



Health
Canada

Santé
Canada

Final Audit Report

Audit of Economic Action Plan (Budget 2009) Expenditure Controls

December 2009

Table of Contents

Executive Summary	ii
Introduction.....	1
Background	1
Objective	2
Scope and Approach	2
Observations.....	3
Accountability Frameworks.....	3
Information Management	4
Financial Control	5
Planning and Monitoring	6
Eligibility Criteria and Success of Programs	7
Conclusion	8
Appendix A - Lines of Enquiry and Audit Criteria.....	9
Appendix B - Management Control Frameworks by Branch/Program	10
Appendix C - Financial and Non-Financial Reporting - September 2009.....	19

Executive Summary

This report sets out the observations, conclusions and recommendations from the *Audit and Accountability Bureau's* audit of Health Canada's Economic Action Plan (Budget 2009) Expenditure Controls. This audit was included in the departmental Risk-Based Audit Plan for 2009-2012, which was tabled at the Departmental Audit Committee on May 22, 2009. It focused on key controls deemed critical by the Office of the Auditor General with respect to Budget 2009 funding.

The objective of this audit was to provide the Deputy Minister and the Departmental Audit Committee with reasonable assurance that Health Canada has in place a management control framework to ensure that funds received by the Department under the Government of Canada's Economic Action Plan (EAP) are being managed in a manner that allows for effectiveness and efficiency of program delivery, compliance with applicable policies, laws and regulations and reliability and integrity of financial and non-financial information and reporting. The audit was conducted by the Audit and Accountability Bureau in accordance with the *Internal Auditing Standards for the Government of Canada* and has examined sufficient, relevant evidence and obtained sufficient information and explanations to provide a reasonable level of assurance to support the report conclusion.

The key guiding principle of the EAP funding is that stimulus should be timely, targeted and temporary to: support the economy when it is most needed; support Canadian families and sectors most affected; ensure maximum impact for Canadian jobs and output; and, protect Canada's fiscal position by targeting new spending in the next two years. The EAP announced significant funds, to be invested via Health Canada, in the following key areas:

- \$440 million for First Nations and Inuit Health Branch;
- \$16 million for investments in the maintenance and modernization of Health Canada's laboratories; and
- \$500 million for additional funding to Canada Health Infoway Inc., to be governed by the terms and conditions of a new agreement between Infoway and Health Canada (the proposed agreement is not yet finalized).

In light of the objectives of the EAP spending, and the visibility of the EAP program, Health Canada must demonstrate an appropriate balance between efficiency and timeliness, and appropriate governance and stewardship over the funds.

Overall, it was found that, through a mix of already existing and new practices, Health Canada has put in place a management control framework to manage the funds received under the EAP effectively and efficiently, in compliance with applicable policies, laws and regulations and that allow the reliability and integrity of the reported financial and non-financial information.

Management is in agreement with the observations and conclusions of the audit. The Chief Financial Officer will continue to monitor activities to ensure responsive and responsible administration of the Economic Action Plan funding, including the reliability and integrity of the reporting of financial and non-financial information.

Introduction

Background

As part of the Government of Canada's Economic Action Plan (EAP), significant funds were announced, to be invested via Health Canada, in the following key areas:

- \$16 million for investments in the maintenance and modernization of Health Canada's laboratories
- \$440 million for First Nations and Inuit Health Branch (FNIHB), specifically:
 - \$240 million in program integrity funding for Non-Insured Health Benefits (NIHB)
 - \$65 million in program integrity funding to support Nursing Services within Primary Health Care (PHC)
 - \$135 million for infrastructure investments through the Health Facilities and Capital Program (HFCP)
- \$500 million for Canada Health Infoway. This additional investment is to be governed by the terms and conditions of a new funding agreement between Infoway and Health Canada. As noted in *Canada's Economic Action Plan: a Fourth Report to Canadians*, "Canada Health Infoway is implementing the recommendations from the Auditor General of Canada's November 3, 2009, report to ensure proper accountabilities are in place". The *Fourth Report to Canadians* also states that "the Government will continue to work with Canada Health Infoway to assess progress before taking next steps."

The government's EAP is based on the following key guiding principles: that stimulus should be timely, targeted and temporary to: support the economy when it is most needed; support Canadian families and sectors most affected; ensure maximum impact for Canadian jobs and output; and, protect Canada's fiscal position by targeting new spending in the next two years.

At the same time, in keeping with the principles outlined in the *Federal Accountability Act*, the balance between efficiency and timeliness of spending and stewardship and governance over the funds is of utmost importance. Both the Office of the Comptroller General and the Office of the Auditor General have clearly articulated the imperative of risk management, controls and governance over these funds, as well as the importance of compliance with key pieces of legislation, including, but not limited to the *Policy on Transfer Payments* and the *Financial Administration Act*.

In the context of the above, and given the significance of the funds and the types of investment areas, Health Canada needs to ensure that EAP funds are being managed with appropriate due diligence and directed towards these key investment areas in a timely and

efficient manner. Additionally, Health Canada must be able to demonstrate to the Canadian public, the Parliament and the Office of the Auditor General that it has sufficient and appropriate processes in place to provide oversight over the stimulus spending to the Canadian public, Parliament and the Office of the Auditor General.

Objective

The objective of this audit was to provide the Deputy Minister and the Departmental Audit Committee with reasonable assurance that Health Canada has in place a management control framework to ensure that funds received under the Government's Economic Action Plan are being managed in a manner that allows for:

- Effectiveness and efficiency of program delivery, including the degree to which controls are commensurate with risk levels, in support of efficient and timely funding;
- Compliance with legislation, regulations and policies; and,
- Reliability and integrity of financial and non-financial information and reporting.

Scope and Approach

The audit was undertaken by the Audit and Accountability Bureau in accordance with the Health Canada Risk-Based Audit Plan for 2009-12, which was tabled at the Departmental Audit Committee on May 22, 2009. The audit was conducted in accordance with the *Internal Auditing Standards for the Government of Canada* and has examined sufficient, relevant evidence and obtained sufficient information and explanations to provide a reasonable level of assurance to support the report conclusion.

The audit examined activities and controls owned by both the Chief Financial Officer Branch (CFOB) and the programs themselves, namely: the Strategic Policy Branch (SPB), as the Health Canada branch responsible for monitoring Canada Health Infoway's compliance with the funding agreements between the organization and the Department; the First Nations and Inuit Health Branch (FNIHB), for funding received in support of *Non-Insured Health Benefits, Nursing Services, and Health Facilities and Capital Programs*; and the Corporate Services Branch (CSB), for funding received in support of the maintenance of Federal Laboratories. The audit also involved interviews with representatives of the Regions and Programs Branch (RAPB). This branch corresponds to Health Canada's presence in each region. Each is lead by a Regional Director General.

The emphasis of this audit was on those areas deemed critical by the Office of the Auditor General, which were outlined in the March 5, 2009 Letter from the Auditor General to the Secretary of the Treasury Board of Canada regarding the Economic Action Plan. The lines of inquiry were determined based on this letter as well as the *Core Management Controls* guidance provided by the Office of the Comptroller General,

specifically, the Stewardship, Accountability, and, Results and Performance *Core Management Controls*. The lines of inquiry of the audit were: Accountability Frameworks; Information Management; Financial Control; Planning and Monitoring; and, Eligibility Criteria and Success of Programs. Corresponding audit criteria are detailed in **Appendix A**, and have been vetted with management.

The audit encompassed activities conducted during the period from February to August 2009 at Health Canada's headquarters and, as applicable, regional offices.

In conducting the audit, the following audit approaches were used:

- Interviews with selected key individuals in CFOB, SPB, FNIHB, RAPB, and CSB;
- Literature review of key documents;
- Risk and control identification; and,
- Analysis of controls, including process and control reviews and transaction testing.

In addition, some of these program areas are currently, or have already been subject to internal audit activity. Where possible, such audit activity has been leveraged, to avoid duplication of effort and to ensure a minimal amount of disruption to the program areas. The following is the list of internal audits that have been conducted, or planned, that are of relevance to this audit:

- *Audit of Capital Contribution Agreements;*
- *Audit of Real Property Management;*
- *Audit of Laboratory Facilities Infrastructure;*
- *Audit of Health Canada's Primary Care - Nursing Services;*
- *Audit of Financial Forecasting and Year-End Expenditures; and*
- *Audit of Transfer Payments to Canada Health Infoway Inc.*

Observations

The observations below summarize findings by line of enquiry and audit criteria. Detailed findings, sorted by branch and initiative, can be found in **Appendix B**.

Accountability Frameworks

Audit Criterion

The organization's accountabilities, including roles and responsibilities, in support of collaborative initiatives are well defined, clear and communicated.

Accountability frameworks are defined, communicated and understood within Health Canada, including assigning responsibility for the achievement of results for EAP expenditures. The existence of clear, commonly understood and communicated

accountability mechanisms supports individuals in understanding and carrying out their roles and responsibilities in a timely and adequate manner.

To access EAP funds, Health Canada had to put forward funding proposals based on announcements made in the 2009 Budget. To facilitate this process, the CFOB has in place documented guidelines for the preparation of such proposals. These guidelines identify roles and responsibilities between the program areas requesting additional funds for, and other relevant areas of the organization.

Guidance regarding EAP reporting requirements has been provided by the Treasury Board of Canada Secretariat to CFOB, which in turn, has provided an information session, templates and guidance documentation to programs.

In addition, accountability for financial management, project execution, monitoring and control are clearly and commonly understood. Health Canada's Delegation of Financial Signing Authorities Instrument and the underlying document clearly defines authorities related to spending, procurement, payment, and other financial and administrative authorities for the full range of operational (Branches) and functional (CFOB) roles. Further, the Budget Management Framework describes policies and procedures in place within the department for the allocation and reallocation of resources. All managers are required to receive training on this framework before being given delegated signing authority.

Information Management

Audit Criteria

Financial and non-financial reporting is reviewed and approved, and used to track and report on the results of EAP funding on a timely basis.

The conduct of interviews and review of reports identified that financial and non-financial reporting practices are in place to ensure EAP-related reporting is reviewed and approved, and used to track and report on the results of EAP funding on a timely basis.

In addition to this financial information contained in the monthly reporting, the quarterly reporting activity provides non-financial information on each program receiving EAP funding. As per the Treasury Board Secretariat template, programs must provide a summary of the initiative receiving the funding, key timelines and factors affecting timing, implementation progress, and (as applicable), details of how the funding provided to the initiative has supported the following dimensions: minimizing existing job losses, creating employment opportunities, and protecting vulnerable groups and regional equity.

Appendix C provides a summarised version of the financial and non-financial reports that are provided to the Treasury Board Secretariat on a monthly and quarterly basis.

In accordance with the TB reporting requirements as well as guidance and communications provided by the CFOB, practices have been implemented within Health Canada to track and report on the EAP funding. For infrastructure projects in CSB (Federal Laboratories) and FNIHB (Health Facilities and Capital Programs), practices have been put in place to develop, aggregate and challenge information that feeds EAP reporting. For program integrity funding within FNIHB (Primary Health Care and Non-Insured Health Benefits), approaches have been defined for attributing expenditures to EAP funding.

Financial Control

Audit Criteria

Financial management policies and authorities are established and communicated. Compliance with financial management laws, policies and authorities is monitored regularly. Reviews are conducted to analyze, compare and explain financial variances between actual and plan.

Financial management policies and authorities are established through the CFOB, and communicated to relevant parties throughout the organization. As each of the Health Canada programs receiving funding under the EAP are existing programs, stewardship of EAP funding falls within Health Canada's existing financial control framework. Key components of this framework include the Budget Management Framework, the Delegation of Financial Signing Authorities Instrument, financial management training, and the Management Variance Report process. For compliance monitoring, established financial management practices through the role of Accounting Operations, Regional Financial Services Officers, and the BSFO were highlighted.

All members of staff with signing authority are provided with a copy of the Delegation of Financial Signing Authorities Instrument, which clearly defines authorities related to spending (initiation, commitment and contract performance), payment, and other financial and administrative authorities for the full range of operational (branch) and functional (CFOB) roles. All managers are required to receive training on the Budget Management Framework before being given delegated signing authority. As for the Management Variance Report process, interviews have revealed that corresponding responsibilities and activities (preparation, challenge and sign-off) are clear and understood.

Specific to the EAP funding, the Treasury Board Secretariat's reporting requirements and associated practices that have been established within Health Canada provide a means for reviewing financial variances between actual and plan for EAP funding.

Planning and Monitoring

Audit Criteria

Program activities, schedules and resources needed to achieve objectives have been established and revisited through formal planning activities. Consideration is given to government priorities, identified risks and client needs.

Planning Activities

The planning activities undertaken in relation to the programs accessing EAP funding considered government priorities, identified risks and client needs through overall program design, and planning activities conducted after the Budget announcement.

As existing programs, these programs are aligned with Health Canada's Program Activity Architecture, and overall program planning and design decisions were made by Non-Insured Health Benefits, Primary Health Care and Health Facilities and Capital Programs prior to the receipt of the EAP funding. Funding proposals were prepared by Health Canada to gain approval for accessing the funding announced in the budget. Internal reviews by areas of expertise within Health Canada were conducted.

The additional funding that Non-Insured Health Benefits and Primary Health Care Programs received through EAP is aimed at supporting program integrity i.e. ensuring that program are adequately funded in response to program objectives and priorities. In this respect, the Office of Nursing Services conducted an analysis of the levels of funding needs in each region.

For the Non-Insured Health Benefits Program, initial allocations of EAP funds were determined based on forecasts done at the beginning of the fiscal year 2009-10. The balance of the available funds for this program will be allocated based on program demands as determined by the Branch Executive Committee Finance forum and ongoing monitoring conducted at the program and branch level.

In the case of Health Facilities and Capital Program, the EAP funding is aimed at accelerating infrastructure investments that had already been planned in the Program's Long Term Capital Plan. This plan identifies investment needs and projects both at the regional and national level. A suite of guidance documents and tools exist to support the project planning process. The project selection exercise also considered associated risks, including having an insufficient number of program officers to adequately plan and monitor these projects. Additional human resources were planned to ensure the timely delivery of projects.

Monitoring Activities

This line of enquiry focuses on the Health Facilities and Capital Program, and does not include programs integrity funding.

Current monitoring and reporting practices are adequate to allow for monitoring of EAP results.

At the Health Canada level, the monthly and quarterly EAP reporting requirements provide a regular means of monitoring the status of projects receiving EAP funding. This is supported by measures that have been put in place at the branch level whereby project managers are assigned to each project. Project managers participate as observers in project status meetings, providing a monitoring function. At the Regional level, Regional Directors of Capital Asset units monitor the projects within their regions as they have ultimate responsibility for program delivery. At the National level, status reports on EAP projects are compiled on the basis of updates provided by Regions.

Eligibility Criteria and Success of Programs

Audit Criteria

Clear and well-defined eligibility criteria and operational objectives are documented, commonly understood, and applied consistently to ensure that eligible project with highest merit are funded.

Allocation of EAP funds was based on clear assessments of program needs and expected results for Federal Laboratories, the Non-Insured Health Benefits, Primary Health Care and Health Facilities and Capital Programs.

Eligibility of Non-Insured Health Benefits and Primary Health Care for EAP funding is supported by the fact that these programs run deficits each year, historically making requests for supplemental funding to meet established program needs. By being considered eligible for EAP funding, Health Canada is afforded a greater opportunity to achieve its objectives with respect to First Nations Inuit health.

For Health Facilities and Capital Program, a long term capital plan is maintained at the national and regional level to identify areas that require investments and select projects. Guidelines are in place for determining eligibility and for identifying expected results. Additionally, expected results and timelines are defined in capital contribution agreements that are signed for each project. The Health Facilities and Capital Program has processes in place to collect and report on project information, related to the achievement of results for EAP projects. This includes the project status tracking and reporting activities in place at the project, regional and HQ level within the Program, and ultimately, the TB reporting practices in place to track all EAP results.

Conclusion

Overall, through a number of practices, Health Canada has put in place a management control framework to manage the funds received under the EAP effectively and efficiently, and in compliance with applicable policies, laws and regulations. Many of these are existing practices, and Health Canada has implemented additional information management and reporting practices to meet the information and reporting requirements associated with EAP funding.

Appendix A - Lines of Enquiry and Audit Criteria

Accountability Frameworks: The accountability frameworks are developed, documented, and clearly communicated, including assignment of responsibility for achieving results.

- The organization's accountabilities, including roles and responsibilities, in support of collaborative initiatives are well defined, clear and communicated.

Information Management: Information management ensures costs and results are tracked and reported accurately and in a timely manner.

- Financial and non-financial reporting is reviewed and approved, and used to track and report on the results of EAP funding on a timely basis.

Financial control: Financial control of program expenditures complies with legislation and core controls such as the *Federal Accountability Act* and sections 32, 33, and 34 of the Financial Administration Act.

- Financial management policies and authorities are established and communicated.
- Compliance with financial management laws, policies and authorities is monitored regularly.
- Reviews are conducted to analyze, compare and explain financial variances between actual and plan.

Planning and Monitoring: Programs under Canada's Economic Action Plan are appropriately monitored.

- Program activities, schedules and resources needed to achieve objectives have been established and revisited through formal planning activities. Consideration is given to government priorities, identified risks and client needs.
- Monitoring is conducted on a regular basis and results are documented and reported to the required management level

Eligibility Criteria and Success of Programs: Eligibility criteria and operational objectives that define success of programs are clear and provide the basis for program selection and implementation.

- Clear and well-defined eligibility criteria and operational objectives are documented, commonly understood, and applied consistently to ensure that eligible project with highest merit are funded.

Appendix B - Management Control Frameworks by Branch/Program

Corporate Services Branch

Background

Over fiscal years 2009-10 and 2010-11, Health Canada is investing \$16.2 million in its custodial infrastructure in two of its laboratories: the Sir Frederick Banting Building (SFB) in Ottawa, Ontario and the Manitoba Regional laboratory in Winnipeg, Manitoba. This initiative will address building code, fire/life safety and barrier-free accessibility issues, as well as addressing deferred maintenance and recapitalization of assets.

Accountability Framework

Interviews with CSB determined that roles and responsibilities for Federal Laboratories projects funded by the EAP (referred to as Accelerated Infrastructure Program, or AIP, projects) are clearly defined and mutually understood by project stakeholders. For the delivery of AIP projects, Health Canada is dependent upon Public Works and Government Services Canada (PWGSC), which acts as the delivery agent for carrying out AIP projects based on specifications provided by Health Canada. Accountability structures in place are seen as facilitating timely actions and decision making. Many of the controls that address accountability within Health Canada and between Health Canada and PWGSC were in place prior to the deployment of AIP funds, such as the Real Property Roadmap and Management Framework, and the use of Specific Service Agreements (SSAs) for Real Property Services. New controls, such as the AIP agreement between Health Canada and PWGSC, increased frequency of project status meetings, the addition of an AIP project manager within CSB, and project status tracking sheets have been implemented to strengthen accountability around EAP projects. Clear and commonly understood processes have been established for financial monitoring within CSB.

Information Management

As a starting point to reporting, the expected outcomes and associated timelines for Federal Laboratories projects being undertaken as part of the EAP are documented in, and communicated through, the Specific Service Agreements (SSAs) entered into for each project between Health Canada and PWGSC.

Reporting processes established within Laboratories to track EAP projects allow for sufficient monitoring and the timely identification of risks and issues. Weekly status reports and calls from regions and PWGSC provide timely information on project status,

highlighting any risks or issues that may require attention. Information received from these reports and through these meetings is used to update a project tracking sheet maintained by the Real Property and Facilities Management Directorate (RPFMD). The project tracking sheet is used by RPFMD to monitor EAP project status, as well as to feed EAP reporting requirements set out by TBS.

The Management Variance Report (MVR) is the primary financial reporting tool for the department, and CSB has identified that they plan to leverage the MVR process to feed EAP reporting. The accuracy and timeliness of information in Health Canada's financial system on the status of federal Laboratories projects is dependent upon PWGSC billing Health Canada on a timely basis through the Inter-Departmental Settlement System for work completed. RPFMD has asked PWGSC to provide monthly reports on work in progress and associated spending, to support accurate and timely tracking of financial status through the project tracking sheet maintained in RPFMD.

Financial Control

The agreement between Health Canada and PWGSC on the accelerated infrastructure program clearly outlines the roles and responsibilities of each department with regard to budgeting, monitoring and reporting requirements. In addition, SSAs for each project specify roles and responsibilities for project management, including financial management.

Processes are in place for monitoring and verification of financial transactions related to EAP projects. RPFMD monitors PWGSC withdrawals from the Inter-Departmental Settlement System, to track billing against the EAP cost centre, and established processes are in place for reconciliation and to handle invoicing disputes, should they arise. As invoices are received from PWGSC, Facilities Management Officers are responsible for reviewing and sign off on invoices indicating whether work has been completed as expected, and the cost centre manager signs off to provide spending authority.

A review of financial transactions for Federal Laboratories projects showed compliance with Sections 32 and 34 of the Financial Administration Act. Interviews with Accounting Operations revealed that Section 33 is not required for transactions through the interdepartmental settlement system on advice from the Receiver General.

As was described under "Information Management", the weekly status updates provided from Regions and PWGSC allows RPFMD to maintain the EAP project tracking sheet, which contains both financial and non-financial project status information. This information, in turn, is reviewed and analysed at several levels – the Regions where the projects are being undertaken, the challenge function provided by RPFMD, and then the review processes in place for Treasury Board Secretariat EAP reporting.

Planning and Monitoring

As an existing program, this program is aligned with Health Canada's program activity architecture, and overall program planning and design decisions for Federal Laboratories were made prior to the receipt of EAP funding. Leveraging established processes, business cases were prepared by Health Canada to gain approval for accessing the funding announced in the budget. Evidence exists that internal reviews by areas of expertise with Health Canada were conducted to prepare the documentation in support of this initiative.

At the departmental level, the monthly and quarterly EAP reporting requirements provide a regular means of monitoring the status of projects receiving EAP funding. The processes and activities for reporting on Federal Laboratories are described in the Information management section.

Eligibility and Success of Programs

Access to EAP funding was granted through established procedures. Business cases were prepared and were put forward to access funding available for federal laboratories.

First Nations and Inuit Health Branch

Background

Canada's Economic Action Plan, Budget 2009, included \$305 million over two years to strengthen current health programs (Non-Insured Health Benefits and Primary Care services), improve health outcomes for First Nations and Inuit individuals, and move towards greater integration with provincial and territorial health systems. The Non-Insured Health Benefits (NIHB) program provides approximately 800,000 registered First Nations and recognized Inuit with a limited range of medically-necessary health-related goods and services not provided through private insurance plans, provincial/territorial health or social programs or other publicly funded programs. Funding over two years is aimed at addressing the gap between NIHB's base level of funding and its projected expenditures. These funds are referred to as "Program Integrity Funding".

Canada's Economic Action Plan, Budget 2009, also provided \$135 million to be spent over the next two years for the construction and renovation of health services infrastructure for First Nations, including health facilities and nurses' residences. Over 40 new projects and approximately 230 renovation projects are to be completed by March 31st, 2011.

Accountability Framework

Many of the controls that address accountability within FNIHB were in existence prior to the provision of EAP funding. At the program level, roles and responsibilities and decision-making structures are defined and understood.

At the FNIHB level, the Branch Executive Committee (BEC), Sub-Committee on Finance (BEC Finance) is the governance forum for financial management within FNIHB. Roles and responsibilities are defined in the BEC Finance terms of reference document, and interviews revealed that the role of BEC Finance is understood.

Program Integrity Funding

As an existing program that has historically required additional funding to meet program needs, the Office of Nursing Services (ONS) had previously introduced activities to collect information from Regions regarding their levels of funding needs to deliver existing requirements for nursing services. The ONS is working with the Regional Director Forum to obtain and share information regarding EAP funding provided for nursing services, including assigning responsibilities between RDs and ONS for information requirements, and the ONS has provided information reporting templates to Regions for carrying out these requirements.

As well, structures were already in place within NIHB for delivery of the program, including clear identification of which benefits are delivered and managed centrally and which are delivered and managed through regions. A key accountability instrument identified for NIHB is the Health Information and Claims Processing Services (HICPS) Financial Control Framework, which defines roles and responsibilities for financial control within NIHB.

Health Facilities and Capital Program

The Health Facilities and Capital Program (HFCP) delivers infrastructure improvement projects through capital contribution agreements with First Nations and Inuit (FN/I) communities. Long term capital planning processes are well-established and understood, and supported by regional and national capital allocation committee structures, and guidance documentation and templates. Agreements identify the roles and responsibilities and authorities of the departmental project officer and the recipient. These existing tools and structures are being used for managing EAP expenditures, and new project reporting templates and expectations have been introduced to support EAP reporting requirement. Status meetings are used to discuss and report constructively on issues related to project delivery, and assign responsibility for required actions.

Information Management

Practices are in place within FNIHB to support information tracking and reporting for NIHB, PHC and HFCP. The existing structures of the BSFO, the BEC Finance forum, the use of Management of Contracts and Contributions Services (MCCS) system to track CCAs, and the HICPS Financial Control Framework were highlighted by interviewees. Additionally, for EAP funds, NIHB and HFCP are expected to provide forecasts every month. It is on this basis that remaining balances of available funds for each of these two programs are allocated to the Regions.

For EAP reporting, non-financial reporting templates are completed by the Strategic Policy, Planning and Analysis Directorate for HFCP, NIHB and PHC. Financial reporting templates are completed by the Branch Senior Financial Officer's team within FNIHB.

Program Integrity Funding

Financial reports are completed by FNIHB Financial Services using SAP reports on program expenditures against plans. For NIHB, 10% of each month's expenditure is attributed to EAP funding, as the total funds received from Budget 2009 equates to approximately 10% of NIHB's overall budget for 2009. For PHC, the approach adopted for EAP reporting is to use time as the basis for proration. Tracing and testing conducted indicates that the processes in place to complete the reporting are working effectively, and TB reports accurately reflect data within Health Canada's financial system (SAP), and the allocation approaches identified for NIHB and PHC are being followed.

Health Facilities and Capital Program

HFCP maintains a project status tracking sheet, which is updated through project status meetings and updates provided from Regions. Financial reporting on HFCP projects is generated through the Management of Contracts and Contributions Services (MCCS) system, which contains information on how much has been committed and spent for each CCA. Regional Directors for Capital Assets Units are required to report monthly on the status of their projects against project schedules, identifying major milestones and timelines for completion. Projects at risk are to be flagged to Senior Management so that corrective measures can be implemented in a timely fashion. HFCP at HQ, in turn, compiles these updates to support overall tracking and reporting.

Financial Control

In addition to existing financial management practices, specific practices have been established for Budget 2009 funding, in terms of reporting frequency.

At the FNIHB level, Branch and Regional Financial Officers provide advice, guidance and assistance to programs on financial management matters. BEC Finance is a key governance body for financial management. Its role encompasses recommending

allocations or reallocations of branch resources, discussing proposals for new resources, managing reserves, and providing advice and recommendations to the Branch Executive Committee or Assistant Deputy Minister.

Program Integrity Funding

Within NIHB, HICPS has its own financial control framework which specifies roles and responsibilities for transaction processing, verification and accountability. For HICPS payments, a Payment Requisition Committee is in place and meets on a bi-monthly basis to fulfill the Sections 33 and 34 certifications required under the FAA for HICPS payments. Monitoring of variance between actual and plan is done through NIHB at HQ.

For Primary Health Care, Regional Directors are responsible for managing and monitoring their budgets, in line with established guidelines. Additionally, the ONS has communicated the requirement to Regions for tracking and reporting on their 2009-10 EAP funding allocations, including reporting on how Regions are making use of the funds to work towards reducing their program integrity funding needs for 2010-11.

Health Facilities and Capital Program

Policies for financial management with regard to project delivery in the regions are clear and well understood, and communicated through various guidance documents. Capital Contribution Agreement (CCA) templates exist for both minor and major capital projects, and these templates define payment processes and associated roles and responsibilities of recipients. Regions demonstrated clear understanding of their role as the funding authority and practices are in place to communicate financial management responsibilities and expected practices to recipients through the CCAs and ongoing dialogue.

For HFCEP projects, Health Canada enters into Section 32 by signing the CCA with the recipient. Project progress attestations are provided by the Architect hired for each project. This attestation is then reviewed by the Regional Director prior to making a request for payment release (Section 34), followed by the performance of Section 33.

Senior financial officers conduct a validation activity on financial reports, which is also submitted to BSFO and CFOB, which is used to update the Management of Contracts and Contributions Services system. Financial monitoring occurs at project level through regular project status meetings with recipients. Such information is recorded by each Region and is communicated to HQ on a regular basis through status updates.

Planning and Monitoring

Business cases were prepared to gain approval for accessing the funding announced in the budget. Evidence exists that internal reviews by areas of expertise within Health Canada were conducted to prepare the documentation.

At the departmental level, the monthly and quarterly EAP reporting requirements provide a regular means of monitoring the status of projects receiving EAP funding. Additionally, the Branch Executive Committee (BEC) Finance forum provides a means for financial monitoring.

Program Integrity Funding

The Office of Nursing Services (ONS) conducted an analysis of the levels of funding needs in relation to nursing services in each Region. For NIHB, initial allocations of EAP funds were determined based on forecasts done at the beginning of the fiscal year. Through the BEC Finance forum, and the ongoing monitoring by NIHB and Financial Services, the balance of the available funds for NIHB will be allocated based on program demands.

With respect to NIHB and ONS, as both programs historically run a deficit each year, practices are already in existence from previous years to support planning and monitoring of EAP spending.

Health Facilities and Capital Program

Additional funding received through the EAP allows HFCP to accelerate planned infrastructure investments. HFCP's long term capital planning process drives the identification of infrastructure investment areas. A long term capital plan (LTCP) is maintained in each Region, as well as nationally, identifying areas that require investment. Capital allocation committee structures exist at both the regional and national levels to facilitate project selection. A suite of guidance documents and tools exist to support the project planning process.

A meeting of the national capital allocation committee was convened to select and recommend major and minor projects for EAP funding. This meeting was used to re-validate costing of projects identified in the December iteration of the LTCP, as well as to identify any issues or concerns before providing a full list of project recommendations for EAP funding. Following this meeting, a memorandum was presented to the ADMs of Regions and Programs Branch and FNIHB recommending a set of projects to be funded through the EAP. The memorandum included consideration of risks and identification of risk mitigation strategies, consideration of human resource requirements and identification of an approach to address human resource requirements. Additional human resource needs were identified by regions in the course of planning for the delivery of EAP projects in HFCP, and a recommendation was made to address these needs.

HFCP, being an established contribution program, practices were already in place for project planning and monitoring. Such activities occur at the project, regional and national levels and additional practices have been put in place to respond to reporting requirements associated with EAP spending. Project-level monitoring occurs through participation in project meetings by the Health Canada project manager assigned to each project. At the Regional level, Regional Directors of Capital Asset units monitor the projects within their regions. At the National level, status reports on EAP projects are compiled by HFCP.

Eligibility and Success of Programs

Access to EAP funding was granted through established Treasury Board Secretariat processes.

Program Integrity Funding

Eligibility of NIHB and Primary Health Care for EAP funding is demonstrated by the fact that these programs run deficits each year, historically making requests for supplemental funding to meet established program needs. By being considered eligible for EAP funding, Health Canada is afforded a greater opportunity to achieve its objectives with respect to FNI health.

Health Facilities and Capital Program

HFCP has guidelines in place for determining eligibility, identifying expected results and managing contributions. Additionally, expected results (timeframes, expected results) are defined in CCAs established for each project. As described above, HFCP has processes in place to collect and report on project information, related to the achievement of results for EAP projects. This includes the project status tracking and reporting activities in place at the project, regional and HQ level within HFCP, and ultimately, the TB reporting practices in place to track all EAP results.

Strategic Policy Branch

Canada Health Infoway

Canada Health Infoway Inc. (Infoway) is an independent, not-for-profit organization whose members are Canada's 14 federal/provincial/territorial Deputy Ministers of Health. Its purpose is to accelerate the development and adoption of health information systems, as well as to define and promote standards in this field. Since 2001, through a total of three funding agreements, the Government of Canada has invested \$1.6 billion in Infoway to support the development of electronic health information and communication

technologies across the country. The Strategic Policy Branch (SPB) is responsible to monitor Infoway's compliance with these funding agreements

Budget 2009 has identified an additional multi-year funding of \$500 million to Infoway to support the goal of establishing Electronic Health Records for 50 per cent of Canadians by 2010; to speed up the implementation of Electronic Medical Records systems in physician offices; and to integrate points of service for hospitals, pharmacies, community care facilities, and patients. This additional investment is to be governed by the terms and conditions of a new funding agreement. As noted in *Canada's Economic Action Plan: a Fourth Report to Canadians*, "*Canada Health Infoway is implementing the recommendations from the Auditor General of Canada's November 3, 2009, report to ensure proper accountabilities are in place*". The *Fourth Report to Canadians* also states that "*the Government will continue to work with Canada Health Infoway to assess progress before taking next steps.*"

In the interim, assurance was provided by a recent Health Canada audit: *Audit of Transfer Payments to Canada Health Infoway Inc.*, which reviewed the effectiveness of Health Canada's internal controls over funds already allocated to Infoway.

Appendix C - Financial and Non-Financial Reporting - September 2009

The following is an excerpt of the financial and non-financial information reported by the Department as of September 2009 for each initiative.

Health Canada Laboratories – Accelerated Infrastructure Program

Over fiscal years 2009-10 and 2010-11, Health Canada is investing \$16 million in its custodial infrastructure in two of its laboratories: the Sir Frederick Banting Building in Ottawa and the Manitoba Regional Laboratory in Winnipeg, Manitoba. This initiative will address building code, fire/life safety and barrier-free accessibility issues, as well as addressing deferred maintenance and recapitalization of assets.

Both projects, scheduled to be completed by March 2011, are on target.

Funds to be injected into the Ottawa and Winnipeg economies will impact a number of construction trades; electrical, mechanical, architectural, structural, and related consultants, as well as impact the related manufacturing sectors that provide the materials to carry out the work. In addition, to the work will be sourced from local suppliers in the regions.

Program Integrity Funding – Non-Insured Health Benefits

For Non-Insured Health Benefits (NIHB), \$103 million will be provided in fiscal year 2009-10, with \$137 million in fiscal year 2010-11, for a total of 240 for the two-year period. In the first year, \$8 millions of funding will be allocated to Health Information Claims Processing Services transition. All remaining funds in both years will be allocated to providing health benefits to eligible First Nations and Inuit clients.

NIHB provides essential benefits through a complex delivery system that involves many interconnected participants including national and regional staff, First Nations and Inuit communities, healthcare providers, the private sector, and contribution agreement recipients (including First Nation bands and territorial governments) across all provinces and territories. Implementation involves continuing to provide essential benefits to First Nations and Inuit through this well-established delivery system.

Canadian job losses were minimized in fields including dentistry, pharmacy, optometry and transportation, all of which play a role in serving NIHB clients.

Based on NIHB internal projections for benefit expenditures, it is estimated that, over the two years of NIHB funding in Canada's Economic Action Plan, 45% will go toward providing Pharmacy benefits, 30% will be used to fund Medical Transportation benefits,

19% to Dental, while the remaining 6% will be allocated to Vision, Other Health Services and Premiums.

Program Integrity Funding – Primary Health Care

\$32 million will be provided in fiscal year 2009-10 and \$33 million in fiscal year (\$65 million over two years) will be provided to stabilize primary care services in all regions of Canada (except Atlantic, which operates under an integrated primary care nursing system).

Regional offices are being consulted on the roll-out of the funding to address regional-specific primary care nursing needs.

This funding, which complements other Budget 2009 investments, contributes to a more efficient, effective and accountable health system for all First Nations and recognized Inuit, while ensuring that the federal government is closely aligned with the traditional federal role in health care. In turn, provinces will be more open to tripartite negotiations and agreements if the existing system does not further deteriorate and federal standards of care remain somewhat comparable to those services received by other Canadians, which are managed by the provinces.

Canada's Economic Action Plan funding will allow the continuation of primary care nursing in remote and isolated First Nations communities on a 24 hour-per-day, 7-day-per-week basis. Without such services, First Nations in these communities would not have immediate access to care in the event of a health emergency beyond normal business hours. This is important given the remote and isolated nature of these First Nations communities, and the higher rates of health concerns (morbidity, mortality) faced by First Nations, including chronic and communicable diseases, youth suicide, accidental injuries, substance abuse, and other significant health challenges.

The funding ensures that First Nations and Inuit will continue to have access to quality health programs and services and that their critical health needs are met. Stabilizing the First Nations and Inuit health system while moving towards integration with provincial health systems will lead to improved health services for First Nations, ensuring that First Nations and Inuit can strengthen their participation in Canada's future.

Health Facilities and Capital Program

The funding will be used to accelerate the implementation and/or completion of over 40 major construction projects that were identified in the Long-Term Capital Plan. These, and 230 minor renovation projects, will be completed by March 31st, 2011. Projects submitted in this request have undergone a rigorous program planning phase that included developing all pre-construction architectural, engineering and design work. These measures ensured that most projects could commence immediately following approval of funds.

Construction and renovation to ensure that First Nations continue to have access to safe and effective health facilities, which house needed health programs and services.

The projected number of jobs for this \$135 million investment is approximately 1,553 over the two years of the investment, which includes both direct employment for workers on the job as well as indirect employment by way of resource industries.

Funding is delivered through contribution agreements with eligible First Nations communities. As of September 2009:

- A total of 34 contribution agreements have been signed for major capital projects, representing approximately \$43 million committed this fiscal year, or over \$95 million for fiscal years 2009-10-2010-11.
- A total of 19 major capital projects are either under construction or ready to begin construction.
- Over \$3.5 million has flowed for major capital projects and over \$1.5 million for minor renovations in existing First Nations health facilities.
- All remaining contribution agreements are to be signed this fiscal year.