

## 2011 June Status Report of the Auditor General of Canada

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### Chapter 4—Programs for First Nations on Reserves

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### Preface

#### Broad concerns: Services to First Nations

This preface contains views based on the numerous audits we have completed over the past decade. While not directly related to the audit that follows, the preface presents important matters that we believe should be brought to the attention of the House of Commons.

Over the past 10 years, the Office of the Auditor General has audited a broad range of services and federal activities affecting First Nations. Throughout this period we have had the opportunity to visit many of Canada's First Nations reserves, and to meet with chiefs, councils, and community leaders. We have interviewed hundreds of federal officials and numerous experts on First Nations issues.

It is clear that living conditions are poorer on First Nations reserves than elsewhere in Canada. Analysis by Indian and Northern Affairs Canada (INAC) supports this view. The Department has developed a Community Well-Being Index based on a United Nations measure used to determine the relative living conditions of developing and developed countries. INAC uses its index to assess the relative progress in living conditions on reserves. In 2010, INAC reported that the index showed little or no progress in the well-being of First Nations communities between 2001 and 2006. Instead, the average well-being of those communities continued to rank significantly below that of other Canadian communities. Conditions on too many reserves are poor and have not improved significantly.

In our audits, we have made numerous recommendations concerning federal programs and services for First Nations reserves. In our 2006 May Report, Chapter 5, Management of Programs for First Nations, we found that progress was generally unsatisfactory in implementing the recommendations that are most important to the lives and well-being of First Nations people. In that audit, we also identified seven critical factors that appeared to have helped or hindered implementation of our recommendations, depending on their presence or absence (see paragraphs 5.50 to 5.61 of our 2006 Report and 4.7 of this report).

In the audit that follows, we have again found progress to be unsatisfactory on several recommendations we have made over the past decade that are important for the lives and well-being of First Nations people. Even where federal actions have led to the implementation of our recommendations, it appears to us that the results have not led to significant improvements in the lives and well-being of people living in many First Nations communities.

#### Structural impediments explain the lack of progress on reserves

In our view, many of the problems facing First Nations go deeper than the existing programs' lack of efficiency and effectiveness. We believe that structural impediments severely limit the delivery of public services to First Nations communities and hinder improvements in living conditions on reserves. We have identified four such impediments:

- lack of clarity about service levels,
- lack of a legislative base,
- lack of an appropriate funding mechanism, and
- lack of organizations to support local service delivery.

**Lack of clarity about service levels.** Most of the services provided to communities throughout Canada are the responsibility of provincial and municipal governments, but this is not the case on reserves. Under the *Constitution Act, 1867*, the federal government has exclusive authority to legislate on matters pertaining to “Indians, and Lands reserved for Indians.” INAC has been the main federal organization exercising this authority. While the federal government has funded the delivery of many programs and services, it has not clearly defined the type and level of services it supports.

Mainly through INAC, the federal government supports many services on reserves that are normally provided by provincial and municipal governments off reserves. It is not always evident whether the federal government is committed to providing services on reserves of the same range and quality as those provided to other communities across Canada. In some cases, the Department’s documents refer to services that are reasonably comparable to those of the provinces. But comparability is often poorly defined and may not include, for instance, the level and range of services to be provided.

To provide true comparability, it would be important to include a clear statement of comparability in program objectives and define comparability on a program-by-program basis. Roles and responsibilities would also need to be specified, as would the level of services required for comparability. In addition, the costs of achieving comparability would have to be determined and programs would have to be adequately funded. It would be necessary to establish measures for evaluating performance and determining whether the program was achieving the desired outcomes.

**Lack of a legislative base.** Provincial legislation provides a basis of clarity for services delivered by provinces. A legislative base for programs specifies respective roles and responsibilities, eligibility, and other program elements. It constitutes an unambiguous commitment by government to deliver those services. The result is that accountability and funding are better defined.

The federal government has often developed programs to support First Nations communities without establishing a legislative or regulatory framework for them. Therefore, for First Nations members living on reserves, there is no legislation supporting programs in important areas such as education, health, and drinking water. Instead, the federal government has developed programs and services for First Nations on the basis of policy. As a result, the services delivered under these programs are not always well defined and there is confusion about federal responsibility for funding them adequately.

**Lack of an appropriate funding mechanism.** The federal government uses contribution agreements to fund the delivery of services on First Nations reserves. Through these agreements, First Nations receive a certain level of funding to provide various programs and services in their communities. We see several problems with the use of this funding mechanism for the provision of core government services. One problem is that, while the agreements state the services or actions to be provided, they do not always focus on service standards or results to be achieved.

The timing for provision of funds under contribution agreements is also problematic. Most contribution agreements must be renewed yearly. In previous audits, we found that the funds may not be available until several months into the period to be funded; one reason is that new agreements cannot be finalized until departments have reviewed documentation and confirmed that funds from the previous period were used appropriately. Consequently, First Nations must often reallocate funds from elsewhere to continue meeting community service requirements. However, INAC recognizes the importance of

providing certain services on an ongoing basis, such as health care and education. The Department therefore continues to fund these and other essential services even before it has confirmed appropriate spending of funds for the previous period.

The use of contribution agreements between the federal government and First Nations may also inhibit appropriate accountability to First Nations members. It is often unclear who is accountable to First Nations members for achieving improved outcomes or specific levels of services. First Nations often cite a lack of federal funding as the main reason for inadequate services. For its part, INAC maintains that the federal government funds services to First Nations but is not responsible for the delivery or provision of these services.

Contribution agreements involve a significant reporting burden, especially for small First Nations with limited administrative capacity. Communities often have to use scarce administrative resources to respond to numerous reporting requirements stipulated in their agreements. We followed up on INAC's efforts to reduce the reporting requirements of First Nations and found progress to date to be unsatisfactory even though the Department had taken various actions (see paragraphs 4.71 to 4.85).

The use of contribution agreements to fund services for First Nations communities has also led to uncertainty about funding levels. Statutory programs such as land claim agreements must be fully funded, but this is not the case for services provided through contribution agreements. Accordingly, it is not certain whether funding levels provided to First Nations in one year will be available the following year. This situation creates a level of uncertainty for First Nations and makes long-term planning difficult. In contrast, legislation may commit the federal government to provide statutory funding to meet defined levels of service. A legislative base including statutory funding could remove the uncertainty that results when funding for services depends on the availability of resources.

**Lack of organizations to support local service delivery.** Over the decades, provinces have established many organizations and structures to support local delivery of programs and services to communities. For example, provinces have developed school boards, health services boards, and social service organizations. These organizations can supply vital expertise, facilitate career advancement, and develop a means of efficient and effective delivery of services.

There are few similar organizations to support service delivery within First Nations communities. The federal government established each First Nation band as an autonomous entity and provides separate program funding to each. Many of these First Nations are small, consisting of communities that often have fewer than 500 residents. There are more than 600 First Nations across Canada. Many of them are hampered by the lack of expertise to meet the administrative requirements for delivering key programs within their reserves. They often do not have the benefit of school boards, health boards, or other regional bodies to support the First Nations as they provide services to community members.

In an attempt to address the lack of organizations supporting the delivery of services, INAC has developed new approaches and worked with groups representing various First Nations. For example, the Department has worked with First Nations organizations and provincial governments to develop improved child and family service programs in several provinces. It has also recently launched the Reforming First Nation Education Initiative, which includes support for establishing partnerships with First Nations regional organizations and provinces; for example, it has provided funding to organizations such as the First Nations Education Steering Committee in British Columbia and the First Nations Education Council in Quebec. This is a start, but much remains to be done.

## **Change is needed if meaningful progress is to be realized**

Despite the federal government's many efforts to implement our recommendations and improve its First Nations programs, we have seen a lack of progress in improving the lives and well-being of people living on reserves. Services available on reserves are often not comparable to those provided off reserves by provinces and municipalities. Conditions on reserves have remained poor. Change is needed if First Nations are to experience more meaningful outcomes from the services they receive. We recognize that the issues are complex and that solutions will require concerted efforts of the federal government and First Nations, in collaboration with provincial governments and other parties.

We believe that there have been structural impediments to improvements in living conditions on First Nations reserves. In our opinion, real improvement will depend on clarity about service levels, a legislative base for programs, commensurate statutory funding instead of reliance on policy and contribution agreements, and organizations that support service delivery by First Nations. All four are needed before conditions on reserves will approach those existing elsewhere across Canada. There needs to be stronger emphasis on achieving results.

We recognize that the federal government cannot put all of these structural changes in place by itself since they would fundamentally alter its relationship with First Nations. For this reason, First Nations themselves would have to play an important role in bringing about the changes. They would have to become actively engaged in developing service standards and determining how the standards will be monitored and enforced. They would have to fully participate in the development of legislative reforms. First Nations would also have to co-lead discussions on identifying credible funding mechanisms that are administratively workable and that ensure accountable governance within their communities. First Nations would have to play an active role in the development and administration of new organizations to support the local delivery of services to their communities.

Addressing these structural impediments will be a challenge. The federal government and First Nations will have to work together and decide how they will deal with numerous obstacles that surely lie ahead. Unless they rise to this challenge, however, living conditions may continue to be poorer on First Nations reserves than elsewhere in Canada for generations to come.

## **Main Points**

### **What we examined**

The federal government supports numerous services to First Nations members on reserves that are similar to those provided by provincial and municipal governments to people off reserves. These services range from education and social development programs to land management and economic development, housing, provision of potable water, and provision of benefits to First Nations members under treaties and other agreements.

In several audits over the past decade, we have identified issues of particular importance to the lives and well-being of First Nations and Inuit. In this follow-up audit, we examined the government's progress toward achieving the commitments it made to address significant observations and recommendations from seven of those reports, issued between 2002 and 2008. We focused on the areas of education, water quality, housing, child and family services, land claim agreements, and reporting requirements.

Our audit included the roles that Indian and Northern Affairs Canada (INAC), Health Canada, the Canada Mortgage and Housing Corporation (CMHC), and the Treasury Board of Canada Secretariat play in the management of programs to improve the lives of First Nations and Inuit.

Audit work for this chapter was substantially completed on 1 November 2010.

### Why it's important

According to the Report of the Royal Commission on Aboriginal Peoples (1996), Canada's First Nations reserves experience long-standing challenges such as ill health, insufficient and unsafe housing, high unemployment, polluted water supplies, inadequate education, poverty, and family breakdown. The federal government supports programs that can improve the lives of people who live on reserves. However, despite the billions of federal dollars spent each year on programs to address the social and economic challenges on First Nations reserves, conditions there remain significantly below the national average.

### What we found

- Despite considerable efforts and concrete actions in some areas, federal organizations have not made satisfactory progress on commitments made in response to several recommendations from our previous audits. INAC has just begun implementing a strategy to close the education gap. The Department has not defined what is meant by its policy of providing child and family services that are reasonably comparable to what exists in the provinces. Nor has it developed and implemented a plan to communicate to other federal organizations what specific obligations they have under land claim agreements or monitored their results. INAC and Health Canada do not ensure that drinking water is tested on a regular basis. INAC, Health Canada, and the Canada Mortgage and Housing Corporation have developed a strategy for dealing with mould in housing, but it is not comprehensive as it focuses on education rather than remediation and provides no new funding.
- INAC has implemented commitments it made in response to some of our recommendations. For example, it has taken steps to monitor progress toward the objectives of comprehensive land claim agreements, and has put in place a system to track and monitor progress on all federal commitments contained in the agreements. Along with Health Canada, INAC has developed draft legislation related to drinking water on reserves. In addition, the Department recently agreed with several provinces and First Nations on frameworks to improve child and family services on reserves, but it will likely be several years before meaningful results are realized.
- Notwithstanding the considerable efforts made, conditions have generally not improved for First Nations in each of the areas subject to our audit. The education gap between First Nations living on reserves and the general Canadian population has widened, the shortage of adequate housing on reserves has increased, comparability of child and family services is not ensured, and the reporting requirements on First Nations remain burdensome.
- Broader concerns that we believe have inhibited progress include the lack of clarity about service levels on First Nations reserves, lack of a legislative base to fund service delivery on reserves, a lack of an appropriate funding mechanism, and a lack of organizations that could support local service delivery. There is a risk that living conditions on many First Nations reserves will remain significantly below national averages, with little prospect of a brighter future, until these concerns are addressed.

**The Department has responded.** The Department agrees with our recommendation. Its detailed



response follows the recommendation.

## Introduction

4.1 The federal government funds and supports many programs and services to First Nations communities that are similar to the services provided by provinces and municipalities off reserves. Under section 91 of the *Constitution Act, 1867*, Parliament has legislative jurisdiction over “Indians, and Lands reserved for Indians.” The *Indian Act*, passed under this authority, and numerous court decisions in this area establish a complex legal regime that applies to reserves and Status Indians. INAC has been the main federal organization exercising this authority. While the federal government has funded and supported many programs and services, it has not clearly defined the type and level of services it supports.

4.2 The programs and services include education and social development programs, land management and economic development, housing, drinking water, and the provision of benefits to First Nations members under treaties and other agreements. Approximately half of the Status Indians in Canada live off reserves and receive some health and education benefits provided by the federal government.

4.3 First Nations members generally face far greater challenges than those confronting Canadian society as a whole, whether they live on or off reserves. The challenges include lower-than-average education levels, higher unemployment, and poorer quality housing and infrastructure. Tuberculosis infection rates are much higher among First Nations members than among other Canadians.

4.4 The Royal Commission on Aboriginal Peoples referred to many of these challenges faced by First Nations when it reported in 1996. It presented numerous recommendations to improve the relationship between the federal government and First Nations. The government responded in 1997 with its report, *Gathering Strength: Canada’s Aboriginal Action Plan*. The Plan identified four key areas of focus: renewing partnerships, strengthening Aboriginal governance, developing a new fiscal relationship, and supporting strong communities. In 2000, the government’s progress report on the Plan claimed impressive results. In contrast, the Assembly of First Nations published a report card in 2006 stating that Canada had failed in its actions responding to the recommendations of the Royal Commission.

4.5 The Auditor General of Canada established Aboriginal issues as an important focus area for performance audits. In its reports to Parliament between 2001 and spring 2010, the Office of the Auditor General published 16 chapters addressing First Nations and Inuit issues directly. Another 15 chapters dealt with issues of importance to Aboriginal people. The Office made numerous recommendations calling on Indian and Northern Affairs Canada (INAC) and other federal departments to address a wide range of issues of importance to First Nations and Inuit people.

## What we found in 2006

4.6 In our 2006 May Report, Chapter 5, Management of Programs for First Nations, we followed up on progress made toward addressing the recommendations we had issued in seven previous reports. We found substantial progress in some areas and less in others. We particularly found unsatisfactory progress on 15 recommendations—generally those most likely to improve the lives of First Nations living on reserves. Departments had made satisfactory progress in addressing 22 other recommendations; many of these tended to be more administrative in nature and to have less direct impact on the lives of First Nations people.

4.7 **Critical factors.** Our 2006 May Report also identified seven factors that we regarded as critical to departments' success in implementing our recommendations:

- sustained management attention,
- coordination of government programs,
- meaningful consultation with First Nations,
- developing capacity within First Nations,
- establishing First Nations institutions,
- an appropriate legislative base for programs, and
- managing the conflicting roles of Indian and Northern Affairs Canada.

4.8 We concluded that full consideration of these factors when adjusting existing programs and implementing new ones would make a significant difference in the lives of First Nations people. The Government of Canada agreed that the critical factors were important and stated that they constituted an increasingly important part of the government's approach for the broader Aboriginal agenda. The government committed to taking the critical factors into account when developing approaches aimed at securing a better future for Aboriginal peoples.

### Focus of the audit

4.9 This follow-up audit examines progress made by federal departments in addressing selected observations and recommendations from seven previous reports completed between 2002 and 2008. The reports covered a wide range of issues, all of which we consider to be important to the lives and well-being of First Nations people. The issues include the following:

- **Education.** In 2000 and 2004, our reports identified a gap between the secondary school completion rates for First Nations people on reserves and the rates for other Canadians.
- **Water.** In 2005, we reported the lack of a legislative regime to ensure that water quality on reserves met the Guidelines for Canadian Drinking Water Quality, despite the existence of such a regime in every province and territory.
- **Housing.** In 2003, we reported a significant housing shortage on reserves and the need for major renovations of about 44 percent of existing housing because of problems such as mould contamination. In 2006, we reported unsatisfactory progress in addressing the problem of mould.
- **Child and family services.** In 2008, we reported that First Nations children were eight times more likely to be removed from their homes than other Canadian children.
- **Land claim agreements.** In 2003 and 2007, we reported that the federal government was not implementing all of its obligations under land claim agreements and was not living up to the spirit and intent of the agreements.
- **Reporting requirements.** In 2002, we noted that First Nations communities, many of them having fewer than 500 members, had to fill out an excessive number of reports for INAC each year, and that many of the reports were never reviewed and served no purpose.

4.10 This audit follows up on key issues in each of these areas and examines the extent to which federal organizations have addressed related recommendations and have acted on their commitments. It examines actions taken by INAC, Health Canada, the Canada Mortgage and Housing Corporation, and the Treasury Board of Canada Secretariat to address 12 of the 50 recommendations that directly relate to

the key issues we examined in chapters of seven previous reports to Parliament. Where applicable, it also provides an update on actions taken in relation to the government's commitments in response to recommendations made by the House of Commons Standing Committee on Public Accounts.

4.11 The preface identifies underlying concerns that we believe have inhibited more meaningful progress.

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

## Observations and Recommendation

### Progress on implementation of recommendations

4.13 Even after considerable efforts and action on the part of the federal government, progress has been elusive on many of the issues raised in previous reports of the Office of the Auditor General concerning First Nations people living on reserves. We found unsatisfactory progress in addressing several of the recommendations on which we followed up, including in the areas of education, housing, child and family services, and the reporting requirements placed on First Nations. On the positive side, we found satisfactory progress in the steps taken thus far to address recommendations concerning the introduction of a regulatory regime for drinking water on reserves and improved implementation of comprehensive land claim agreements. Nevertheless, progress overall has been slow and has yet to significantly improve conditions in First Nations communities. A recommendation regarding our previous recommendations on which progress to date has been unsatisfactory or incomplete appears at paragraph 4.86.

### Efforts to close the education gap have yet to yield results

4.14 Education is critical to raising the social and economic strength of First Nations individuals and communities to a level reached by other Canadians. Many First Nations students and communities face fundamental issues and challenges that are comparatively rare among other Canadians and that may impede their educational achievement. We found that, based on 2001 and 2006 census data, the education gap has not been reduced and Indian and Northern Affairs Canada (INAC) has only begun to implement a strategy for closing it.

4.15 In 2004, we reported a significant gap in educational achievement, measured by secondary school graduation rates, between First Nations members living on reserves and the overall Canadian population. We noted that INAC used a funding formula dating back to the 1980s and lacked information that would enable it to compare costs with those of providing comparable education services in the provinces. Consequently, the Department did not know whether the funding it provided to First Nations was appropriate. Concerning post-secondary education, we found that the funding allocation mechanism did not ensure equitable access to financial support for as many students as possible.

4.16 **Education gap.** We followed up on two recommendations in our 2004 audit of INAC's education program and post-secondary student support. We also examined actions taken on the government's commitments in response to a recommendation of the House of Commons Standing Committee on Public Accounts (the Public Accounts Committee) related to post-secondary education. In particular, in our 2004 audit we recommended that INAC develop and implement a comprehensive strategy and action

plan to close the education gap. INAC started work to respond to the recommendation, but we found that it has not maintained a consistent approach and cannot demonstrate improvements to date. It did not fully implement the action plan drafted in response to our audit.

4.17 Meanwhile the proportion of high school graduates has risen steadily in the general population across Canada but not among First Nations students living on reserves. Based on census data from 2001 and 2006, the education gap is widening. The proportion of high school graduates over the age of 15 is 41 percent among First Nations members living on reserves, compared with 77 percent for Canadians as a whole. In 2004, we noted that at existing rates, it would take 28 years for First Nations communities to reach the national average. More recent trends suggest that the time needed may be still longer.

4.18 In 2008, INAC launched the Reforming First Nation Education Initiative, consisting of two programs. The target is to have 75 percent of First Nations students achieve education outcomes comparable to the rest of Canada by 2028. The initiative is intended to, among other things, foster more partnerships with the provinces. It is too early to assess the initiative's results since the new programs are just starting. More than six years after we last recommended that INAC implement a strategy to close the education gap, we found that it has only begun to do so.

4.19 **Cost comparisons.** In 2004, we recommended that INAC determine and compare the costs of delivering education services on reserves with the costs of providing comparable education services in the provinces. INAC undertook to perform a review comparing the funds it allocates to schools operated by First Nations with the funds those schools would receive under the applicable provincial funding formula. We believe that knowing these costs is necessary for developing an effective education strategy, closing the education gap, and meeting the education needs of students living on reserves. INAC spent \$1.8 billion on its education program in the 2008–09 fiscal year.

4.20 We found that INAC has reviewed its funding for First Nations schools. The Department compared the formula it used to fund First Nations schools with the formulas used by several provinces. It estimated that per-student funding was similar, although there were regional differences. The Department also identified seven categories of factors having a significant impact on the cost of First Nations education, although it did not make funding adjustments based on its findings.

4.21 **Post-secondary funding.** In line with our 2004 audit, the Public Accounts Committee recommended that INAC review its post-secondary funding mechanisms, noting that existing mechanisms did not ensure equitable funding to as many eligible students as possible. The government responded that INAC was undertaking a comprehensive review of its post-secondary education program, including an examination of its funding mechanisms. Although the Department has studied various delivery options for post-secondary programs, we found that it has not specifically reviewed post-secondary funding mechanisms. As in 2004, INAC still allocates funds by First Nations community without regard to the number of eligible students; moreover, band governments have the flexibility to allocate the funds outside the program. Again, as in 2004, we found that the current funding mechanism and delivery model used to fund post-secondary education does not ensure that eligible students have equitable access to post-secondary education funding.

4.22 More than six years after our previous audit, we found that INAC has taken various actions but has not maintained a consistent approach to education on reserves. It has yet to make progress in closing the education gap (Exhibit 4.1). This could have significant consequences for First Nations members living on reserves because they might not have access to the benefits associated with a higher level of education. Post-secondary education could improve employment opportunities for First Nations.

#### **Exhibit 4.1—Progress on addressing two recommendations on education**

<b>Recommendation</b>	<b>Progress</b>
Indian and Northern Affairs Canada, in consultation with First Nations, should immediately develop and implement a comprehensive strategy and action plan, with targets, to close the education gap. It should also report progress to Parliament and to First Nations on a timely basis. (Recommendation 5.33 of the 2004 November Report of the Auditor General of Canada, Chapter 5, Indian and Northern Affairs Canada—Education Program and Post-Secondary Student Support)	<b>Unsatisfactory</b>
Indian and Northern Affairs Canada should undertake to obtain reliable and consistent information on the actual costs of delivering education services on reserves and compare the costs with those of providing comparable education services in the provinces. (Recommendation 5.51 of the 2004 November Report of the Auditor General of Canada, Chapter 5)	<b>Satisfactory</b>
<p><b>Satisfactory</b>—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.</p> <p><b>Unsatisfactory</b>—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.</p>	

#### **Federal action on drinking water quality has not led to significant improvements**

4.23 Access to safe drinking water is vital to the health of all Canadians. Drinking water needs to be managed rigorously and tested regularly to ensure its safety and protect public health. Provinces have legislation and regulations in place to ensure the safety of the drinking water supply chain, but provincial regulations are not applied on reserves. INAC and Health Canada have developed the proposed legislation that was before Parliament at the end of the audit, but there are still no legislated standards for water quality on reserves. According to INAC data, more than half of the drinking water systems on reserves continue to pose a risk to the people who use them.

4.24 In 2005, we audited drinking water on reserves and found that First Nations communities did not benefit from a level of drinking water protection comparable to that available to people living off reserves because provincial legislation and regulations are not applied on reserves. The 2005 audit found that the federal government had not acted even though it had primary jurisdiction to regulate water supply on reserves. Consequently, First Nations communities did not have a regulatory regime to govern

drinking water. INAC and Health Canada instead used various funding arrangements with First Nations and monitored activities through administrative reporting requirements associated with the contribution funding. There were no statutes or regulations to require monitoring of the quality and safety of drinking water on reserves. Our 2005 audit also found that, in most First Nations communities, drinking water was tested less frequently than recommended under the Guidelines for Canadian Drinking Water Quality. We noted as well that INAC had found a significant risk to the quality or safety of drinking water in three quarters of the drinking water systems on reserves.

4.25 In this follow-up, we assessed the progress made in implementing two of our recommendations and in addressing the water systems posing significant risks. We examined actions taken by INAC and Health Canada to implement a regulatory regime. We also assessed whether INAC had reduced the number of drinking water systems posing a significant risk to the safety of drinking water.

4.26 **Regulatory regime.** In 2005, we recommended that INAC and Health Canada implement a regulatory regime for drinking water in First Nations communities. INAC responded that, together with Health Canada and in consultation with First Nations, it would fully explore the options and feasibility of a regulatory regime. The government has since committed to developing such a regime. We found that INAC and Health Canada have made some progress in this direction. Following a consultation process started in 2006 with First Nations, INAC and Health Canada drafted a bill tabled in Parliament in May 2010. The bill would enable the government to make regulations related to drinking water on reserves, and to incorporate by reference corresponding provincial legislation and adapt it to meet the needs of First Nations. At the end of our audit, the bill was at second reading.

4.27 Even after the bill is passed into law, however, it may still take years to develop and implement related regulations. INAC and Health Canada plan to phase them in following consultation, negotiation, and capacity development. After this, the two departments plan to seek funding for developing and implementing regulations and compliance plans. INAC plans to absorb the cost of enforcing regulations from its existing resource allocations. It may, therefore, be years before a fully implemented regulatory regime on drinking water is in effect for all First Nations reserves.

4.28 **Water quality monitoring.** The 2005 audit also recommended that Health Canada, in consultation with INAC, ensure that all drinking water tests be carried out, that test results be properly recorded and shared, that situations where drinking water was not safe be identified and the necessary measures for each situation be defined, and that action be taken by responsible parties as required. The departments agreed with the recommendation and committed to improving their procedures to address these issues. We found that Health Canada and INAC have taken action to improve their administrative procedures to address each of the issues. Since the 2005 audit, the departments have reviewed, clarified, and formalized their roles and responsibilities for managing drinking water systems. The departments also improved their guidance to communities and established electronic management systems in most regions.

4.29 We also examined specific actions taken to ensure that all drinking water tests were carried out and that the results were recorded and shared by Health Canada and INAC. For this purpose, we selected 20 First Nations community water systems from three regions where advisories on drinking water quality were issued between January 2009 and March 2010. We found that the departments did not fully implement many of the requirements we examined. For example, between 2006 and 2010 INAC had conducted only 25 of 80 required annual inspections and 47 of 80 risk evaluations in our sample. For the 2008–09 fiscal year, Health Canada reports that its data indicated that water at First Nations

community sites was tested less often than recommended under departmental procedures, which are based on the Guidelines for Canadian Drinking Water Quality. At only 40 percent of community sites, for example, bacteriological sampling was performed at the recommended frequency.

4.30 We found that in one of the three regions in our sample, Health Canada did not systematically share information with INAC on water test results as required. Health Canada told us that it could not do so because an information-sharing requirement had not been included in its funding arrangements with tribal councils.

4.31 We also examined actions taken by Health Canada to ensure that situations where drinking water was not safe were identified, the necessary measures for each situation were defined, and action was taken as required. We found that Health Canada had informed First Nations when test results showed that drinking water was not safe and had recommended actions to be taken by the First Nations. We found as well that Health Canada and INAC established a process to ensure that appropriate actions were taken in these situations. Further, we found that Health Canada monitors most water systems for which drinking water advisories have been issued.

4.32 In the absence of a regulatory enforcement regime, INAC included its procedures in the terms and conditions of contribution agreements with First Nations. Health Canada took a different approach, simply considering its procedures to be best practices. We noted that a Health Canada internal memorandum reported that since the 2004–05 fiscal year, the Pacific, Saskatchewan, and Ontario regions have not achieved 75 percent of the recommended bacteriological sampling frequency for piped community systems. We note that beginning in April 2010, Health Canada started to include its procedures in some of its funding agreements with First Nations.

**4.33 Risks posed by drinking water systems.** INAC uses results of annual inspections and risk evaluations to rate First Nations communities' drinking water systems as high, medium, or low risk. As mentioned earlier, we found that INAC had not completed annual inspections and risk evaluations for most of our sample. In its 2006–07 Report on Plans and Priorities, INAC had planned to reduce all high-risk systems and the majority of medium-risk systems by April 2008. INAC reported that it had reduced the proportion of high-risk systems from 29 percent to 6 percent by March 2010, while the proportion of medium-risk systems rose from 46 percent to 53 percent. The figures may not be accurate because the ratings were not always based on up-to-date inspections. INAC reported that more than half of drinking water systems on reserves still pose a significant risk to community members.

4.34 First Nations reserves may still be years away from having drinking water protection comparable to what exists off-reserve in Canada. As of March 2010, more than half of water systems on reserves still posed a medium or high risk to the community members they served. There are still no legislative or regulatory regimes applicable to First Nations reserves, and putting these in place will take time and collaborative efforts. Until they are in place, there will be no statutory enforcement powers for water quality on reserves. Until then, INAC and Health Canada cannot be sure that First Nations members living on reserves have ongoing access to safe drinking water (Exhibit 4.2).

#### **Exhibit 4.2—Progress on addressing two recommendations on drinking water**

Recommendation	Progress
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<p>Indian and Northern Affairs Canada and Health Canada, in consultation with First Nations, should develop and implement a regulatory regime for drinking water in First Nations communities. This regime should be comparable with that in provinces and designed to protect the health and safety of First Nations people. As a minimum, this regime should deal with roles and responsibilities, water quality requirements, technical requirements, certification of systems and operators, compliance and enforcement, and public reporting requirements. (Recommendation 5.36 of the 2005 September Report of the Commissioner of the Environment and Sustainable Development, Chapter 5, Drinking Water in First Nations Communities)</p>	<p><b>Satisfactory</b></p>
<p>Health Canada, in consultation with Indian and Northern Affairs Canada and First Nations, should ensure that</p> <ul style="list-style-type: none"> <li>• all drinking water tests recommended under the Guidelines for Canadian Drinking Water Quality are being carried out;</li> <li>• test results are properly recorded and relevant information is shared with appropriate parties;</li> <li>• situations where drinking water is not safe, or where there is no assurance of drinking water safety, are clearly identified and actions to be taken in each situation are defined; and</li> <li>• action is taken by responsible parties as required.</li> </ul> <p>(Recommendation 5.69 of the 2005 September Report of the Commissioner of the Environment and Sustainable Development, Chapter 5)</p>	<p><b>Unsatisfactory</b></p>
<p><b>Satisfactory</b>—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.</p> <p><b>Unsatisfactory</b>—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.</p>	

### Federal housing initiatives are not keeping pace with needs

4.35 Although the federal government takes the view that it does not provide housing support on reserves as a result of legislative or treaty obligations, INAC and the Canada Mortgage and Housing Corporation (CMHC) assist First Nations in meeting their on-reserve housing needs by providing funding. First Nations have responsibilities related to housing. In 2003, we reported that, according to INAC, the housing stock generally deteriorates more rapidly on reserves, mainly because of substandard construction practices or materials, lack of proper maintenance, and overcrowding. We noted that poor housing on reserves has been shown to have a detrimental effect on the health, education, and overall social conditions of First Nations members and communities. Moreover, the population on reserves has been growing faster than the general population, heightening the need for more housing. For several years, mould contamination has been identified as a serious health and safety problem in First Nations reserves, liable to cause respiratory illnesses such as asthma. In this audit, we found that housing



conditions on reserves are worsening. We also found that federal organizations have not taken significant direct actions to remediate mould contamination, although they have made efforts to increase awareness and training.

4.36 We audited housing in 2003. We noted then that INAC estimated a shortage of about 8,500 housing units on reserves. We also noted that about 44 percent of the existing housing required renovations. We raised many issues in the audit and followed up on them in 2006. We found progress in some areas, such as the implementation of a housing policy, but we also found an ongoing serious problem of mould in many houses on reserves. In 2003, INAC, Health Canada, and CMHC committed to taking action to address mould. Despite this, our 2006 audit found that all three federal organizations had not acted. They had neither assessed the extent of the mould problem nor taken responsibility for developing a comprehensive strategy to address it.

4.37 In this audit, we re-examined the extent of the housing shortage and the number of houses in need of significant renovations to protect the occupants' health and safety. We also examined whether INAC, Health Canada, and CMHC had implemented our recommendation to develop and implement a mould strategy.

4.38 **Housing construction and renovations.** We found that INAC and CMHC have made new investments in housing since our 2003 and 2006 audits (Exhibit 4.3).

#### **Exhibit 4.3—INAC and CMHC have made significant investments in housing on reserves**

<b>Investments in housing</b>	
Funding (\$ billions)	1,486
Number of new units constructed	9,362
Number of units receiving major renovations	13,018
Note: The figures shown are cumulative from April 2004 to March 2009. We did not audit them. Source: INAC and CMHC data	

4.39 We note, however, that the investments have not kept pace with either the demand for new housing or the need for major renovations to existing units. According to unaudited data provided by INAC, the housing shortage on reserves has worsened since our 2003 audit because of increases in the demand for housing, the number of housing units having to be replaced, and the number of units requiring significant renovations for health and safety reasons. At the same time, since 2003, the average cost to build or renovate each house has risen significantly (Exhibit 4.4). In the 2008–09 fiscal year, new houses constructed on reserves amounted to only 30 percent of the existing houses that needed to be replaced.

#### **Exhibit 4.4—Housing requirements and costs have risen**

<b>Housing requirements</b>	<b>Fiscal year 2003–04</b>	<b>Fiscal year 2008–09</b>	<b>Increase</b>

Demand for housing on reserves	8,500	20,000+	135+%
Housing units requiring replacement	5,199	5,480	5%
Housing units requiring major renovations	16,878	23,586	40%
Average cost per house (constructed or significantly renovated)	\$42,750	\$64,000	50%
Note: We did not audit the figures shown. Source: INAC data and calculations based on that data			

4.40 INAC also administers a loan guarantee program for housing. Because the land on reserves belongs to the Crown, lending institutions cannot secure loans by conventional mortgages. The loan guarantee program enables individual First Nations members to obtain secured loans from lending institutions so that they can construct new homes or purchase existing ones. The program secured guarantees for an additional 400 individual home loans between April 2004 and March 2009. We also note that Budget 2007 set aside \$300 million to support the development of individual home ownership on reserves.

4.41 **Mould.** In 2003, we recommended that INAC, Health Canada, and CMHC, in consultation with First Nations, develop a comprehensive strategy and action plan to address the problem of mould on reserves. The three organizations agreed with the recommendation. In our 2006 follow-up audit, we found that the recommendation had not been implemented.

4.42 In this audit, we found that progress was still not satisfactory. After consultations with First Nations, in 2008 the three organizations developed and approved a National Strategy to Address Mould in First Nations Communities. CMHC considers that the mould strategy is comprehensive because it involves the key parties, including First Nations and the three federal organizations; it also outlines respective roles, provides information on how to address mould, and promotes existing programs that can be used for mould prevention and remediation.

4.43 Since adoption of the strategy, the organizations have worked to increase awareness of the causes of mould on reserves and provide more training for addressing the problem. For example, Health Canada developed awareness materials, such as a poster and booklet; it also tracks the number of visitors to its website. However, we found that the three federal organizations had not allocated additional funding to address mould as a result of the strategy, had not determined the magnitude of the problem, had not estimated the costs to remediate existing mould, had not completed most action items in the strategy, and had not met the strategy's timelines. Moreover, because the organizations had not developed performance indicators, they did not know whether the strategy was making a difference. We also note that the strategy focuses on education to prevent mould but does not address remediation of houses that are already contaminated. Further, the strategy does not address overcrowding, which contributes significantly to the problem of mould on reserves.

4.44 We note as well that the mould strategy has not been directly linked to renovation funding, although it provides for INAC and CMHC to help First Nations identify resources available from other sources to address mould. Nonetheless, some of the funding for renovating homes on reserves can be

used to address mould while work is proceeding on other renovation projects. INAC and CMHC have funded the renovations of over 13,000 housing units on reserves since our 2003 audit (Exhibit 4.3). The federal government has committed an additional \$400 million over two years under Canada's Economic Action Plan to build and renovate housing on reserves. Many of the renovations may have addressed mould issues, but the Department does not track remediation actions to address mould.

4.45 The adequacy of housing on reserves can affect the health, education, and socio-economic outcomes of First Nations members. In this audit, we observed that, according to INAC data, the number of housing units constructed and renovated was not keeping pace with the need, and conditions were deteriorating. We also found that INAC, Health Canada, and CMHC have developed a strategy to address the problem of mould on reserves, but it is not funded and does not identify or deal with the cost of remediation requirements. While the organizations have provided education and health promotion activities under the strategy, First Nations members living on reserves may continue to experience negative impacts on their health and social conditions. Eight years after our recommendation to develop and implement a mould strategy, we assess federal organizations' progress as still unsatisfactory (Exhibit 4.5).

#### Exhibit 4.5—Progress on addressing a recommendation on housing

Recommendation	Progress
<p>Indian and Northern Affairs Canada, Canada Mortgage and Housing Corporation, and Health Canada, in consultation with First Nations, should develop a comprehensive strategy and action plan to address the problem of mould on reserves.</p> <p>(Recommendation 6.48 of the 2003 April Report of the Auditor General of Canada, Chapter 6, Federal Government Support to First Nations—Housing on Reserves)</p>	<p><b>Unsatisfactory</b></p>
<p><b>Satisfactory</b>—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.</p> <p><b>Unsatisfactory</b>—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.</p>	

#### INAC has taken action on child and family services but has not defined its policy commitment to provide comparable services

4.46 First Nations children are among the most vulnerable members of society. In 2008, we noted that over five percent of all children residing on reserves were in care; this was close to eight times the proportion of children residing off reserves. INAC has taken some actions to implement the two recommendations on which we followed up for this audit. Nevertheless, there has yet to be a notable change in the number of First Nations children in care.

4.47 In 2008, we audited INAC's program for child and family services on reserves. We found that INAC had not defined key policy requirements related to culturally appropriate child and family services and comparability of services with those provided by provinces. Moreover, the Department had no assurance

that its First Nations Child and Family Services Program funded child welfare services that were culturally appropriate or reasonably comparable with those normally provided off reserves in similar circumstances. We also found that there was no link between the financial obligations of the program and the way resources were allocated to it. Because the program's expenditures were growing faster than the Department's overall budget, INAC had been reallocating funding from other programs. In our 2008 audit, we also noted that INAC had joined with the Government of Alberta and First Nations in that province to introduce a new child and family services program emphasizing prevention. This was a departure from the existing model, which focused on intervention with families and children at risk.

4.48 In this follow-up audit, we assessed the progress made by INAC to implement two of our recommendations from our 2008 audit on the Department's Child and Family Services Program. We also examined actions taken in relation to the government's commitment in response to a recommendation made by the House of Commons Standing Committee on Public Accounts.

4.49 **Comparability of services.** In our 2008 audit, we recommended that INAC define what is meant by its policy requirement that services be reasonably comparable, define its expectations for culturally appropriate services, and implement these into its program. INAC agreed with the recommendation and committed to a clearer definition, in tripartite agreements, of comparability of services with those provided by provinces. We found that INAC has not defined what is meant by comparability. Until it does so, it is unclear what is the service standard for which the Department is providing funding and what level of services First Nations communities can eventually expect to receive. We also found that the Department had not conducted a review of all social services available in the provinces to see whether they are the same as what is available to children on reserves.

4.50 In our 2008 audit, we noted that INAC had entered into a new funding arrangement in Alberta, enabling First Nations child and family service agencies in that province to deliver services that comply with provincial legislation. However, we noted that the funding model under the new Alberta tripartite agreement did not address all of the funding disparities we had identified. Since that audit, INAC has expanded its Enhanced Prevention Focused Approach and has negotiated new tripartite framework agreements with five other provinces: Manitoba, Nova Scotia, Prince Edward Island, Quebec, and Saskatchewan. The new approach includes greater emphasis on prevention services and is intended to increase comparability with services offered in provinces. INAC officials expect that the approach will reduce the number of children in care, but it is too early to observe results.

4.51 The new tripartite agreements enable the provision of additional services beyond those offered in INAC's initial program. However, without having defined what is meant by comparability, the Department has been unable to demonstrate that its new Enhanced Prevention Focused Approach provides services to children and families living on reserves that are reasonably comparable to provincial services.

4.52 We also found that the Department has not developed a formal definition of what it means by "culturally appropriate services." In response to this recommendation, however, INAC has developed a guiding principle on what culturally appropriate services would entail. This principle has been embedded in the tripartite agreements with the provinces under the new approach. It is also reflected in the business plans of First Nations child and family service agencies. According to INAC, a guiding principle instead of a definition allows service providers to more readily adapt their programs to the culture in each community.

**4.53 Cost determination.** In 2008, we noted that the Department was regularly using funding budgeted for other programs to meet its obligations for its First Nations Child and Family Services Program. We also noted that the Department required a 74 percent increase in its operating and prevention services budget for Alberta to meet the requirements of the new tripartite agreement. We recommended that INAC determine the full costs of meeting the policy requirements of the program. The Department agreed to regularly update its estimate of the cost of delivering the program with the new approach on a province-by-province basis and to periodically review the program budget.

**4.54** In this audit, we found that the Department had identified the costs it would have to pay for services in each province before moving to the new Enhanced Prevention Focused Approach. For its operations and prevention services, INAC determined that it would require an incremental increase of between 50 percent and 100 percent in its funding for each of the provinces in which it has established tripartite agreements to date. With all cost components taken into consideration, on average, the agreements led to an increase of over 40 percent in the cost of INAC's Child and Family Services Program in the participating provinces.

**4.55** Rather than using funds budgeted for other programs, INAC has obtained increased funding to run its Child and Family Services Program. The program's budget has increased by 32 percent from \$417 million in the 2005–06 fiscal year to \$550 million in 2009–10. This rise partly reflects the increased funding levels needed to implement the new framework agreements. The Department also regularly conducts budget reviews and has taken steps to minimize the financial impact of its Child and Family Services Program on other INAC programs.

**4.56 Cost comparisons.** The House of Commons Standing Committee on Public Accounts asked the Department for a comprehensive comparison of its funding to First Nations child and family welfare service agencies with provincial funding to similar agencies. The government committed to providing the Committee with a comparison of its funding for salaries and caseloads for the provinces that have made the transition to the new Enhanced Prevention Focused Approach.

**4.57** In preparation for framework negotiations with the provinces, INAC compared some elements central to the operations of child and family services programs with those of the provinces, such as social workers' salaries and benefits. With this information, INAC provided to the Public Accounts Committee a comparison of some of its costs with those of the provinces that have established an agreement under the new approach. We note, however, that the Department has not provided information about social workers' caseloads to the Committee because this is not public information. Moreover, certain services provided by provinces are outside INAC's mandate—for example, services related to health issues and youth justice. The Department therefore does not provide these services. Our progress rating regarding child and family services is found in Exhibit 4.6.

#### **Exhibit 4.6—Progress on addressing two recommendations on child and family services**

Recommendation	Progress
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<p>Indian and Northern Affairs Canada, in cooperation with provinces and First Nations agencies, should</p> <ul style="list-style-type: none"> <li>• define what is meant by services that are reasonably comparable,</li> <li>• define its expectations for culturally appropriate services and standards, and</li> <li>• implement this definition and these expectations into the program.</li> </ul> <p>(Recommendation 4.26 of the 2008 May Report of the Auditor General of Canada, Chapter 4, First Nations Child and Family Services Program—Indian and Northern Affairs Canada)</p>	<p><b>Unsatisfactory</b></p>
<p>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.</p> <p>(Recommendation 4.74 of the 2008 May Report of the Auditor General of Canada, Chapter 4)</p>	<p><b>Satisfactory</b></p>
<p><b>Satisfactory</b>—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.</p> <p><b>Unsatisfactory</b>—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.</p>	

### **INAC has improved processes for implementing comprehensive land claim agreements but it is too early to identify impacts**

4.58 Comprehensive land claim agreements are intended to provide clarity and certainty with respect to ownership and use of land and resources, and to put in place structures for managing development. Negotiating these agreements is a major undertaking that can take decades. Managing the agreements afterwards requires ongoing commitment and vigilance by all parties. INAC is responsible for managing the federal responsibilities set out in the agreements and for monitoring the results achieved. In past audits, we have noted that INAC was not committed to the spirit and intent of the agreements and sometimes did not fulfill Canada's obligations under them. In this audit, we found that INAC has taken steps toward meeting the spirit and intent of comprehensive land claim agreements, although more attention is still required.

4.59 In 2003, we audited the federal implementation of comprehensive land claim agreements with the Gwich'in in the Northwest Territories and the Inuit of Nunavut. In 2007, we audited the federal government's implementation of its obligations related to the Inuvialuit Final Agreement. In these audits, we found that INAC and other federal departments were not implementing some key federal obligations. Moreover, we found that departments were considering only the letter of their land claim implementation responsibilities, not the spirit or intent of the agreements. In 2007, INAC officials described the principles of the Inuvialuit Final Agreement as being only Inuvialuit goals, not something

to which the Government of Canada adheres. We also found that INAC was not coordinating activities to implement federal land claim obligations that were the responsibility of other departments, notably obligations related to contracting provisions.

4.60 In this follow-up audit, we assessed the progress made by INAC on four previous recommendations that appeared in two audits we completed in 2003 and 2007 concerning the Nunavut, Gwich'in, and Inuvialuit comprehensive land claim agreements. We reviewed departmental documentation and interviewed INAC officials and claimant group representatives. We also reviewed and tested a new departmental database for tracking land claim obligations.

4.61 **Spirit and intent.** In 2003, we noted that INAC was not considering the spirit and intent of the comprehensive land claim agreements we examined. We recommended that INAC focus not only on obligations but also on results. In this audit, we found that INAC is beginning to take into account the spirit and intent of comprehensive land claim agreements. This was particularly evident in the Department's actions to monitor and achieve the objectives of agreements. Since our 2003 and 2007 audits, INAC has developed guidance indicating that a broader interpretation of the Government of Canada's obligations under comprehensive land claim agreements is appropriate. The guidance states that since the Government of Canada has signed land claim agreements, it must work with other signatories to fulfill federal obligations and make progress toward mutually shared goals. INAC implementation officials have also indicated the importance of focusing on the treaty relationship to achieve progress toward the common goals of the agreements. For example, after the completion of a study on economic opportunities with Inuvialuit communities, INAC is now working with the Inuvialuit to explore other means of achieving the economic objectives of the Inuvialuit Final Agreement.

4.62 We noted that the Deputy Minister had written to other departments to inform them of the approach to implementing modern treaties and INAC's objective of improving interdepartmental coordination. However, at the time of our audit, INAC was still finalizing this guidance and had not communicated it formally to officials in other departments with responsibilities for implementing land claim agreements; nor had it developed any training for federal officials to ensure consistent implementation of the new approach. INAC had also not formally communicated the new approach to claimant groups. Some claimant group representatives told us that they have yet to see a significant change in the Department's willingness to work toward achieving the objectives of comprehensive land claim agreements.

4.63 **Measuring performance.** In our 2003 audit, we recommended that INAC provide measurable milestones and targets to gauge progress. Similarly, in our 2007 audit, we recommended that INAC develop performance indicators to measure progress toward meeting the principles of the Inuvialuit Final Agreement, and that it publicly monitor and report progress achieved. The Department undertook to propose performance indicators at a future implementation committee meeting, and to begin monitoring and reporting in spring 2008.

4.64 We found that INAC has developed performance indicators to measure progress toward meeting the broader objectives of comprehensive land claim agreements. The Department has also conducted an evaluation of results achieved through the agreements. The evaluation reviewed progress realized toward six broad areas of focus from four agreements, including the Inuvialuit Final Agreement. It did not assess achievement of objectives of individual agreements but instead considered the impact that agreements are having overall. For example, the evaluation concluded that comprehensive land claim agreements have made an important contribution to Aboriginal business development and that regulatory regimes

established through the agreements have led to the development of collaborative, consensus-based decision-making processes. INAC officials told us that they plan to evaluate the impacts of land claim agreements every five years.

**4.65 Coordinating federal obligations.** In our 2003 audit, we recommended that INAC strengthen its coordinating framework to ensure that the Government of Canada meets federal responsibilities under land claim agreements. The Department undertook to continue working with an interdepartmental steering committee to ensure that land claim implementation issues are brought to the attention of senior officials in federal departments. We found that INAC has since led the development of an implementation management framework for comprehensive land claim agreements. The framework is applied by regional and federal working groups of officials from various departments, as well as the interdepartmental steering committee of senior management chaired by INAC. These structures are intended to facilitate interaction between federal officials at the regional, headquarters, and senior management levels. The responsibilities of the working groups include

- providing guidance to federal officials and helping them in their implementation roles,
- coordinating activities between and within departments, and
- monitoring and reporting on the implementation of federal obligations.

We noted, however, that some tools to support the framework are not yet complete.

**4.66** We also found that improvements have been made to the process for implementing the federal contracting provisions of comprehensive land claim agreements, an area of concern identified in previous audits. In 2008, the Treasury Board of Canada revised its policy to clarify departments' obligations when contracting within land claim jurisdictions. With this guidance, INAC now leads public reporting of federal procurement activities in land claim settlement areas across the country. We found that the Department has also undertaken initiatives to better educate other departments on contracting provisions within land claim jurisdictions. The Canada School of Public Service has developed a training course on procurement within land claim areas, with enrolment open to all procurement officers across the federal government.

**4.67 Implementing obligations.** In 2007, we recommended that INAC identify each of Canada's obligations under the Inuvialuit Final Agreement, identify the appropriate federal organizations to address them and clearly communicate the obligations to these organizations, develop a plan to implement the obligations, and regularly monitor and report to other signatories about Canada's fulfillment of its obligations. INAC undertook to develop a strategy for communicating obligations to other federal organizations by March 2008, and to monitor and report on progress in fulfilling Canada's obligations to other signatories of the agreement.

**4.68** To monitor progress toward fulfilling Canada's obligations under comprehensive land claim agreements, INAC developed a new electronic data capture system in 2010. The system is designed to monitor the status of all federal government land claim obligations. We randomly selected 10 obligations from two land claim agreements to determine the information about them captured in the database. We found that the database succeeded in capturing most of the obligations we examined, along with their status. At the time of our audit, however, the Department was still finalizing data accuracy and some of the database's reporting functions.



4.69 We randomly selected five federal obligations from each of the Gwich'in and Inuvialuit land claim agreements involving other departments' responsibilities; we sought to determine whether INAC had clearly communicated to those departments the responsibilities of each. We found that INAC had not communicated these specific obligations to other federal departments. It did not have a plan in place to ensure the fulfillment of their obligations under the agreements, and it had not monitored whether the departments had fulfilled their obligations.

4.70 It is important to meet Canada's obligations under land claim agreements and to monitor progress toward the agreements' objectives. Doing so will ensure that claimant groups receive the benefits agreed to under the agreements. Since 2007, INAC has made progress in providing guidance to other departments about the implementation of land claim agreements and has begun to evaluate their results. The Department has also begun to monitor progress toward fulfilling specific federal obligations (Exhibit 4.7). Continuing cooperation will be required to maintain progress in this area and realize the socio-economic and community improvements that comprehensive land claim agreements are intended to provide.

**Exhibit 4.7—Progress on addressing four recommendations on comprehensive land claim agreements**

Recommendation	Progress
<p>Indian and Northern Affairs Canada should amend the land claim obligation system (LCOS) database to ensure that it focuses not only on obligations but also on results and that it provides measurable milestones and targets to gauge progress.</p> <p>(Recommendation 8.63 of the 2003 November Report of the Auditor General of Canada, Chapter 8, Indian and Northern Affairs Canada—Transferring Federal Responsibilities to the North)</p>	<p><b>Satisfactory</b></p>
<p>In cooperation with the Inuvialuit, and with the Yukon and Northwest Territories governments, Indian and Northern Affairs Canada should develop performance indicators to measure progress towards meeting the principles of the <i>Inuvialuit Final Agreement</i>, and should publicly monitor and report progress to other signatories.</p> <p>(Recommendation 3.85 of the 2007 October Report of the Auditor General, Chapter 3, Inuvialuit Final Agreement)</p>	<p><b>Satisfactory</b></p>
<p>Indian and Northern Affairs Canada should strengthen its coordinating framework to ensure that the Government of Canada meets federal responsibilities under the land claims agreements.</p> <p>(Recommendation 8.77 of the 2003 November Report of the Auditor General of Canada, Chapter 8)</p>	<p><b>Satisfactory</b></p>

<p>Indian and Northern Affairs Canada should develop a strategic approach towards implementing Canada's obligations under the <i>Inuvialuit Final Agreement</i>. Such an approach should, at a minimum</p> <ul style="list-style-type: none"> <li>• identify each of Canada's obligations and the appropriate federal organizations to address them, and should clearly communicate their obligations to these federal organizations;</li> <li>• develop a plan to implement federal obligations; and</li> <li>• regularly monitor and report to other signatories Canada's fulfillment of its obligations.</li> </ul> <p>(Recommendation 3.76 of the 2007 October Report of the Auditor General of Canada, Chapter 3)</p>	<p><b>Unsatisfactory</b></p>
<p><b>Satisfactory</b>—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.</p> <p><b>Unsatisfactory</b>—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.</p>	

### INAC's streamlining efforts have not lessened the burden of reporting requirements for First Nations

4.71 The federal government has established many programs and services for First Nations communities. Most of them are delivered through funding arrangements such as contribution agreements that require the submission of reports to obtain funding and to account for funds used. Reporting requirements established by federal organizations can be a significant burden, especially for the many communities that have fewer than 500 residents. INAC and the Treasury Board of Canada Secretariat began efforts to streamline reporting by First Nations communities but the efforts have not been sustained.

4.72 In 2002, we looked at the amount of reporting required of First Nations by federal organizations. We estimated that four federal organizations together required about 168 reports annually from each First Nations reserve. We found that many of the reports were unnecessary and were not in fact used by the federal organizations. We followed up on this issue in 2006. At that time, we found that federal departments had made little progress on meeting our recommendations to reduce reporting requirements. In our 2006 follow-up audit, we reported that INAC's officials told us that the Department obtained more than 60,000 reports a year from over 600 First Nations communities. The Treasury Board of Canada Secretariat analyzed the extent of federal involvement with First Nations and confirmed the seriousness of the problem we had identified in 2002.

4.73 In this follow-up audit, we reviewed the steps taken by the Treasury Board of Canada Secretariat and INAC to streamline reporting requirements for recipients of federal funding, including First Nations communities. We also assessed the progress made to implement one of our 2002 recommendations.

4.74 **Streamlining reporting throughout the government.** In June 2006, the President of the Treasury Board commissioned an independent panel to review and recommend ways of simplifying the administration of grants and contributions. Later that year, the panel identified a need for the federal government to dramatically simplify its reporting and accountability regime related to grant and

contribution agreements. It recommended that the Treasury Board and departments modify their monitoring and recipient reporting requirements to avoid duplication or redundancy, and ensure that requirements are clearly connected to a demonstrable need.

4.75 The Treasury Board of Canada Secretariat responded in 2008 by issuing the Government of Canada Action Plan to Reform the Administration of Grant and Contribution Programs. This commits the government to reducing recipients' administrative and reporting burden. The Secretariat created a new centre of expertise to lead and coordinate the implementation of the action plan. One of its elements was a call for departments to develop an action plan to improve the delivery and efficiency of grants and contributions. Another element was the issuing of the revised Policy on Transfer Payments and new Directive, both of which came into effect in 2008. Under the revised policy, deputy heads are responsible for ensuring that the administrative requirements for recipients are proportionate to the risk level. Departments should determine reporting requirements after performing a risk assessment. Departments needed to have a system for conducting risk assessments in place by March 2010. INAC officials told us that the Department received verbal approval to extend this date to 2011. The Secretariat does not monitor efforts to reduce the reporting burden since it considers this to be the responsibility of deputy heads as the chief accounting officers of their departments.

4.76 We found that at the time of our audit, INAC had yet to finalize a process for assessing risks associated with contribution agreements. Consequently, the Department has yet to determine the level of reporting requirements most appropriate to each First Nation, as required under the 2008 Transfer Payment Policy.

4.77 **INAC reporting initiatives.** In 2002, we recommended that the federal government regularly review its reporting requirements, determine reporting needs when new programs are set up, and drop unnecessary or duplicative reporting. The government agreed that reporting should be administratively efficient and rationalized across the federal government. It committed to reviewing reporting requirements individually at the departmental level and collectively as a government-wide initiative. We found that INAC started data collection review efforts in 2003, but these ended in 2007. The aim of the review was to understand the rationale for reporting requirements, including the extent of the reporting burden on First Nations. The efforts resulted in the creation of the Data Collection Policy in 2004.

4.78 In this audit, we found that INAC sought to better understand its estimate of 60,000 reports required yearly from First Nations. To arrive at this estimate, INAC had counted all reports under all of its previous regional data systems related in some way to grants and contributions. The total included many reports not directly required under contribution agreements, such as a requirement to give INAC updates about all changes to the First Nations population on each reserve, including births, deaths, and moves.

4.79 **Continuation of other initiatives.** In 2007, INAC started the Smart Reporting Initiative to focus on performance measurement, with the aim of determining what information was actually required for management and accountability purposes. In June 2010, the Deputy Minister named a special representative to lead another initiative to reduce reporting requirements.

4.80 **Electronic system to streamline reporting.** In 2006, INAC implemented an electronic system for the management of transfer payments: the First Nations and Inuit Transfer Payment System (FNITP). The system was designed partly to reduce the reporting burden by allowing First Nations to submit their reports electronically and allowing the Department to streamline administrative processes.

4.81 We found that the system has led to a streamlining of some reporting requirements. It ensures that reporting requirements related to funding agreements include only those stipulated in the provisions of the agreements. The Department was able to identify several reports that were eliminated and others that were reduced, a result officials attributed partly to the introduction of the FNITP. For example, INAC's National Reporting Guide for 2009–10 notes that INAC has eliminated 9 national reports, 7 regional reports, and fields in 12 other reports. Within the system, there are also procedures in place for capturing and managing information on funding agreements to ensure compliance with financial authorities.

4.82 INAC provided some training to First Nations on using the FNITP, but many cannot take advantage of the system because of limited capacity and high staff turnover. At the time of our audit, 334 of approximately 700 First Nations and tribal councils had access to the FNITP; 228 of these were regularly using the system. For First Nations and tribal councils without access to the FNITP, INAC continues to receive reports separately and enters the information into the system manually.

4.83 **Recently increased report requirements.** Despite many initiatives, we have not seen a significant reduction in the reporting burden. We were able to track the number of reports actually required from First Nations since the introduction of the FNITP because it stores all reporting related to contribution agreements. The number of required reports increased from 30,000 in the 2007–08 fiscal year to 32,000 in 2009–10. The increase may be attributable to new accountability demands across government and new programs available to First Nations. First Nations officials with whom we spoke also told us that they had not seen a reduction in reporting requirements since our last audit, and many indicated that the reporting burden has increased in recent years.

4.84 INAC developed a Data Collection Policy in 2004 and drafted related guidance in 2007. The policy called for reporting requirements to be assessed before programs were renewed or new programs were set up. We examined the program approval process for six programs developed or renewed between April 2007 and March 2010 to determine whether this assessment had been conducted. We found that the policy had not been applied in the majority of these programs, and reporting requirements were not reviewed when programs were set up or renewed.

4.85 As we mentioned in the preface, we remain concerned about the burden associated with the federal reporting requirements, particularly related to INAC's contribution agreements with First Nations. Many initiatives with the potential to streamline reporting have been started but have not resulted in meaningful improvement. INAC does not apply the Data Collection Policy and has not conducted all of the risk assessments of First Nations recipients, as required by the new federal Transfer Payment Policy. Thus, it remains unclear whether this degree of reporting helps make First Nations accountable, or whether it assists either the Department or First Nations with their management responsibilities. First Nations continue to spend time and resources to complete reports for INAC, but some of these reports may serve little purpose and may interfere with First Nations' ability to meet the needs of their members. Our progress rating regarding reporting requirements is found in Exhibit 4.8.

**Exhibit 4.8—Progress on addressing a recommendation on reporting requirements**

Recommendation	Progress
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<p>The federal government should consult with First Nations to review reporting requirements on a regular basis and to determine reporting needs when new programs are set up. Unnecessary or duplicative reporting requirements should be dropped.</p> <p>(Recommendation 1.61 of the 2002 December Report of the Auditor General of Canada, Chapter 1, Streamlining First Nations Reporting to Federal Organizations)</p>	<p><b>Unsatisfactory</b></p>
<p><b>Satisfactory</b>—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.</p> <p><b>Unsatisfactory</b>—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.</p>	

**4.86 Recommendation.** Indian and Northern Affairs Canada, in consultation with relevant federal organizations, should develop implementation plans for the recommendations on which progress to date has been unsatisfactory or incomplete. The plans should include specific goals, targets, action items, timelines for achieving results, and indicators for measuring progress.

**The Department's response.** Agreed. INAC agrees to develop implementation plans as recommended, with the following understandings in relation to specific areas:

- The First Nation Student Success Program and the Education Partnerships Program are part of the Reforming First Nation Education Initiative that was launched in 2008 to set the foundation for long-term improvement in education outcomes. Tripartite agreements are in place in seven provinces, including a sub-regional agreement with Saskatchewan and an implementation-ready tripartite K–12 partnership in British Columbia.
- INAC supports Health Canada's efforts respecting drinking water and cooperates fully.
- A strategy to address the problem of mould on reserves is being advanced through the existing Indoor Air Quality Committee with representatives from the Canada Mortgage and Housing Corporation, Health Canada, and the Assembly of First Nations, as well as through enhanced funding as opportunities arise.
- On child and family services, considerable progress has been made on defining comparability while respecting differences between jurisdictions. The guiding principle that First Nations themselves are best suited to define culturally appropriate services is now incorporated in all tripartite discussions, as is the matter of culturally appropriate placement options.
- In relation to the implementation and monitoring of the Inuvialuit Final Agreement and other agreements, progress is being made through the development of the Treaty Obligation Monitoring System (TOMS). In the last year, TOMS was presented to other government departments through regional caucuses in the Atlantic Region, Quebec, and the Northwest Territories, and plans are under way for similar presentations across the rest of the country. TOMS will be made accessible online to other departments over the next year. In addition, the Deputy Minister has communicated to colleagues the importance of their active engagement in implementation. Implementation working groups support efforts by colleagues in other departments to collaborate on implementation at the national or regional level. Guidelines are being developed to provide information and direction on critical issues such as alternative dispute resolution.

- In relation to reporting requirements, consultations with First Nations and all stakeholders regarding this matter are ongoing through a recently created senior management position, reporting directly to the Deputy Minister.

## Conclusion

4.87 The federal government supports many services to First Nations that provinces and municipalities provide to people off reserves. In reports to Parliament during the past decade, the Office of the Auditor General published 16 chapters directly addressing First Nations and Inuit issues, and made 91 recommendations to Indian and Northern Affairs Canada (INAC) and other federal organizations to address a wide range of issues. This audit followed up on 12 of the recommendations.

4.88 We found that INAC has made satisfactory progress in implementing some of our recommendations. The Department has demonstrated greater commitment to meeting the spirit and intent of land claim agreements and measuring their impacts. INAC has also strengthened its coordinating framework so that other federal organizations understand their obligations under the agreements. INAC has assessed the costs of delivering education services on reserves and compared these with provincial costs. INAC and Health Canada have drafted legislation to provide a statutory basis for ensuring safe drinking water on reserves, but it may be years before regulations are in place.

4.89 Notwithstanding all the actions taken and efforts made, we found that INAC, the Canada Mortgage and Housing Corporation, and Health Canada have not made satisfactory progress in implementing several of our recommendations. The recommendations relate to some of the most important issues of concern to First Nations, including education, housing, child and family services, and administrative reporting requirements. The three federal organizations have made repeated commitments to action. Nevertheless, we found that those commitments and subsequent actions have often not resulted in improvements. In some cases, conditions have worsened since our earlier audits: the education gap has widened, the shortage of adequate housing on reserves has become more acute, and administrative reporting requirements have become more onerous.

4.90 Although the federal government has taken action on many of the issues covered in this audit, we note that it has not been an easy task to address these complex issues. Further, conditions on reserves have not improved much in the last decade. We believe that structural problems have inhibited greater progress toward improving the lives and well-being of those living in First Nations reserves. In the preface of this chapter, we discuss some of the problems.

## About the Audit

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.

## Objectives

The overall audit objective was to determine whether Indian and Northern Affairs Canada (INAC), Health Canada, the Canada Mortgage and Housing Corporation (CMHC), and the Treasury Board of Canada Secretariat have made satisfactory progress in addressing key observations and implementing key recommendations on First Nations programs from previous chapters related to Aboriginal issues appearing in reports of the Office of the Auditor General.

The sub-objectives were to determine whether

- Indian and Northern Affairs Canada has made satisfactory progress in addressing key observations and implementing key recommendations on First Nations education programs from our 2004 November Report, Chapter 5, Indian and Northern Affairs Canada—Education Program and Post-Secondary Student Support;
- Indian and Northern Affairs Canada has made satisfactory progress in addressing key observations and implementing key recommendations from our 2008 May Report, Chapter 4, First Nations Child and Family Services Program—Indian and Northern Affairs Canada;
- Indian and Northern Affairs Canada, Health Canada, and the Canada Mortgage and Housing Corporation have made satisfactory progress in addressing key observations and implementing key recommendations from our 2003 April Report, Chapter 6, Federal Government Support to First Nations—Housing on Reserves;
- Indian and Northern Affairs Canada and Health Canada have made satisfactory progress in addressing key observations and implementing key recommendations from the 2005 September Report of the Commissioner of the Environment and Sustainable Development, Chapter 5, Drinking Water in First Nations Communities;
- Indian and Northern Affairs Canada and the Treasury Board of Canada Secretariat have made satisfactory progress in addressing key observations and implementing key recommendations from our 2002 December Report, Chapter 1, Streamlining First Nations Reporting to Federal Organizations; and
- Indian and Northern Affairs Canada has made satisfactory progress in addressing key observations and implementing key recommendations on First Nations land claims from our 2003 November Report, Chapter 8, Indian and Northern Affairs Canada—Transferring Federal Responsibilities to the North, and our 2007 October Report, Chapter 3, Inuvialuit Final Agreement.

## Scope and approach

The entities included in this follow-up audit are Indian and Northern Affairs Canada, Health Canada, the Canada Mortgage and Housing Corporation, and the Treasury Board of Canada Secretariat. INAC is the federal department primarily responsible for meeting the Government of Canada's obligations and commitments to First Nations, and was included in all the audit lines of enquiry. Health Canada was included for its role in drinking water on reserves and in addressing health considerations in housing on reserves, such as mould. The Canada Mortgage and Housing Corporation was included for its role in addressing the housing shortage, improving housing conditions, and addressing the mould issue in on-reserve housing. Since past recommendations about streamlining reporting had been addressed to the federal government, the Treasury Board of Canada Secretariat was also part of the audit. We obtained and reviewed related documentation and interviewed officials from the four entities to assess progress in implementing past recommendations.

For the representative sample in the water section, we selected the three regions with the most water advisories and randomly sampled within those regions. Our examination of land claim obligations relied on random selections.

While First Nations were not subject to audit, we visited selected First Nations reserves and organizations to obtain their perspectives on progress made since we conducted our audits.

### Criteria

<p><b>To determine whether Indian and Northern Affairs Canada (INAC), Health Canada, the Canada Mortgage and Housing Corporation (CMHC), and the Treasury Board of Canada Secretariat have made satisfactory progress in addressing key observations and implementing key recommendations on First Nations programs from previous chapters related to Aboriginal issues appearing in reports of the Office of the Auditor General, we used the following criteria:</b></p>	
Criteria	Sources
<b>Education</b>	
Indian and Northern Affairs Canada (INAC), in consultation with First Nations, has developed and implements a strategy and action plan, with targets, to close the education gap. It also reports progress to Parliament and to First Nations on a timely basis.	<ul style="list-style-type: none"> <li>• 2004 November Report of the Auditor General of Canada, Chapter 5, recommendation 5.33</li> <li>• INAC's response to 2004 November recommendation 5.33</li> <li>• Education Action Plan, INAC, 2005</li> <li>• Report on Plans and Priorities, 2009–10, INAC</li> </ul>
INAC obtains information on the costs of delivering education services on reserves and compares the costs with those of providing comparable education services in the provinces.	<ul style="list-style-type: none"> <li>• 2004 November Report of the Auditor General of Canada, Chapter 5, recommendation 5.51</li> <li>• INAC's response to 2004 November recommendation 5.51</li> <li>• Education Action Plan, INAC, 2005</li> </ul>



INAC reviews its post-secondary funding mechanisms, including the use of flexible transfers that are designed to deliver equitable funding to as many eligible students as possible.	<ul style="list-style-type: none"> <li>• June 2005 Report of the Standing Committee on Public Accounts (PAC), recommendation 11 (related to Auditor General's 2004 November Report, Chapter 5, recommendation 5.94)</li> <li>• Government response to the 2005 PAC Report</li> <li>• Action Plan for the 2009 Internal Audit on the Post-Secondary Education Program, INAC</li> </ul>
Criteria	Sources
<b>Child and family services</b>	
<p>INAC, in cooperation with provinces and First Nations agencies,</p> <ul style="list-style-type: none"> <li>• defines what is meant by services that are reasonably comparable,</li> <li>• defines its expectations for culturally appropriate services and standards, and</li> <li>• implements this definition and these expectations into the program.</li> </ul>	<ul style="list-style-type: none"> <li>• 2008 May Report of the Auditor General of Canada, Chapter 4, recommendation 4.26</li> <li>• INAC's response to 2008 May recommendation 4.26</li> <li>• National Program Manual, First Nations Child and Family Services</li> </ul>
INAC determines the costs of meeting the policy requirements of the First Nations Child and Family Services Program. It then periodically reviews the program's budget to ensure that it continues to meet program requirements and minimizes the program's financial impact on other departmental programs.	<ul style="list-style-type: none"> <li>• 2008 May Report of the Auditor General of Canada, Chapter 4, recommendation 4.74</li> <li>• INAC's response to 2008 May recommendation 4.74</li> <li>• Policy on Management, Resources and Results Structure (sections 5.2.1 and 5.2.2), Treasury Board, 2010</li> <li>• National Program Manual, First Nations Child and Family Services</li> </ul>
INAC conducts a comparison of its funding to First Nations child and family welfare services agencies to provincial funding of similar agencies.	<ul style="list-style-type: none"> <li>• March 2009 Report of the Standing Committee on Public Accounts, recommendation 2; 2008 May Report of the Auditor General, Chapter 4, recommendations 4.26 and 4.74</li> <li>• Government response to PAC Report</li> <li>• National Program Manual, First Nations Child and Family Services</li> </ul>

Criteria	Sources
<b>Housing</b>	
INAC and Canada Mortgage and Housing Corporation (CMHC) take action to reduce the housing shortage that existed in 2003.	<ul style="list-style-type: none"> <li>• 2003 April Report of the Auditor General of Canada, Chapter 6, paragraph 6.1</li> <li>• Report on Plans and Priorities, 2007–08, INAC</li> <li>• Budget 2005</li> </ul>
INAC and CMHC take action to reduce the percentage of houses requiring renovations.	<ul style="list-style-type: none"> <li>• 2003 April Report of the Auditor General of Canada, Chapter 6, paragraph 6.1</li> <li>• Report on Plans and Priorities, 2007–08, INAC</li> <li>• Budget 2005</li> </ul>
INAC, CMHC, and Health Canada, in consultation with First Nations, develop a strategy and action plan to address the problem of mould on reserves.	<ul style="list-style-type: none"> <li>• 2003 April Report of the Auditor General of Canada, Chapter 6, recommendation 6.48</li> <li>• Responses from the three organizations to 2003 April recommendation 6.48</li> <li>• Terms of Reference of the Interdepartmental Committee on Mould</li> </ul>
Criteria	Sources
<b>Drinking water</b>	
INAC and Health Canada, in consultation with First Nations, develop and implement a regulatory regime for drinking water in First Nations communities. This regime is comparable with that in provinces and designed to protect the health and safety of First Nations people. As a minimum, this regime deals with roles and responsibilities, water quality requirements, technical requirements, certification of systems and operators, compliance and enforcement, and public reporting requirements.	<ul style="list-style-type: none"> <li>• 2005 September Report of the Commissioner of the Environment and Sustainable Development, Chapter 5, recommendation 5.36</li> <li>• Departments' responses to 2005 September recommendation 5.36</li> <li>• 2010 Speech from the Throne</li> </ul>

<p>Health Canada, in consultation with INAC and First Nations, ensures that</p> <ul style="list-style-type: none"> <li>• drinking water tests recommended under the Guidelines for Canadian Drinking Water Quality are being carried out;</li> <li>• test results are properly recorded and relevant information is shared with appropriate parties;</li> <li>• it identifies and defines actions to be taken in situations where drinking water is not safe, or where there is no assurance of drinking water safety; and</li> <li>• actions are taken by responsible parties as required.</li> </ul>	<ul style="list-style-type: none"> <li>• 2005 September Report of the Commissioner of the Environment and Sustainable Development, Chapter 5, recommendation 5.69</li> <li>• Departments' responses to 2005 September recommendation 5.69</li> <li>• Procedure Manual for Safe Drinking Water in First Nations Communities South of 60°, Health Canada.</li> <li>• Protocol for Safe Drinking Water in First Nations Communities, INAC</li> </ul>
<p>INAC reduces the number of drinking water systems in First Nations communities posing a significant risk to the quality or the safety of drinking water.</p>	<ul style="list-style-type: none"> <li>• 2005 September Report of the Commissioner of the Environment and Sustainable Development, Chapter 5, paragraph 5.13</li> <li>• Report on Plans and Priorities, 2006–07, INAC, page 31</li> </ul>
<b>Criteria</b>	<b>Sources</b>
<b>Reporting requirements</b>	
<p>INAC and the Treasury Board of Canada Secretariat review reporting requirements of contribution programs and eliminate unnecessary or duplicative reporting requirements.</p>	<ul style="list-style-type: none"> <li>• 2002 December Report of the Auditor General of Canada, Chapter 1, recommendation 1.61</li> <li>• Government's response to 2002 December recommendation 1.61</li> <li>• Data Collection Policy, INAC, 2004</li> <li>• Policy on Transfer Payments, sections 6.5.5 and 6.5.10, Treasury Board, 2008</li> <li>• News release, 14 February 2007: Canada's New Government Acting to Improve Grant and Contribution Programs, Treasury Board of Canada Secretariat</li> </ul>

INAC has systems and processes to capture, manage, and assess whether First Nations reports in a timely manner.	<ul style="list-style-type: none"> <li>• Directive on Transfer Payments, section 6.5.2, Treasury Board, 2008</li> <li>• Directive on Recordkeeping, sections 5.1.1 and 6.1.3, Treasury Board, 2009</li> <li>• Policy on Information Management, section 5.2.3, Treasury Board, 2007</li> </ul>
INAC, in consultation with First Nations, reviews reporting requirements to determine reporting needs when new programs are set up and requires only information that is needed for management or accountability purposes.	<ul style="list-style-type: none"> <li>• 2002 December Report of the Auditor General of Canada, Chapter 1, recommendation 1.61</li> <li>• Government's response to 2002 December recommendation 1.61</li> <li>• Data Collection Policy, INAC, 2004</li> </ul>
<b>Criteria</b>	<b>Sources</b>
<b>Land claims</b>	
INAC has a system that monitors both land claim obligations and land claim results. The system also provides measurable milestones and targets to gauge progress.	<ul style="list-style-type: none"> <li>• 2003 November Report of the Auditor General of Canada, Chapter 8, recommendation 8.63</li> <li>• INAC's response to 2003 November recommendation 8.63</li> <li>• Results for Canadians: A Management Framework for the Government of Canada, Treasury Board of Canada Secretariat, 2000</li> </ul>
INAC's coordinating framework is designed to ensure that the Government of Canada meets federal responsibilities under land claims agreements.	<ul style="list-style-type: none"> <li>• 2003 November Report of the Auditor General of Canada, Chapter 8, recommendation 8.77</li> <li>• INAC's response to 2003 November recommendation 8.77</li> <li>• Implementation of comprehensive land claim and self-government agreements: A handbook for the use of federal officials, INAC, 2003</li> </ul>

<p>INAC develops a strategic approach toward implementing Canada's obligations under the Inuvialuit Final Agreement. Such an approach, at a minimum,</p> <ul style="list-style-type: none"> <li>• identifies each of Canada's obligations and the appropriate federal organizations to address them, and communicates their obligations to these federal organizations;</li> <li>• develops a plan to implement federal obligations; and</li> <li>• monitors and reports to other signatories Canada's fulfillment of its obligations.</li> </ul>	<ul style="list-style-type: none"> <li>• 2007 October Report of the Auditor General of Canada, Chapter 3, recommendation 3.76</li> <li>• INAC's response to 2007 October recommendation 3.76</li> <li>• INAC's mandate as lead federal organization for implementation</li> <li>• Memoranda to Cabinet, 1984–85</li> <li>• Implementation of comprehensive land claim and self-government agreements: A handbook for the use of federal officials, INAC, 2003</li> <li>• Results for Canadians: A Management Framework for the Government of Canada, Treasury Board of Canada Secretariat, 2000</li> </ul>
<p>In cooperation with the Inuvialuit, and with the Yukon and Northwest Territories governments, INAC develops performance indicators to measure progress toward meeting the principles of the Inuvialuit Final Agreement, and publicly monitors and reports progress to other signatories.</p>	<ul style="list-style-type: none"> <li>• 2007 October Report of the Auditor General of Canada, Chapter 3, recommendation 3.85</li> <li>• INAC's response to 2007 October recommendation 3.85</li> <li>• Memoranda to Cabinet, 1984</li> <li>• Results-based Management and Accountability Framework, INAC, 2001</li> <li>• Comprehensive Land Claims Policy, INAC, 1986</li> </ul>

Management reviewed and accepted the suitability of the criteria used in the audit.

### Period covered by the audit

The audit covered the years 2002 to 2010. Audit work for this chapter was substantially completed on 1 November 2010.

### Audit team

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**Appendix—List of recommendations**

The following is the recommendation found in Chapter 4. The number in front of the recommendation indicates the paragraph where it appears in the chapter.

Recommendation	Response
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**4.86** Indian and Northern Affairs Canada, in consultation with relevant federal organizations, should develop implementation plans for the recommendations on which progress to date has been unsatisfactory or incomplete. The plans should include specific goals, targets, action items, timelines for achieving results, and indicators for measuring progress.

Agreed. INAC agrees to develop implementation plans as recommended, with the following understandings in relation to specific areas:

- The First Nation Student Success Program and the Education Partnerships Program are part of the Reforming First Nation Education Initiative that was launched in 2008 to set the foundation for long-term improvement in education outcomes. Tripartite agreements are in place in seven provinces, including a sub-regional agreement with Saskatchewan and an implementation-ready tripartite K-12 partnership in British Columbia.
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- In relation to the implementation and monitoring of the Inuvialuit Final Agreement and other agreements, progress is being made through the development of the Treaty Obligation Monitoring System (TOMS). In the last year, TOMS was presented to other government departments through regional caucuses in the Atlantic Region, Quebec, and the Northwest Territories, and plans are under way for similar presentations across the rest of the country. TOMS will be made accessible online to other departments over the next year. In addition, the Deputy Minister has communicated to colleagues the importance of

	<p>their active engagement in implementation. Implementation working groups support efforts by colleagues in other departments to collaborate on implementation at the national or regional level. Guidelines are being developed to provide information and direction on critical issues such as alternative dispute resolution.</p> <ul style="list-style-type: none"><li>• In relation to reporting requirements, consultations with First Nations and all stakeholders regarding this matter are ongoing through a recently created senior management position, reporting directly to the Deputy Minister.</li></ul>
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