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Auditor General of Canada

to the House of Commons

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Chapter 4

First Nations Child and Family Services Program—
Indian and Northern Affairs Canada

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Chapter

4

First Nations Child and Family Services Program

Indian and Northern Affairs Canada

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Table of Contents

Foreword 1

Main Points 5

Introduction 7

Background on First Nations child welfare services 7
Child welfare on reserves 8
Focus of the audit 11

Observations and Recommendations 11

Program implementation 11

The program has not defined key policy requirements 11
Responsibilities and services are not always well defined 14
The Department has limited assurance that services meet legislation and standards 15
Coordination with other programs is poor 16
INAC devotes limited human resources to the program 18

Funding of services 19

Program funding is inequitable 19
Financial obligations are not reflected in the allocation of resources to the program 24
Compliance with Treasury Board authority could be improved 25

Information for accountability 27

The Department lacks information on the program 27

Conclusion 29

About the Audit 30

Appendix

List of recommendations 32



First Nations Child and Family Services Program

Indian and Northern Affairs Canada

Foreword

Children are among the most vulnerable people in society. All provinces in Canada have child welfare legislation in place to protect children from abuse and neglect and to help families overcome their problems so that children can grow up in a safe home environment. Where this is not possible, the goal is to find a safe, permanent home for the child.

The Auditors General of Canada and British Columbia are issuing separate audit reports to their respective legislatures on the management of child welfare services, including protection, for Aboriginal and First Nations children and families. The two audits were performed concurrently to present a broader perspective on child welfare services in British Columbia. Our offices shared methodologies and met jointly with some Aboriginal and First Nations agencies and other organizations.

The Auditor General of Canada looked at the First Nations Child and Family Services Program of Indian and Northern Affairs Canada (INAC) not only in British Columbia, but also nationwide. The audit covered primarily the management structure, the processes, and the federal resources used to implement the federal policy on First Nations child and family services on reserves. INAC funds the operating and administration costs of child welfare services provided to children and families ordinarily resident on reserves, as well as the costs related to children brought into care.

The Auditor General of British Columbia assessed whether the province's Ministry of Children and Family Development has the program design, resourcing, management, and accountability reporting to deliver effective, culturally appropriate services to Aboriginal children and families. The Ministry delivers child welfare services through both mainstream and Aboriginal service teams, as well as through Aboriginal and First Nations agencies that provide the services—either fully or in partnership with the Ministry. The Ministry is also responsible for ensuring that child welfare services meet the requirements set out in provincial legislation.

The federal and BC governments share similar principles in their policies for delivering child welfare services, both on and off reserves. Children and their families are to have equitable access to comparable services that are effective in meeting their needs. Where Aboriginal children, including First Nations children, are concerned, the services are to be culturally appropriate. In addition, both governments support efforts to have Aboriginal and First Nations agencies deliver the services.

Outcomes for children

Nationally, INAC data show that about 5 percent of the First Nations children living on reserves are in care; the Auditor General estimates that this proportion is almost eight times that of children in care residing off reserves.

Studies indicate that in British Columbia, an Aboriginal child is about six times more likely to be taken into care than a non-Aboriginal child. Of all BC children who are in care, 51 percent are Aboriginal—yet Aboriginal people represent only about 8 percent of BC's population.

Neither the federal nor the BC government knows enough about the outcomes. What happens to these children who receive child welfare services? Are they better off? Our legislatures and Aboriginal and First Nations communities need to know if the services being provided make a difference. More and better information on outcomes is critical to measure the impact of services and to change or improve them where necessary.

Funding practices

Neither government takes policy requirements sufficiently into account when establishing levels of funding for child welfare services. Under federal and provincial policies, Aboriginal children, including First Nations children, should have equitable access to a level and quality of services comparable with those provided to other children. Funding for the services needs to match the requirements of the policies and also support the delivery of services that are culturally appropriate—which is known to take more time and resources. Current funding practices do not lead to equitable funding among Aboriginal and First Nations communities.

Need for improvements

Although access to good child welfare services alone cannot resolve some of the problems faced by Aboriginal and First Nations children and families, whether on or off reserves, the services are essential to protect these children from abuse or neglect. The overrepresentation of Aboriginal and First Nations children in care—and the indications that outcomes are poor—call for all parties involved in the child welfare system to find better ways of meeting these children's needs.

Our audits have identified a number of other problems that also remain to be resolved, in the areas of staffing, capacity development, and monitoring. We urge our respective governments, working together and with Aboriginal and First Nations organizations, to take prompt action to carry out our recommendations.



Sheila Fraser, FCA
Auditor General of Canada



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Auditor General of British Columbia



First Nations Child and Family Services Program

Indian and Northern Affairs Canada

Main Points

What we examined

Under federal government policy, Indian and Northern Affairs Canada (INAC) is responsible for supporting the provision of child welfare services for on-reserve First Nations children and families. The Department provides funding to First Nations, their child welfare agencies, and provinces to cover the operating costs of child welfare services on reserves and the costs related to children brought into care. These services are expected to meet provincial legislation and standards, be reasonably comparable with those provided off reserves to children in similar circumstances, and be appropriate to the culture of First Nations people. The policy also confirms the federal government's view that provinces have jurisdiction over the welfare of all children, including those living on reserves.

The audit examined the First Nations Child and Family Services Program of INAC. It also included, where relevant, the support available from other INAC programs and programs of other federal departments. The audit covered primarily the management structure and processes and the resources used to implement the government policy on First Nations child and family services on reserves. We interviewed officials of INAC and other departments and reviewed relevant files and documents. We also sought the views of First Nations and First Nations child welfare agencies and met with some provincial officials.

Why it's important

Children are among the most vulnerable people in society. Some of the most vulnerable children in Canada are First Nations children. Information collected by INAC shows that the number of on-reserve First Nations children in care has grown considerably over the last 10 years, as have program expenditures. At the end of March 2007, about 8,300 First Nations children ordinarily resident on reserves were in care. This represents a little over 5 percent of all children residing on reserves (almost eight times the proportion of children residing off reserves). INAC spent $270 million in 2007 to directly support on-reserve children placed in care and another $180 million for the operations, including prevention, of child welfare services for First Nations.

What we found

- The funding INAC provides to First Nations child welfare agencies for operating child welfare services is not based on the actual cost of delivering those services. It is based on a funding formula that the Department applies nationwide. The formula dates from 1988. It has not been changed to reflect variations in legislation and in child welfare services from province to province, or the actual number of children in care. The use of the formula has led to inequities. Under a new formula the Department has developed to take into account current legislation in Alberta, funding to First Nations agencies in that province for the operations and prevention components of child welfare services will have increased by 74 percent when the formula is fully implemented in 2010.
- The Department has not defined key policy requirements related to comparability and cultural appropriateness of services. In addition, it has insufficient assurance that the services provided by First Nations agencies to children on reserves are meeting provincial legislation and standards.
- INAC has not identified and collected the kind of information it would need to determine whether the program that supports child welfare services on reserves is achieving positive outcomes for children. The information the Department collects is mostly for program budgeting purposes.

The Department has responded. Indian and Northern Affairs Canada agrees with all recommendations. In its response to each recommendation, the Department has indicated the action it has taken or will take.

Introduction

4.1 Children are among the most vulnerable people in society. In Canada, child welfare is a provincial responsibility. According to the *Centre of Excellence for Child Welfare*, "child welfare" refers to a group of services designed to promote the well-being of children by ensuring their safety, and to support families in successfully caring for their children.

4.2 All provinces have child welfare statutes in place. Although these statutes have similarities, they vary in how a child in need of protection is defined, the age of children to be protected, investigation procedures, and timelines.

4.3 For First Nations children and families living on reserves, access to child welfare services within their communities is a recent undertaking. There is no explicit reference to child welfare on reserves in either the *Constitution Act, 1867* or the *Indian Act*. As a result of the application of section 88 of the *Indian Act* (extending to First Nations people provincial laws of general application), provincial legislation regarding child welfare is deemed to apply on reserves.

Background on First Nations child welfare services

4.4 Before the 1950s, federal officials intervened in extreme cases if a child living on reserve was abused or neglected; however, their intervention was not based in law. From the 1950s on, provinces began to deliver child welfare services on reserves.

4.5 In the 1970s, First Nations began to express dissatisfaction with the way provinces delivered child welfare services: many First Nations children were adopted out of their communities, some even outside Canada, severing the children's ties to their communities and culture. To remedy these problems, First Nations demanded greater control and jurisdiction over child welfare. Some First Nations developed their own child welfare agencies. The development of First Nations agencies funded by Indian and Northern Affairs Canada (INAC) continued until the mid-1980s, when the Department put a moratorium on the creation of new agencies until the adoption of a federal child welfare policy for First Nations children.

4.6 In 1990, a First Nations child welfare policy was approved by the federal government. This policy promoted the development of culturally appropriate child and family services controlled by First Nations for the benefit of on-reserve children and their families.

Under the policy, a First Nations agency must obtain its mandate from the province and provide child welfare services in accordance with provincial legislation and standards. The policy also recognizes the need to ensure that the services delivered on reserves are culturally appropriate and reasonably comparable with those delivered off reserves in similar circumstances. Over the years, the policy has been confirmed through several government and Treasury Board decisions.

4.7 Today, most provinces provide delegated authority for child welfare services on reserves to local First Nations agencies. These agencies generally are responsible for receiving and investigating reports of possible child abuse or neglect and for taking appropriate actions to ensure the safety and protection of children and promote their well-being. INAC considers that it is the responsibility of each provincial director of child welfare to ensure that the delegated authority is appropriately exercised and to take remedial action when deemed necessary.

4.8 **First Nations Child and Family Services Program.** INAC created the First Nations Child and Family Services Program in 1990, based on the new First Nations child welfare policy. Under the program, INAC provides funding to First Nations, their organizations, and provinces to cover the operating and administrative costs of the child welfare services provided to children and families living on reserves, as well as the costs related to First Nations children placed in care. In addition, a single First Nation or a group of First Nations can obtain funding to prepare for delivering child welfare services. According to INAC, 108 First Nations agencies across the country are now providing at least a portion of child welfare services to about 442 of the 606 First Nations covered by the program. Yukon and provincial agencies serve the rest.

4.9 In 2007, from over $5 billion appropriated by Parliament for transfers and services to First Nations, INAC spent $450 million on this program ($270 million on direct support for First Nations children in care and another $180 million on the operations and administration of child welfare services provided to First Nations). INAC does not track separately what it spends on managing the program.

Child welfare on reserves

4.10 Studies have linked the difficulties faced by many Aboriginal families to historical experiences and poor socio-economic conditions. The *Report of the Royal Commission on Aboriginal Peoples* linked the residential school system to the disruption of Aboriginal families.

Data from the 2003 *Canadian Incidence Study of Reported Child Abuse and Neglect* link poverty, inadequate housing, and caregiver substance misuse on many reserves to the higher substantiated incidence of child neglect occurring on reserves compared to non-Aboriginal children off reserves. Given these linkages, the solution to some of the problems faced by on-reserve children and families do not depend entirely on the availability and quality of child welfare services. Exhibit 4.1 summarizes some of the current challenges that face First Nations children and families as presented to us at meetings with First Nations.

Exhibit 4.1 Challenges facing First Nations children and families

Socio-economic conditions. Many First Nations face difficult socio-economic conditions. Some communities are in crisis. According to First Nations, these conditions present different challenges for First Nations than for mainstream society, but are not taken into account in the child welfare system. There is also a need to address the underlying causes of child welfare cases.

Jurisdiction. First Nations maintain that they have never surrendered their right to care for their children. These rights extend to all members of a First Nation, whether they live on or off reserves.

Legislation. First Nations consider that they have limited input into provincial child welfare legislation. Some provincial standards can be obstacles to providing culturally appropriate child welfare services, which can result in the placement of First Nations children out of their communities.

Program design. As currently designed, the INAC program does not have the flexibility to move funds between operations of an agency and services to children in care. First Nations consider that, at times, this forces agencies to take children in care in order to access funds to provide the required services.

Access to and availability of services. First Nations state that funding allocated to provide child welfare services is not adequate. Travel needs alone require a lot of resources as specialized services are located in large urban centres. They also face difficulties in attracting workers, partly because INAC funding is not sufficient to pay competitive salaries and benefits. The situation is worse in remote and isolated communities.

Emerging issues. Some First Nations note that the number of First Nations children born addicted to drugs is increasing. This causes strains on child welfare resources as these children require special medical or social services that are not always covered by existing funding.

Source: Interviews with First Nations and documents provided by them (unaudited)

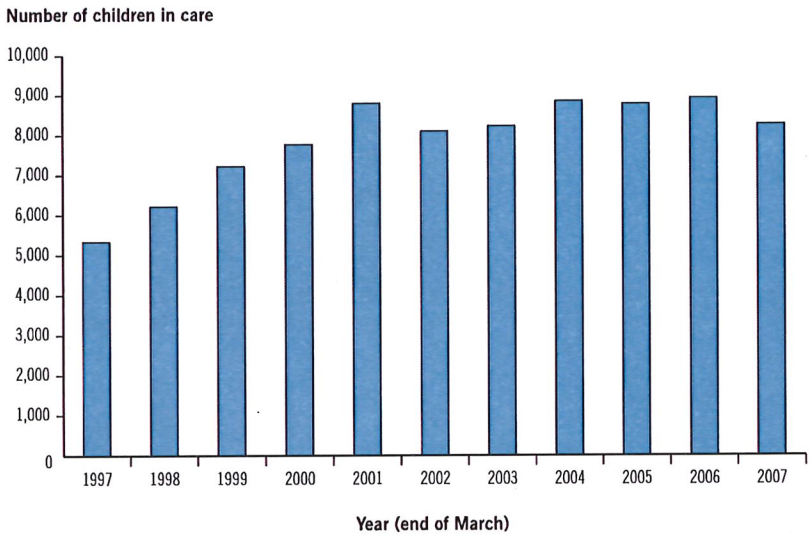
4.11 An analysis funded by INAC, contained in the *Wen:de Report*, found significant differences between Aboriginal and non-Aboriginal children who come into contact with the child welfare system. For example, Aboriginal children are more likely to be reported for neglect than non-Aboriginal children, but they are not over-represented among reports of child abuse. Additionally, Aboriginal children are twice as likely to be investigated for possible abuse or neglect

as non-Aboriginal children. Neglect of Aboriginal children was also confirmed 2.5 times more often. Further, Aboriginal children were more likely to require ongoing services and to be placed in care.

4.12 As shown in Exhibit 4.2, between 1997 and 2001 there was a rapid increase in the number of on-reserve children placed in care. Over this period, the total number of children in care increased by 65 percent, from 5,340 to 8,791 children. This number has remained around the same level since then. At the end of March 2007, there were about 8,300 on-reserve children in care, a little over 5 percent of all children aged from 0 to 18 living on reserves. We estimate that this proportion is almost eight times that of children in care living off reserves.

4.13 Little is known about the outcomes of children placed in care, whether they are Aboriginal or non-Aboriginal. The limited information available regarding children in care shows that they appear to have poor outcomes—a recent British Columbia report noted that the outcomes related to children taken into care in that province were poor. A child who has been in care is less likely to complete high school than a child who has never been in care. For Aboriginal children in care, education results are poorer than for non-Aboriginal children in care.

Exhibit 4.2 The number of on-reserve children placed in care remains high



Source: Indian and Northern Affairs Canada

Focus of the audit

4.14 In this audit, we examined whether INAC is fulfilling its responsibilities, under federal policy, to support child welfare services to on-reserve children and families that are culturally appropriate and reasonably comparable with provincial services available off reserves in similar circumstances. We also looked at how INAC determines whether these services meet provincial legislation and standards. We examined how INAC funds the delivery of child welfare services under its First Nations Child and Family Services Program. We also looked at whether accountability for providing the required services is clearly established. Finally, we examined how the Department determines whether the program is achieving expected results.

4.15 We interviewed officials of INAC at the Department's headquarters and in regional offices in British Columbia, Alberta, Manitoba, Ontario, and Quebec, and reviewed relevant files and documents. We sought the views of First Nations and their child welfare agencies through visits and consultations. We also met with some provincial officials and organizations, and child welfare specialists.

4.16 More details on the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

Observations and Recommendations

Program implementation

The program has not defined key policy requirements

4.17 The First Nations Child and Family Services Program was established by Indian and Northern Affairs Canada (INAC) to carry out the federal policy commitment to fund the provision, for on-reserve children, of child welfare services that are culturally appropriate, that comply with provincial legislation and standards, and that are reasonably comparable with services provided off reserves in similar circumstances. The policy confirms the federal government's view that provinces have jurisdiction over the welfare of all children and that the federal government is responsible for funding reasonably comparable programs and services for children living on reserves.

4.18 To deliver this program as the policy requires, we expected that the Department would, at a minimum, know what "culturally appropriate services" means, what provincial legislation and standards require, and what services are available in neighbouring off-reserve communities to children in similar circumstances.

4.19 **Comparability.** We found that INAC has not analyzed and compared the child welfare services available on reserves with those in neighbouring communities off reserves. However, INAC officials and staff from First Nations agencies told us that child welfare services in First Nations communities are not comparable with off-reserve services.

4.20 Child welfare may be complicated by social problems or health issues. We found that First Nations agencies cannot always rely on other social and health services to help keep a family together or provide the necessary services. Access to such services differs not only on and off reserves but among First Nations as well. INAC has not determined what other social and health services are available on reserves to support child welfare services. On-reserve child welfare services cannot be comparable if they have to deal with problems that, off reserves, would be addressed by other social and health services.

4.21 The context in which child welfare services are delivered can be very different on and off reserves and also differs from one First Nation to another. Making comparisons could be difficult in remote and isolated areas, where First Nations constitute a large proportion of the population and provincial services are limited.

4.22 Moreover, in some cases, comparability may not be appropriate. For example, one First Nation we looked at had 14 percent of its children in care as of March 2007. In another case, a First Nations agency advised us that it has taken 70 children into care over a three-year-period because of parental problems with addictions. In situations like these, availability of placement opportunities and access to support services in the communities present difficulties. In such communities, the well-being of children and their chance of achieving positive outcomes can be compromised if the level and range of services are not adequate.

4.23 **Cultural appropriateness.** We found that INAC has not defined the meaning of "culturally appropriate services." Further, while INAC has provided funding to First Nations to develop culturally appropriate standards for the provinces we covered, only British Columbia has approved Aboriginal standards, although BC's own standards contain an Aboriginal component. However, Aboriginal standards

are intended for use only by the Aboriginal agencies, and in 2007, these agencies were providing services to about 65 percent of on-reserve children in care in British Columbia.

4.24 The number of First Nations agencies being funded is the main indicator of cultural appropriateness that INAC uses. According to INAC, the fact that 82 First Nations agencies have been created since the current federal policy was adopted means there are more First Nations children receiving culturally appropriate child welfare services. However, we found that many agencies provide only a limited portion of the services while provinces continue to provide the rest. Further, INAC does not know nationally how many of the children placed in care remain in their communities or are in First Nations foster homes or institutions.

4.25 In our view, INAC needs to define what is meant by reasonably comparable services and find ways to know whether the services that the program supports are in fact reasonably comparable. Further, the work of developing and implementing culturally appropriate standards for First Nations agencies to provide culturally appropriate child welfare services that meet the requirements of provincial legislation needs to be completed.

4.26 **Recommendation.** Indian and Northern Affairs Canada, in cooperation with provinces and First Nations agencies, should

- define what is meant by services that are reasonably comparable,
- define its expectations for culturally appropriate services and standards, and
- implement this definition and these expectations into the program.

The Department's response. Indian and Northern Affairs Canada agrees. In partnership with provinces and First Nations—beginning with Alberta in the 2007–08 fiscal year—the program is moving to an enhanced prevention-focused approach over the next five years.

Tripartite Enhanced Prevention Frameworks will more clearly define services that are reasonably comparable with services provided in similar circumstances by the provinces to children living off reserve. Definitions of culturally appropriate services will be developed through discussions with the various First Nations based upon community circumstances, and are targeted for completion in 2012.

Responsibilities and services are not always well defined

4.27 Given the complexity associated with coordinating the federal policy of covering the costs of child welfare on reserves, the provinces' jurisdiction over child welfare, and the First Nations delivery of services, we expected to see agreements that would clearly define the respective responsibilities of INAC, the provinces, and the First Nations agencies, and the services to be provided to children. We reviewed the agreements that INAC or the federal government has signed with the provinces and the agreements signed among the provinces, First Nations agencies, and INAC.

4.28 We found that INAC has no agreement on child welfare services with three of the five provinces we covered in the audit—BC, Manitoba, and Quebec. The federal government has agreements with Alberta and Ontario that define these provinces' responsibilities for child welfare services on reserves, and how it will fund these services. However, the child welfare sections of the 1965 Canada-Ontario Welfare Agreement have not been updated since 1981. INAC officials told us that this has no impact on its transferring funds to Ontario to pay for services to children living on reserves. There are, however, provisions in the 1965 Agreement to keep it up-to-date and these could be used to ensure that both the Agreement and the services that the federal government pay for are current.

4.29 Under the program, except in Ontario, INAC needs confirmation that First Nations agencies are mandated by their respective province. This is done through delegation agreements. These agreements can be bilateral, between a province and a First Nations agency, or tripartite, when INAC is a signatory to the agreement. We found that the content of these agreements varies widely. Some agreements clearly define roles and responsibilities and the services to be provided. Others make it difficult to find out what services will be provided to First Nations children and by whom.

4.30 We also found that funding arrangements between INAC and First Nations agencies are generally not tied to the responsibilities that First Nations agencies have under their agreements with provinces; INAC pre-determines the level of funding it will provide to a First Nations agency without regard to the terms of the agreement between the First Nation and the province. Moreover, the funding arrangements rarely define the child welfare services to be made available by the funded agency, the results expected, or the desired outcomes. In the Alberta region, changes being made to the program

require each First Nations agency to develop a business plan that outlines goals, targets, and strategies to achieve them.

4.31 In our view, ensuring the safety, protection, and well-being of children requires that INAC, the provinces, and First Nations agencies have a clear understanding of their responsibilities. Up-to-date agreements among them that clearly define their respective responsibilities and the services to be provided are essential.

4.32 **Recommendation.** Indian and Northern Affairs Canada should ensure that it has up-to-date agreements with the provinces and with First Nations agencies in place. As a minimum, these agreements should consistently define who is responsible for providing the child welfare services required under provincial legislation, and what services will be provided.

The Department's response. Once an enhanced prevention approach model is approved, business plans will be prepared by funding recipients. The Department is already working on arrangements with other provinces to ensure roles and responsibilities and services to be provided are accurately defined and funded. Recipients in those provinces will be asked to develop work plans in the 2008–09 fiscal year, based on those arrangements.

The Department has limited assurance that services meet legislation and standards

4.33 Given how important the standards of care required under provincial legislation are to the safety, protection, and well-being of children, we expected that INAC would obtain assurance from provinces that First Nations agencies deliver child welfare services in accordance with provincial legislation and standards.

4.34 We found that in the five provinces we covered, INAC has limited assurance that child welfare services delivered on reserves by First Nations agencies comply with provincial legislation and standards. INAC officials in Ontario told us that the Department places reliance on the provincial delivery system and that it is informed by the province when there are problems.

4.35 We also found that Alberta and BC did inform the Department that certain provincial legislative requirements and standards were not being fully met by First Nations agencies due to a lack of funding or of flexibility in using funds available. In those cases, for example, there were indications that some on-reserve First Nations children were not receiving prevention or in-home services and were instead being placed into care.

4.36 INAC receives reports from two provinces on some First Nations agencies' compliance with provincial legislation and standards. We reviewed some of those reports and, in our view, certain observations should be of concern to INAC. For example, some First Nations agencies had low rates of compliance with standards of appropriate child welfare services. INAC officials told us that some provinces have intervened in critical situations. We think that when the Department is informed of deficiencies, it should follow up to ensure that timely remedial actions are taken. Without assurance that standards are met and that appropriate actions are taken, INAC does not know whether on-reserve First Nations children are adequately protected and are receiving appropriate services.

4.37 **Recommendation.** When negotiating agreements with each province, Indian and Northern Affairs Canada should, in consultation with First Nations, seek assurance that provincial legislation is being met. INAC should also analyze the information obtained and follow-up when necessary.

The Department's response. Indian and Northern Affairs Canada agrees and has already initiated discussions with its partners—provinces/territories and First Nation agencies—to clarify accountabilities for monitoring and to support First Nation agencies' adherence to provincial/territorial standards.

Indian and Northern Affairs Canada is working to revise its funding agreements to require assurances that provincial legislation is being met and to follow up when necessary.

Coordination with other programs is poor

4.38 As the protection and well-being of First Nations children may require support from other programs, we expected that INAC would facilitate coordination between the First Nations Child and Family Services Program and other relevant INAC programs, and facilitate access to other federal programs as appropriate.

4.39 We found fundamental differences between the views of INAC and Health Canada on responsibility for funding Non-Insured Health Benefits for First Nations children who are placed in care. According to INAC, the services available to these children before they are placed in care should continue to be available. According to Health Canada, however, an on-reserve child in care should have access to all programs and services available to any child in care in a province, and INAC should take full financial responsibility for these costs in accordance

with federal policy. INAC says it does not have the authority to fund services that are covered by Health Canada. These differences in views can have an impact on the availability, timing, and level of services to First Nations children. For example, it took nine months for a First Nations agency to receive confirmation that an $11,000 piece of equipment for a child in care would be paid for by INAC.

4.40 First Nations children with a high degree of medical need are in an ambiguous situation. Some children placed into care may not need protection but may need extensive medical services that are not available on reserves. By placing these children in care outside of their First Nations communities, they can have access to the medical services they need. INAC is working with Health Canada to collect more information about the extent of such cases and their costs. Exhibit 4.3 outlines a proposal from the *First Nations Child and Family Caring Society of Canada* to deal with these and other issues.

4.41 We found that responsibilities for coordination are not clearly defined. INAC officials told us that First Nations agencies are expected to identify linkages between the various programs funded by INAC and by other federal departments. However, we found that some services are not available in all First Nations communities; for example, INAC's Family Violence Prevention Program is accessed by approximately half of the First Nations communities. Further, departments' rules for their respective programs, as approved by the Treasury Board, do not always facilitate coordination.

Exhibit 4.3 A dispute-resolution mechanism is needed

Jordan's Principle

The provision of services to children in care with complex medical needs often involves many federal departments, provincial ministries, and agencies. Jurisdictional disputes do arise and may result in delays or disrupt services to First Nations children that are otherwise available to other Canadian children. The *First Nations Child and Family Caring Society of Canada* proposes that to deal with these disputes, the government or ministry/department of first contact pay for the services without delay or disruption and then refer the question of responsibility for funding to a jurisdictional dispute-resolution mechanism.

The Society calls this proposal Jordan's Principle, in the name of a child who died in hospital while governments debated who was responsible to pay for his care when discharged.

However, in our view, a dispute-resolution mechanism will not work in the presence of irreconcilable differences and without a change in funding authorities. Such difficulties need to be resolved if this proposal is to result in better and timelier services to First Nations children.

4.42 **Recommendation.** Indian and Northern Affairs Canada should resolve the fundamental differences with Health Canada related to their respective funding responsibilities for services to First Nations children in care.

The Department's response. Indian and Northern Affairs Canada and Health Canada are working to establish clear agreements on roles and responsibilities, in line with current program authorities before they expire.

4.43 **Recommendation.** In order to develop a coordinated approach to the provision of federally funded child welfare services, Indian and Northern Affairs Canada should

- ensure that the Department's program rules facilitate coordination; and
- in cooperation with First Nations, work with the Treasury Board of Canada Secretariat and other federal departments that fund programs for First Nations children to facilitate access to their programs.

The Department's response. Indian and Northern Affairs Canada agrees to work with federal partners to improve coordination efforts at headquarters and regional levels and will support First Nations Child and Family Services Agencies as they develop and implement a more coordinated approach to the provision of federally funded child welfare services. Currently in Alberta, agencies are using a business plan mechanism to reflect and report on coordination efforts. As the enhanced approach is adopted in other provinces, the same mechanism will be used.

INAC devotes limited human resources to the program

4.44 INAC's headquarters allocates staff to the management and policy direction of the First Nations Child and Family Services Program, while regional offices allocate staff to the program's delivery. We reviewed organization charts and discussed human resources issues with department officials to assess whether INAC had a sufficient number of people to carry out the program.

4.45 We found that the level of human resources INAC devotes to either managing or delivering the program is insufficient. At headquarters, no executive positions are dedicated full-time to this program, and for many years, only a few positions were devoted to the policy direction and analysis of the program. Most regional offices we visited do not have enough staff to carry out all aspects of the program's management structure. For example, INAC officials informed us that a lack of resources is the main reason why on-site compliance reviews of First Nations agencies were not carried out as required.

4.46 Although INAC has increased the number of positions for the program at headquarters, many of the staff are acting in their positions. And while two positions are to be added to the Alberta regional office, there are indications that implementing the new funding formula and approach will draw significantly on existing resources. For example, the Alberta regional office will need to review business plans coming from 18 Alberta First Nations agencies, and monitor their implementation.

4.47 **Recommendation.** Indian and Northern Affairs Canada should examine the human resources requirements for this program and allocate sufficient resources to meet these requirements.

The Department's response. Indian and Northern Affairs Canada agrees and has already made major progress on a comprehensive human resources plan that places the needs for this program in the broader context of the wide range of pressures on the Department.

Funding of services

Program funding is inequitable

4.48 We expected that INAC would design its funding of the First Nations Child and Family Services Program in a manner consistent with the program's policy and objectives. We reviewed INAC funding practices, including funding arrangements between INAC and First Nations or provinces.

4.49 INAC funds some provinces for delivering child welfare services directly where First Nations do not. INAC has agreements with three of the five provinces we covered on how they will be funded to provide child welfare services on reserves. We found that in these provinces, INAC reimburses all or an agreed-on share of their operating and administrative costs of delivering child welfare services directly to First Nations and of the costs of children placed in care. Exhibit 4.4 summarizes the Department's approaches to funding the provinces covered in our audit.

4.50 INAC funding to cover the costs of operating and administering First Nations agencies is established through a formula. Although the program requires First Nations agencies to meet applicable provincial legislation, we found that INAC's funding formula is not linked to this requirement. The main element of the formula is the number of children aged from 0 to 18 who are ordinarily resident on the reserve or reserves being served by a First Nations agency. At the time of the audit, INAC provided First Nations agencies $787 annually for each child ordinarily resident on reserves. In addition, INAC reimburses the agencies for the costs of children placed in care.

Exhibit 4.4 INAC funding methods vary by province

British Columbia. INAC signed a memorandum of understanding with the province in 1996. Under this agreement, INAC reimburses the province for the administration and supervision costs of on-reserve child welfare services and for the on-reserve children in care costs.

Alberta. Canada signed an agreement with Alberta in 1991. The agreement provides for the reimbursement to Alberta of the estimated operating and administrative costs of the child welfare services delivered directly by the province to some First Nations and the actual costs of services to children from these First Nations who are placed in care.

Ontario. Child welfare services are covered under the 1965 Canada-Ontario Welfare Agreement. INAC pays the province an agreed-on share of its costs to deliver child welfare services to on-reserve First Nations people, including the children in care costs. In addition to regular funding, INAC also provides over $18 million annually to Ontario for enhanced prevention services provided directly to First Nations and to child welfare agencies controlled by First Nations, as well as First Nations agencies that are developing but not yet mandated.

Quebec. INAC has no agreement with the province. INAC signs contribution arrangements with provincial agencies directly providing services to some First Nations. Funding for the operations of these agencies is generally based on the funding formula used to fund First Nations agencies. Costs of services to children in care are reimbursed in the same manner as those reimbursed to First Nations agencies.

Manitoba. INAC has no agreement with the province and no funds are directly provided to it. INAC funds First Nations agencies to deliver all services on reserves.

4.51 **The funding formula is outdated.** We found that the formula was designed in 1988 and has not been significantly modified since. This has had a significant impact on the child welfare services provided to some First Nations children, as the formula does not take into account any costs associated with modifications to provincial legislation or with changes in the way services are provided.

4.52 **The formula leads to funding inequities.** We also found that the formula does not always ensure an equitable allocation of program funding. The formula is based on the assumption that each First Nations agency has 6 percent of on-reserve children placed in care. This assumption leads to funding inequities among First Nations agencies because, in practice, the percentage of children that they bring into care varies widely. In the five provinces we covered, for example, it ranged from 0 to 28 percent in 2007. Further, funding is not responsive to factors that can cause wide variations in operating costs, such as differences in community needs or in support services available, in the child welfare services provided to on-reserve First Nations children, and in the actual work performed by First Nations agencies. In some instances, INAC has had to provide additional funding to respond to needs. For example, in one case we examined, a First Nation was able to convince INAC that its level of funding was

not sufficient because a large number of its children required services. INAC provided it with an additional $1.2 million over two years to increase its capacity to serve children in need.

4.53 Further, we found that INAC does not have a consistent interpretation of the costs covered by the formula when a province has not fully delegated all child welfare services to a First Nations agency. The Quebec regional office takes the position that the funding provided to First Nations under the formula is to cover the costs of all child welfare services, whether delivered by a First Nation or provided by the province. As program funding is not tied to needs, a group of First Nations has accumulated around $4.7 million in unpaid bills owed to a provincial agency for services it provided to them because funding from INAC was not sufficient to pay for all the services. At the time of the audit, INAC was working with the group of First Nations and the agency to address this situation.

4.54 In contrast, the BC regional office does not require First Nations agencies funded under the formula and delivering only a portion of on-reserve child welfare services to pay the province for the administrative costs of the child welfare services they receive from it. INAC estimates that it pays over $2 million annually to BC for services it provides to these First Nations agencies. The BC regional office considers this a duplicate payment, but we note that no concrete actions are being taken to deal with it. We believe that these inequities need to be addressed.

4.55 **The formula is not adapted to small agencies.** Consistent with the federal policy, the funding formula was designed on the basis that First Nations agencies would be responsible for serving a community, or a group of communities, where at least 1,000 children live on reserve. This was considered the minimum client base an agency could have and still provide services economically and effectively, although exceptions could be made.

4.56 We found that 55 of the 108 agencies funded by INAC are providing child welfare services to fewer than 1,000 children living on reserve. We noted concerns in INAC that small agencies do not always have the funding and capacity to provide the required range of child welfare services, and also have difficulties with governance, conflicts of interest, training, and management. However, action to address these concerns has been limited.

4.57 The shortcomings of the funding formula have been known to INAC for years; some were outlined in a policy study undertaken jointly by INAC and the Assembly of First Nations and completed

in 2000. INAC needs to work with First Nations agencies and the provinces on finding ways to resolve these issues.

4.58 **Program funding is not properly coordinated.** Under the *Children's Special Allowance Act*, the federal government provides all child welfare agencies in Canada a monthly payment for the care and maintenance of each child placed in care. For the agencies serving children on reserves, this special allowance is paid for the same children that INAC pays for under its program.

4.59 We found that INAC does not deal with special allowances consistently. In Ontario and BC, the special allowance payments are taken into account in the amounts that these provinces claim from INAC. In 2007, for example, we estimate that this resulted in a reduction of approximately $6 million in INAC program costs. Conversely, in the other provinces covered in our audit, and when First Nations agencies deliver the services, INAC funding does not take the special allowance into account. We estimate that these provinces and First Nations agencies received around $17 million in special allowance payments in 2007 for the care and maintenance of on-reserve children in care. Under its program, INAC paid them the full costs of the care and maintenance for the same children.

4.60 Under the current Treasury Board authority, starting 1 April 2008, INAC has to deduct special allowance payments from its funding for the maintenance costs of First Nations children in care. INAC was given one year to advise the provinces and First Nations agencies and allow them to prepare for this change. At the time of our audit, however, INAC had not formally communicated this change.

4.61 We note that the change is likely to have serious implications for some First Nations agencies, particularly those with a large number of children in care. For example, one First Nations agency we examined received about $1.2 million annually in special allowance payments and used this money to supplement INAC funding for its operating and administrative costs. When the special allowance is no longer available for that purpose, the resources for this agency's operations will be reduced by approximately 30 percent. INAC officials were aware of the problem. It is not clear how this First Nations agency, and others in a similar situation, will cope with the change.

4.62 **The funding formula is being revised in Alberta.** In 2007, INAC obtained authority from the federal government to link its funding of Alberta First Nations agencies to provincial legislation. It has undertaken to provide them with funding and flexibility to deliver services that meet provincial legislation. In cooperation with

First Nations and Alberta, the Department has developed a new formula and funding approach for Alberta First Nations agencies.

4.63 We analyzed the new funding formula and approach and found that it will provide more funds for the operations of First Nations agencies; it also offers them more flexibility to allocate resources to different types of child welfare services. On average, funding to Alberta First Nations agencies for the operation and prevention components will have increased by 74 percent when the new formula is fully implemented in 2010. This should lead to better services for First Nations children.

4.64 However, we also found that the new formula does not address the inequities we have noted under the current formula. It still assumes that a fixed percentage of First Nations children and families in all the First Nations served by an agency need child welfare services. Consequently, in our view, the new formula will not address differing needs among First Nations. Pressures on INAC to fund exceptions will likely continue to exist under the new formula.

4.65 INAC states that it plans to seek similar authority to change the way it funds First Nations agencies in all provinces where it funds them directly. The plan is to complete this work by 2012.

4.66 In our view, the funding formula needs to become more than a means of distributing the program's budget. As currently designed and implemented, the formula does not treat First Nations or provinces in a consistent or equitable manner. One consequence of this situation is that many on-reserve children and families do not always have access to the child welfare services defined in relevant provincial legislation and available to those living off reserves. It is also not consistently harmonized with the special allowance payments provided by the federal government for children in care.

4.67 **Recommendation.** Indian and Northern Affairs Canada, in consultation with First Nations and provinces, should ensure that its new funding formula and approach to funding First Nations agencies are directly linked with provincial legislation and standards, reflect the current range of child welfare services, and take into account the varying populations and needs of First Nations communities for which it funds on-reserve child welfare services.

The Department's response. Indian and Northern Affairs Canada's current approach to Child and Family Services includes reimbursement of actual costs associated with the needs of maintaining a child in care. The Department agrees that as new partnerships are entered into,

based on the enhanced prevention approach, funding will be directly linked to activities that better support the needs of children in care and incorporate provincial legislation and practice standards.

Financial obligations are not reflected in the allocation of resources to the program

4.68 Under government policy, the costs of child welfare services to children and families ordinarily resident on reserves are covered by the federal government. In accordance with that policy, INAC enters into funding agreements with First Nations agencies and provinces to pay for on-reserve child welfare services and cover the costs of children placed in care. Through delegation agreements with provinces and funding arrangements with INAC, First Nations agencies are obligated to ensure that child welfare services available to First Nations children meet provincial legislation and standards.

4.69 We found that there is no link between the financial obligations of this program and how resources are allocated to it. Unlike other programs, the program's expenditures are not fully under the control of INAC. However, the program can be affected by global budget decisions. For example, in 1995, INAC decided not to adjust the funding formula for inflation. This was a response to a federal government request that INAC and other federal departments moderate the pace at which their program expenditures were growing. INAC officials told us that this action was consistent with measures taken across the federal government at that time.

4.70 INAC states that it addresses health and safety issues properly when it makes these budgeting decisions. It also says, however, that over time the lack of adjustment for inflation has had negative impacts on many First Nations agencies. These agencies could not, for example, pay their staff at the same pay scale as staff working for provincial agencies and, as a result, they have difficulties attracting and retaining qualified social workers and meeting their obligations under provincial legislation or their agreements with the province. In 2005, the federal government provided $125 million over five years to support the program and increase First Nations agency funding.

4.71 The program's budget has increased significantly over the last few years—from $193 million in 1997 to $450 million in 2007. The Department attributes this increase to the creation of new First Nations agencies and to factors outside its control, such as the growing number of children living on reserves, the number placed in care, the need to use expensive types of placement, such as specialized institutions, and the child welfare services required.

4.72 Because the program's expenditures are growing faster than the Department's overall budget, INAC has had to reallocate funding from other programs. In a 2006 study, the Department acknowledged that over the past decade, budget reallocations—from programs such as community infrastructure and housing to other programs such as child welfare—have meant that spending on housing has not kept pace with growth in population and community infrastructure has deteriorated at a faster rate.

4.73 In our view, the budgeting approach INAC currently uses for this type of program is not sustainable. Program budgeting needs to meet government policy and allow all parties to fulfill their obligations under the program and provincial legislation, while minimizing the impact on other important departmental programs. The Department has taken steps in Alberta to deal with these issues and is committed to doing the same in other provinces by 2012.

4.74 **Recommendation.** Indian and Northern Affairs Canada should determine the full costs of meeting the policy requirements of the First Nations Child and Family Services Program. It should periodically review the program's budget to ensure that it continues to meet program requirements and to minimize the program's financial impact on other departmental programs.

The Department's response. Indian and Northern Affairs Canada agrees to regularly update its estimate of the cost of delivering the program with the new approach on a province-by-province basis, over the next five years.

The program budget will be periodically reviewed by the Department in the context of overall priorities and program requirements.

Compliance with Treasury Board authority could be improved

4.75 We expected that INAC would comply with the Treasury Board authority for the program and would ensure that the funding it provides is used for the intended purposes.

4.76 We found that INAC complies with the Treasury Board authority for the program by ensuring that funding for operations is provided for eligible First Nations agencies. However, we also found that compliance with authority could be improved.

4.77 **Compliance reviews.** To be eligible for INAC funding, a child has to be registered as a status Indian and be ordinarily resident on a reserve. We found that INAC officials can determine whether a child is registered as a status Indian or is entitled to be by using the Indian

Registry System operated by the Department. We also found, however, that INAC has not developed a consistent manner to assess a child's residency. INAC usually relies on the information provided by the province, First Nations, or agencies but cannot independently verify this information.

4.78 In its Alberta, Manitoba, and Quebec regional offices, we found that INAC reviews the claims for reimbursement submitted by First Nations agencies or by the province to identify expenses that are not allowable, and that it reconciles the amount it provides them with the actual expenses claimed. However, we also found that INAC's reviews of these claims cannot determine whether the expenses claimed are reasonable. For example, one region reimbursed a First Nations agency for transportation costs that were high enough to be considered questionable.

4.79 To strengthen the review of the expenses claimed by First Nations agencies, INAC is supposed to periodically carry out on-site compliance reviews. The main purposes of these reviews are to provide INAC with additional assurance that children whose care it is funding are ordinarily residents on reserves, that only allowable expenses have been claimed for reimbursement, that expenses are reasonable and accurate, and that the funds were used for the intended purposes.

4.80 While some on-site compliance reviews were undertaken, sometimes in partnership with a province, we found that INAC regional offices do not perform all required periodic compliance reviews. In addition, in two regions where compliance reviews were done, we found that payments made for non-allowable expenses were not recovered as they should have been under the program's authority. For one First Nations agency we examined, approximately $100,000 should have been recovered. INAC officials told us that it was decided before undertaking the reviews not to recover non-allowable expenses in order to emphasize to recipients the need to improve practices. They also told us that the intent is to recover non-allowable expenses in future on-site compliance reviews.

4.81 **Costs for children in care in BC.** Treasury Board authority for the program requires INAC to reimburse First Nations agencies for the actual costs of each child placed in care and to ensure that all expenditures are allowable under the program. We found that INAC pays First Nations agencies in BC a pre-determined amount per day of care and makes no attempt to relate this amount to the actual expenses incurred for these children. We also found that the actual costs of First Nations children placed in care in some First Nations

agencies are lower than the amount provided by INAC. Further, INAC does not review the agencies' expenses to ensure that they are allowable under the program. In our view, these practices are not consistent with the Treasury Board authority.

4.82 **Recommendation.** Indian and Northern Affairs Canada should carry out the on-site compliance reviews required under the First Nations Child and Family Services Program. It should also ensure that its British Columbia region complies with Treasury Board authority.

The Department's response. Indian and Northern Affairs Canada agrees. The Department has begun to revise the Child and Family Services program manual and an updated Compliance Directive will be added in the 2008–09 fiscal year.

Indian and Northern Affairs Canada will be working with regional offices, British Columbia in particular, to ensure compliance with program authorities. Compliance audits will be undertaken where risk indicates that this is required.

Information for accountability

The Department lacks information on the program

4.83 Given the program's impact on the lives of on-reserve First Nations children and families, we expected that INAC would define and collect appropriate information to manage and account for the program. We reviewed the information collected by INAC and a program evaluation completed in 2007.

4.84 We found that while INAC has defined some of its information needs, they relate mostly to its funding responsibilities. The information that INAC requires from First Nations and provinces is focused on the volume of services to children in care, such as days of care, and on the costs of services provided to these children. This information is tied directly to actual payments to provinces and First Nations agencies and supports program budgeting and funding allocation to regions.

4.85 We found that INAC collects very limited information on the actual services funded through its funding formula. It does not have information on the volume of activities carried out by the First Nations agencies, such as the number of contacts with child welfare services, the number of assessments, or the major reasons why children come into care. This information would be important in assessing the need for child welfare services in a particular First Nations community and providing guidance to determine the funding needed. It could also help

in monitoring how the funding provided was used and what difference it made in the lives of on-reserve First Nations children and their communities.

4.86 We found that INAC has little information on the outcomes of its funding on the safety, protection, or well-being of children living on reserves. As a result, it is unaware of whether or to what extent its program makes a positive difference in the lives of the children it funds.

4.87 In our view, the information INAC collects falls far short of the child welfare program and policy requirements. The Department is aware of the limits of the information it possesses, and it has identified some of the additional information it needs. These are steps in the right direction. However, a lot of work remains to clearly identify performance indicators and the necessary information, and to obtain the cooperation of the provinces and First Nations in collecting this information and ensuring its quality.

4.88 **Program evaluation.** INAC completed a departmental evaluation of the program early in 2007. From the outset, the evaluation questioned whether evaluating the program was possible: it considered that the program objectives were too broad and that the expected outcomes had not been defined. In addition, it found no systematically collected interim or longer-term outcome information on the program.

4.89 We found that given these limitations, the evaluation did not explore the effectiveness of First Nations agencies or the quality of the services they offer. Instead, it was future-oriented, seeking to explore and recommend program changes to help reduce the number of on-reserve children coming into care and to improve outcomes for First Nations children and families.

4.90 In our view, this evaluation missed an opportunity to find out more about the program, the effectiveness of First Nations agencies, and the overall impact of services on children's lives. INAC plans to undertake another evaluation in 2010. Unless procedures are soon put in place to collect more and better information and responsibilities are assigned, this evaluation will face the same limitations as the previous one.

4.91 **Recommendation.** Indian and Northern Affairs Canada should define the information it needs to manage the program and account for its results, with a particular emphasis on results and outcomes. In cooperation with First Nations and provinces, INAC should develop performance indicators, define the information required, collect the information, and ensure its quality.

The Department's response. Indian and Northern Affairs Canada agrees. It began a comprehensive validation exercise in February 2008 to be completed by December 2008. The program intends to validate the performance indicators with First Nations, to ensure that they are robust and that performance measures lead to data collection that is appropriate, with emphasis on results and outcomes.

The Indian and Northern Affairs Canada "Smart Reporting" exercise is intended to drive the collection of meaningful, relevant, and timely performance data, while ensuring the reduction of reporting requirements on First Nations. This exercise will be used to establish what performance information is required and, if it is not currently available, how it will be obtained.

Conclusion

4.92 Our audit found that Indian and Northern Affairs Canada does not have assurance that the First Nations Child and Family Services Program funds child welfare services for on-reserve First Nations children and families that are culturally appropriate and reasonably comparable with those normally provided off reserves in similar circumstances. In most provinces we visited, many on-reserve children and families do not always have access to the child welfare services defined in relevant provincial legislation and available to those living off reserves.

4.93 We also found that INAC obtains insufficient assurance that the child welfare services funded under the First Nations Child and Family Services Program are delivered in accordance with relevant provincial legislation and standards.

4.94 Finally, INAC does not have sufficient and appropriate information to monitor the program's results and costs for purposes of both program management and accountability.

4.95 This program was established to implement a federal government policy. It is linked to provincial legislation and has direct impact on the safety and well-being of on-reserve children and families. In our view, the program needs to be better supported, managed, and overseen. It also requires better information on results and on the outcomes for children. Although the solutions to some of the problems faced by on-reserve children and families do not depend entirely on the availability and quality of child welfare services, steps need to be taken to address the management deficiencies noted in this audit.

About the Audit

Objectives

Our objectives for the audit were to determine whether Indian and Northern Affairs Canada (INAC)

- has assurance that the First Nations Child and Family Services Program provides on-reserve First Nations children and families with culturally appropriate child welfare services reasonably comparable to those normally provided off reserves in similar circumstances,
- has assurance from the provinces that the child welfare services funded by the program are delivered in accordance with their legislation and standards, and
- collects sufficient and appropriate information on results and costs for program management and accountability purposes.

Scope and approach

Our audit focused on INAC's First Nations Child and Family Services Program; in particular, we examined the management structure and processes and the resources used to implement the federal government policy on First Nations child and family services. We also included, where relevant, information on the support available from other INAC programs and programs of other federal departments, such as Health Canada (non-insured health benefits) and the Canada Revenue Agency (Children's Special Allowance). The audit mainly covered fiscal years 2005–06 and 2006–07.

We looked at the program's design and implementation, as well as INAC's monitoring and measurement of program results. We interviewed INAC managers and staff and reviewed relevant documents at five INAC regional offices (British Columbia, Alberta, Manitoba, Ontario, and Quebec) and at headquarters. In most of these regional offices, we reviewed the information that INAC had on selected First Nations and First Nations agencies. We also looked at INAC files containing information on the funding provided to provinces. In the Ontario regional office, we reviewed the interpretation and implementation of the 1965 Canada-Ontario Welfare Agreement as it relates to First Nations child welfare.

Additionally, we interviewed officials at the Canada Revenue Agency, Health Canada, and Human Resources and Social Development Canada. Although we did not audit the activities carried out by First Nations and their agencies, we sought their views on matters related to child welfare. To that end, we visited eight First Nations communities or child welfare agencies. In these community visits, we discussed matters with managers and staff working on child welfare. We also sought the views of national and regional First Nations organizations and reviewed the documentation provided by them. We also met with some provincial officials and organizations and child welfare specialists.

Criteria

We expected Indian and Northern Affairs Canada

- to have clear authorities and expected results for the program;
- to have agreements clearly defining respective responsibilities for INAC, First Nations agencies, and the provinces and the child welfare services to be provided;
- to obtain from provinces assurance that First Nations agencies deliver services in accordance with provincial legislation and standards;
- to facilitate coordination between the First Nations Child and Family Services Program and other relevant INAC programs, and facilitate access to other relevant federal programs;
- to design its funding of the program consistent with the program's policy and objectives;
- to comply with Treasury Board authority and ensure that funding is being used for the purposes intended; and
- to define and collect appropriate information for program management and accountability.

Audit work completed

Audit work for this chapter was substantially completed on 9 November 2007.

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Appendix List of recommendations

The following is a list of recommendations found in Chapter 4. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
Program implementation	
4.26 Indian and Northern Affairs Canada, in cooperation with provinces and First Nations agencies, should • define what is meant by services that are reasonably comparable, • define its expectations for culturally appropriate services and standards, and • implement this definition and these expectations into the program. (4.17–4.25)	Indian and Northern Affairs Canada agrees. In partnership with provinces and First Nations—beginning with Alberta in the 2007–08 fiscal year—the program is moving to an enhanced prevention-focused approach over the next five years. Tripartite Enhanced Prevention Frameworks will more clearly define services that are reasonably comparable with services provided in similar circumstances by the provinces to children living off reserve. Definitions of culturally appropriate services will be developed through discussions with the various First Nations based upon community circumstances, and are targeted for completion in 2012.
4.32 Indian and Northern Affairs Canada should ensure that it has up-to-date agreements with the provinces and with First Nations agencies in place. As a minimum, these agreements should consistently define who is responsible for providing the child welfare services required under provincial legislation, and what services will be provided. (4.27–4.31)	Once an enhanced prevention approach model is approved, business plans will be prepared by funding recipients. The Department is already working on arrangements with other provinces to ensure roles and responsibilities and services to be provided are accurately defined and funded. Recipients in those provinces will be asked to develop work plans in the 2008–09 fiscal year, based on those arrangements.
4.37 When negotiating agreements with each province, Indian and Northern Affairs Canada should, in consultation with First Nations, seek assurance that provincial legislation is being met. INAC should also analyze the information obtained and follow-up when necessary. (4.33–4.36)	Indian and Northern Affairs Canada agrees and has already initiated discussions with its partners—provinces/territories and First Nation agencies—to clarify accountabilities for monitoring and to support First Nation agencies' adherence to provincial/territorial standards. Indian and Northern Affairs Canada is working to revise its funding agreements to require assurances that provincial legislation is being met and to follow up when necessary.

Recommendation	Response
4.42 Indian and Northern Affairs Canada should resolve the fundamental differences with Health Canada related to their respective funding responsibilities for services to First Nations children in care. (4.38–4.41)	Indian and Northern Affairs Canada and Health Canada are working to establish clear agreements on roles and responsibilities, in line with current program authorities before they expire.
4.43 In order to develop a coordinated approach to the provision of federally funded child welfare services, Indian and Northern Affairs Canada should • ensure that the Department's program rules facilitate coordination; and • in cooperation with First Nations, work with the Treasury Board of Canada Secretariat and other federal departments that fund programs for First Nations children to facilitate access to their programs. (4.38–4.41)	Indian and Northern Affairs Canada agrees to work with federal partners to improve coordination efforts at headquarters and regional levels and will support First Nations Child and Family Services Agencies as they develop and implement a more coordinated approach to the provision of federally funded child welfare services. Currently in Alberta, agencies are using a business plan mechanism to reflect and report on coordination efforts. As the enhanced approach is adopted in other provinces, the same mechanism will be used.
4.47 Indian and Northern Affairs Canada should examine the human resources requirements for this program and allocate sufficient resources to meet these requirements. (4.44–4.46)	Indian and Northern Affairs Canada agrees and has already made major progress on a comprehensive human resources plan that places the needs for this program in the broader context of the wide range of pressures on the Department.

Recommendation	Response
Funding of services	
4.67 Indian and Northern Affairs Canada, in consultation with First Nations and provinces, should ensure that its new funding formula and approach to funding First Nations agencies are directly linked with provincial legislation and standards, reflect the current range of child welfare services, and take into account the varying populations and needs of First Nations communities for which it funds on-reserve child welfare services. (4.48–4.66)	Indian and Northern Affairs Canada's current approach to Child and Family Services includes reimbursement of actual costs associated with the needs of maintaining a child in care. The Department agrees that as new partnerships are entered into, based on the enhanced prevention approach, funding will be directly linked to activities that better support the needs of children in care and incorporate provincial legislation and practice standards.
4.74 Indian and Northern Affairs Canada should determine the full costs of meeting the policy requirements of the First Nations Child and Family Services Program. It should periodically review the program's budget to ensure that it continues to meet program requirements and to minimize the program's financial impact on other departmental programs. (4.68–4.73)	Indian and Northern Affairs Canada agrees to regularly update its estimate of the cost of delivering the program with the new approach on a province-by-province basis, over the next five years. The program budget will be periodically reviewed by the Department in the context of overall priorities and program requirements.
4.82 Indian and Northern Affairs Canada should carry out the on-site compliance reviews required under the First Nations Child and Family Services Program. It should also ensure that its British Columbia region complies with Treasury Board authority. (4.75–4.81)	Indian and Northern Affairs Canada agrees. The Department has begun to revise the Child and Family Services program manual and an updated Compliance Directive will be added in the 2008–09 fiscal year. Indian and Northern Affairs Canada will be working with regional offices, British Columbia in particular, to ensure compliance with program authorities. Compliance audits will be undertaken where risk indicates that this is required.

Recommendation	Response
Information for accountability	
4.91 Indian and Northern Affairs Canada should define the information it needs to manage the program and account for its results, with a particular emphasis on results and outcomes. In cooperation with First Nations and provinces, INAC should develop performance indicators, define the information required, collect the information, and ensure its quality. (4.83–4.90)	Indian and Northern Affairs Canada agrees. It began a comprehensive validation exercise in February 2008 to be completed by December 2008. The program intends to validate the performance indicators with First Nations, to ensure that they are robust and that performance measures lead to data collection that is appropriate, with emphasis on results and outcomes. The Indian and Northern Affairs Canada "Smart Reporting" exercise is intended to drive the collection of meaningful, relevant, and timely performance data, while ensuring the reduction of reporting requirements on First Nations. This exercise will be used to establish what performance information is required and, if it is not currently available, how it will be obtained.

Report of the Auditor General of Canada to the House of Commons—May 2008

Main Table of Contents

A Message from the Auditor General of Canada
Main Points—Chapters 1 to 8

Chapter 1 Management of Fees in Selected Departments and Agencies

Chapter 2 Support for Overseas Deployments—National Defence

Chapter 3 Oversight of Air Transportation Safety—Transport Canada

Chapter 4 First Nations Child and Family Services Program—Indian and Northern Affairs Canada

Chapter 5 Surveillance of Infectious Diseases—Public Health Agency of Canada

Chapter 6 Conservation of Federal Official Residences

Chapter 7 Detention and Removal of Individuals—Canada Border Services Agency

Chapter 8 Special Examinations of Crown Corporations—An Overview