

Report 2

Reports of the Auditor General of Canada
to the Parliament of Canada

Housing in First Nations Communities



**Independent Auditor's
Report | 2024**



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

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At a Glance



Overall message

Many people living in First Nations communities do not have access to housing that is safe and in good condition—a fundamental human right. Improving housing for First Nations is vital for their physical, mental, and economic health and well-being.

This is the fourth time since 2003 that we have raised concerns about housing in First Nations communities, and—20 years later—many of these concerns persist. Despite these audits, we found that Indigenous Services Canada and the Canada Mortgage and Housing Corporation have made little progress in supporting First Nations to improve housing conditions in their communities.

Indigenous Services Canada and the Canada Mortgage and Housing Corporation have been mandated to work with First Nations to meet their housing needs by 2030. We found that 80% of these needs were still not met with 7 years left before 2030.

Neither the department nor the corporation prioritized their limited funding for communities with the greatest housing needs. For example, we found that, overall, First Nations communities with the poorest housing conditions received less funding than communities of the same size with better housing conditions.

Mould in First Nations homes is a long-standing health hazard, and Indigenous Services Canada and the Canada Mortgage and Housing Corporation still had not identified the magnitude of the problem. Neither the department nor the corporation had assurance that the quality of all the homes they funded met building code standards. Poor quality housing is a key contributor to mould growth.

As part of the broader reconciliation process, Indigenous Services Canada has a legislated mandate to transfer its responsibilities, including housing, to First Nations. We found that Indigenous Services Canada was at the early stages of transferring control of housing to First Nations, but no overarching policy framework was in place to guide the department's work in transferring its programs to First Nations communities.

Key facts and findings



- There are about 600 First Nations communities in the provinces. Indigenous Services Canada data from the 2021–22 fiscal year indicated that about 119,000 housing units are located in these First Nations communities.
- People in First Nations communities are 4 times more likely to live in crowded housing and 6 times more likely to live in housing in need of major repairs than non-Indigenous people, according to Canada’s 2021 Census.
- To close the housing gap, First Nations communities need 55,320 new housing units and repairs to 80,650 existing units, at an estimated cost of \$44 billion, according to a 2021 report by the Assembly of First Nations.
- Over the last 5 fiscal years, Indigenous Services Canada and the Canada Mortgage and Housing Corporation spent \$3.86 billion on improving housing in First Nations communities. This funding supported building new homes, repairing existing homes, and increasing First Nations’ capacity to manage housing.
- From 2018–19 to 2022–23, Indigenous Services Canada and the Canada Mortgage and Housing Corporation provided funding to build 11,754 new housing units and repair 15,859 existing units in First Nations communities. This represents 21% of the new housing units and 20% of the repairs to existing units needed to close the gap.
- There was no meaningful improvement in housing conditions in First Nations communities. From 2015–16 to 2021–22, the percentage of homes in need of major repairs decreased from 20.8% to 19.7%, while the percentage of homes in First Nations communities that needed to be replaced increased from 5.6% to 6.5%.

See **Recommendations and Responses** at the end of this report.

Table of Contents

Introduction	1
Background	1
Focus of the audit	3
Findings and Recommendations	3
Indigenous Services Canada and the Canada Mortgage and Housing Corporation had not provided the support needed by First Nations	3
High risk of not closing the housing gap by 2030	5
Unaddressed long-standing mould issues	9
Inequitable funding for the communities with the poorest housing conditions.....	10
No comprehensive picture of First Nations’ capacity needs for managing housing	13
Limited assurance on whether all federally funded housing met building code standards.....	15
Work was at early stages to transfer housing to First Nations	16
Lack of overarching policy framework to guide the transfer of housing to First Nations	16
Conclusion	18
About the Audit	19
Recommendations and Responses	25

Introduction

Background

Housing conditions in on-reserve First Nations communities

2.1 Housing is a long-standing problem in many on-reserve First Nations communities. Poor housing conditions in First Nations communities significantly affect the health and well-being of individuals and families and exacerbate social and economic challenges on reserves. Issues such as crowding are associated with family violence and intimate partner violence. Poor housing conditions also contribute to health issues and the transmission of communicable diseases.

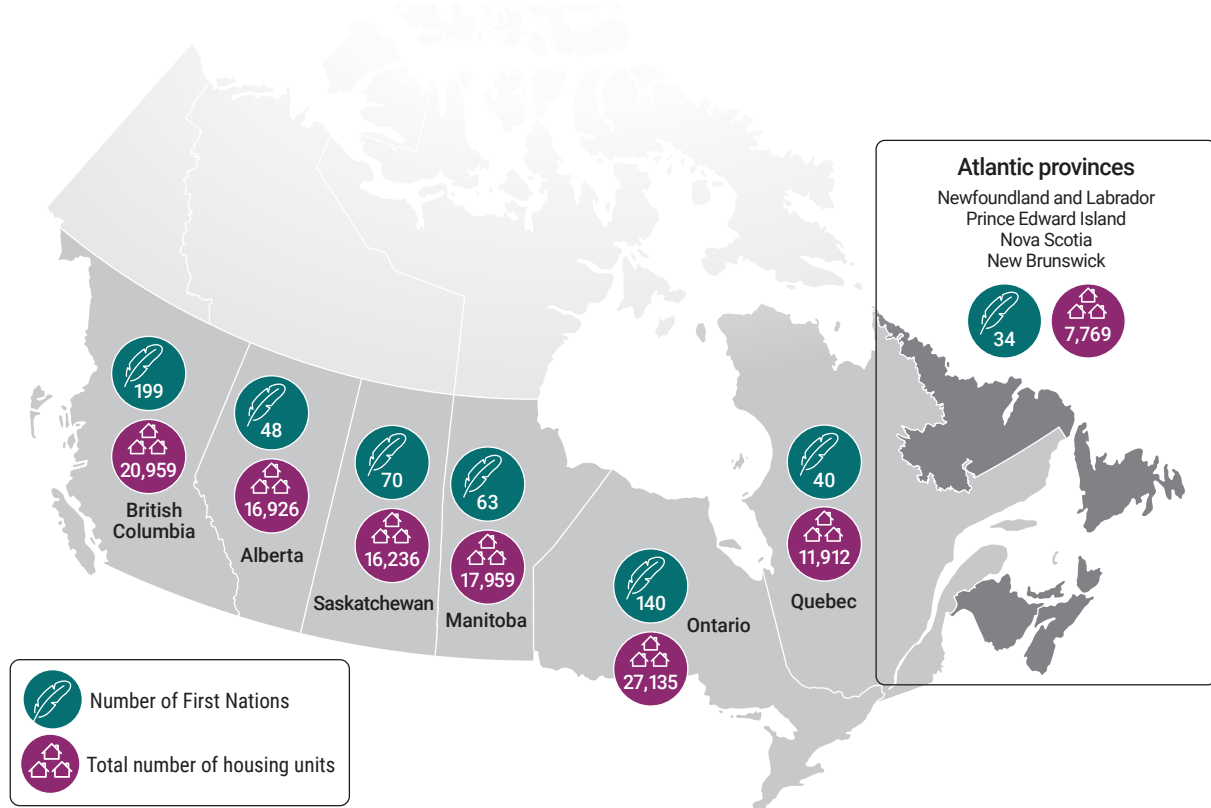
2.2 According to Canada's 2021 Census, people in First Nations communities are 4 times more likely than the non-Indigenous population to live in crowded housing, where the dwelling does not have enough bedrooms for the size and composition of the household. People in First Nations communities are also 6 times more likely to live in housing in need of major repairs. Major repairs include repairs to plumbing, wiring, walls, floors, and ceilings.

2.3 According to Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada, there are about 600 First Nations communities in the provinces. Indigenous Services Canada data from the 2021–22 fiscal year indicated that about 119,000 housing units are located in these First Nations communities (Exhibit 2.1).

2.4 Construction can be challenging in First Nations communities because many of these communities are located in rural and remote regions. This can limit construction seasons and access to the qualified tradespeople and technical expertise required to plan and execute construction projects. As a result, construction costs are generally higher than elsewhere in Canada. In addition, during the coronavirus disease (COVID-19) pandemic, many First Nations closed their communities to non-residents to contain the spread of the virus. This resulted in some delays to housing projects.

2.5 We previously reported on housing in First Nations communities in 2003 and again in 2006 and 2011. We provided recommendations to help resolve the issues we found, such as developing a strategy to address mould, obtaining assurance that homes meet required building codes, and streamlining housing programs.

Exhibit 2.1—The number of First Nations and the number of housing units on reserve in the provinces, as of 31 March 2022



Source: Based on data from Community Infrastructure and Housing Annual Report, Indigenous Services Canada, 2021–22; and First Nation Profiles, Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada

Roles and responsibilities

2.6 **Indigenous Services Canada and the Canada Mortgage and Housing Corporation.** Under the *Department of Indigenous Services Act* and the *National Housing Act*, the department and the corporation are the primary federal government organizations responsible for supporting housing in First Nations communities. Both organizations manage programs that provide funding to First Nations for a variety of housing needs, including constructing new housing units, repairing existing housing units, and increasing First Nations’ capacity to manage housing. The department and the corporation have committed to working in partnership with First Nations to support them in meeting their housing needs.

2.7 The federal government has emphasized the importance of reconciliation and the renewal of a nation-to-nation relationship between Canada and Indigenous communities that is based on the recognition of Indigenous rights, respect, cooperation, and partnership. Reconciliation requires joint leadership, trust building, accountability, and transparency. As part of the reconciliation process, Indigenous Services Canada has a

legislated mandate to transfer its responsibilities, including housing, to First Nations. This involves more than providing funding. To achieve this, the federal government needs to leverage its expertise and resources to ensure First Nations have access to the services they need.

2.8 **First Nations.** First Nations are responsible for providing and managing housing on reserves, including identifying community priorities; planning, building, repairing, and maintaining housing units; adhering to applicable building codes and standards; and collecting rent.

Focus of the audit

2.9 This audit focused on whether Indigenous Services Canada and the Canada Mortgage and Housing Corporation supported First Nations in closing the housing gap by improving housing conditions and increasing First Nations' capacity to manage housing. In addition, we examined whether Indigenous Services Canada, in partnership with First Nations, made progress in transferring the control of housing to First Nations. Our audit looked at First Nations communities in the provinces and not in the territories because almost all on-reserve First Nations communities are located in the provinces.

2.10 This audit is important because improving housing in First Nations communities is vital to the physical, mental, and economic health and well-being of the people living there. Improving housing and transferring the control of housing to First Nations also play important roles in advancing self-determination and reconciliation.

2.11 More details about the audit objective, scope, approach, and criteria are in **About the Audit** at the end of this report.

Findings and Recommendations

Indigenous Services Canada and the Canada Mortgage and Housing Corporation had not provided the support needed by First Nations

Why this finding matters

2.12 This finding matters because Indigenous Services Canada and the Canada Mortgage and Housing Corporation are responsible for providing support to First Nations through their housing programs. If these programs do not provide the supports needed, people in First Nations communities will continue to experience poor and unsafe

housing, which is often associated with family violence, substance abuse, suicide, poor physical and mental health, educational and economic obstacles, and migration from the community leading to cultural loss.

Context

2.13 Indigenous Services Canada collects information from First Nations on housing conditions through its Community Infrastructure and Housing Annual Report. The information requested of First Nations includes data on the number of housing units that need replacement and major repairs and the number of housing units that have access to essential services, such as electricity, water and wastewater, roads, and the internet.

2.14 In 2019, the Government of Canada committed to working with First Nations to close the housing gap in First Nations communities by 2030. The housing gap is the difference between the state of housing in First Nations communities and what they need. This gap affects the quality of life experienced by First Nations people and affects their ability to build healthy and strong communities.

2.15 Indigenous Services Canada has funded numerous reports aimed at identifying First Nations' housing needs. The most recent report was completed in 2021 by the Assembly of First Nations. According to that report, to close the housing gap as it existed in 2021, First Nations communities needed a total of \$44 billion to do the following:

- build 55,320 new housing units for homes that needed to be replaced and crowded homes
- build 78,000 new housing units for people returning to First Nations communities
- repair 80,650 existing units
- service 112,000 new lots (including providing access to drinking water and electricity and managing wastewater)

2.16 The report also estimated that an additional \$16 billion would be needed for future housing needs related to population growth from 2022 to 2040.

2.17 In 2022, Indigenous Services Canada and the Assembly of First Nations started to update the estimate of housing needs of First Nations. This work was intended to build on the assembly's 2021 study. Although the report had not been finalized at the time of our audit, the assembly and the department have stated that the estimated cost to close the housing gap had tripled from \$44 billion to \$135 billion. The draft report indicated that the increase in the estimated cost to close the housing gap was related to a number of factors including inflation, significant increases in construction costs, and additional factors that

had not been taken into consideration in the previous estimate, including costs related to climate change adaptation, energy efficiency, and maintaining housing units.

High risk of not closing the housing gap by 2030

Findings

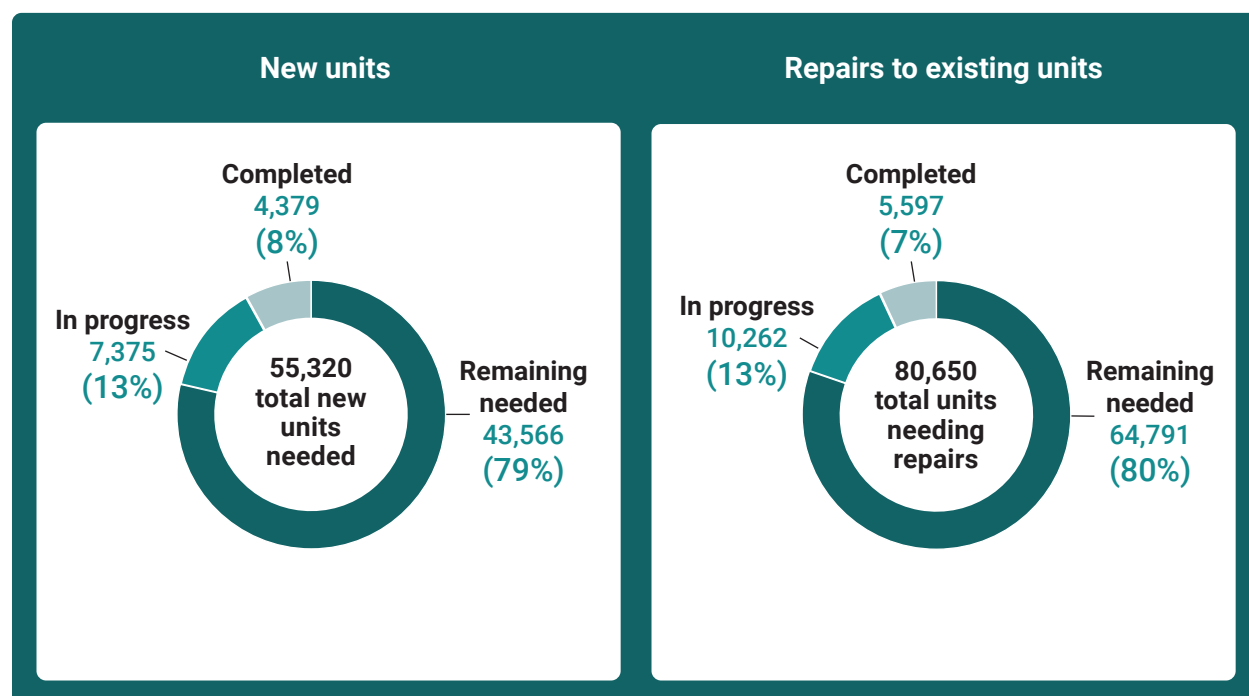
2.18 We found that Indigenous Services Canada and the Canada Mortgage and Housing Corporation accepted the Assembly of First Nations' 2021 estimate of the housing gap. However, the department and the corporation did not have a strategy to support First Nations in closing the housing gap by 2030. In 2022, the House of Commons Standing Committee on Indigenous and Northern Affairs also found that the government had not developed a detailed plan outlining projected investments from 2022 to 2030 to address infrastructure gaps in Indigenous communities.

2.19 The department and the corporation indicated that the 10 Year First Nations National Housing and Related Infrastructure Strategy was their strategy to close the housing gap by 2030. The strategy was co-developed by the federal government and the Assembly of First Nations in 2018. The purpose of this strategy was to provide the roadmap for transferring the authority of housing and infrastructure from the federal government to First Nations. We examined the strategy and found that it did not contain information on how the department and corporation would support First Nations to close the gap by 2030. The strategy did not address how the department and the corporation would coordinate their efforts, identify needs and required funding, and track progress in closing the housing gap.

2.20 A strategy is important considering the short period of time left to close the gap, the size of the gap, the limited funding available, and the challenges First Nations face when building infrastructure.

2.21 In addition, we found that Indigenous Services Canada and the Canada Mortgage and Housing Corporation were not on track to support First Nations in closing the housing gap by 2030. Over the 5 fiscal years from 2018–19 to 2022–23 (the period of our audit), the department and the corporation funded First Nations to build 21% of the 55,320 new housing units and fix 20% of the 80,650 units needing repairs to close the gap as it existed in 2021. In our opinion, the housing gap identified in 2021 will likely continue to grow because of a number of factors, including population increases, inflation, and increases in the number of homes that need to be replaced and repaired. Given that at the time of our audit, only 7 years remained until 2030, it was unlikely that Indigenous Services Canada and the Canada Mortgage and Housing Corporation would meet the government's commitment to close the housing gap (Exhibit 2.2).

Exhibit 2.2—Indigenous Services Canada and the Canada Mortgage and Housing Corporation were not on track to close the housing gap by 2030



Note: The time period for completed and in-progress units and repairs to existing units is 2018–19 to 2022–23. The number of remaining units needed and remaining repairs to existing units needed is based on the 2021 estimate of the Assembly of First Nations.

Source: Based on data from Indigenous Services Canada, from the Canada Mortgage and Housing Corporation, and from the Final Report: Cost Analysis of Current Housing Gaps and Future Housing Needs in First Nations, Assembly of First Nations, 2021.

2.22 We also found that the funding committed by the federal government for housing was less than the \$44 billion estimated to be needed to support First Nations in closing the housing gap. Beginning in the 2016–17 fiscal year, the federal government committed about \$4.15 billion in new funding to improve housing by investing in First Nations communities. The funding was to cover 11 years, ending on 31 March 2027.

2.23 We found that from 2018–19 to 2022–23—with this new funding, existing annual funding, and funding provided through the National Housing Strategy programs—Indigenous Services Canada and the Canada Mortgage and Housing Corporation spent a total of \$3.86 billion (Exhibit 2.3). The funding was distributed among 4 envelopes:

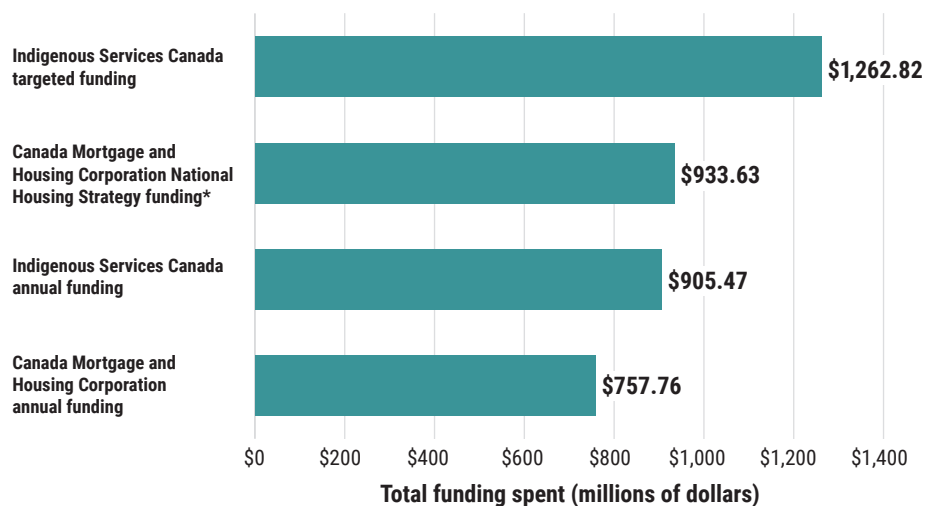
- **Indigenous Services Canada targeted funding (\$1.26 billion).** The department provided funding to First Nations to build new homes, repair existing homes, and increase capacity to manage housing in First Nations communities. First Nations had to apply and compete with other First Nations to receive this funding.
- **Canada Mortgage and Housing Corporation National Housing Strategy funding (\$933.63 million).** Starting in 2020–21, the corporation provided First Nations with funding under its Canada-wide National Housing Strategy programs. To obtain

funding under these programs, First Nations had to compete against communities across Canada.

- **Indigenous Services Canada annual funding (\$905.47 million).** This funding could be used for housing-related costs including construction, repairs, maintenance, and training for housing managers. First Nations did not need to apply for annual funding, with the exception of First Nations in British Columbia, who had a different funding arrangement.
- **Canada Mortgage and Housing Corporation annual funding (\$757.76 million).** The corporation provided annual funding through a variety of programs to build and repair housing units and to increase capacity to manage housing. First Nations had to apply and compete with other First Nations to receive this funding.

Exhibit 2.3—From 2018–19 to 2022–23, Indigenous Services Canada and the Canada Mortgage and Housing Corporation spent \$3.86 billion on improving housing in First Nations communities

Funding envelope



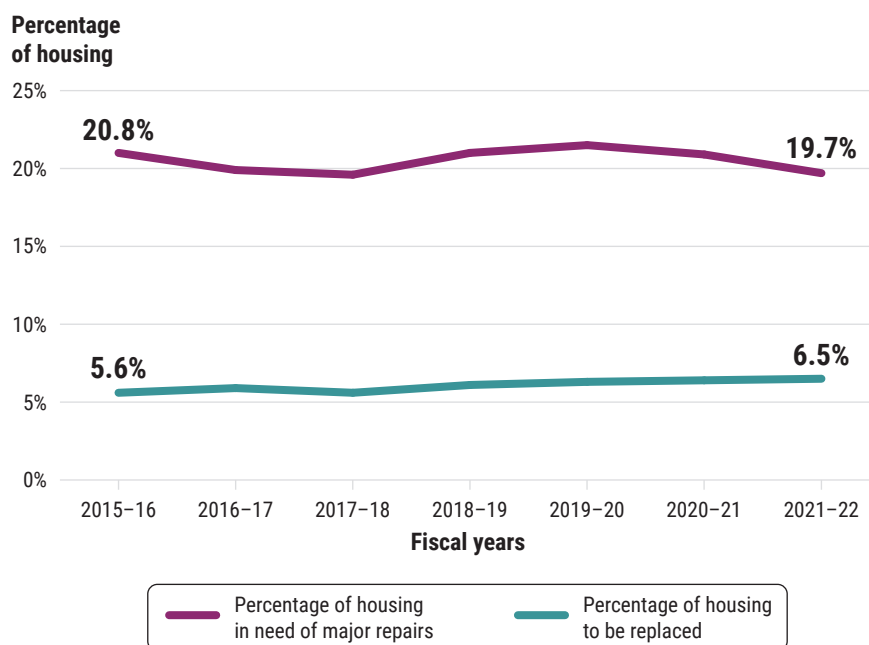
* Canada Mortgage and Housing Corporation National Housing Strategy funding started in 2020–21

Source: Based on data from Indigenous Services Canada and the Canada Mortgage and Housing Corporation

2.24 We found that Indigenous Services Canada’s and the Canada Mortgage and Housing Corporation’s annual funding had remained relatively stagnant since the 1990s. The funds had therefore not kept pace with increases in the demand and the cost of new housing and repairs to existing homes. From 1996 to 2023, with an average annual inflation rate of just over 2%, goods valued at \$100 in 1996 would be valued at \$177 in 2023. Statistics Canada estimated that the cost of residential building construction increased by more than 60% over the 5-year period from April 2018 to March 2023. As a result, First Nations could do less with the annual funding they received.

2.25 We also found that there was no meaningful improvement in housing conditions in First Nations communities. According to data provided by First Nations to Indigenous Services Canada, from the 2015–16 to the 2021–22 fiscal years, the percentage of homes in need of major repairs decreased from 20.8% to 19.7%, while the percentage of homes in First Nations communities that needed to be replaced increased from 5.6% to 6.5% (Exhibit 2.4).

Exhibit 2.4—There was no meaningful improvement in First Nations housing conditions from 2015–16 to 2021–22



Source: Based on data from Community Infrastructure and Housing annual reports, Indigenous Services Canada, from 2015–16 to 2021–22

Recommendation

2.26 Indigenous Services Canada and the Canada Mortgage and Housing Corporation, in collaboration with First Nations, should develop and implement a strategy to close the housing gap by 2030 that outlines how they will coordinate their efforts, identifies needs and required funding, and establishes measurable targets for tracking progress.

Response of each entity. *Agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

Unaddressed long-standing mould issues

Findings

2.27 In our 2003 audit, we recommended the government develop a strategy to address mould in First Nations housing. A strategy was developed in 2008 by Indigenous Services Canada (then named Indian and Northern Affairs Canada), the Canada Mortgage and Housing Corporation, and the First Nations and Inuit Health Branch at Indigenous Services Canada (then at Health Canada), in partnership with the Assembly of First Nations. This included identifying communities with critical mould problems and measuring the overall effectiveness of the strategy. Our 2011 status report noted that progress in implementing the strategy was not satisfactory. It found that the department and the corporation had not identified the magnitude of the problem or estimated the funding needed by First Nations to address it. In the current audit, we found that Indigenous Services Canada and the Canada Mortgage and Housing Corporation were no longer using their mould strategy from 2008. Neither department officials nor corporation officials could provide us with the reason why the strategy was no longer being used.

2.28 We also found that Indigenous Services Canada did not have complete information on the extent of mould in the homes in First Nations communities. The department collected data on the results of its health inspections in First Nations communities, which included mould in housing. However, based on the department's information, we found that from 2018–19 to 2021–22, the department inspected less than 1% of homes in First Nations communities on average. These inspections were conducted only when requested by the First Nation.

2.29 In addition, we found that Indigenous Services Canada's Alberta regional office was the only regional office that collected data from First Nations on the incidence of mould in on-reserve housing units. Between 2018–19 and 2021–22, 38 of the 48 First Nations in Alberta provided the department with information on mould. Fifteen of these 38 communities reported that 30% or more of their housing units had mould. There was no evidence that the department used this information to inform funding decisions. Starting in the 2020–21 fiscal year, in an effort to reduce the reporting burden on First Nations, the region no longer asked First Nations for this information, although some First Nations continued to submit it.

2.30 Despite the department collecting information from First Nations on housing conditions through its Community Infrastructure and Housing Annual Report, we found that it did not collect information on mould. In our opinion, the department has missed an opportunity to better understand the extent of mould in First Nations communities by not requesting this information.

Recommendation

2.31 Indigenous Services Canada and the Canada Mortgage and Housing Corporation should work with First Nations to better understand the extent of mould in housing in First Nations communities and use this information to support First Nations in reducing mould in housing.

Response of each entity. *Agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

Inequitable funding for the communities with the poorest housing conditions

Findings

2.32 Both Indigenous Services Canada and the Canada Mortgage and Housing Corporation used formulas to allocate funding to their regional offices for housing in First Nations communities. These formulas considered factors such as each region's on-reserve population, crowding in housing units, and housing units in need of major repairs.

2.33 We found that the Canada Mortgage and Housing Corporation relied on data from Canada's 2001 Census in its formulas for allocating annual funding to its regional offices for its First Nations new home and repair loan programs. This meant that the corporation's allocations did not reflect more than 20 years of demographic changes and the evolving needs of First Nations resulting from those changes.

2.34 According to an analysis by the Canada Mortgage and Housing Corporation in 2023, the impact of not updating its formulas resulted in First Nations in Alberta, Saskatchewan, and Manitoba being significantly underfunded and therefore not receiving their equitable share of funding (Exhibit 2.5). For example, in 2022, the Alberta region received about \$19 million in funding. Had the formula been updated to use recent census data, this region would have received about \$35 million. The corporation determined that this region had been underfunded by more than \$140 million from 2008–09 to 2022–23. This was significant because First Nations communities in the Alberta region consistently had the highest proportion of housing units in need of replacement and major repairs.

Exhibit 2.5—Alberta, Saskatchewan, and Manitoba were underfunded because the Canada Mortgage and Housing Corporation used outdated census data to allocate funding

Region	Housing units needing replacement*	Housing units needing major repairs*	Total funding provided from 2008–09 to 2022–23	Amount overfunded or underfunded from 2008–09 to 2022–23**
British Columbia	7%	23%	\$315.94 million	\$76.86 million overfunded
Alberta	11%	28%	\$339.42 million	\$141.21 million underfunded
Saskatchewan	3%	25%	\$470.56 million	\$72.92 million underfunded
Manitoba	7%	25%	\$617.13 million	\$60.16 million underfunded
Ontario	6%	15%	\$523.75 million	\$140.95 million overfunded
Quebec	1%	10%	\$186.81 million	\$43.80 million overfunded
Atlantic provinces	4%	15%	\$123.17 million	\$14.94 million overfunded

* The percentages of housing units in need of replacement and major repairs are based on Community Infrastructure and Housing annual reports from Indigenous Services Canada and represent an average over the period from 2015–16 to 2021–22.

** This column does not have a zero balance because it excludes the amount for the territories and because of rounding.

Source: The funding amounts are based on the 2023 Canada Mortgage and Housing Corporation analysis.

2.35 We also found that Indigenous Services Canada and the Canada Mortgage and Housing Corporation provided most of their housing funding through proposal-based programs for projects that were shovel-ready or could be completed quickly. This approach allowed First Nations to submit proposals to request funding for the projects that they believe would have the most impact. The department and the corporation informed us that there is limited funding for housing projects and decisions need to be made about which First Nations proposals can be funded. In our view, this approach does not ensure that First Nations with limited capacity to apply for funding, to develop shovel-ready projects, or to complete housing projects quickly receive their equitable share of funding.

2.36 Indigenous Services Canada collected information annually from First Nations on housing conditions, including the number of housing units that need to be replaced or repaired in their communities. The department also uses this information to report on the adequacy of housing in First Nations communities in its Departmental Results Report. This information is also shared with the Canada Mortgage and Housing Corporation to inform the management of their housing programs.

However, we found that the department and the corporation were not using this information to target their limited funding to communities with the poorest housing conditions—those with the highest proportion of homes that need to be replaced or repaired.

2.37 We analyzed the department’s data to determine whether First Nations with the poorest housing conditions received an equitable share of funding. Overall, we found that, among communities of similar sizes, communities with the poorest housing conditions received less targeted funding than those with better housing. For example, of the 210 small communities with fewer than 100 homes, we found that those with the poorest housing conditions received less targeted funding than the small communities with better housing conditions (Exhibit 2.6). The department’s 2017 and the corporation’s 2023 program evaluations also identified that funding was not always provided to First Nations with the poorest housing conditions.

Exhibit 2.6—Small communities with the poorest housing conditions* were approved for less targeted funding from 2018–19 to 2022–23 than small communities with better housing conditions

Housing units in need of major repairs or replacement	Number of small communities with fewer than 100 housing units	Average approved targeted funding per small community
Less than 75%	191	\$2.56 million
75% or more	19	\$1.99 million

* The small communities in which 75% or more of the housing units were in need of major repairs or replacement received less targeted funding on average per community for the 5 years analyzed.

Source: Based on data from Indigenous Services Canada and the Canada Mortgage and Housing Corporation

Recommendation

2.38 The Canada Mortgage and Housing Corporation should use the most recent census data in its allocation formulas for First Nations housing to ensure that regions receive funding that reflects the demographic changes in First Nations communities.

The corporation’s response. *Agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

Recommendation

2.39 Indigenous Services Canada and the Canada Mortgage and Housing Corporation should work with the First Nations communities with the poorest housing conditions to ensure that they receive the support they need to improve housing conditions.

Response of each entity. *Partially agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

No comprehensive picture of First Nations' capacity needs for managing housing

Findings

2.40 We found that neither Indigenous Services Canada nor the Canada Mortgage and Housing Corporation had worked with First Nations to identify First Nations' needs regarding their capacity to manage housing. The capacity to manage housing includes having trained and dedicated individuals who can develop multi-year housing plans for the community, create and enforce housing policies, apply for funding, and collect rent.

2.41 We found that it was not until 2022 that Indigenous Services Canada conducted a survey to identify First Nations' capacity to manage housing. Even though less than 10% of First Nations responded, the survey found that small First Nations communities with fewer than 50 housing units were less likely to have a dedicated housing manager than larger First Nations communities.

2.42 Overall, from the 2018–19 to the 2022–23 fiscal years, the department and the corporation provided \$149.30 million to First Nations communities and organizations to increase capacity to manage housing.

2.43 In 2022–23, the department received \$223 million over 5 years to provide First Nations with dedicated support for housing management, including funding for housing manager salaries and training. Going forward, it will be important for the department to work with First Nations to develop a comprehensive picture of the capacity needs of First Nations and to ensure that this capacity funding is directed where it is most needed.

2.44 We found that a significant challenge for First Nations communities in general was navigating the different application and reporting requirements of the many programs through which Indigenous Services Canada and the Canada Mortgage and Housing Corporation provided funding to First Nations. For example, the corporation maintained 13 separate programs that provided funding for building or

repairing housing units or for increasing housing capacity in First Nations communities. This made it difficult for First Nations to know about the housing programs available to them and determine which ones would best meet their needs. It also created an administrative burden as communities often had to apply to several programs to get the funding they needed. This complex environment made having a dedicated resource to manage housing even more essential.

2.45 Our findings are consistent with the department's 2017 and the corporation's 2023 program evaluations, which found that their application processes were complex and recommended that the department and the corporation simplify their approach to funding housing in First Nations communities.

Recommendation

2.46 Indigenous Services Canada and the Canada Mortgage and Housing Corporation, in collaboration with First Nations communities, should identify the First Nations communities most in need of capacity funding and ensure they receive the funding to have sustained capacity to manage housing.

Response of each entity. Agreed.

See **Recommendations and Responses** at the end of this report for detailed responses.

Recommendation

2.47 Indigenous Services Canada and the Canada Mortgage and Housing Corporation, in collaboration with First Nations, should review the structure and delivery of their housing programs to streamline the application process to simplify and facilitate access to funding.

Response of each entity. Agreed.

See **Recommendations and Responses** at the end of this report for detailed responses.

Limited assurance on whether all federally funded housing met building code standards

Findings

2.48 We found that Indigenous Services Canada and the Canada Mortgage and Housing Corporation did not have assurance that all housing units built and repaired with the support of their funding programs met applicable building code standards. We reported the same finding in our 2003 audit of housing in First Nations communities. Both organizations required the housing projects they funded to comply with the National Building Code of Canada or a stricter code. Compliance with the building code helps to ensure that homes meet their expected useful lifespans, are maintained at a reasonable cost, and protect the health and safety of the homes' occupants.

2.49 We found that Indigenous Services Canada's housing program required that the department obtain documentation from First Nations certifying that newly built housing units and repairs to existing units had been built to code. However, we found that the department only had this documentation for less than half of the projects we sampled. Specifically, the department had documentation certifying that only 8 of the 22 (36%) projects to build new housing units we examined met the building code standards. Similarly, we found that the department had documentation certifying that only 9 of the 22 (41%) repairs to existing units we examined met building code standards.

2.50 We found that only the Canada Mortgage and Housing Corporation's program for building new housing units required the corporation to obtain documentation from First Nations communities certifying that homes had been built to code. Under this program, First Nations communities had to provide the corporation with 3 certificates of building code compliance, including 1 from a final inspection when the home was completed. We found the corporation had documentation certifying that 19 of the 21 (90%) projects to build new housing units we examined met the building code standards. In contrast, the corporation's home repair programs did not require proof of compliance with the building code. As a result, the corporation did not have assurance that the repairs it funded met building code standards.

Recommendation

2.51 Indigenous Services Canada and the Canada Mortgage and Housing Corporation should obtain assurance that all federally funded housing in First Nations communities meets the National Building Code of Canada or a stricter code. If building code deficiencies are identified, the department and the corporation should support First Nations to address them.

Response of each entity. *Agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

Work was at early stages to transfer housing to First Nations

Why this finding matters

2.52 This finding matters because Indigenous Services Canada needs a well-defined approach developed in collaboration with First Nations for the successful transfer of housing. First Nations' control over the design and delivery of housing is essential for high-quality, culturally relevant services, ultimately leading to better socio-economic outcomes for First Nations individuals, families, and communities.

Context

2.53 Under the *Department of Indigenous Services Act*, Indigenous Services Canada is mandated to work with First Nations to gradually transfer departmental responsibilities to First Nations, including housing. As of 31 March 2023, the Canada Mortgage and Housing Corporation did not have the legislative mandate to transfer its responsibilities to First Nations.

2.54 The transfer process is not imposed on First Nations. First Nations must express an interest in taking over the department's responsibilities. First Nations organizations interested in the transfer must obtain a mandate from the First Nations they represent.

Lack of overarching policy framework to guide the transfer of housing to First Nations

Findings

2.55 In 2020, Indigenous Services Canada began work to develop an overarching policy framework for transferring departmental responsibilities to First Nations covering all programs, such as health, education, infrastructure, and economic development. According to the

department, an overarching policy framework would clarify the transfer process by identifying the essential components of transfer agreements, defining the process for concluding agreements, and outlining the eventual funding arrangements. We found that as of 31 March 2023, the department had not completed this framework. In addition, the department had yet to engage with First Nations in its development.

2.56 In our opinion, without an overarching policy framework for transferring departmental responsibilities, each program within the department would need to develop its own transfer process. This would result in a piecemeal approach to the transfer and potentially create inconsistencies and ambiguity for First Nations involved in the transfer process with the department.

2.57 We found that, even though no overarching policy framework was in place, the department had developed a process and obtained funding for transferring housing and other infrastructure. This process had 3 phases and was expected to take approximately 10 years once organizations entered the process (Exhibit 2.7).

Exhibit 2.7—Indigenous Services Canada developed a process for transferring housing and other infrastructure to First Nations organizations

Phase 1— Development	<ul style="list-style-type: none"> • engaging with communities • defining the scope of services, the service delivery approach, and the proposed governance structure • developing costed business cases • confirming support to move to Phase 2
Phase 2— Institution building	<ul style="list-style-type: none"> • funding organizations to finalize their business cases, build capacity in line with their business models, and develop their standards for the level of services to be provided • funding engagement in a region to confirm buy-in from First Nations representatives for the proposed approach and move toward a final service delivery transfer agreement
Phase 3— Final transfer	<ul style="list-style-type: none"> • final service delivery transfer agreement between Indigenous Services Canada and the First Nations organization

Source: Based on Indigenous Services Canada’s process for the transfer of housing and other infrastructure

2.58 We found that Indigenous Services Canada had allocated \$108.89 million to support activities relating to transferring departmental responsibilities for housing and other infrastructure. This funding began to be provided in the 2017–18 fiscal year and was set to end in the 2025–26 fiscal year. As of 31 March 2023, Indigenous Services

Canada had spent approximately \$43.63 million on all transfer initiatives, \$18.28 million of which was to support First Nations organizations in taking over responsibility for housing. These organizations received funding to engage with the First Nations communities they were representing to undertake a range of activities, including developing an approach for delivering housing and establishing service standards.

2.59 We found that, as of 31 March 2023, 9 First Nations organizations received funding to explore the transfer of housing. We also found that 1 First Nations organization advanced to the second phase of the transfer process. Given that the funding for the transfer of housing and infrastructure services was set to end in the 2025–26 fiscal year, we are concerned that with only 3 years of funding left, it is unlikely that final transfer agreements will be completed before the funding ends.

Recommendation

2.60 Indigenous Services Canada, in collaboration with First Nations, should finalize the overarching policy framework for the transfer of departmental responsibilities to First Nations to ensure that a consistent approach is applied to the transfer.

The department's response. *Agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

Conclusion

2.61 We concluded that Indigenous Services Canada and the Canada Mortgage and Housing Corporation had not provided the housing support needed by First Nations. Indigenous Services Canada and the Canada Mortgage and Housing Corporation have made little progress in improving housing conditions in First Nations communities. The department and the corporation were not on track to meet the government's commitment to close the housing gap by 2030. The department and the corporation did not ensure that First Nations communities with the poorest housing conditions and greatest capacity needs received an equitable share of funding.

2.62 We also concluded that Indigenous Services Canada was in the early stages of transferring control of housing to First Nations. It had yet to work with First Nations to develop an overarching policy framework to guide this work. Until Indigenous Services Canada fully transfers its responsibilities to all First Nations, the department remains responsible for housing in First Nations communities.

About the Audit

This independent assurance report was prepared by the Office of the Auditor General of Canada on housing in First Nations communities. Our responsibility was to provide objective information, advice, and assurance to assist Parliament in its scrutiny of the government's management of resources and programs and to conclude on whether the support for housing provided to First Nations communities by Indigenous Services Canada and the Canada Mortgage and Housing Corporation complied in all significant respects with the applicable criteria.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook—Assurance.

The Office of the Auditor General of Canada applies the Canadian Standard on Quality Management 1—Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. This standard requires our office to design, implement, and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we complied with the independence and other ethical requirements of the relevant rules of professional conduct applicable to the practice of public accounting in Canada, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from entity management:

- confirmation of management's responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided
- confirmation that the audit report is factually accurate

Audit objectives

One objective of this audit was to determine whether Indigenous Services Canada and the Canada Mortgage and Housing Corporation supported First Nations to close the housing gap by improving housing conditions and increasing First Nations' capacity to manage housing.

The other objective was to determine whether Indigenous Services Canada, in partnership with First Nations, made progress to transfer the control of housing to First Nations.

Scope and approach

The audit focused on the activities of Indigenous Services Canada and the Canada Mortgage and Housing Corporation regarding housing in First Nations communities. We audited each organization's management of housing programs for First Nations on-reserve communities by

examining their programs. For Indigenous Services Canada, we examined the Capital Facilities and Maintenance Program. For the Canada Mortgage and Housing Corporation, we examined the following 13 programs:

- On-Reserve Non-Profit Housing Program (also called the Section 95 Program)
- Emergency Repairs Program
- Home Adaptations for Seniors' Independence Program
- Residential Rehabilitation Assistance Program—Regular
- Residential Rehabilitation Assistance Program—Conversion
- Residential Rehabilitation Assistance Program for Persons with Disabilities
- Residential Rehabilitation Assistance Program—Secondary and Garden Suites
- Seed Funding
- Proposal Development Funding for First Nation Communities
- Indigenous Skills Training Program
- National Housing Strategy's Rapid Housing Initiative
- National Housing Strategy's National Housing Co-Investment Fund
- National Housing Strategy's Affordable Housing Innovation Fund

We did not examine projects funded by the Canada Mortgage and Housing Corporation under the National Housing Strategy's Rental Construction Financing Initiative. Although First Nations received funding through this initiative, the purpose of the funding was to support economic development rather than increase the on-reserve housing stock.

The audit team interviewed departmental managers and staff in the Regional Operations Sector and the First Nations and Inuit Health Branch of Indigenous Services Canada and managers and staff in Indigenous and the North Housing Solutions in the Canada Mortgage and Housing Corporation. The audit team met with selected First Nations communities, organizations, and stakeholders to discuss issues related to housing.

We did not examine the performance of First Nations communities or First Nations organizations. We also did not examine housing initiatives for First Nations in the territories and individuals living off reserve, programs for building shelters and emergency housing in First Nations communities, or programs for developing Indigenous tradespeople's skills.

Prioritization analysis. To assess whether Indigenous Services Canada and the Canada Mortgage and Housing Corporation prioritized for funding the First Nations communities with the poorest housing conditions, we used the information reported by 556 First Nations through Indigenous Services Canada's Community Infrastructure and Housing annual reports from 2018–19 to 2021–22. We used this data to identify the distribution of First Nations communities by the average number of homes. We compared the amount of approved funding for communities with the poorest housing conditions (75% or more in need of replacement or major repair) with communities of similar size with better housing conditions (less than 75% of housing units in need of replacement or major repair).

Building code analysis. To assess whether Indigenous Services Canada and the Canada Mortgage and Housing Corporation had documentation certifying that projects met building code standards, we sampled 21 new housing projects funded under the Canada Mortgage and Housing Corporation’s on-reserve program for building new homes, 22 projects to build new homes, and 22 projects to repair existing homes funded by Indigenous Services Canada during the audit period. We used representative sampling to assess whether the population error rate was no greater than 10%, with a confidence level of 90%.

Criteria

We used the following criteria to conclude against our audit objective:

Criteria	Sources
<p>Indigenous Services Canada and the Canada Mortgage and Housing Corporation are on track to close the housing gap in First Nations communities by 2030.</p>	<ul style="list-style-type: none"> • <i>Department of Indigenous Services Act</i> • Minister of Indigenous Services Mandate Letter, 2019 • Minister of Indigenous Services Supplementary Mandate Letter, 2021 • Minister of Indigenous Services and Minister Responsible for the Federal Economic Development Agency for Northern Ontario Mandate Letter, 2021 • 2021–22 Departmental Plan, Indigenous Services Canada • 2022–23 Departmental Plan, Indigenous Services Canada • Guidelines for the Development of First Nations Housing Proposals, Indian and Northern Affairs Canada, 1996 • Practical Guide to Housing Support On-Reserve, BC Region, Indigenous Services Canada, 2020 • <i>National Housing Act</i> • <i>Canada Mortgage and Housing Corporation Act</i> • <i>National Housing Strategy Act</i> • Minister of Housing and Diversity and Inclusion Mandate Letter, 2021 • National Housing Strategy

Criteria	Sources
<p>Indigenous Services Canada and the Canada Mortgage and Housing Corporation prioritize funding on the basis of First Nations communities housing needs.</p>	<ul style="list-style-type: none"> • 2018–2022 Summary of the Corporate Plan, Canada Mortgage and Housing Corporation • 2022–2026 Summary of the Corporate Plan, Canada Mortgage and Housing Corporation • Non-Profit Housing Program (Section 95) Regional Allocation Overview, 2022 • Non-Profit Housing Program (Section 95) and Residential Rehabilitation Assistance Program Allocation Methodology Summary, 2019 • <i>Department of Indigenous Services Act</i> • Guidelines for the Development of First Nations Housing Proposals, Indian and Northern Affairs Canada • Practical Guide to Housing Support On-Reserve, BC Region, Indigenous Services Canada, 2020 • Transfer Payment Program Terms and Conditions: Contributions to Support the Construction and Maintenance of Community Infrastructure, Indigenous Services Canada
<p>Indigenous Services Canada and the Canada Mortgage and Housing Corporation obtain assurance that new homes and repairs to existing homes in First Nations communities meet the National Building Code standards.</p>	<ul style="list-style-type: none"> • National Building Code of Canada 2020, National Research Council of Canada • Protocol for ISC-Funded Infrastructure, Indigenous Services Canada, 2021 • Transfer Payment Program Terms and Conditions: Contributions to Support the Construction and Maintenance of Community Infrastructure, Indigenous Services Canada • <i>Department of Indigenous Services Act</i> • <i>National Housing Act</i> • <i>Canada Mortgage and Housing Corporation Act</i> • On-Reserve Non-Profit Housing Program (Section 95), Guidelines, Canada Mortgage and Housing Corporation, 2015 • Residential Rehabilitation Assistance Program: Homeowner: Standards for Rehabilitation: A Guide for Residential Rehabilitation Assistance Program Inspectors and Delivery Agents, Canada Mortgage and Housing Corporation, 2005 • CMHC Rapid Housing Initiative: Operational Policies and Guidelines, Canada Mortgage and Housing Corporation, 2020 • CMHC Rapid Housing Initiative 2.0: Operational Policies and Guidelines, Canada Mortgage and Housing Corporation, 2021 • On-Reserve Emergency Repair Program Operational Policies and Guidelines, Canada Mortgage and Housing Corporation, 2021

Criteria	Sources
<p>Indigenous Services Canada and the Canada Mortgage and Housing Corporation take action to address mould in homes in First Nations communities.</p>	<ul style="list-style-type: none"> • <i>Department of Indigenous Services Act</i> • <i>National Housing Act</i> • Primary Health Care Authority, Indigenous Services Canada, 2020 • Protocol for ISC-Funded Infrastructure, Indigenous Services Canada, 2021 • National Framework for the Environmental Public Health Program in First Nations Communities South of 60°: First Nations and Inuit Health, Health Canada, 2009 • National Strategy to Address Mould in First Nation Communities, Indian and Northern Affairs Canada, Canada Mortgage and Housing Corporation, and Health Canada in Partnership with the Assembly of First Nations, 2008 • United Nations Declaration on the Rights of Indigenous People, 2007
<p>Indigenous Services Canada and the Canada Mortgage and Housing Corporation provide supports to increase the capacity of First Nations communities to manage housing.</p>	<ul style="list-style-type: none"> • <i>Department of Indigenous Services Act</i> • Minister of Indigenous Services Supplementary Mandate Letter, 2021 • Guidelines for the Development of First Nations Housing Proposals, Indian and Northern Affairs Canada • Governance and Capacity Application, BC Region, Indigenous Services Canada • 2018–19 Departmental Plan, Indigenous Services Canada • 2019–20 Departmental Plan, Indigenous Services Canada • 2020–21 Departmental Plan, Indigenous Services Canada • 2021–22 Departmental Plan, Indigenous Services Canada • 2022–23 Departmental Plan, Indigenous Services Canada • On-Reserve Non-Profit Housing Program (Section 95), Guidelines, Canada Mortgage and Housing Corporation, 2015 • 2018–2022 Summary of the Corporate Plan, Canada Mortgage and Housing Corporation • 2022–2026 Summary of the Corporate Plan, Canada Mortgage and Housing Corporation

Criteria	Sources
Indigenous Services Canada, in partnership with First Nations, makes progress in transferring the control of housing to First Nations.	<ul style="list-style-type: none"> • <i>Department of Indigenous Services Act</i> • Minister of Indigenous Services Mandate Letter, 2019 • Minister of Indigenous Services and Minister Responsible for the Federal Economic Development Agency for Northern Ontario Mandate Letter, 2021 • 2018–19 Departmental Plan, Indigenous Services Canada • 2019–20 Departmental Plan, Indigenous Services Canada • 2020–21 Departmental Plan, Indigenous Services Canada • 2021–22 Departmental Plan, Indigenous Services Canada • 2022–23 Departmental Plan, Indigenous Services Canada • Strategic Plan 2020 to 2025, Indigenous Services Canada

Period covered by the audit

The audit covered the period from 1 April 2018 to 31 March 2023. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters that preceded the start date of this period.

Date of the report

We obtained sufficient and appropriate audit evidence on which to base our conclusion on 5 March 2024, in Ottawa, Canada.

Audit team

This audit was completed by a multidisciplinary team from across the Office of the Auditor General of Canada led by Glenn Wheeler, Principal. The principal has overall responsibility for audit quality, including conducting the audit in accordance with professional standards, applicable legal and regulatory requirements, and the office's policies and system of quality management.

Recommendations and Responses

Responses appear as they were received by the Office of the Auditor General of Canada.

In the following table, the paragraph number preceding the recommendation indicates the location of the recommendation in the report.

Recommendation	Response
<p>2.26 Indigenous Services Canada and the Canada Mortgage and Housing Corporation, in collaboration with First Nations, should develop and implement a strategy to close the housing gap by 2030 that outlines how they will coordinate their efforts, identifies needs and required funding, and establishes measurable targets for tracking progress.</p>	<p>Indigenous Services Canada’s response. Agreed. In alignment with the United Nations Declaration on the Rights of Indigenous Peoples, ISC will engage with First Nation partners before committing to any new actions.</p> <p>The National First Nations Housing and Related Infrastructure Strategy is a co-developed, distinctions-based housing strategy that lays the groundwork to support First Nations self-determination and transition the care, control, management and service delivery of housing to First Nations. Indigenous Services Canada will continue to support the Strategy and to advance First Nations’ self-determined housing needs.</p> <p>By March 31, 2027, as part of the implementation of the National First Nations Housing and Related Infrastructure Strategy, ISC will engage partners on establishing measurable targets and tracking progress, aligned to available funding.</p> <p>By March 31, 2025, ISC and CMHC will establish an Assistant Deputy Minister-level committee and refresh the ISC/CHMC Memorandum of Understanding for information sharing, policy responses, and program delivery.</p> <p>The Canada Mortgage and Housing Corporation’s response. Agreed. CMHC will continue to work to support the implementation of the <i>National First Nations and Related Infrastructure Strategy</i> and to advance First Nations’ self-determined housing needs.</p> <p>In alignment with the United Nations Declaration on the Rights of Indigenous Peoples, CMHC will engage with First Nations partners before committing to any new actions or proposals affecting First Nations partners where they have not already been consulted.</p> <p>In 2024, CMHC will collaborate with key partners to:</p> <ul style="list-style-type: none"> • Immediately establish an Assistant Deputy Minister-level committee and refresh our Memorandum of Understanding with Indigenous Services Canada for information sharing, policy responses, and program delivery; and, • Seek opportunities to improve our on-reserve and National Housing Strategy (NHS) programs. <p>Moreover, by March 31st, 2026, CMHC will:</p> <ul style="list-style-type: none"> • Fund and support research on the ecosystem of relevant funding and policy levers.

Recommendation	Response
<p>2.31 Indigenous Services Canada and the Canada Mortgage and Housing Corporation should work with First Nations to better understand the extent of mould in housing in First Nations communities and use this information to support First Nations in reducing mould in housing.</p>	<p>Indigenous Services Canada’s response. Agreed. In alignment with the United Declaration on the Rights of Indigenous Peoples, ISC supports housing projects identified and prioritized by First Nations. First Nations may prioritize projects to address mould which is an eligible expense under existing ISC programming. While ISC recognizes that mould can have serious impacts on health, the Department respects First Nations’ management over their housing affairs and will continue to support First Nation led decisions that address mould remediation in conjunction with other First Nations’ self-determined priorities.</p> <p>ISC employs, and funds First Nations organizations to employ, Environmental Public Health Officers (EPHOs), who, when requested, conduct health inspections and provide fulsome reports on housing conditions. Given that ISC cannot inspect homes without the permission of homeowners, a comprehensive analysis of the extent of mould in housing cannot be undertaken in every home.</p> <p>With the support of EPHO resources, ISC will, in consultation with First Nations partners:</p> <ul style="list-style-type: none"> • share information with First Nations communities on available applicable resources for housing such as CMHC’s On Reserve Renovations Programs and the Rehabilitation Renovation Assistance Program (RRAP) programs within existing authorities for mould remediation through housing renovation programs; • share information and support shared understanding on how to address indoor air quality and concerns surrounding mould in housing in First Nations communities; and, • discuss how to build First Nations’ capacity in mould prevention and assessment of mould in on-reserve housing including knowledge and awareness of remediation measures. <p>The Canada Mortgage and Housing Corporation’s response. Agreed. CMHC recognizes the importance of mould remediation and respects First Nations’ management over their housing affairs, including decisions regarding self-determined priorities.</p> <p>By March 31st, 2025, CMHC will:</p> <ul style="list-style-type: none"> • Engage in dialogue with key partners to support First Nations capacity in mould assessment and prevention; • Increase awareness of the use of our Residential Rehabilitation Assistance Program (RRAP) for mould remediation; and, <p>In addition, in 2024, as part of the newly established Assistant Deputy Minister-level committee,</p>

Recommendation	Response
<p>2.38 The Canada Mortgage and Housing Corporation should use the most recent census data in its allocation formulas for First Nations housing to ensure that regions receive funding that reflects the demographic changes in First Nations communities.</p>	<p>CMHC will include mould as part of the Terms of Reference (TOR) and as a standing item on the agenda for this committee.</p> <p>CMHC does not have a dedicated program to address mould, but mould remediation is an eligible repair through CMHC’s Residential Rehabilitation Assistance Program (RRAP). First Nations can choose to apply to RRAP for mould remediation. CMHC will not dictate which homes a First Nation selects for renovation.</p> <p>The Canada Mortgage and Housing Corporation’s response. Agreed. By December 31st, 2025, CMHC will:</p> <ul style="list-style-type: none"> • Review the partnership agreement between CMHC, ISC and AFN which established the national allocation methodology; • Engage with key stakeholders to update allocation formulas for CMHC’s On-Reserve Residential Rehabilitation Assistance Program (RRAP) and the Section 95 Program and ensure these formulas use the most recent census data; and, • Subject to these engagements, develop an action plan to implement changes to the funding allocation methodology. <p>In addition, within the context of the work to explore policy options with First Nations on the transfer of care and control for on-reserve housing, CMHC will consider further options for revised funding allocation processes.</p>
<p>2.39 Indigenous Services Canada and the Canada Mortgage and Housing Corporation should work with the First Nations communities with the poorest housing conditions to ensure that they receive the support they need to improve housing conditions.</p>	<p>Indigenous Services Canada’s response. Partially agreed. The Department agrees that funding should be proportionate with need. However, given the diversity and scale of needs, supports to all First Nations should be predicated on factors that consider housing conditions as well as other factors (e.g., community well-being index, population, remoteness, supply chain and labour market availability), which are, and will continue to be, considered in ISC’s funding methodologies.</p> <p>ISC’s regional offices work, and will continue to work, closely with First Nation communities to provide supports to address First Nation housing plans and priorities, commensurate with available funding.</p> <p>In some regions, ISC has established funding frameworks with First Nation partners or approved funding proposals for the remainder of the Budget 2022 funding envelope (i.e., through March 31, 2027). While the Department can discuss regional funding methodologies with partners, it will ultimately respect the decisions made to date by First Nation partners and their representative institutions.</p>

Recommendation	Response
<p>2.46 Indigenous Services Canada and the Canada Mortgage and Housing Corporation, in collaboration with First Nations communities, should identify the First Nations communities most in need of capacity funding and ensure they receive the funding to have sustained capacity to manage housing.</p>	<p>The Canada Mortgage and Housing Corporation’s response. Partially agreed. There are many factors involved in the determination of program funding allocations, an essential one being the funding criteria prioritized by First Nations and their respective institutions. Housing need is important and is not the only determining factor for funding. Current CMHC program processes and regional funding allocation methodologies vary across the country because they are informed by established First Nations processes and priorities. These priorities may include housing need and other factors they deem to be important, such as equitable funding distribution. CMHC will continue discussions on funding methodologies to support a needs-based approach for regional funding distributions but will not dictate priorities to First Nations and will respect the decisions they make.</p> <p>By December 31st, 2025, CMHC will engage First Nation partners to:</p> <ul style="list-style-type: none"> • Explore the feasibility of expanding a needs-based, First Nation-led approach nationally; • Consider, with partners, how to target support to communities with the poorest housing conditions for improved program access; and, • Revisit both application and funding processes. <p>Subject to this engagement, we will work with key partners to develop an action plan to implement any agreed-upon approach(es).</p> <p>Indigenous Services Canada’s response. Agreed. Recognizing the critical work of housing managers on-reserve, Budget 2022 dedicated \$223 million over five years, to support this priority, including \$157 million for a Housing Management Subsidy.</p> <p>In 2022, ISC engaged First Nation partners to develop an allocation methodology for the Housing Management Subsidy, which aims to address the most significant challenges communities face. This is further reinforced by regional flexibility to adjust funding amounts, depending on communities’ needs and other preferences.</p> <p>By March 31, 2027, ISC will:</p> <ul style="list-style-type: none"> • track progress on housing management capacity and, with partners, determine if adjustments to the allocation methodology are needed; • collaborate with First Nation housing organizations to support effective housing management; and, • ensure that funding is flowed in a timely manner so that First Nations partners can utilize the funding during their construction season.

Recommendation	Response
<p>2.47 Indigenous Services Canada and the Canada Mortgage and Housing Corporation, in collaboration with First Nations, should review the structure and delivery of their housing programs to streamline the application process to simplify and facilitate access to funding.</p>	<p>In some regions, ISC has developed capacity enhancement funding frameworks for the remainder of the Budget 2022 funding envelope (i.e., through March 31, 2027) with First Nation partners. While the Department can discuss funding methodologies with partners, it will ultimately respect the decisions made to date by First Nation partners and their representative institutions.</p> <p>The Canada Mortgage and Housing Corporation’s response. Agreed. Through CMHC’s Indigenous Skills and Training Program (IST), First Nations organizations can apply for funding in support of their capacity development needs to manage housing. As with our other programs, through the application process, First Nations determine the scope of their housing-related needs.</p> <p>By December 31st, 2025, CMHC will:</p> <ul style="list-style-type: none"> • Leverage existing data and explore opportunities to identify those communities in greatest need of targeted capacity development support; <p>Furthermore, in 2024, CMHC will:</p> <ul style="list-style-type: none"> • Through the updated Memorandum of Understanding with ISC, seek to share information related to capacity and skills training initiatives with the aim of offering complementary capacity development funding; and, • As part of the Assistant Deputy Minister-level committee that is being established, CMHC will include capacity needs as part of the terms of reference and as a standing item on the agenda. <p>With respect to skills and capacity development for First Nations communities, CMHC will take an approach informed by reconciliation and will be guided by the goals and actions outlined in the “skills and capacity” section (6.12) in the First Nations National Housing and Related Infrastructure Strategy.</p> <p>Indigenous Services Canada’s response. Agreed. The department acknowledges that the success of a First Nation’s housing program relies on skilled housing managers who can not only navigate applications to various federal housing programs but also develop long-term planning and housing strategies for their communities.</p> <p>Based on available funding, Indigenous Services Canada will continue to subsidize housing manager positions and continue to support First Nations organizations, such as the First Nations Housing Professional Association (FNHPA), which has developed a rigorous training program and provides certification for housing managers.</p>

Recommendation	Response
<p>2.51 Indigenous Services Canada and the Canada Mortgage and Housing Corporation should obtain assurance that all federally funded housing in First Nations communities meets the National Building Code of Canada or a stricter code. If building code deficiencies are identified, the department and the corporation should support First Nations to address them.</p>	<p>While the Department and Corporation collaborate and share information, a formal mechanism will be established to ensure that programming, approaches and communications are aligned to the greatest extent possible to facilitate First Nations access to funding.</p> <p>By September 30, 2024:</p> <p>ISC and CMHC will establish an Assistant Deputy Minister-level committee and refresh the ISC/CHMC Memorandum of Understanding for information sharing, policy responses, and program delivery.</p> <p>The Canada Mortgage and Housing Corporation’s response. Agreed. CMHC will continue to review the structure and delivery of our housing programs in collaboration with key partners, with the aim of reducing administrative burden and aligning with the spirit of reconciliation.</p> <p>Actions are in place to, by 2025:</p> <ul style="list-style-type: none"> • Revise Section 95 and Renovation Program guidelines to make the programs simpler and more flexible to align with First Nation priorities; • Simplify the on-line CMHC Portal application process; and, • Streamline and merge seven unique Renovation Programs offered on-reserve into one universal program to support efficiency for First Nations and implementation by CMHC. <p>Additionally, beginning in 2024, CMHC will:</p> <ul style="list-style-type: none"> • Through the updated and enhanced Memorandum of Understanding and as part of the Assistant Deputy Minister-level committee mandate, collaborate with ISC to align funding where appropriate and seek efficiency and effectiveness in program delivery. <p>Indigenous Services Canada’s response. Agreed. ISC recognizes that building codes help protect the health and safety of occupants, while assisting with the longevity of built homes. It is important to note that First Nation communities manage community-level housing and are the authority having jurisdiction over building code compliance. Further, building code compliance is a preexisting condition of funding under ISC’s housing program.</p> <p>It should be noted that the audit period (2018-19 to 2022-23) ran concurrent to a global pandemic, which had an impact on communities’ ability to have homes inspected which may have resulted in inspection delays.</p> <p>ISC’s housing programming currently includes a requirement for building code compliance and ISC remains committed to working with First Nations in the management of their housing affairs.</p>

Recommendation	Response
<p>2.60 Indigenous Services Canada, in collaboration with First Nations, should finalize the overarching policy framework for the transfer of departmental responsibilities to First Nations to ensure that a consistent approach is applied to the transfer.</p>	<p>By March 31, 2027, ISC will:</p> <ul style="list-style-type: none"> • as part of systems improvement processes, will explore how to better track and monitor compliance through established reporting processes, so as not to increase administrative burden on First Nations; and, • support First Nation organizations that provide technical services and provide resources to support First Nations in ensuring compliance. <p>The Canada Mortgage and Housing Corporation’s response. Agreed. CMHC recognizes that building codes help protect the health and safety of occupants, while assisting with the longevity of built homes. It is important to note that First Nations communities are the authority having jurisdiction over and are responsible for ensuring building code compliance.</p> <p>As noted in this audit report, CMHC has a well-established process for obtaining assurance and written confirmation of code compliance for the Section 95 program. Additionally, CMHC has program parameters and delivery processes using third party inspection service providers that require code compliance for major repairs under the Residential Rehabilitation Assistance Program (RRAP). In 2024, CMHC will ask First Nations for a documented confirmation of building code compliance, specific to applicable repair work undertaken through the RRAP, in a manner that minimizes the administrative burden and cost to First Nations. Through existing programming, CMHC will continue to support First Nations in addressing building code compliance as part of their portfolio management.</p> <p>This work must be balanced with the consideration that processes are determined through engagement with First Nations.</p> <p>Indigenous Services Canada’s response. Agreed. The <i>Department of Indigenous Services Act (2019)</i> commits to “give effect to the gradual transfer to Indigenous organizations of departmental responsibilities with respect to the development and provision of those services.”</p> <p>As stated in the action plan on the United Nations Declaration on the <i>Rights of Indigenous Peoples Act</i>, ISC is committed to “[engaging] with partners on the co-development of a Service Transfer Policy Framework. The purpose of the Framework would be to jointly advance the transfer of responsibility for the design, delivery and management of services from Indigenous Services Canada to Indigenous partners.</p>

