



Alberta Health

Pure North Grants

February 2018

About This Audit

On May 5, 2017 we were asked by an MLA to investigate the granting process and merits of grants awarded to Pure North S'Energy Foundation (Pure North). We indicated we would examine these grants to assess whether the Department of Health followed its granting processes.

In December 2013, the department awarded a \$10 million grant to Pure North to increase enrolment in its seniors' wellness and prevention outreach program. The program included nutritional supplementation and lifestyle advice for participants. The department also awarded \$4.2 million to Pure North in October 2016 to support a primary care clinic led by nurse practitioners.¹ The clinic was part of the department's pilot initiative to expand the role of nurse practitioners in the province.

Audit Objective and Scope

Our objective was to assess the adequacy of the Department of Health's grant processes² to award the \$10 million grant to Pure North in December 2013 and the \$4.2 million grant in October 2016. This review included examining the department's processes around conflict of interest and determining whether those processes were followed. We did not audit the rationale for awarding the grants, such as the medical merits of the programs.

We developed our criteria for this audit based on the Department of Health's responsibilities and applicable legislation. Management of the department agreed that our criteria were suitable.

Audit Responsibilities

Management of the Department of Health is responsible for awarding grants in accordance with grant policies. Our responsibility is to express an independent conclusion on whether the Department of Health has adequate grant processes and followed these to award grants to Pure North.

We conducted our audit in accordance with Canadian Standard on Assurance Engagements 3001 issued by the Auditing and Assurance Standards Board (Canada). The Office of the Auditor General applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. The Office complies with the independence and other ethical requirements of the Chartered Professional Accountants of Alberta Rules of Professional Conduct, which are founded on fundamental principles of integrity and due care, objectivity, professional competence, confidentiality and professional behaviour.

¹ Nurse practitioners are registered nurses (RNs) with extra knowledge and skills. They are trained to assess, diagnose and treat patients, order diagnostic tests, prescribe medications, make referrals to specialists and manage overall care. Nurse practitioners work closely with physicians and other health professionals as part of a team.

² Including, for example, compliance with legislation and policy and monitoring against grant program objectives.

What We Examined

In this audit we examined:

- the department's policies and procedures for its granting process
- the department's policies and procedures on conflicts of interest
- the grant agreements for the 2013 and 2016 Pure North grants
- documentation created by the department to support entering into and monitoring the Pure North grant agreements
- required reporting to the department from Pure North

We conducted our field work between July and October 2017.

Conclusion

Because of the significance of the findings described below, we conclude that the Department of Health did not follow its grant processes to award the 2013 grant to Pure North. The department did follow its grant processes to award the 2016 grant to Pure North.

We also conclude that the department's processes around conflict of interest need improvement.

Why This Conclusion Matters to Albertans

Albertans expect government to adhere to the highest ethical standards. If department grant processes are not followed, public resources could be wasted and program objectives not achieved.

Findings and Recommendations

Context

Albertans expect government employees to be objective and conduct their duties with impartiality. To retain that objectivity, employees have to be aware of any potential conflicts of interest they may have and act accordingly—for example, by withdrawing themselves from decisions affected by a potential conflict.

It is important that departments have strong conflict of interest policies. These policies define the rules and requirements when a possible conflict exists and how to manage it.

Department staff must follow the department's grant policy when awarding grants. This policy is consistent with the responsibilities and requirements outlined in various pieces of legislation. For example, the *Health Grant Regulation* gives the Minister of Health the legislative authority to award grants. The department's grant procedures document contains supplemental information to support the policy. The policy and procedures documents are updated periodically.

The department routinely receives requests from external organizations for grant funding. If an idea has merit—for example, if it could lead to an innovation in the healthcare sector or reduce healthcare costs—the department may decide to fund it through a grant agreement with the external organization. The department evaluates the request and ensures that any grant awarded falls within the department's mandate.

The department's policy states that a grant, once awarded, should be monitored to ensure monies are being spent in accordance with the grant terms. Effective monitoring occurs best when proper performance measures or metrics are defined and used in the grant agreement. These measures need to be specific so that the department can assess performance.

Criteria: the standards of performance and control

Criteria	2013 grant	2016 grant
Criterion 1—To determine whether conflict of interest policies were followed. The department should:		
• have a policy (or policies) ³ on conflict of interest	Met	Met
• provide training on the conflict of interest policy	Met	Met
• monitor adherence to the conflict of interest policy	Not met	Not met
Criterion 2—To determine whether the grants paid to Pure North followed the department's granting process. The department should:		
• provide grants only for programs within the Minister of Health's mandate	Met	Met
• approve grants in accordance with the department's grant policy	Not met	Met
Criterion 3—To determine whether the department monitors grants to ensure the goal of the department's program has been achieved. The department should:		
• develop relevant and reliable performance measures and targets	Not met	Met
• continuously monitor the grants to ensure money is being spent in accordance with the grant terms	Met	Met
• assess whether the grant agreement achieved its intended purpose	Met	N/A ⁴

Our audit findings—2013 Pure North grant agreement

Key Findings

- The department did not follow its grant policy when it awarded the 2013 grant to Pure North.
- The department did not establish appropriate performance measures and reporting requirements in the grant agreement.

Grant initiation

The department received multiple proposals from Pure North in 2012 and 2013 to fund its seniors' wellness program. This program focused on prevention and was targeted toward vulnerable populations, such as seniors. Pure North claimed that its program, which included providing vitamin D, would save the healthcare system money. For example, Pure North asserted that emergency room visits would decline because participants would be in better health after participating in its program.

³ At a minimum, consistent with the requirements of Government of Alberta policy.

⁴ The nurse practitioner pilot project was not completed due to early termination of the grant agreement.

Department staff had concerns about funding this program. In particular, they concluded there was insufficient scientific evidence to support the program, especially around vitamin D supplementation. The department refused multiple times in 2012 and 2013 to fund the Pure North seniors' wellness program because of these concerns.

However, department staff realized the potential in cost savings if the program were as successful as Pure North was asserting. It continued to discuss the program with Pure North and proposed a grant agreement, dated October 28, 2013, that would obtain the scientific evidence the department determined was missing. This proposed grant agreement had specific research deliverables and was structured so that Pure North would be paid over the term of the agreement.

The proposed grant agreement was changed in mid-December 2013. In an email to staff, the then deputy minister stated that the then minister wanted the grant agreement to "stipulate that the monies are to support increasing enrolment of seniors in their health care programs." This direction changed the purpose of the grant—it was no longer for research. This new agreement, with an effective date of December 23, 2013, no longer required research ethics screening or oversight, and did not require specific research deliverables. Also, the payment structure changed so that Pure North received all \$10 million immediately. So the original purpose of the grant—to obtain research to support the benefits of the program—was negated.

The department's legal team reviewed the revised grant agreement on December 18, 2013 and in their advisory capacity noted concerns with the grant deliverables and funding arrangements as outlined in the grant agreement. The department's finance team review also identified the same concerns. Despite these concerns, the grant agreement was sent to Pure North to sign. The grant agreement was fully executed on December 20, 2013.

The department's grant policy requires the deputy minister to sign any grant agreement more than \$1 million. The \$10 million Pure North grant was signed by the chief strategy officer, a position not listed in the grant policy. It is not clear whether this individual had the signing authority to execute the grant agreement on behalf of the department.

We noted other deviations from the department's grant policy:

- the grant agreement did not include a budget that was "outlined in sufficient detail and reasonable"
- a briefing note template containing the "purpose, deliverables and rationale for providing grant funding" was not updated for the changes to the grant agreement

Overall, the department did not follow its processes in awarding the 2013 grant to Pure North.

Grant performance measures and monitoring

When the requirement for research deliverables in the grant agreement was dropped, the reporting that Pure North had to submit to the department also changed. We reviewed the reporting requirements and concluded they were vague and would not allow the department to determine if the program was successful. The department's legal and finance team reviews both also advised that the deliverables were vague and that there was no certainty on what the program was expected to achieve.

The department did monitor the Pure North grant—for example, by following up with Pure North if it was late submitting its quarterly report. This quarterly report included financial information as well as the other information Pure North was required to provide, such as a progress report on activities during the quarter. However, the usefulness of this monitoring is questionable, as the reporting requirements were poorly designed.

After the grant agreement expired, Pure North requested additional funding from the department to continue the wellness program. The department obtained independent assessments of the program and, after evaluating them, determined there was still not sufficient evidence to support the merits of the program. The department declined all future requests to fund the seniors' wellness program.

Our audit findings—2016 Pure North grant agreement

Key Findings

- The department followed its grant policy when it awarded the 2016 grant to Pure North.
- The department does not have a central process to manage potential conflicts of interest once they have been disclosed.
- It was only after the former deputy minister signed the Pure North grant agreement that he disclosed he had a potential conflict of interest.
- The department's supplementary code is not clear on the disclosure responsibilities of a deputy minister.
- The department terminated the 2016 Pure North grant early without cause in accordance with the terms of the grant agreement.

Grant initiation

Although the department decided to no longer fund the seniors' wellness program after the 2013 grant agreement expired, it did not rule out working with Pure North on future projects. One such project was a pilot program using nurse practitioners to treat vulnerable populations. Alberta does not use nurse practitioners as much as other jurisdictions, and potential cost savings, as well as improvements in access to primary care, could result by making more use of them.

The department prepared guidelines for the project and asked Pure North, as well as three other clinics, to participate. The Pure North proposal was evaluated, and department staff concluded that the proposal was suitable. A grant was awarded to Pure North in October 2016 for \$4.2 million, payable over three years.

We tested the grant against the department's grant policy and concluded that the department followed its processes to award the 2016 grant to Pure North.

Conflict of interest policies, training, and managing conflicts

The department has conflict of interest policies that all employees must follow. One of them is the Government of Alberta's Code of Conduct and Ethics policy,⁵ which outlines the expectation that public service employees act with impartiality and integrity. The department also has a supplementary code to provide further guidance and hypothetical examples that employees can use to help them determine if they have a potential conflict of interest.

⁵ <http://www.pao.gov.ab.ca/Employees/?file=legreg/code/titlepage&cf=2>.

The department provides training on the conflict of interest policies for employees upon commencement. However, there is no requirement for employees to take a refresher course—annually, for example.

The policies require department staff to disclose all instances of real or apparent conflicts of interest to their immediate manager as early as possible. Any disclosed conflicts are maintained in the employee's employment file, which is stored with human resources. The employee's manager is responsible for reviewing and managing any conflict the employee may have. The department does not have a central process to manage conflicts once they are disclosed.

It should be noted that the above processes under this sub-heading were applicable to the 2013 Pure North grant as well.

Department processes applicable to the deputy minister

Deputy ministers are classified as designated office holders under the *Public Service Act* and are required to submit personal and financial information to the provincial ethics commissioner. It is not the ethics commissioner's role to manage operational conflicts at departments. The ethics commissioner is responsible for investigating any breach of the *Conflicts of Interest Act* by designated office holders.

Disclosures that a deputy minister makes to the ethics commissioner are separate from any disclosure made within department processes. These processes are necessary to manage potential conflicts or biases impacting decisions made at a department. If potential conflicts are not disclosed within a department, department staff will not be aware there is a potential conflict to manage.

An alleged potential conflict or bias resulting from the former deputy minister's past association with Pure North was publicly reported by the media. When the former deputy minister, Dr. Carl Amrhein, joined the department in 2015, he disclosed to the ethics commissioner his prior association with Pure North. This included being a participant in the wellness program and signing a letter dated July 25, 2014 that supported the research being done at the University of Alberta and funded by Pure North. He did not disclose this potential conflict of interest through the department's processes until March 2017, which was after he signed the nurse practitioner grant agreement with Pure North on October 28, 2016.

In her September 18, 2017 report,⁶ the ethics commissioner concluded that Dr. Amrhein did not have a conflict of interest when he signed the Pure North grant agreement. However, she stated that "perception is important and there was a perception created in this case, not necessarily by his acts but by the view of others of it" and "the problem when ascertaining a perceived conflict of interest is that perception is an individual opinion and perceptions vary widely."

The ethics commissioner noted that the department's supplementary code is not clear when it comes to the disclosure requirements of a deputy minister. We reviewed the code as well and came to the same conclusion. In our view, processes should require a deputy to disclose potential conflicts at the department level so that any risks can be proactively managed or mitigated.

⁶ <https://open.alberta.ca/publications/report-of-ethics-commissioner-2017-09-15>.

Based on our review of processes and the application of those processes within the Department of Health, we did not find any evidence that Dr. Amrhein influenced the awarding of this grant. However, the department should improve its supplementary code to make it clear that disclosing a potential conflict to the ethics commissioner does not discharge the responsibility to disclose to the department.

Grant performance measures and monitoring

We reviewed the 2016 Pure North grant agreement and noted it had 19 individual performance measures that had to be reported quarterly to the department. We concluded that the measures were detailed and reasonable in the context of evaluating the effectiveness of using nurse practitioners in primary care. Other improvements over the 2013 grant included creating a detailed budget and not paying the entire grant amount up front.

The department terminated the nurse practitioner grant without cause effective August 10, 2017, which was permitted in the grant agreement. Only \$1.45 million of the \$4.2 million total was paid to Pure North.

Recommendation

RECOMMENDATION:

Improve conflict of interest processes

We recommend that the department improve its conflict of interest processes by:

- improving the supplementary code to clearly outline the disclosure requirements of the deputy minister
- centrally managing conflicts in the department to ensure adherence to the conflict of interest policies
- providing advice to department staff on conflict of interest matters when necessary

The department may benefit from formally designating one or more individuals to provide advice within the department when potential conflicts of interest arise.

Consequences of not taking action

The department could suffer significant reputational damage if Albertans believe grant awards are influenced by potential conflicts of interest.

Appendix A

Timeline of key events

2013 Pure North grant

Date	Event
August 2012	Pure North hosted a workshop with government officials to discuss Pure North’s seniors’ wellness program.
Early-to-mid 2013	Pure North repeatedly asked for government funding of the seniors’ wellness program. The department identified concerns with the program and declined funding.
August 2013	Pure North continued to request funding. The department intended to award a research grant to Pure North to gather the scientific evidence that the department believed was missing.
Mid-December 2013	The proposed grant agreement was significantly changed before it was signed and all research requirements were removed. This change was based on an email from Deputy Minister Janet Davidson, who stated that the Minister of Health, Fred Horne, wanted the purpose of the grant to be increasing enrolment in the seniors’ wellness program.
December 19, 2013	The department sent the revised grant agreement to Pure North to sign and the contract was executed.
July 25, 2014	University of Alberta Provost and VP (Academic) Carl Amrhein signed a letter supporting the research that Pure North was doing and the funding it was providing to the university.
March 31, 2015	The Pure North grant agreement for the seniors’ wellness program expired.
May to August 2015	Pure North asked for more funding for the seniors’ wellness program. The department declined all further requests to fund this program, as it concluded there was still insufficient scientific evidence to determine the effectiveness of the program.

2016 Pure North grant

Date	Event
August 4, 2015	Carl Amrhein became deputy minister of the Department of Health.
January 2016	Initial meetings between Pure North and the department occurred regarding a potential nurse practitioner pilot project.
June 2016	Pure North submitted a proposal to participate in the nurse practitioner pilot project.
October 2016	The grant agreement was signed by Deputy Minister Carl Amrhein.
March 2017	Carl Amrhein made a disclosure to department staff stating that he had a possible conflict of interest with Pure North.
July 11, 2017	The department sent Pure North a letter stating that the nurse practitioner grant agreement had been terminated, effective August 10, 2017.