

Indian and Northern Affairs Canada

AUDIT OF ON-RESERVE HOUSING

**Chief Audit and Evaluation Executive
Audit and Evaluation Sector**

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Executive Summary

Indian and Northern Affairs Canada (INAC) assists First Nations in meeting their on-reserve housing needs through its Minor Capital Housing Component of the Capital Facilities and Maintenance (CFM) Program; Canada's Economic Action Plan (CEAP) funding; and, Ministerial Loan Guarantees (MLGs).

An Audit of On-reserve Housing was included in the 2009-10 Audit Plan approved by the Audit Committee of INAC on February 26, 2009 on the basis that previous audits (including the Audit of the CFM Program), evaluations and reviews had identified significant challenges associated with the provision of on-reserve housing.

The audit objective was to provide assurance that governance, risk management and control frameworks are adequate to provide a reasonable expectation that funds for on-reserve housing are used for the intended purpose and that outcomes will be achieved. At the national level, the audit assessed management practices and controls for providing governance and oversight over the funding of housing activities. At the regional level, the audit assessed management and operational practices and controls for the delivery of funding to First Nations in accordance with Headquarters policies and guidelines.

The scope of the audit covered the 2008/09 and 2009/10 fiscal years and included the following housing related areas:

- Management Control Framework / Governance for housing activities
- Housing funded by CEAP
- Housing funded by Band Based Minor Capital
- MLGs.

The audit concluded that although progress has been made, there remain significant gaps to provide assurance that governance, risk management and control frameworks are adequate to provide a reasonable expectation that funds are used for the intended purpose and that outcomes will be achieved.

The audit identified opportunities to strengthen governance over housing in the areas of program design, performance management, risk management and guidance. The audit also identified opportunities to strengthen implementation of housing funded by CEAP.

The following recommendations were made:

Strengthen program design of minor capital funding of on-reserve housing:

- by assessing and determining the most appropriate means to fund housing; and,
- by identifying and implementing a methodology for allocating housing funds that reflects housing needs at both the regional and First Nation community level.

Conduct a review of the performance indicators and related information to be collected for on-reserve housing to ensure that they are aligned with the department's housing program design, and that they can demonstrate achievement of expected outcomes.

Develop and implement a risk management framework specific to on-reserve housing, including a formal monitoring or compliance audit / housing inspections process.

Ensure that comprehensive national guidelines for the management of the housing component of the CFM Program are developed and disseminated.

For the CEAP funded initiatives for on-reserve housing:

- ensure that the risk that First Nations housing does not transfer to individual homeowners as required for Market Based Housing projects, is appropriately managed; and,
- ensure that the development of project assessment and funding decision methodologies reflects regional requirements in the design of future programs / initiatives similar to housing funded by CEAP.

1.0 INTRODUCTION

1.1 Background

INAC and Canada Mortgage and Housing Corporation (CMHC) are the two main organizations that assist First Nations in meeting their on-reserve housing needs. Both organizations share the same housing policy objectives as articulated by the Government of Canada in 1996. These objectives are:

- Protection and extension of dwelling life;
- Construction of affordable new housing;
- Promotion of individual pride and responsibility; and,
- Linkage of housing activity to training, job creation, and socio-economic development.

INAC currently supports First Nations on-reserve housing through its Minor Capital Housing Component of the CFM Program; CEAP funding; and, MLGs.

Housing Component of the CFM Program

INAC provides funding for housing primarily through the Minor Capital funding stream of the CFM Program. Funding under this component is provided in two ways: as a minor capital contribution toward First Nation housing programs under the 1996 On-Reserve Housing Policy; and through direct proposal driven housing subsidies to First Nations that did not adopt the housing policy.

Under the '96 Housing Policy, funds are provided to First Nations as part of their minor capital allocation which is based mainly on population driven formulae. There is flexibility provided for the use of funds provided under this policy. Funds can be used for construction and renovation of houses, as well as for the implementation of First Nation community-based housing plans, which may include elements such as maintenance and insurance, debt servicing, training, management and supports to establish housing authorities.

Under the subsidy housing program, set amounts of subsidies are provided on a project by project basis strictly for the construction, rehabilitation or renovation of houses. These subsidies are not intended to cover the full cost of construction or renovation. The amount of subsidy assistance for construction/acquisition ranges from \$19,000 to approximately \$45,000 and is calculated using remoteness and environmental indices that are based on several factors including construction and

transportation costs and economic conditions in the community. For renovation of existing housing, subsidies average approximately \$6,000 per unit.

First Nations were given the choice of whether or not to opt into the '96 Housing Policy. To be eligible, First Nations were required to establish a set of housing policies, housing programs and a multi-year housing plan. If First Nations choose not to opt into the '96 Policy, they continue to operate under the provisions of the housing subsidy program. Currently, with the exception of all First Nations in British Columbia and a few in Ontario, all other First Nations receive their housing funds pursuant to the '96 Housing Policy.

The funding for Minor Capital, including housing, takes the form of a Flexible Transfer Payment for Comprehensive Funding Arrangements (CFAs) and an Alternative Funding Arrangement for Canada/First Nations Funding Arrangements (CFNFAs). Under both arrangements, "block" funding of all programming is provided. Alternative Funding Arrangement funding for CFNFAs involves entitlement to payment based on a negotiated formula. First Nations have the flexibility to transfer funding among community priorities provided that minimum program requirements are met.

Historically, the budget of the housing component under the CFM Program has been in the range of \$150 million per year.

Canada's Economic Action Plan

Announced in Budget 2009, CEAP allocates \$400 million (\$250 million to CMHC and \$150 million to INAC) over fiscal years 2009/2010 and 2010/2011 to reduce immediate housing pressures and create employment and First Nation business opportunities.

INAC's CEAP funding for on-reserve housing targets the following priorities:

- housing lot servicing;
- construction of multi-unit residences;
- renovations to improve existing stock; and;
- conversion to market-based housing.

Funding is proposal based and is governed by single funding agreements with First Nations for each housing project for each fiscal year.

Ministerial Loan Guarantees

INAC administers the MLG program which provides loan security required by lenders in providing financing to First Nations or individual band members for the construction, acquisition or renovation of housing located on reserve. These loan guarantees are required as a result of provisions of the Indian Act which prevent the mortgage or seizure of personal and real property located on-reserve by lending institutions.

To ensure that the risk of a loan default is minimized and to prevent undue pressures on Indian Bands as well as fiscal pressures on the federal government, each request for a housing loan guarantee is to be assessed and approved against criteria such as the viability of the project and the Band capacity to support the loan.

Under existing authority, INAC can guarantee up to \$2.2 billion in outstanding loans.

Within INAC, Headquarters and Regions have responsibility in the management and administration of on-reserve housing funds.

Within Headquarters, responsibility is shared among:

- Policy, Programs and Procedures Directorate, Community Infrastructure Branch, responsible for the development of policies, guidelines and procedures for MLGs;
- Innovation and Partnerships Directorate, Community Infrastructure Branch, responsible for the development of policies, guidelines and procedures for all areas related to on-reserve housing, except for MLGs; and,
- Infrastructure Operations Directorate, Regional Operations Sector, responsible for:
 - the implementation of policies and processes established by Community Infrastructure Branch,
 - managing and administering the allocation of funding to Regions,
 - advocating on behalf of Regions,
 - coordination of Regional management and administration of housing activities, and,
 - coordination of implementation of CEAP, including tracking of CEAP investment at a national level and administration of funding agreements.

Regional offices are responsible for the delivery of INAC housing program components, in accordance with Headquarters policies, guidelines and procedures.

An evaluation of the Government of Canada Policy for On-Reserve Housing is currently in progress. The goal of this evaluation is to have a comprehensive review of all the programs, policies, and processes that impact and affect housing on reserve. An Audit of On-Reserve Housing was included in the 2009-10 Audit Plan approved by the Audit Committee of INAC on February 26, 2009 on the basis that previous audits (including the Audit of the CFM Program), evaluations and reviews had identified significant challenges associated with the provision of on-reserve housing.

1.2 Audit Objectives

The audit objective was to provide assurance that governance, risk management and control frameworks are adequate to provide a reasonable expectation that funds for on-reserve housing are used for the intended purpose and that outcomes will be achieved.

At the national level, the audit assessed management practices and controls for providing governance and oversight over the funding of housing activities.

At the regional level, the audit assessed management and operational practices and controls for the delivery of funding to First Nations in accordance with Headquarters policies and guidelines.

1.3 Audit Scope

The following areas were assessed:

- Program Design and Governance
- Program Implementation
- Program Performance and Risk Management
- Processes For Funding Allocation / Assessment / Approval
- Processes For Funding Agreement Execution
- Processes For Payments, Monitoring and Reporting

The scope of the audit covered the 2008/09 and 2009/10 fiscal years and included the following housing related areas:

- Management Control Framework / Governance for housing activities
- Housing funded by CEAP
- Housing funded by Band Based Minor Capital
- MLGs

Conduct Phase site visits were conducted in the following Regions: British Columbia; Saskatchewan; Manitoba; and, Ontario.

1.4 Audit Approach

The Planning and Conduct Phases of the audit were carried out between January 2010 and July 2010 and were conducted in accordance with the *Standards for the Professional Practice of Internal Audit* and the Treasury Board *Policy on Internal Audit*. These standards require that the audit be planned and performed in such a way as to obtain reasonable assurance that audit objectives are achieved.

In order to address the audit objectives, audit criteria, presented in Annex A to this report, were developed. These criteria were primarily drawn from the following sources:

- Treasury Board's *Policy and Directive on Transfer Payments*, dated October 1, 2008; and
- "Attributes of a Well-Managed Grant or Contribution Program" set out in the Auditor General of Canada's 1998 Report titled *Chapter 27, Grants and Contributions*, "A Framework for Identifying Risk in Grant and Contribution Programs".

The schedule for the audit was as follows:

Planning Phase	January to March 2010
Conduct Phase	April to July 2010
Reporting Phase	August to September 2010

During the Planning Phase, risks related to the governance and management of housing were identified and assessed. The risk assessment was developed from information derived from:

- interviews with managers and staff at headquarters and in all regions;
- site visits to Ontario and Alberta Regions;
- review of relevant program documentation; and,
- review of program processes.

Information from the Planning Phase led to the development of the audit program and served to further clarify the audit scope and objectives and better define audit criteria for the Conduct Phase of the audit.

The audit approach included:

- Review of relevant program documentation;
- Conduct Phase Interviews with management and officers at Headquarters and in the four regions visited during the Conduct Phase;

- Planning Phase interviews with all regions;
- Planning Phase site visits to Alberta and Ontario Regions; and,
- Detailed examination of a sample of housing project files.

Housing files examined in each Region included:

- 15 CEAP projects;
- Files for Housing Funded by Band Based Minor Capital for 10 First Nations; and
- 10 MLG files.

1.5 Conclusion

Based on the results from this internal audit, the Audit and Evaluation Sector has concluded that although progress has been made, there remain significant gaps to provide assurance that governance, risk management and control frameworks are adequate to provide a reasonable expectation that funds for on-reserve housing are used for the intended purpose and that outcomes will be achieved.

The audit identified opportunities to strengthen governance over housing in the areas of program design, performance management, risk management and guidance. The audit also identified opportunities to strengthen implementation of housing funded by CEAP. The observations and recommendations that follow address areas where these opportunities were identified.

1.6 Statement of Assurance

In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report.

The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The opinion is applicable only to the entity examined. The evidence was gathered in compliance with Treasury Board policy, directives and standards on internal audit, and the procedures used meet the professional standards of the Institute of Internal Auditors. The evidence gathered is sufficient to support the audit opinion expressed in this report.

2.0 OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT ACTION PLAN

2.1 Program Design

Flexible Arrangements Governing Band Based Minor Capital Funding for Housing Inhibit Accountability of the Department Over the Use of Funds.

As described in Section 1.1 of this report, First Nations who opted into the '96 Housing Policy can use housing funds for a wide variety of expenditures including maintenance, insurance, debt servicing, training, management and supports to establish housing authorities. Also as described in Section 1.1 of this report, First Nations with five year funding arrangements, CFNFAs, have the flexibility to transfer funding among program priorities. These five year funding arrangements are in the form of "block" funding comprising funds for Minor Capital as well as other programs such as social and education. The block funding arrangements, with their inherent flexibility, support devolution to First Nations and empowerment of authority and responsibility for the management of housing funds.

The design and implementation of flexible funding arrangements for housing, i.e. the '96 Housing Policy and CFNFAs, inhibit accountability for the use of funds and pose significant risks to the department in ensuring that housing funds are spent for the purposes intended and that performance outcomes are achieved. This is further discussed in Section 2.2 of this report.

An alternative funding approach for housing activities is "targeted" funding. CEAP is an example of targeted funding. Targeted funding improves accountability for the use of funds and increases assurance that housing funds are spent for the purposes intended and that performance outcomes are achieved. We note that flexible funding arrangements are more consistent than targeted funding in supporting devolution to First Nations and empowerment of authority and responsibility for the management of housing funds.

Recommendation

The Assistant Deputy Minister, Education and Social Development Programs and Partnerships Sector, should assess and determine the most appropriate means to fund on-reserve housing.

Current Housing Funding Allocations from Headquarters to Regions is Based on Dated Reference Levels.

Funding for housing is part of the Minor Capital funding that is provided to First Nations. This funding is allocated by Headquarters to regions based on a 'Global' or 'Block' Funding Methodology, whereby funds are transferred as a single block. Each region's allocation of the overall Minor Capital budget is determined based on the prior year's allocations which in turn date back to a 1990-1991 re-basing. Relative proportions of funding allocated to regions have remained relatively static since the 1990-91 re-basing. Consequently, current funding allocation to regions is based on dated reference levels and may not reflect current on-reserve population.

The lack of updated funding allocations to regions increases the risk that financial resources are not allocated to reflect the need for housing in individual regions or specific First Nation communities.

The audit of the CFM Program identified the need to address funding allocation to regions. The department's CFM Program Risk Profile document also identifies Funding Allocation as a high risk to the achievement of the strategic outcome related to housing. The need for reviewing allocation reference levels and the possibility of rebasing allocations to regions remains outstanding.

Recommendation

The Assistant Deputy Minister, Education and Social Development Programs and Partnerships Sector, should identify and implement a methodology for allocating housing funds that reflects housing needs at both the regional and First Nation community level.

2.2 Performance Management

The Performance Management Framework of the Department Can Not Adequately Demonstrate the Extent to Which Funding for Housing Achieves Expected Outcomes.

INAC's 2008-09 Departmental Performance Report identifies "Percentage of First Nations reported adequate houses for each First Nation community" as the key performance indicator. INAC's Performance Management Strategy document for the CFM Program identifies "First Nation communities have a base of safe housing infrastructure that meets established standards" as an Intermediate Outcome in its Logic Model. Related performance indicators identified in this document include:

- Percentage of communities with positive change in rating in the housing sub-index of the Community Wellbeing Index from the Census;
- Percentage of houses requiring replacement;
- Percentage of housing units requiring major renovation; and
- Percentage of First Nations reported “adequate” community houses per First Nation community.

The above measures as currently defined appear to suggest that INAC is accountable and responsible for the sufficiency and quality of housing on reserve and that changes to housing conditions on reserve, as reflected by such measures, are solely attributable to INAC housing funding.

As discussed in Section 2.1 of this report, First Nations operating under the '96 Policy (the majority of INAC funding) have flexibility in prioritizing the use of their INAC housing funds. Further flexibility is provided to the First Nations on five year agreements allowing for transfer of housing funds to other community priorities outside of housing. Furthermore, INAC's Band Based Minor Capital is not the only source of funding for on-reserve housing. CMHC provides funding that supports the construction and rehabilitation of housing on reserve and First Nations also contribute their own funding towards housing.

Performance information that is collected and reported for the above noted performance indicators pertains to all on-reserve housing, and is not isolated to housing that is solely funded by INAC. The department does not track First Nation on-reserve housing expenditure and performance information that can be solely linked to funding by INAC. Consequently, the department is not able to specifically demonstrate the extent to which INAC funding contributes to performance and results related to on-reserve housing.

Information related to performance indicators for housing is primarily obtained through the self-reporting of First Nations. First Nations submit Housing and Infrastructure Reports annually to the regions that include specified housing information. This information is not subject to meaningful review and challenge by regions. There is a risk that housing performance information being tracked and reported by the department is not accurate, complete and reliable.

It is also noted that the Performance Management Strategy document does not:

- Define performance indicators related to program outputs in the Performance Management Strategy for the CFM Program and housing in particular (eg., training

and capacity building outputs, policy/directive/manual outputs, compliance and file review assessments, inspection reports, etc.);

- Establish targets and time frames for achieving performance indicators for the CFM Program, including housing; or,
- Identify specific standards to be met in the assessment of housing conditions, e.g. meeting housing codes.

The identification, tracking and reporting of appropriate performance measures that align with INAC's housing program design, i.e. block funding for housing, would enhance the ability to demonstrate the achievement of expected outcomes.

Recommendation

The Assistant Deputy Minister, Education and Social Development Programs and Partnerships Sector, in collaboration with the Senior Assistant Deputy Minister, Regional Operations Sector, should conduct a review of the performance indicators and related information to be collected for on-reserve housing to ensure that they are aligned with the department's housing program design, and that they can demonstrate achievement of expected outcomes.

2.3 Risk Management

A Formalized Risk Management Framework Specific to Housing Is Not In Place, and There Is No Formal Monitoring or Compliance Audit / Housing Inspections Process in Place

INAC has developed a CFM Program Risk Profile document that identifies 'high level', strategic risks to the achievement of key outcomes of the CFM program overall. The highest risks to the strategic outcome related to housing that were identified in the Risk Profile are: Governance; Funding Adequacy; Funding Allocation; First Nation Capacity; and, Roles and Responsibilities. Specific risk drivers and risk mitigation strategies are addressed in the Risk Profile in the context of risk to the CFM program overall and not specifically to housing.

Overall, there is no formal and ongoing oversight / monitoring / quality assurance role by Headquarters over regional operations that is specific to the management of the minor capital housing component. Headquarters has conducted monitoring visits to regions but these have focused largely on CEAP infrastructure projects.

At the regional level, Capital, Housing and Financial Services Officers conduct monitoring activities, but these activities are not undertaken in a consistent, systemic or formalized manner and the results of these activities are generally not sufficiently

documented. Examples of monitoring activities include site visits and the review of housing related deliverables.

Site visits to First Nations, although not housing specific, are conducted, but this is not formalized, not done on a regular and consistent basis, and not documented.

Housing related deliverables that are reviewed include Five Year Minor Capital Plans and Project Completion or Inspection Reports. Inconsistencies among officers were noted including the nature of Five Year Minor Capital Plans and Project Completion or Inspection Reports accepted related to housing projects. In addition, the extent of documentation on file supporting specific housing project expenditures was inconsistent among officers, eg. some officers sought and reviewed receipts and invoices related to housing expenditures.

Regions do not undertake compliance audits of First Nations or inspections of housing activities undertaken by First Nations. Compliance audits and monitoring/inspection activities would mitigate the risk that housing funds are spent for unintended purposes and would enhance the department's ability to assess the completeness and accuracy of the housing information reported by First Nations.

Recommendation

The Assistant Deputy Minister, Education and Social Development Programs and Partnerships Sector, in collaboration with the Senior Assistant Deputy Minister, Regional Operations Sector, should develop and implement a risk management framework specific to on-reserve housing, including a formal monitoring or compliance audit / housing inspections process.

2.4 Guidance for the Management of Housing

National Guidelines for the Management of Housing Funded by Minor Capital are Not In Place

We found that national guidelines for the management of housing funded by Band Based Minor Capital are not in place. It is noted however that a National Housing Procedures Guide document had been initiated but was not completed.

Regions are aware of and have a consistent understanding of the general requirements related to the administration of housing funds. However, in the absence of national guidance, many regions have, to varying degrees, developed and implemented their own practices in administering housing funds. Consequently, a number of inconsistencies exist among regions with respect to management practices and

reporting expectations related to housing. Some of the observed inconsistencies included:

- Submission of Community Housing Plans by First Nations. These plans are submitted to Regions in accordance with FNITP reporting requirements and with the '96 Housing Policy. However, these plans are inconsistent in terms of the extent and nature of information provided. Plans range from very extensive and well thought out community plans to a one or two paragraph narrative briefly outlining housing activities to be undertaken by the First Nation in the upcoming year. Formalized processes are not in place in regions for the review and challenge of Community Housing Plans or for the monitoring of the extent of implementation and current status of existing housing plans.
- Submission of Five Year Minor Capital Plans by First Nations. Information related to housing projects in support of the Five Year Minor Capital Plans and related Annual Updates is not submitted in a consistent manner among regions and among First Nations. As an example for renovation projects, some plans identified the specific units to be renovated including specific cost estimates, while other plans were more general, indicating only the total amount that was to be spent on renovations. Formalized processes are not in place in regions for the review and challenge of Five Year Minor Capital Plans.
- Cash Flow Schedules. There were inconsistencies among regions in cash flow schedules and the timing of housing funds flowed to First Nations.
- Completion Reports. The nature of and attestation of completion reports related to projects varied among regions and First Nations. While some reports were signed by qualified personnel of a Tribal Council and contained significant detail as to what was completed, others were signed by the First Nation representatives simply stating that work was complete. Completion Reports signed by First Nations do not provide independent verification of project completion and building standards / codes being met. Formalized processes are not in place in regions for the review and challenge of Completion Reports.

The 2008-2009 Departmental Performance Report commits to having comprehensive national guidelines for all CFM Program areas. This commitment was also evidenced in the "Implementation Status Update Report to the Audit and Evaluation Committee September 25, 2008" relating to the "Evaluation of the 1996 On-Reserve Housing Policy Report, February 2008". Furthermore, the CFM Program Risk Profile, referred to in section 2.3 of this report, identifies development and standardization of a national procedures manual as a key mitigation measure to address a number of identified risks.

National guidance for the administration of CEAP funded housing was developed and implemented including:

- Application forms and Call letter to First Nations;
- Guidelines and directives for First Nations including eligibility and assessment criteria for proposals;
- INAC internal guidelines and timelines for scoring and assessing proposals; and
- Reporting guidelines and templates / forms.

Notwithstanding some exceptions that were justified by particular project circumstances or specific regional considerations (further discussed in Section 2.5 of this report), regions generally implemented and administered CEAP funding in adherence with national guidelines.

National guidance for the administration of MLGs has also been developed. In all regions visited, Headquarters requirements for MLGs were being followed including the assessment of First Nations financial capacity when issuing MLGs, file documentation and meeting approval authorities.

Recommendation

The Assistant Deputy Minister, Education and Social Development Programs and Partnerships Sector, should ensure that comprehensive national guidelines for the management of the housing component of the CFM Program are developed and disseminated.

2.5 Management of Housing Funded by CEAP

There is a Risk That Transfer of Ownership for Market Based Housing Projects May Not Take Place.

Contribution agreements for Market Based Housing projects included a requirement for transfer of ownership of housing from First Nations to individual homeowners within 90 days after project completion. There is risk that ownership will not be transferred within the above timeframe. At the time of completion of audit field work, timeframes for transfer were still not reached.

Recommendation

The Senior Assistant Deputy Minister, Regional Operations Sector, in collaboration with the Assistant Deputy Minister, Education and Social Development Programs and Partnerships Sector, should ensure that the risk that First Nations housing does not transfer to individual homeowners as required for Market Based Housing projects, is appropriately managed.

Regions Followed National Guidelines for the Assessment of Funding Applications but Adopted Their Own Practices to Allocate Funding to First Nations.

INAC national internal guidelines for CEAP included a methodology and criteria for the assessment and scoring of First Nation applications for housing project funding. Within each region, applications for projects within each of the four components were to be ranked based on total scores for purposes of funding decisions.

We found that regions used the national methodology to rank housing projects as a starting point. However, regions generally adopted their own practices in order to achieve a wider and more equitable distribution of funding among a greater number of First Nations, in light of the large demand relative to the level of available funding. To achieve this, regions generally established a maximum number of approved projects for each category for each First Nation.

INAC national internal guidelines also included involvement of Regional Housing Liaison Committees in CEAP housing project funding decisions. We found that Housing Liaison Committees were not consistently involved in housing project funding decisions among regions.

We note that there were tight timelines faced by the department in the implementation of CEAP after the announcement of the initiative in the February 2009 budget. Consequently, there may not have been sufficient time to solicit input from regions into the implementation of CEAP.

Recommendation

The Assistant Deputy Minister, Education and Social Development Programs and Partnerships Sector, in collaboration with the Senior Assistant Deputy Minister, Regional Operations Sector, should ensure that the development of project assessment and funding decision methodologies reflects regional requirements in the design of future programs/initiatives similar to housing funded by CEAP.

APPENDIX A AUDIT CRITERIA

PROGRAM DESIGN AND GOVERNANCE

1. Housing activities are authorized and are aligned with departmental and program objectives and priorities
2. The program design of housing activities is effective in demonstrating achievement of program objectives
3. There is adequate governance and oversight over housing activities

PROGRAM IMPLEMENTATION

4. Financial and operational planning aligns and allocates resources in an effective manner to demonstrate how housing related objectives will be achieved
5. There is sufficient resource capacity and capabilities to effectively deliver and manage housing activities
6. Guidance for the delivery and management of housing activities (including policies, procedures and training) are adequately developed and communicated and are aligned with key program authority documents
7. Information systems and processes track, accumulate and report housing related information in a consistent, efficient, effective and timely manner for decision making purposes

PROGRAM PERFORMANCE AND RISK MANAGEMENT

8. A performance management framework (including the logic model, performance indicators and measurement strategy) is adequate in measuring and reporting on the achievement of objectives and results related to housing activities
9. A risk management framework is adequate in identifying, assessing and mitigating program risks related to housing activities

PROCESSES FOR FUNDING ALLOCATION / ASSESSMENT / APPROVAL

10. First Nation housing activities funded are eligible and are undertaken pursuant to comprehensive community or housing plans

11. Adequate due diligence is exercised in the assessment and approval of housing plans / projects / activities
12. Assessment and approval decisions are executed by individuals with delegated authority in a timely manner
13. Funding commitments to fund housing activities, such as MLGs and CEAP, do not exceed authority levels and program budgets

PROCESSES FOR FUNDING AGREEMENT EXECUTION

14. The duration of funding arrangements / agreements (one year vs. five year) with First Nations for housing activities funded by A Base Minor Capital is appropriate
15. Funding agreements are consistent with approved departmental templates and contain clauses to mitigate key program risks and to ensure compliance with Treasury Board, INAC and other policies and regulations
16. Funding agreements are signed by persons with delegated authority

PROCESSES FOR PAYMENTS, MONITORING AND REPORTING

17. Payments are made pursuant to Funding Agreements, and are based on need in accordance with the Policy on Transfer Payments
18. Payments are made by persons with delegated authority
19. Monitoring and recipient auditing practices specific to housing activities are adequate to ensure:
 - Funds are spent as intended
 - Risks are identified and managed
 - Reporting of activities and results is accurate
 - Compliance with Funding Agreement clauses
20. Financial and performance information related to housing activities is captured and reported in a timely, useful, accurate and complete manner
21. Financial and performance reports related to housing activities are communicated to Parliament, Treasury Board and to departmental senior management to demonstrate accountability of housing funds and achievement of housing related objectives

APPENDIX B LISTING OF ACRONYMS

CEAP	Canada's Economic Action Plan
CFA	Comprehensive Funding Arrangement
CFM	Capital Facilities and Maintenance
CFNFA	Canada/First Nations Funding Arrangement
CMHC	Canada Mortgage and Housing Corporation
INAC	Indian and Northern Affairs Canada
MLG	Ministerial Loan Guarantees