in Rankin Inlet on the Legion's application for a Club Licence. There was no opposition to the application. However,

an inspection of the building used by the Legion showed that it could not meet all required fire and health safety requirements, so the licence was approved but not issued, pending completion of the substantial repairs and renovations required to bring the building up to standard. The projected date for the completion of these repairs and renovations was September 2013.

Show Cause Hearings

At some meetings the Board deals with complaints brought to it by Liquor Enforcement through the Department of Justice when infractions of the *Act* or Regulations by licensees have been reported. In these cases, pursuant to its obligation under section 6(2)(a) of the *Liquor Act* which directs the Board to control the conduct of licence holders, the Board requires the licence holder to appear and show cause as to why their licence should not be suspended, cancelled or have conditions and/or fines imposed on them pursuant to sections 35 to 37 of the Nunavut *Liquor Act*. Only one show cause hearing was held during 2012 - 13. This hearing was called after the Chief Liquor inspector informed the Board that Kim and Donna Waters, licensees of Waters' Edge Seafood and Steakhouse (Licence # 21) and the Kickin' Caribou Lounge (Licence # 22), were storing alcohol in a room in the Arctic Hotel that had not been approved by the Board as a secure storage facility. After investigating this situation, the Board called a hearing alleging that since June 2011, the Licensees had failed to use the secure liquor storage facility that was approved by the Board on July 27, 2007, contrary to subsections 6(2) and/or 41(1) of the *Nunavut Liquor Regulations*.

The representatives of the Licensees acknowledged that the secure liquor storage facility that had been used by the Licensees from the date of opening of the licensed premises in August 2007 until March 31, 2012 was not the facility that had been approved by the Board as a condition of the licences as originally issued to them. No explanation for this failure had been provided to the Board, despite repeated requests to do so.

The Board found that, as a result of the acknowledged facts, the Licensees did not show cause with respect to the charges as alleged. The Board was particularly concerned that the Licensees apparently paid no attention to what had been approved by the Board as a condition of issuing these licences to them initially based on the plans they had submitted to the Board with their licence applications in 2007. Moreover, when it was discovered almost four years later that the liquor storage facility the Licensees were using had not been approved by the Board they did not provide an explanation for that failure, even when confronted with a notice to show cause before the Board in that regard.

The Board takes the position that the penalties provided for contraventions of the *Liquor Act* and *Regulations* by licensees must be sufficient to demonstrate the importance of complying with the liquor laws, which are intended to provide for the safe and responsible use of alcohol in Nunavut. Penalties imposed must be significant enough that they provide a real deterrent, both specifically to the licence holder who is charged as well as generally to all licence holders. In this case the Board ordered that Kim and Donna Waters, being the holders of licences #021 and #022, pay a fine of \$5,000, the maximum permitted under the *Liquor Act*, and that both licences

would be suspended for ten business days, two days each weekend from 00:01 on Friday until 11:00 Sunday, beginning on the weekend of July 6 - 8, 2012, through to August 3 - 5, 2012. The Board also ordered that the Licensees should post a media release describing the infraction of the *Nunavut Liquor Regulations* and the penalties imposed by the Board at the entrances to the Waters' Edge Seafood and Steakhouse and the Kickin' Caribou Cocktail Lounge from the date of the hearing, June 20, 2012, until the end of the last of the periods of suspension on Sunday, August 5, 2012.

The Association of Liquor Licensing Authorities of Canada

The Association of Liquor Licensing Authorities of Canada (ALAC) is a national association of liquor licensing jurisdictions with representation from each province and territory. The Association meets twice a year and the Chair represents Nunavut as the voting delegate on decisions made by the Association. The Chair attended the Association's June 2012 meeting in Quebec City, Ontario, where there were informative sessions on control of the Late Night Economy (i.e.: alcohol, drugs and sex-trade), and on new models of governance for alcohol licensing jurisdictions.

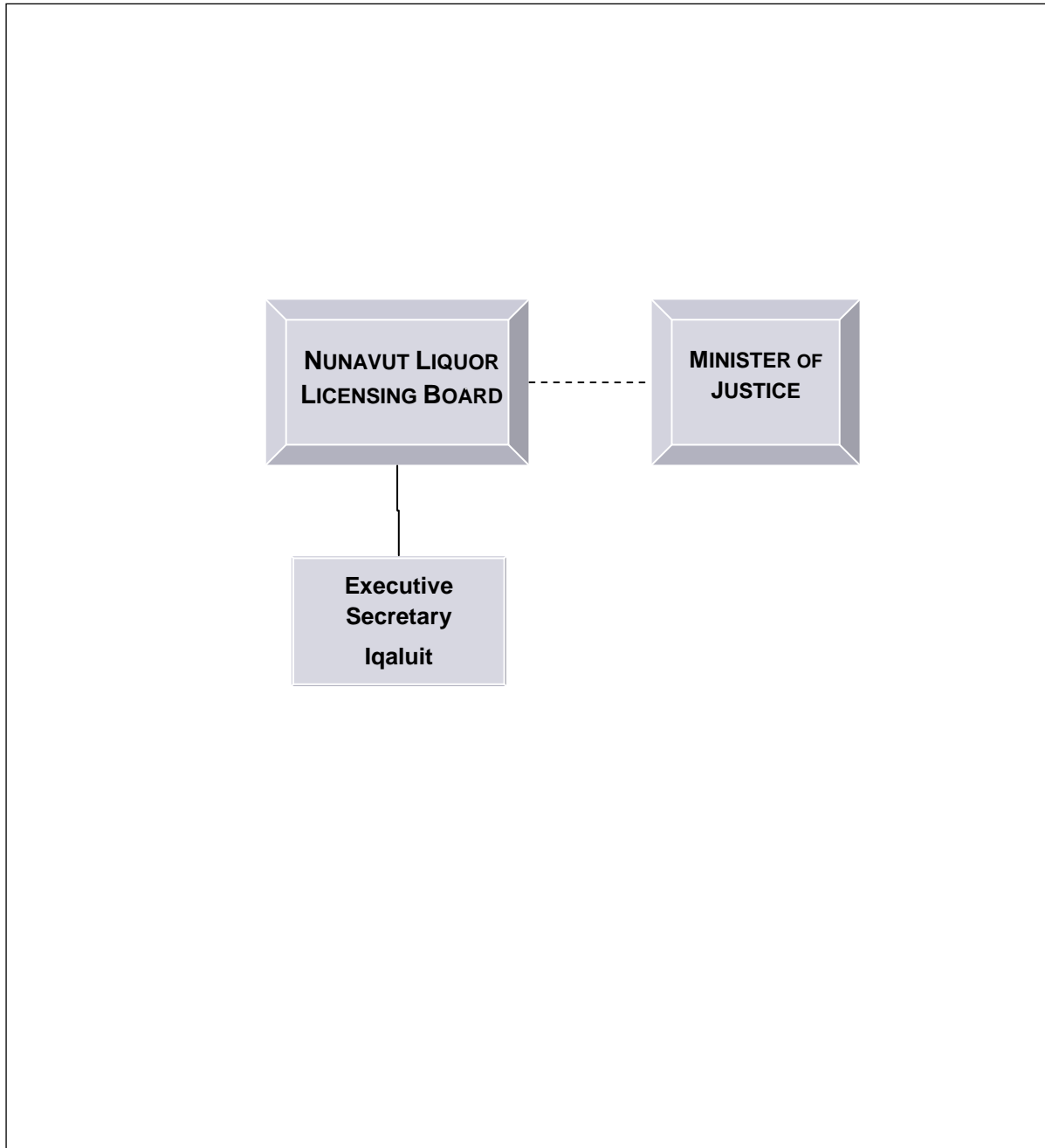
In November 2012, NLLB Chair also attended the annual meeting of the ALAC Social Responsibility Committee in Montreal. The major topic at this meeting was the development of low-risk alcohol drinking guidelines for Canada that have been established to support a culture of moderation in alcohol consumption and to reduce alcohol-related harm. These guidelines have now been adopted by all Canadian provinces. Nunavut should join the provinces by also adopting these guidelines.

Respectfully submitted,

David Wilman
Chair, Nunavut Liquor Licensing Board

Organization of the Nunavut Liquor Licensing Board

2012 - 13



Liquor Licences Approved for 2012 - 13

Under subsection 13(1) of the Nunavut *Liquor Act*, the Nunavut Liquor Licensing Board has absolute discretion in the granting of new liquor licences and in the renewal of existing licences. On March 21, 2012, the Board approved renewal of the following licences:

<u>Licence #</u>	<u>Operating As</u>	<u>Type of Licence</u>	<u>Licence Holder</u>
001	Granite Dining Room	Dining Room	Arctic Resources Ltd. Discovery Lodge Inn
002	Bathurst Inlet Lodge	Special	Bathurst Inlet Development Ltd.
003	B.P.O. Elks Lodge	Club	B.P.O. Elks Lodge, Branch # 570, Iqaluit
004	Arctic Club & Wolf's Den	Special	CFS Alert
005	Trading Post	Canteen	CFS Alert
006	Fort Eureka Canteen	Canteen	CFS Alert
008	Frobisher Racquet Club	Private Recreational Facility	Frobisher Racquet Club Ltd.
009	High Arctic Lodge Victoria Island	Special	High Arctic Sports Fishing Camps
011	Chartroom Lounge	Cocktail	994459 Nunavut Ltd
012	Captain's Table Dining Room	Dining Room	Chan's Family Investments Inc.
014	Royal Canadian Legion	Club	Royal Canadian Legion Branch # 168
015	Siniktarvik Hotel	Guest Room	Kissarvik Coop Rankin Inlet (Late application: licence not renewed until June 2012)
017	Frobisher Inn	Guest Room	902776 NWT Ltd. Frobisher Inn

<u>Licence #</u>	<u>Operating As</u>	<u>Type of Licence</u>	<u>Licence Holder</u>
018	Gallery Dining Room	Dining Room	902776 NWT Ltd. Frobisher Inn
019	Storehouse Bar & Grill	Cocktail	902776 NWT Ltd. Frobisher Inn
020	Arctic Watch Somerset Island	Special	Canadian Arctic Holidays Ltd
021	Waters' Edge Seafood and Steakhouse	Dining Room	Donna & Kim Waters
022	Waters' Edge Kickin' Caribou Lounge	Cocktail Lounge	Donna & Kim Waters
023	L' Association des Francophones du Nunavut	Club	L' Association des Francophones du Nunavut
024	Granite Dining Room Discovery Inn.	Guest Room	Arctic Resources Ltd
025	RCMP Iqaluit Mess	Canteen	RCMP
026	Ikaluktutiak Elks #593	Club	B.P.O. Elks Lodge, Branch # 593, Cambridge Bay

NUNAVUT LIQUOR LICENSING BOARD
STATEMENT OF EXPENDITURES
MARCH 31, 2013

NUNAVUT LIQUOR LICENSING BOARD
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MARCH 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Minister of Justice, Government of Nunavut

We have audited the accompanying statement of expenditures of the Nunavut Liquor Licensing Board relating to the expenses connected with operating the Board in accordance with the Nunavut Liquor Act for the year ended March 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Statement of Expenditures

Management is responsible for the preparation and fair presentation of this statement of expenditures in accordance with the basis of accounting disclosed in Note 2 to the statement of expenditures, and for such internal control as management determines is necessary to enable the preparation of the statement of expenditures that is free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the statement of expenditures in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement of expenditures is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of expenditures. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the statement of expenditures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the statement of expenditures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluation of the overall presentation of the statement of expenditures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Government of Nunavut - Department of Finance processes expenditures for the Board, the completeness of which is not susceptible to satisfactory audit verification. Further, sufficient support for allocations of some expenditures calculated by the Department of Finance was unavailable during our audit. Accordingly, our verification of these expenditures was limited to the amounts recorded in the records of the Board and we were not able to determine whether any adjustments might be necessary to expenditures.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the statement of expenditures of the Nunavut Liquor Licensing Board presents fairly, in all material respects the expenses connected with operating the Board in accordance with the Nunavut Liquor Act for the year ended March 31, 2013 in accordance with the basis of accounting disclosed in Note 2 to the statement of expenditures.

Report on Other Legal and Regulatory Requirements

We further report, in accordance with the Financial Administration Act, in our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, proper books of account have been kept by the Nunavut Liquor Licensing Board, the statement of expenditures is in agreement therewith and the transactions that have come under our notice have, in all significant respects, been within the statutory powers of the Nunavut Liquor Licensing Board.



Iqaluit, Nunavut
January 19, 2015

CHARTERED ACCOUNTANTS

NUNAVUT LIQUOR LICENSING BOARD
STATEMENT OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2013

	Budget <u>2013</u> (unaudited)	Actual <u>2013</u>	Actual <u>2012</u>
EXPENDITURES			
Conferences and catering	\$ 0	\$ 1,344	\$ 0
Fees and payments	2,000	58,658	2,207
Materials and supplies	2,000	225	754
Other	59,000	0	0
Purchased services	0	0	2,515
Salaries and honoraria	111,000	142,347	155,787
Service contracts	64,000	78,191	68,791
Travel and accommodation	<u>70,000</u>	<u>20,822</u>	<u>50,432</u>
	<u>\$ 308,000</u>	<u>\$ 301,587</u>	<u>\$ 280,486</u>

NUNAVUT LIQUOR LICENSING BOARD
NOTES TO THE STATEMENT OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2013

1. NATURE OF THE ORGANIZATION

The Nunavut Liquor Licensing Board operates at arm's length from the Government of Nunavut under the *Nunavut Liquor Act*. The purpose of the Board is to adjudicate over liquor licensing in Nunavut. The Board is a public agency and is exempt from income tax. The Board's continued existence is dependent upon the continuing support from the Government of Nunavut.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Board are in accordance with the Financial Administration Manual of the Government of Nunavut and include the following significant accounting policies:

(a) Use of Estimates

The preparation of the statement of expenditures of the Board requires management to make estimates and assumptions based on information available as of the date of the statement of expenditures. Therefore, actual results could differ from those estimates.

(b) Accrual Basis

The statement of expenditures has been prepared on the accrual basis of accounting.

(c) Allocation of Expenditures

Expenditures which are wholly attributable to the Board are charged directly to the Board. In circumstances where expenditures are not wholly attributable to the Board these expenditures are allocated amongst the Board and other cost centers of the Ministry of Justice based on the Ministry's estimates of the time, effort and resources required to support these activities.

**Contact Information for Members of the
Nunavut Liquor Licensing Board: 2012 - 13
(As of March 31, 2013)**

David Wilman	Chair	P.O. Box 475 Iqaluit, NU X0A 0H0	867-979-1578	dwilman@xplornet.ca
Jimmy Kilabuk	Member	P.O. Box 401 Iqaluit, NU X0A 0H0	867-979-0094	
Leesa Sowdluapik	Member	P.O. Box 11175 Iqaluit, NU X0A 0H0	867-979-2572	lsowdluapik@gov.nu.ca
John Maurice	Member	P.O. Box 761 Iqaluit, NU X0A 0H0	867-979-1226	jtmaurice@northwestel.net