Health Canada and the Public Health Agency of Canada
Santé Canada et l'Agence de la santé publique du Canada
Canada

Audit of Health Canada's Management of the Administration of the British Columbia Tripartite Framework Agreement

March 2017

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Executive summary

The objective of this audit was to determine Health Canada's compliance with the *British Columbia Tripartite Framework Agreement on First Nation Health Governance* (Framework Agreement) and to determine if the Department has an effective management control framework.

On October 13, 2011, a legally binding *B.C.* Framework Agreement was signed by the Federal and Provincial Ministers of Health and B.C. First Nations. The Framework Agreement empowered the province-wide First Nations Health Authority (FNHA) to assume the responsibility for the design, management and delivery/funding of First Nations health programming in B.C. and paved the way for the transfer of programs and services to the FNHA through the nine sub-agreements.

The Framework Agreement commits to the creation of the new health governance structure for the design, management, and delivery of First Nations health programming totaling up to $4.738 billion over ten years. Health Canada is a governance partner and the FNHA's primary funder, contributing approximately $432.6M for fiscal year 2015-2016.

Why is the management of the Health Canada-British Columbia Tripartite Agreement Framework important?

The Framework Agreement and the devolution to the FNHA of programs and services traditionally provided by Health Canada (HC) is the first of its kind for HC. Appropriate, accurate and timely transfer of programs and services and the on-going flow of funding to the FNHA is essential for the provision of health services through the FNHA to First Nations communities. This Framework Agreement is therefore very important as it may be used as a template for future devolution of health programs and services to other First Nations.

What was found?

Overall the audit found an effective management control framework to be in place to manage the transfer of programs and services in accordance with the Framework Agreement from HC to the FNHA. The audit noted that four of the five governance committees are working as intended, with one committee that does not have a Terms of Reference.

The audit found the risks related to the transfer of programming and services, in accordance with the Framework Agreement, have been identified, assessed and mitigation strategies are in place at the branch level.

FNIHB was found to be in compliance with the Framework Agreement and its sub-agreements. The audit found that eight out of the nine transferred sub-agreements were completed with one, health benefits, currently being managed in compliance with the Framework Agreement; however, responsibility for the delivery of some aspects of the program have not yet been fully transferred. The sub-agreement related to health benefits, where HC provides certain adjudication and claims processing services on a cost recovery basis on behalf of the FNHA, has gone past its initial two-year service agreement and is now entering into the second 12-month extension of a possible two. HC needs to ensure a long-term strategy is in place to mitigate the risk when the agreement expires.

The audit found the Canada Funding Agreement to be in compliance with Treasury Board (TB) Policy.

Financial management activities for the health benefit services or "buy-back" of Non-Insured Health Benefit services are performed in compliance with TB Policies, the Framework Agreement and sub-agreements.

Monitoring and reporting requirements are being followed as per the Framework Agreement.

The audit makes the following recommendations to address the challenges and other opportunities identified to further strengthen the management control framework for HC's portion of the B.C. Tripartite Framework Agreement:

- Ensure that the objectives and operating principles for the Director General - Vice President Committee are appropriately documented; and,
- Ensure a long-term strategy is developed and implemented to support continuity of service when the current Health Benefit agreement expires.

A - Introduction

1. Background

In 2007, Health Canada, the First Nations Health Authority (FNHA) and the Government of British Columbia completed and signed the *Tripartite First Nations Health Plan* to create fundamental change to improve First Nation health status, including: collaborating on 39 health action projects; and, defining principles to design a new governance system and establishing goals for implementation. In 2008, negotiations began on First Nations health governance in B.C. By 2010, the parties had reached an agreement-in-principle *(Basis for a Framework Agreement on Health Governance).*

On October 13, 2011, a legally binding B.C. *Tripartite Framework Agreement on First Nation Health Governance* (Framework Agreement) was signed by the Federal and Provincial Ministers of Health and B.C. First Nations. To support the Framework Agreement, nine Sub-Agreements were signed in May and June 2013. A first phase of transfer occurred on July 2, 2013 with a second and final phase, including transfer of staff to FNHA, which occurred on October 1, 2013. Health Canada is committed to providing up to $4.738 billion to the FNHA over the ten years of the agreement.

The Framework Agreement empowered the province-wide FNHA to assume the responsibility for the design, management and delivery/funding of First Nations health programming in B.C. The FNHA is controlled and managed by First Nations and collaborates with the Province to achieve strong coordination between the FNHA and the B.C. Health Authorities for health programming.

Health Canada is a governance partner, but the Department no longer has a role in program design or delivery of services to B.C. First Nations. The FNHA has the flexibility to design new or redesign existing health programs according to its own health plans.

Health Canada will continue to provide pharmacy, dental care, medical supplies and equipment on behalf of the FNHA. In addition to adjudication, benefit management and data entry services provided by NIHB, claim processing and payment for these benefits have continued to be provided through a complex contract with a private sector claims processor. Health Canada will recover the costs for the benefits paid on behalf of FNHA clients as well as the costs of the associated services provided in accordance with the Health Benefits sub-agreement and Health Benefits Services Agreement between HC and FNHA.

Health Canada is the FNHA's primary funder, contributing $432.6M for fiscal year 2015-16. Health Canada's B.C. Tripartite Initiative has 4.15 FTEs at Headquarters, with $438,000 in salaries and wages and approximately $46,000 in operating dollars. This unit supports the governance and funding as per the Canada Funding Agreement (CFA). The annual federal contribution amount delivered through the CFA provides for a fixed annual escalator for fiscal years two through five of the Agreement. Canada and the FNHA have committed to re-negotiating the annual escalator for the five remaining fiscal years of the Agreement. The Government of British Columbia has also committed to provide $11M annually between 2015-16 and 2019-20 to the FNHA, with further funding to be negotiated by the parties. Table 1 depicts FNIHB's contribution, operating and salary totals.

Table 1: FNIHB's Management of the B.C. Tripartite Agreement

FNIHB's Management of the Agreement	2015-16	Percentage
Canada Funding Agreement (CFA)	419,450,722	96.84%
Canada Consolidated Contribution Agreement (CCCA)	13,187,199	3.04%
Operating	$46,161	0.01%
Salaries and Wages	$437,601	0.10%
Total	**$433,121,683**	**100.00%**

Source: SAP

Rationale for the audit

This audit is important because the Framework Agreement is the first of its kind for Health Canada and commits to the creation of the new health governance structure for the design, management and delivery of First Nations health programming. Also, as this transfer was a first for HC, there is a risk that the transfer of services to First Nations, if not managed appropriately, could deter similar agreements in the future from taking place. The materiality of this agreement is large at up to $4.738 billion over ten years.

In 2015 the Office of the Auditor General published an audit report that focused on the FNHA's accountability and governance framework. This audit identified weaknesses in this framework and recommended that HC work with the FNHA to strengthen the accountability and governance framework.

The Office of Audit and Evaluation at Health Canada has scheduled an evaluation of the federal government's role in the Framework Agreement for 2017.

Authority

The Office of Audit and Evaluation has the authority and the responsibility to carry out the Audit of the British Columbia Tripartite Framework Agreement, approved in the 2014-17 Multi-Year Risk-Based Audit Plan. An update to the Plan was recommended for approval by the Departmental Audit Committee in December 2014 and approved by the Deputy Head in March 2015.

2. Audit objective

The objective of this audit was to determine Health Canada's compliance with the Framework Agreement and to determine if the Department had an effective management control framework.

3. Audit scope

The scope of the audit focused on Health Canada's management of the administration related to the transfer and ongoing implementation of the Framework Agreement and its nine

sub-agreements. The scope included financial and non-financial aspects of the Framework Agreement for fiscal years 2013-14 to 2015-16.

This audit focused on HC's internal management of the agreement and did not include FNHA's management, as a result no interviews or document requests were made to the FNHA.

4. Audit approach and methodology

The audit was conducted in accordance with the Treasury Board *Policy on Internal Audit.* The principal audit procedures consisted of:

- an examination and analysis of policy frameworks, planning documents, service delivery and performance related documentation;
- interviews with key program personnel at Health Canada headquarters;
- sampling and testing of transfer payments for compliance with the *Financial Administration Act* and the *Policy on Transfer Payments*;
- sampling for compliance with the sub-agreements and Treasury Board Policies and Directives; and,
- reviewing the external Office of the Auditor General report: *Establishing the First Nations Health Authority in British Columbia.*

The lines of enquiry and audit criteria are presented in Appendix A.

5. Statement of conformance

In the professional judgment of the Chief Audit Executive, sufficient and appropriate procedures were performed and evidence gathered to support the accuracy of the audit conclusion. The audit findings and conclusion are based on a comparison of the conditions that existed as of the date of the audit, against established criteria that were agreed upon with management. Further, the evidence was gathered in accordance with the Internal Auditing Standards for the Government of Canada and the International Standards for the Professional Practice of Internal Auditing. The audit conforms to the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program.

B - Findings, recommendations and management responses

1. Governance

1.1 Governance

Audit criterion: The First Nations and Inuit Health Branch (FNIHB) has an effective governance framework in place to provide direction and sufficient external and internal oversight to achieve the objectives of the B.C. Tripartite Framework Agreement.

A governance framework enables an organization to be accountable, fair and transparent with all its stakeholders. Further, the application of good governance serves to realize organizational goals effectively and efficiently. In the context of the British Columbia (B.C.) Tripartite Framework Agreement, governance is an important means to provide strategic direction in the functioning and implementation of the overall agreement and its sub-agreements and to provide stakeholders with assurance on the implementation process.

The B.C. Tripartite Framework Agreement is governed by five overarching governance committees. The audit reviewed key governance and reporting documents for these committees, including the terms of reference (TOR), records of decision (ROD) of meetings and other key documents. In the 2015 external audit report conducted by the Office of the Auditor General (OAG) of the FNHA, there was a recommendation made to strengthen the governance framework. This internal audit found that work had been carried out to address the recommendation in the OAG report.

Descriptions of the five committees and internal audit findings are as follows:

***British Columbia Tripartite Agreement Principals Committee**: The purpose of this committee is to review progress and provide overarching strategic direction for all parties involved in the tripartite agreement.*

As per the TOR, this committee is required to meet every two years. Membership is to include: the Federal and Provincial Health Ministers, B.C. First Nations leaders and the Senior Assistant Deputy Minister (ADM) of the First Nations and Inuit Health Branch. It is chaired by the Grand Chief of the First Nations Health Council (FNHC).

A review of one ROD found that this committee's meetings take place in accordance with the purpose, frequency and membership as set out in its TOR;

***The Tripartite Committee on First Nations Health (TCFNH):** The purpose of this committee is to coordinate the plans, priorities and delivery of programs at the regional level between the First Nations Health Authority (FNHA) and the Province with its health authorities. Furthermore, it must ensure there are no duplications and gaps in health services.*

As per the TOR, this committee is required to meet twice a year. Membership is to include: the Associate and Assistant Deputy Minister of the B.C. Ministry of Health, the Senior ADM of FNIHB, one representative from each of the five B.C. First Nation regional tables, the Chief Executive Officer (CEO) of FNHA and the Grand Chief of the FNHC. It is co-chaired by the B.C. Deputy Minister of Health, the CEO of the FNHA and the Senior ADM of FNIHB.

A review of the ROD found that this committee's meetings take place in accordance with the purpose, frequency and membership as set out in its TOR. Further, the committee has a secretariat committee that ensures all action items are followed up on from one meeting to the next.

The Senior Assistant Deputy Minister-Chief Executive Officer (ADM-CEO) Committee:
The purpose of this committee is to discuss respective policies, priorities and planning between FNHA and FNIHB in order to ensure a sound partnership in the implementation of the Framework Agreement for the ten-year duration of the Canada Funding Agreement.

The committee has a Shared Vision and Common Understanding document that serves as their TOR. This document outlines that the committee is required to meet on a quarterly basis. Membership is to include: the Senior ADM of FNIHB, Senior Policy Analysts for B.C. Tripartite Relations in FNIHB, the CEO of FNHA, the Chief Operating Officer of FNHA and the Vice President of FNHA. This committee is co-chaired by the Senior ADM of FNIHB and the CEO of FNHA.

This committee has a FNHA-HC secretariat bilateral meeting which serves to carry out the operational work around the action items discussed at the Senior ADM-CEO committee. These secretariat meetings take place weekly by telephone.

A review of the ROD found that this committee's meetings take place in accordance with the purpose, frequency and membership as set out in its TOR. The ROD identified that action items discussed at the Senior ADM-CEO quarterly bilaterals are being followed.

The FNIHB Directors General-FNHA Vice Presidents (DG-VP) Committee:
The purpose of this committee is to share knowledge and establish specific work plans between FNIHB Director Generals and FNHA Vice Presidents in order to meet the priorities set out by the Senior ADM-CEO Committee.

This committee has detailed work plans but there is no formalized TOR to outline specific objectives, frequency of meetings and membership.

Through a review of the ROD, it was found that this committee meets twice a year. Furthermore, the meetings consist of the same members as the Senior ADM-CEO Committee, with the addition of the FNHA Vice Presidents (e.g., Human Resources, Health Benefits,) and HC Director Generals (e.g., Strategic Policy, Planning & Information, Population Health & Public Health).

The Implementation Committee (IC):
The purpose of this committee is to discuss the overall progress and implementation of the agreements and report on the progress to the British Columbia Tripartite Agreement Principals committee. The committee holds the responsibility and accountability for implementing the Tripartite Evaluation Plan, which was completed in 2015, and delivering the first Tripartite Evaluation Report, which is scheduled to be completed in 2019.

As per the TOR, this committee is required to meet twice a year. Membership is to include: the Senior ADM of FNIHB with their Director General of Strategic Policy and Planning, the CEO and Chair of the FNHA, the ADM of the B.C. Ministry of Health with their Executive Director of Aboriginal Health and the Grand Chief and Deputy Chair of the FNHC. The committee is chaired by the Grand Chief of the FNHC.

A review of the ROD found that this committee's meetings take place in accordance with the purpose, frequency and membership as set out in its TOR. Furthermore, actions items are followed up on from one meeting to the next.

- In conclusion, all the committees operate with set objectives that indicate their importance in contributing to strong governance of the Tripartite Framework Agreement. In general the committees have TOR and keep ROD of meetings held; however, an exception was noted. The Director General-Vice President Committee did not have a formal TOR to outline specific objectives, frequency of meetings and membership. The absence of a TOR makes it difficult to assess the performance of the committee and the extent to which they are fully operating as intended.

Recommendation 1

It is recommended that the Senior Assistant Deputy Minister of the First Nations and Inuit Health Branch ensure the objectives and operating principles for the Director General - Vice President Committee are appropriately documented.

Management response

FNIHB will work with the FNHA to develop a terms of reference for this committee. Next meeting is anticipated in Fall 2017.

2. Risk management

2.1 Risk management

Audit criterion: Risks and opportunities related to the implementation and support of the B.C. Tripartite Framework Agreement are identified, assessed and have mitigation strategies.

Risk management identifies potential negative events and takes steps to reduce the probability or lessen the impact of risks on the entity by identifying strengths, weaknesses, opportunities and threats, along with mitigating strategies for each risk. Knowledge of the risks that the B.C. Tripartite Framework Agreement faces will give FNIHB additional options for dealing with potential problems before they arise.

Corporate risks are defined in Health Canada's 2015-16 Corporate Risk Profile, while branch risks are identified in FNIHB's branch risk register 2015-16. FNIHB's risk register provides details on eight key risks, the sources of the risks, the existing controls and the impact, likelihood and manner in which the branch will respond to the risk. It also includes performance measures and the branch lead for each of the risk responses. Relevant to this

Framework Agreement are identified risks related to the management of grants and contributions and to the external relationships with partners and service providers.

Beyond FNIHB's overall risk management strategy, the most recent funding agreement identifies specific risks and mitigations associated with the transfer to FNHA. Those risks have strategies in place and for the risks that remain, such as communication or management capacity issues, the document lists adequate mitigation strategies.

- In conclusion, there exists a risk management framework related to the B.C. Tripartite Framework Agreement that adequately identifies, assesses and has mitigation strategies in place at the branch level.

3. Internal controls

3.1 Transfer of services

Audit criterion: Services were transferred and managed in compliance with the Framework Agreement and sub-agreements, applicable TB Policies and Departmental Memorandum of Understanding.

The Framework Agreement is supported by nine sub-agreements, each offering more specifics on a particular transfer topic. The sub-agreements are accommodation, assets and software, capital planning, human resources, IM/IT, information sharing, novation, records transfer and health benefits.

The audit examined the nine sub-agreements and found seven (accommodation, assets and software, capital planning, human resources, IT continuity, information sharing, and novation) to be in compliance with the Framework Agreement and the applicable sub-agreement. One of the sub-agreements (records transfer) could not be confirmed, and another (health benefits) would benefit from additional review. Details are as follows:

Accommodation:
This sub-agreement deals with the assumption by the FNHA of Crown-owned or leased office space that was previously occupied by HC's First Nations and Inuit Health Branch regional office in B.C. These facilities were transferred to the FNHA to be used for the FNHA's functions, including health programming. HC worked with Public Works and Government Services Canada (PWGSC) to facilitate the necessary lease arrangements. The arrangements are based on a transfer of accommodations fees from PWGSC to HC and then to the FNHA, to cover leasing costs.

- The audit reviewed the key documentation, including the property files and found them in compliance with the Framework Agreement and the sub-agreement.

Assets and software:
This sub-agreement provides the mechanism for the transfer of assets and software from HC to the FNHA. There are several types of assets and software and differing approaches depending on the type of asset (physical assets, software, vehicles, etc.). Prior to the transfer in 2013, HC worked with the FNHA and communities to update the assets and software inventories. A transition team made up of departmental and FNHA representatives developed

an inventory of assets composed of vehicles, those assets of over $10,000 in value and those under $10,000 in value (such as medical devices) and which are primarily in communities.

- The audit reviewed the key documentation, including the list of transferred assets and found them in compliance with the Framework Agreement and the sub-agreement.

Capital planning:
This sub-agreement addresses the responsibilities associated with funding the construction, renovation, repair, operation and maintenance of First Nations health facilities including nursing stations, health centers, nurse residences and other health support facilities located on reserve or near First Nations communities. Construction of facilities on reserve and a portion of the maintenance and repair costs are managed primarily by First Nations communities through contribution agreements. The FNIHB Regional Office was managing some of the maintenance and repair for facilities directly. This sub-agreement transferred the FNIHB capital plan for the B.C. Region to FNHA, for them to manage and modify as they best saw fit.

- The audit examined the key documentation to assess compliance to the Framework Agreement, including *FNIHB's 2013-18 Capital Plan* for the B.C. Region, and found them in compliance with the Framework Agreement and the sub-agreement.

Human resources:

The Human Resources sub-agreement provided the mechanism to transfer B.C. regional indeterminate employees to the FNHA. The sub-agreement committed the FNHA to provide a reasonable job offer to indeterminate employees to whom the National Joint Council[1] *Workforce Adjustment Directive* applied (approximately 220 individuals). Health Canada's role included liaising with legal, compensation, labour relations and the union to ensure employees were treated fairly.

The audit examined key documentation related to 15 randomly selected files of employees who were affected by the transfer of services from FNIHB to FNHA. The files were examined to ensure compliance with the terms and conditions of the Framework Agreement, the Human Resources sub-agreement, the National Joint Council *Work Force Adjustment Directive (section IV related to:* Special Provisions Regarding Alternative Delivery Initiatives*)* as well as the *Treasury Board Policy on Termination of Employment of Public Service Employees due to Alternative Delivery Situations*.

- All 15 files were found to be in compliance with the terms and conditions of the Human Resources sub-agreement, National Joint Council *Work Force Adjustment Directive (section IV related to:* Special Provisions Regarding Alternative Delivery Initiatives), as well as the *Treasury Board Policy on Termination of Employment of Public Service Employees due to Alternative Delivery Situations.*

Information Technology Continuity:
Given the significance and the complexity of a transfer of information technology and software, Shared Services Canada (SSC), HC and the FNHA recognized that not all applications can be fully transferred, redesigned, or purchased by the FNHA in time for

[1] The National Joint Council of the Public Service of Canada is the Forum of Choice for co-development, consultation and information sharing between the government as employer and public service bargaining agents.

transfer. In support of a seamless service transition, HC and the FNHA agreed to an information technology Service Continuity arrangement through which HC provided access to applications that the FNHA had indicated were necessary to conduct its business (such as those related to managing contribution agreements, administering programs, etc.) This service continuity approach occurred for a transition period of two years. Where the service continuity agreement incurred federal costs, SSC and HC identified them and developed a cost-recovery from the FNHA to SSC.

- The audit conducted interviews and examined key documentation, including multiple relevant Standard Operating Procedures, the Project Management Plan, the Project Close-out Report and the Lessons Learned Report. The documents were found to be in compliance with the Framework Agreement and the sub-agreement. This project closed in 2015, within the agreed two-year transition period. With this transition period ending, the cost-recovery agreement with SSC is no longer necessary and has been dissolved.

Information sharing:
The Information Sharing sub-agreement addresses disclosure of personal and/or confidential information necessary for the FNHA to prepare to assume responsibility for programming, including the drafting and implementation of other sub-agreements and providing job offers to HC's regional staff. The sub-agreement supports the ongoing sharing of information once the transfer of programs and services is complete.

- The audit conducted interviews and examined key documentation, including the Privacy Impact Assessment for this process and found the information sharing process to be in compliance with the Framework Agreement and the sub-agreement.

Novation:
This sub-agreement provided the mechanism to transfer responsibility of approximately 220 community contribution agreements in B.C. from HC to the FNHA. This occurred through a process called novation, by which the community, the FNHA and HC agreed that the recipient's existing contribution agreement will come to an end the day before the transfer date and a new – novated – contribution agreement between the FNHA and the community will take effect upon the transfer date (October 2013) with the same terms as those that previously existed. Novation pertained only to those contribution agreements that were not expected to expire or be terminated on or before the transfer date.

- The audit interviewed program staff and confirmed if there had been any legal challenges regarding novation. While there were a few dissents early in the process, all 220 community contribution agreements in B.C. have now been successfully novated.

Records transfer:
The Records Transfer sub-agreement covered the permanent transfer of program and other records related to HC's First Nations and Inuit Health programs, services and related administrative and support functions in B.C. Prior to transferring these records, HC was to complete an inventory of the records in the regional offices (in Vancouver and in 34 remote sites) and approval was to be required from Library and Archives Canada (LAC). Once transferred, the records were to be in the custody of the FNHA and would fall under provincial legislation. The Records Transfer sub-agreement was in force from the date of transfer until all records were transferred to the FNHA and/or deposited with LAC (as applicable).

- The audit conducted interviews and examined key documentation, including the Privacy Impact Assessment for the transfer of records to the FNHA. The records transfer process was found to be in compliance with the Framework Agreement and the sub-agreement.

Health benefits:
The Framework Agreement and the Health Benefits sub-agreement entered the parties into a transitional agreement whereby HC provides services related to the management and delivery of health benefits on behalf of the FNHA on a cost recovery basis. Given the complex nature of three of the benefit areas (pharmacy, dental care and medical supplies and equipment) currently managed by HC's NIHB Program at headquarters, including the related claims processing contract, the FNHA is not yet prepared to assume full management and delivery of these benefit areas. Through the Health Benefits sub-agreement HC has agreed to continue to administer the three benefit areas on behalf of the FNHA.

The Health Benefits service agreement had an initial term of two years (with option for two extensions of up to 12 months each). Expenses are recovered based on the cost of the benefit claims paid on behalf of FHNA clients and the costs associated with the provision of benefit review services, the provision of Health Information and Claims Processing Services (HICPS)[2] access and the HICPS contract, and is consistent with funding provided to the FNHA for this purpose under the CFA. The financials of this sub-agreement are discussed further under the criteria 3.3 of Financial Management.

Interviews with HC officials and document examination indicated that the FNHA may not be ready to take over these three benefits within the four year time frame of the sub-agreement. However, continuation of the arrangement limits the FNHA's ability to manage and modify its policies on pharmacy, dental care and medical supplies and equipment to address policy and program changes. FNIHB may benefit from evaluating its options for a more long-term solution to the current Health Benefits arrangement to ensure FNHA is able to take over management of the remaining three benefits.

- In conclusion, the audit found that overall FNIHB operates in compliance with the Tripartite Agreement and its sub-agreements. However, in the event that the FNHA is not ready to take over full responsibility for the management of these three remaining benefit areas, FNIHB needs to evaluate the feasibility of achieving a long-term solution.

Recommendation 2

It is recommended that the Assistant Deputy Minister of the First Nations and Inuit Health Branch ensure a long-term strategy is developed and implemented to support continuity of service when the current Health Benefit agreement expires, should the FNHA not be in a position to assume full responsibility for the delivery of the benefits.

[2] HICPS is the system used to process claims from service providers dispensing pharmacy benefits to eligible clients.

Management response

(i) FNIHB will work with Central Agencies to put in place the necessary authorities (Service Provision Authority and Vote Netted Revenue Authority) to enable the continued provision of services related to the management and delivery of health benefits for First Nation individuals resident in B.C., until such time as the FNHA has identified and implemented an alternate solution.

(ii) FNIHB will work with the FNHA to negotiate and put in place a new Health Benefits Services Agreement, to replace the current agreement which is set to expire in June 2017.

3.2 Transfer payments

Audit criterion: The Canada Funding Agreement complies with the Policy on Transfer Payments.

The CFA is the key funding tool to transfer the funds from Health Canada to the FNHA. This contribution agreement supports the Framework Agreement. The CFA is a block contribution funding arrangement to the FNHA for the accomplishment of FNHA's Interim and Multi-Year Health Plans for a ten year period. The CFA includes funding for all permanent FNIHB programs transferred to FNHA (see Appendix B for list of transferred programs).

An analysis of the clauses found within CFA compared to the requirement set out in both the Policy and the Directive on Transfer Payments found general compliance, except for certain minor differences established by the Framework Agreement. These included the cessation of Health Canada's direct funding and reporting relationship with communities and health providers in B.C. and the overall transfer of responsibility for the design, delivery and management of First Nations health programming in B.C. to the FNHA. These required no specific exemption and were approved with the signing of the legally-binding Framework Agreement and further defined in the Program's Terms and Conditions.

- In conclusion, the audit found that the Canada Funding Agreement follows the Policy and Directive on Transfer Payments and is aligned with its overarching Framework Agreement.

3.3 Buy-back management

Audit criterion: Financial management activities for the buy-back of Non-Insured Health Benefit services, including forecasts, budgets, cost recovery, reimbursements and reporting, comply with TB Policies, the Framework Agreement and Sub-Agreements.

The FNHA asked Health Canada to administer and deliver pharmaceutical, medical supplies and equipment, and dental health benefits on their behalf to ensure a smooth transition. Health Canada is providing certain adjudication and claims processing services for these benefits on behalf of to the FNHA. These services are delivered, in part, through the department's Health Information and Claims Processing Services (HICPS) contract and through the use of the HICPS system.

The financial management activities in support of this arrangement are contained in three Contribution Agreements, namely the *Canada Funding Agreement*, the *Canada Consolidated Contribution Agreement for Non-CFA Funding*, and the *Health Benefits Service Agreement*. These funding agreements contain terms and conditions as negotiated by the two Parties in compliance with Treasury Board Authorities.

The methodology of the payment structure and cost-recovery consists of advance payments to the FNHA, forecasts of expenditure utilization, and recovery of actual costs incurred in compliance with special revenue spending authorities granted in support of the Agreement. HC advances funds to the FNHA to deliver health benefits to B.C. First Nations. HC then invoices the FNHA for the cost recovery of services provided on their behalf. Invoicing relates to:

- Specified Health Benefits Claims (SHB Claims) for pharmacy, dental care, and medical supplies and equipment;
- Benefit Review Services costs in relation to costs incurred by Health Canada as a result of calls related to Health Benefit Clients;
- HICPS contract costs;
- HICPS access costs.

Due to the complexity of the reconciling activities and calculations involved in order to determine client eligibility for Non-Insured Health Benefit services and related charges to the FNHA, HC and the FNHA established the Payment Requisition and Reconciliation Committee (PRRC) to review the costs related to the SHB Claims as well as the Benefit Review Services costs. The PRRC verifies the accuracy of, and reconciliation of invoice billings related to these costs. The PRRC is made up of representatives from both HC and FNHA and is tasked with ensuring that invoices and SHB Claim statements comply with the *Health Benefits Service Agreement*.

The audit reviewed invoices and tested transactions during the 2015-16 fiscal year to verify the compliance of financial activities at Health Canada related to the buy-back of the Non-Insured Health Benefit services. Reconciliations of SHB Claims and Benefit Review Services costs were tested to determine compliance with the Framework Agreement and Sub-Agreements.

The audit observed that the principles set out in the *Health Benefits Service Agreement* detailing client eligibility are being taken into account in the determination of the buy-back charges. The audit also observed that the reconciliations and invoicing are reviewed in detail by the PRRC. The audit also reviewed the monthly invoicing during the 2015-16 fiscal year for the charges related to the HICPS contract and access costs. No issues were found. Furthermore, the audit completed a review of reporting activities in relation to the buy-back of Non-Insured Health Benefit services. The auditors determined that these activities comply with the terms and conditions of the agreements.

- In conclusion, financial management activities for the buy-back of Non-Insured Health Benefit services, including forecasts, budgets, cost recovery, reimbursements and reporting comply with TB policies, the Framework Agreement, and Sub-Agreements.

3.4 Monitoring and reporting

Audit criterion: FNIHB monitors the FNHA's performance in accordance with the terms and conditions of the Framework Agreement.

Monitoring and reporting provides HC with information on FNHA results and progress. This contributes to transparency and accountability and allows for lessons to be shared more easily.

The Framework Agreement requires FNHA to prepare certain reports. These include health plans, performance reports and independent auditor's reports. The audit examined the availability of each of these reports and reviewed their content to ensure they conformed to the Framework Agreement.

The audit found that FNHA had produced and made available to HC all required reports in a timely fashion. FNIHB's B.C. Tripartite Function praised the positive relationship with FNHA and the efficiency and consistency of the production of these reports.

As required by the Framework Agreement, the FNHA must develop an interim health plan and starting on the third fiscal year of the transfer, a multi-year health plan, updated annually. The audit obtained the interim health plans for 2014-15 and 2015-16 as well as the multi-year health plan for 2016-17 to 2020-21. The Framework Agreement requires that these reports set out FNHA's goals, priorities, program plan and services, health performance standards, anticipated allocation of resources and use of funding to be provided by Canada and B.C. A review of the documents found them in compliance with the Framework Agreement requirements.

The FNHA must also produce an annual report. The audit obtained the annual report for 2014-15 and 2015-16. The Framework Agreement requires that these reports discuss all of FNHA's activities, revenues, expenditures, achievements and challenges for each fiscal year and its planning for the same matters for the following fiscal year. The annual report shall be provided to Canada and B.C. and made available to the public. A review of the documents found them in compliance with the Framework Agreement requirements.

As well, the FNHA must produce financial statements and independent auditor reports. The audit obtained the reports for 2014-15 and 2015-16. The Framework Agreement requires that these reports be prepared and maintained for each fiscal year in accordance with Generally Accepted Accounting Principles. The financial statements must include: i) its balance sheet as at the end of the fiscal year; ii) a statement of income and expenditure for the fiscal year; and iii) a statement of changes in financial position for the fiscal year. Additionally, FNHA shall engage an independent auditor to conduct a full audit of its financial statements, books and records and financial circumstances for each fiscal year. These documents shall be provided to HC no later than six months after the end of each fiscal year. A review of the documents found them in compliance with the Framework Agreement requirements.

- In conclusion, FNIHB monitors the FNHA's performance in accordance with the terms and conditions of the Framework Agreement.

C - Conclusion

The audit concludes that overall Health Canada is in compliance with the B.C. Tripartite Framework Agreement and there is a management control framework in place to support and monitor the on-going governance and funding of the Agreement.

The B.C. Tripartite Agreement process would benefit from some minor improvements to administrative practices. The audit noted that four of the five governance committees are working as intended, with one committee that does not have a Terms of Reference.

Overall, FNIHB is in compliance with the Tripartite Agreement and its sub-agreements with eight out of the nine sub-agreements deemed to be completely transferred and or in compliance. However, the sub-agreement related to health benefits where HC provides health benefit management services on a cost recovery basis to the FNHA has gone past its initial two year service agreement timeframe and is now entering into the second 12 month extension of the possible two extensions. HC needs to ensure a long-term strategy is developed and implemented to support continuity of service when the current Health Benefits agreement expires.

The audit found that the contribution agreement and related sub-agreements governing B.C. Tripartite funding provided to the FNHA and the processes in place to manage the funding agreement comply with the requirements of the TB Policy on Transfer Payments. Furthermore, the risks related to the Framework Agreement are identified, assessed and a mitigation strategy is in place at the branch level. Financial management activities for the buy-back of Non-Insured Health Benefit services are performed in compliance with TB Policies, the Framework Agreement and Sub-Agreements. Monitoring and reporting requirements are also being followed as per the Framework Agreement.

Addressing the areas for improvement that have been noted will collectively strengthen the effectiveness of the management control framework for HC's portion of the B.C. Tripartite Framework Agreement.

Appendix A

Table 2: Lines of enquiry and criteria

Audit of Health Canada's Management of the Administration of the British Columbia Tripartite Framework Agreement	
Criteria Title	**Audit Criteria**
Line of Enquiry 1: Governance	
1.1 Governance [1]	The First Nations and Inuit Health Branch (FNIHB) has an effective governance framework in place to provide direction and sufficient external and internal oversight to achieve the objectives of the B.C. Tripartite Framework Agreement.
Line of Enquiry 2: Risk management	
2.1 Risk management[2]	Risks and opportunities related to the implementation and support of the B.C. Tripartite Framework Agreement are identified, assessed and have mitigation strategies.
Line of Enquiry 3: Internal controls	
3.1Transfer of services [2]	Services were transferred and managed in compliance with the Framework Agreement and sub-agreements, applicable TB Policies and Departmental Memorandum of Understanding.
3.2 Transfer payments[1]	The Canada Funding Agreement complies with the Policy on Transfer Payments.
3.3 Buy-back management [2]	Financial management activities for the buy-back of Non-Insured Health Benefit services, including forecasts, budgets, cost recovery, reimbursements and reporting, comply with TB Policies, the Framework Agreement and Sub-Agreements.
3.4 Monitoring and reporting [1]	FNIHB monitors the FNHA's performance in accordance with the terms and conditions of the Framework Agreement.

[1] Management Approved
[2] B.C. Tripartite Framework Agreement

Appendix B

Table 3: Scorecard

Audit of Health Canada's Management of the Administration of the British Columbia Tripartite Framework Agreement			
Criterion	**Rating**	**Conclusion**	**Rec #**
Governance			
Governance		Committees are operating as intended. One committee does not have a formal TOR to outline membership, frequency of meetings and objectives to be met.	1
Risk Management			
Risk management		Risks related to the Framework Agreement are identified, assessed and a mitigation strategy is in place at the branch level.	-
Internal Controls			
Transfer of services		FNIHB operates in compliance with the Tripartite Agreement and its sub-agreements. FNIHB needs to ensure a long-term strategy is developed and implemented to support continuity of service when the current Health Benefit agreement expires.	2
Transfer payments		The Canada Funding Agreement complies with the Policy and Directive on Transfer Payments.	-
Buy-back management		Financial management activities for the buy-back of Non-Insured Health Benefit services are performed in compliance with TB policies, the Framework Agreement, and Sub-Agreements.	-
Monitoring and reporting		FNIHB monitors the FNHA's performance in accordance with the terms and conditions of the Framework Agreement.	-

Satisfactory	Needs Minor Improvement	Needs Moderate Improvement	Needs Improvement	Unsatisfactory	Unknown; Cannot Be Measured

Appendix C

Table 4: – Federal programs transferred from Health Canada to the FNHA[3]

List of the Programs Transferred from Health Canada to the FNHA
(1) Children and Youth Programs (Fetal Alcohol Spectrum Disorder, Canada Prenatal Nutrition Program, Aboriginal Head Start on Reserve, Maternal and Child Health)
(2) Chronic Disease Programs and Injury Prevention (Aboriginal Diabetes Initiative, Injury Prevention)
(3) Primary Care (Community Primary Health Care and Nursing Services, Oral Health Care, First Nations and Inuit Home and Community Care)
(4) Communicable Disease Control Programs (Vaccine Preventable Diseases (Immunization), Blood Borne Disease and Sexually Transmitted Infections (HIV/AIDS), Respiratory Infections (Tuberculosis, Pandemic Influenza)
(5) Mental Health and Addictions Programs (Building Healthy Communities, Brighter Futures, National Native Alcohol and Drug Abuse)
(6) Environmental Health and Research Programs
(7) Health Governance/Infrastructure Support (e-Health Solutions, Aboriginal Health Human Resources Initiative, Aboriginal Health Transition Fund (as replaced by the Health Services Integration Fund in 2010), Health Careers Program)
(8) Health Facilities and Capital Program
(9) National Youth Solvent Abuse Program, National Aboriginal Youth Suicide Prevention Strategy
(10) Indian Residential Schools Resolution Health Support Program
(11) The Non-Insured Health Benefits Program

[3] B.C. Tripartite Framework Agreement

Appendix D

List of acronyms[4]

B.C.	British Columbia
CFA	Canada Funding Agreement
DG-VP	Director General-Vice President
FNHA	First Nations Health Authority
FNHC	First Nations Health Council
FNIHB	First Nations and Inuit Health Branch
HC	Health Canada
HICPS	Health Information and Claims Processing Services
IC	Implementation Committee
LAC	Library and Archives Canada
LWOP	Leave Without Pay
MoH	Ministry of Health
NIHB	Non-Insured Health Benefits Program
PRRC	Payment Requisition and Reconciliation Committee
PWGSC	Public Works and Government Services Canada
ROD	Record of Decision
Senior ADM-CEO	Senior Assistant Deputy Minister-Chief Executive Officer
SHBC	Specified Health Benefits Claims
SSC	Shared Services Canada
TCFNH	Tripartite Committee on First Nations Health
TOR	Terms of Reference

[4] Source: Office of Audit and Evaluation