

Global Centre for Pluralism

Performance Audit Report

FINAL

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ACRONYMS

AKDN	Aga Khan Development Network
AKFC	Aga Khan Foundation Canada
Centre	Global Centre for Pluralism
DFATD	Department of Foreign Affairs, Trade and Development (Canada)
GCP	Global Centre for Pluralism
GoC	Government of Canada
IDRC	International Development Research Centre
UNESCO	United Nations Educational, Scientific and Cultural Organization
ODA	Official Development Assistance

EXECUTIVE SUMMARY

The Global Centre for Pluralism (Centre) is an independent, not-for-profit international research and education centre located in Ottawa, Canada. The Centre works in partnership with the Government of Canada (GoC) to advance respect for diversity worldwide, believing that openness and understanding toward the cultures, social structures, values and faiths of other peoples are essential to the survival of an interdependent world.

The Centre was founded by two partners, His Highness the Aga Khan and the Government of Canada. It was founded in 2006 following the signature of a Funding Agreement between both founding partners.

The Funding Agreement (Section 6.20) between the Government of Canada and the Global Centre for Pluralism (Centre) requires the Centre to carry out an independent external evaluation of its activities and projects at least once every five years to measure the overall performance of the Centre in achieving the outcomes set out in the Funding Agreement. The Agreement also requires (Section 6.21) the Centre to carry out an independent performance (value-for-money) audit to assess the economy, efficiency and effectiveness with which the Fund has been used.

The Centre engaged Interis | BDO to conduct the independent Performance (Value-for-Money) Audit as well as the independent external evaluation of the Global Centre for Pluralism (Centre). The results of evaluation are described in a separate report.

Strengths

Since its inception, the Centre has adopted the internal policies from the Aga Khan Foundation Canada (AKFC). This has allowed it to complete its start-up phase with established internal controls. The Centre has a strong governance structure that fully supports and regularly reviews financial and administrative policies. The oversight exercised by the Board ensures that the Centre's programs and activities are designed and delivered with due regard for economy, efficiency and effectiveness. During the period under review the Centre has met its objective of defining a clear strategic vision to guide its programs and activities.

Opportunities for Improvement

Overall the Centre is operating effectively. However, some opportunities for improvements were identified during the performance audit. The audit found that program, activity and operational planning was successfully done each year, using a one-year cycle for the start-up phase of the Centre. The audit found that considering the steady growth of the organization, going forward multi-year planning should be implemented. Moreover, one part of the By-Laws should be revised to accurately reflect the restrictions on borrowing set out in the Funding Agreement.

The audit has noted several opportunities for improvement:

- The Centre has not developed a multi-year plan to guide program planning.
- The progress of the Centre's growth is restrained by the amount of resources available.

Based on the findings of the audit, we are making two recommendations:

1. We recommend that the Centre develop a multi-year plan to supplement the current annual plan. This longer planning timeframe recognizes time needed for engagement with potential partners on new initiatives.
2. We recommend that the Centre continue to explore additional sources of funding to support growth for new initiatives and programs as well as support its internal operations to deliver on their mandate.

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1.0 INTRODUCTION

Interis | BDO Consulting was engaged to prepare an evaluation and a performance audit of the Global Centre for Pluralism (GCP), focused on the period 2012 to 2016. This is the performance audit report. The evaluation results are reported in a separate report.

1.1 Audit Objectives

The objectives of the audit were to assess the performance (value-for-money) and management control frameworks to ensure that:

- The Centre has appropriate controls, including governance, financial management and administrative policies that support the effective management of the organization's resources in the achievement of planned results
- The strategic vision is well defined and that the Centre's programs and activities support the realization of the strategic vision
- The Centre's programs are designed and delivered with due regard to the principles of economy, efficiency and effectiveness

1.2 Audit Scope

The scope of the audit addressed programs, activities and operations between 2012 and 2016 within the Global Centre for Pluralism (GCP or the Centre). The performance audit reviewed the following three issues:

1. Does the Centre have appropriate controls, including governance, financial management and administrative policies in place?
2. Is the Centre's strategic vision well defined? Do the Centre's programs and activities support the realization of the strategic vision?
3. Are the Centre's programs designed and delivered with due regard to the principles of economy, efficiency and effectiveness?

1.3 Audit Methodology

Interis | BDO uses a standard audit methodology, based on professional standards that are in compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. Our approach to each of the planning, fieldwork, and reporting phases is summarized in Appendix A.

The audit fieldwork was conducted between September and October 2017 and consisted of:

- Documentation and literature review;
- In-person and phone interviews with internal and external stakeholders; and
- Analytical testing of controls identified in the documentation as well as at the Centre.

1.4 Audit Conclusion

The Centre's programs and activities are operating effectively. However, some opportunities for improvements were identified during the performance audit. The audit found that program, activity and operational planning was successfully done over a one-year cycle for the start-up phase of the Centre but with the growth of the organization, going forward multi-year planning should be implemented.

1.5 Audit Findings Assessment

For each criterion that comprises the Audit Program, findings and observations were identified and assessed against a four-point rating scale, backed by a substantiation document. These criteria and the rating scale can be found in Appendix A. The results of this assessment are presented in Appendix B.

2.0 BACKGROUND

Overview of the Global Centre for Pluralism

Founded by His Highness the Aga Khan in partnership with the Government of Canada (GoC), the Global Centre for Pluralism (GCP) is an independent, charitable organization. Inspired by Canada's experience as a diverse and inclusive country, GCP was created to advance positive responses to the challenge of living peacefully and productively together in diverse societies.

GCP is governed by a Board of Directors composed of distinguished Canadian and international leaders.

The Centre received letters patent in March 2004 and in October 2006, a funding agreement (FA) was signed with the GoC. Under the FA, the GoC provided a grant of \$30 million and His Highness the Aga Khan, through the Aga Khan Development Network (AKDN), provided \$10 million to constitute a joint endowment fund of \$40 million. In addition, His Highness agreed to spend at least \$20 million renovating the former Canadian War Museum as the Centre's international headquarters. According to the 2016 Annual Report, the balance of the Endowment Fund at the end of 2016 was \$62.7 million. The Fund is invested pursuant to an investment policy objective to generate a total annual real return of 4 percent of the Endowment on average over the long-term, before investment management fees, to support operations.

Recognizing the value of the GCP mission and results, and the alignment with GoC Official Development Assistance and GoC's commitment to supporting the implementation of the 2030 Agenda for Sustainable Development, in August 2016, GoC provided an additional grant of \$15 million to GCP, payable over two fiscal years. The purpose of the grant was to provide institutional support for the GCP initiatives to support the advancement of stable, prosperous, inclusive (pluralistic) societies in selected Official Development Assistance (ODA) eligible countries of the developing world.

In response to a need to understand pluralism in the world and promote it through engaged scholarship, the GCP aims to answer the following questions:

- Why do some diverse societies thrive while others fragment or fracture?
- Why do some societies pivot between inclusion and exclusion, either improving or deteriorating?
- What value does pluralism add to existing understandings of diversity and vice versa?

The primary programs of the GCP during the period under evaluation were:

1. Kenya country program
2. Kyrgyzstan country program
3. Public Affairs
4. Education for Pluralism Program
5. Global Analysis Program
6. Pluralism Award Program

Over the period of focus for this performance audit and evaluation, the Centre's work has included:

- Conducting and commissioning research aimed at defining pluralism; examining how countries have changed their approaches to diversity; planning and delivering events, workshops and seminars with experts to deepen understanding of pluralism;
- Identifying experts in the field of pluralism and related fields;
- Publishing papers and case studies describing aspects of pluralism¹ and considering the intersections between pluralism and other lenses on diversity such as social cohesion, human rights, peacebuilding and international development;
- Publishing a set of case studies² focused on moments of change in diverse societies when the approach to diversity became either more pluralistic or more exclusionary; supporting the preparation of educational tools to help teach the values underpinning pluralism;
- Organizing and delivering the Annual Pluralism Lecture, featuring international leaders who have dedicated their lives to advancing respect for diversity;
- Creating and designing, for launch in 2017, the Global Pluralism Award, a bi-annual award that celebrates extraordinary examples of pluralism in action (The Pluralism Annual Award recognizes individuals and organizations working to promote more diverse, inclusive societies around the world. Three award winners are selected bi-annually by an independent, international jury, chaired by the Rt. Hon. Joe Clark, former Prime Minister of Canada. Each recipient is awarded \$50,000 CAD to further their work in support of pluralism);
- On completion of renovations at 330 Sussex Drive, moving operations to its new permanent location, and opening the new location in May, 2017; and,
- Implementing a number of events globally with partners.

¹ GCP's Pluralism Papers series launched in January 2012. The papers can be accessed at: <http://www.pluralism.ca/en/resources/pluralismpapers.html>.

² GCP's Accounting for Change in Diverse Societies series of publications focused on six world regions, each "change case" examines a specific moment in time when a country altered its approach to diversity, either expanding or eroding the foundations of inclusive citizenship. The papers can be accessed at: <http://www.pluralism.ca/en/resources/accounting-for-change-in-diverse-societies.html>

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Introduction

This section presents detailed findings from the Performance Audit of the Centre. Findings are based on the evidence and analysis from both our initial risk analysis and the detailed audit conduct.

3.2 Strengths

Establishing and Reviewing Internal Controls

Appropriate internal controls, including governance, financial management and administrative policies have been established, are documented, and are being followed.

Controls and policies have been reviewed and updated to align to the current operating environment as outlined in the most recent corporate plan.

It is clear that Board Members and management have considered the establishment of effective and efficient internal controls to be key in managing the Centre. The various policies adopted and reviewed by the Board in recent years demonstrate the genuine interest the Board is showing towards the long-term longevity of the Centre. Considering the significant financial contribution of His Highness through the AKFC and of the GoC to create the endowment fund, the Board has established policies and procedures that are designed to manage risk and to ensure the safeguarding of the endowment for the long-term. These policies are reviewed by the respective Board sub-committee at least yearly to ensure the alignment to the updated directions and priorities of the Centre; and to ensure compliance with the requirements in the initial Funding Agreement.

The two key financial policies of the Centre (*Statement of Investment Policy* and *Statement of Spending Policy*) are overseen by the Investment Management sub-committee of the Board that meets regularly and are regularly reviewed and updated to reflect recent changes in the Centre's direction. Through testing of transactions it was determined that spending policies were being followed and that the Endowment Fund was invested within the asset allocation limits and other requirements of the Centre's Board-approved *Statement of Investment Policy*.

From a financial perspective the Centre initially adopted the financial policies of the AKFC which is a more mature organization. This allowed the Centre to build a strong internal control mechanism while focusing on the start-up phase of its growth. The financial services offered by the AKFC are in-kind services that are not covered by the Shared Services Agreement between the two organizations. With the growth of the Centre over the past 5 years, a finance manager was hired, on a term contract, as part of the organization's staff. The Centre is considering the transfer of the finance function from AKFC to facilitate financial management processes. If this change becomes fully effective, the reinforcement of strong policies will be important to retain along with the transfer of financial knowledge related to Board interactions.

Definition of the Strategic Vision

The Centre has a well-defined strategic vision to align its programs and activities with.

One of the Centre's main goals for the period under review was to refine its vision, therefore since 2012 the definition of the strategic vision has been an iterative and emergent process. The Centre now has a well-defined strategic vision that provides broad guidance to align its programs and activities with.

The Centre has defined its strategic vision as:

“a world where human differences are valued and diverse societies thrive.”

The 2016 and 2017 Corporate Plans clearly highlight this vision. This ensures that internal and external stakeholders are made aware of what guides the programs and activities as well as the decision-making reasoning of the Centre's operations.

Program Delivery and Oversight

Appropriate Board and management oversight is in place over investment and spending policies as well as budgetary controls.

The Board and management of the Centre exercise appropriate oversight over spending and investment policies as well as program-activity expenditures. They also ensure that budgetary controls are in place and are being followed. Everyone involved with the Centre, from staff to Board members, including external stakeholders agree that principles of economy, efficiency and effectiveness are followed when designing and delivering programs, activities, and events. Significant results have been achieved for relatively limited and modest resources invested.

3.3 Opportunities for Improvement

Although the audit found management controls to be operating as expected, there were two areas in which it was determined that the Centre could improve its practices and procedures.

Finding 1: The Centre has not developed a Multi-year plan to guide program planning.

Multi-year planning will help the Centre to establish its strategic outcomes and the indicators to assess progress against the stated outcomes.

The Centre has been publishing the required corporate documents (Corporate Plans and Annual Reports) yearly as specified in the Funding Agreement. The corporate plan clearly highlights the Centre's plans, priorities and projected outcomes for the subsequent year, however there is no further planning highlighted. There is no multi-year plan included in the latest corporate plan, therefore providing no detailed indications for stakeholders of the Centre's intentions after the one year mentioned in the corporate plan.

In addition to the one-year Corporate Plan, the multi-year plan would be advantageous as the Centre moves into the next phase of its operations. Thinking through the next multi-year phase in more detail would facilitate identification and engagement of partners on longer term projects and initiatives.

Recommendation 1:

We recommend that the Centre develop a multi-year plan that would allow them to plan longer term initiatives in greater detail, and facilitate identification and engagement of potential partners for longer term projects and initiatives.

Finding 2: The progress of the Centre's growth is restrained by the amount of resources available.

Additional diversified sources of funding could enhance the Centre's capacity to deliver on its mandate.

The Centre is following a strict spending rule that allocates a specific amount of money to be spent on advancing the mandate every year. The budget allocated by the spending rule approximately adds up to an amount slightly below 4% of the value of the Endowment Fund.³ The audit found the Centre complies with its spending authority. However, the Centre has grown during the period under review and the yearly budget provided by the spending rule may become a limiting factor in responding to potential opportunities. Considering the Funding Agreement requirement to capitalize the endowment fund in perpetuity the

³ The spending rule is based on the value of the Endowment Fund as well as the Centre's previous year budget.

Centre should not withdraw more than the spending rule to ensure the return covers at least all of the operational expenditures.

It would be in the best interest of the Centre to explore additional different sources of funding that would allow the Centre to grow its programming and initiatives. The allocation of an additional \$15M grant by the GoC is most welcome and valued, but for the next phase of its development, the Centre should look for additional financial partners and/or sponsors for specific projects and initiatives to permit growth upon the foundation which has been put into place. The Board took the decision to add the money received from the additional grant from the GoC to the Endowment Fund, thus allowing the Centre to slightly increase its annual budget for future years.

In November 2016, the Board approved an annual budget of \$3.79M for 2017 (including an additional special draw from the Endowment Fund). Timely reporting to inform staff members of the progress of actual compared with planned expenditures (and therefore available budget for the remainder of the fiscal-year) is important.

Recommendation 2:

We recommend that the Centre continue to explore additional sources of funding to support growth for new initiatives and programs as well as support its internal operations to deliver on their mandate.

4.0 CONCLUSION

The Centre's programs and activities are operating effectively. However, some opportunities for improvements were identified during the performance audit. The audit found that program, activity and operational planning was successfully done over a one-year cycle for the start-up phase of the Centre but with the growth of the organization, going forward multi-year planning should be implemented.

5.0 STATEMENT OF ASSURANCE

This assurance engagement was conducted according to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Audit.

In our professional judgment, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusion provided and contained in this report. The conclusion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria. The conclusion is applicable only to the entity examined and within the scope described herein.

APPENDIX A AUDIT APPROACH

Audit Methodology

Interis | BDO uses a standard audit methodology, based on professional standards that are in compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. Our approach to each of the planning, fieldwork, and reporting phases is summarized below

Planning

During the planning phase, we developed an understanding of the environment and processes of the GCP. We also developed an understanding of the inherent risks facing the performance management practices, and their linkages to the organization's ability to meet its key objectives.

Inherent Risks

The following risks, identified during the planning phase of the audit, *may* occur given the nature of performance management at the GCP, and the operational conditions of the organization itself. These risks, aligned to relevant audit criteria, are addressed in the audit program.

Category	Potential Risk Events
Governance, Risk Management and Controls	There is a risk that the Centre is not following the appropriate internal controls and policies in place.
	There is a risk that the internal controls and policies do not ensure compliance with the Funding Agreement.
	There is a risk that controls and policies do not reflect the current environment (e.g. changes in strategic vision).
Strategic Vision Definition	There is a risk that the strategic vision is not well defined and that stakeholders are not aware of it.
	There is a risk that key programs and activities are not supporting the Centre's intended mandate.
	There is a risk that the Centre is not advancing its programs as quickly as intended.
Program Delivery	There is a risk that the Centre is not able to ensure its longer term ability to implement effective programs.
	There is a risk that budgetary controls and appropriate policies are not well known and are not being followed.

Working with the list of inherent risks, we identified key controls and associated audit criteria to address the audit objectives.

Audit Criteria and Work Plan

The assessment framework for this audit was based on the following key control areas:

Audit Objective	Audit Criteria
A. The Centre's strategic vision is well defined in the Corporate Plans and Annual Reports.	<ul style="list-style-type: none"> • A.1. Appropriate internal controls, including governance, financial management and administrative policies have been established, are documented, and are being followed. • A.2. Controls and policies in place are supported and ensure the Centre's activities are compliant with the Funding Agreement. • A.3. Controls and policies have been reviewed and updated to align to the current operating environment as outlined in the most recent corporate plan.
B. The Centre's key programs and activities are aligned to the strategic vision.	<ul style="list-style-type: none"> • B.1. The Centre's strategic vision is well defined in the Corporate Plans and Annual Reports. • B.2. The Centre's key programs and activities are aligned to the strategic vision.
C. The Centre's programs are designed and delivered with due regard to the principles of economy, efficiency and effectiveness.	<ul style="list-style-type: none"> • C.1. The governance committees and structures exercise proper oversight over spending policies and program activities expenditures. • C.2. Appropriate management oversight and budgetary controls are in place and are being followed.

Fieldwork

During the fieldwork phase we executed the audit program. The methodology consisted of:

- Reviewing key documentation, such as:
 - GCP Formative Evaluation Report – September 2012
 - Peer Mapping Report
 - Funding Agreement
 - Amendment to the Funding Agreement
 - GCP By-Laws
 - Shared Services Agreement with AKFC
 - GCP Authorization and Signoff Checklist
 - Statement of Investment Policy
 - Statement of Spending Policy
 - Risk Management Framework
 - Travel Hospitality Framework
 - Corporate Plans (2011 to 2017)
 - Annual Reports (2011 to 2016)

- Conducting interviews with key stakeholders as well as a facilitating a focus group with the Centre's staff to determine how performance management occurs within the organization

Interviews were conducted with the following individuals (not included in the list below are eight staff members of the Centre that were also met during a focus group):

	Interviewee	Role
1	Maria Desjardins	Executive Assistant / Office Manager
2	Beverly Boutilier	Director – Global Analysis
3	Jayne Barlow	Director – Programs
4	John McNee	Secretary General
5	Khalil Shariff	Corporate Secretary of the Board & CEO of AKFC
6	Poorvi Chitalkar	Senior Program Officer
7	Marwan Muasher	Board Member
8	Jeff Sahadeo	Kyrgyzstan Advisor
9	Steven Stegers	Programme Director - EUROCLIO
10	Huguette Labelle	Board Member – Chair of the Audit Committee
11	Paul Davidson	President – Universities Canada
12	Jane Jenson	Consultant on Lens Development
13	Bessma Momani	Senior Fellow - CIGI
14	Richard Arbeiter	Director General – Human Rights, Freedoms and Inclusion, GAC
15	Allan Darling	Consultant with GCP since the start
16	Salim Ferozali	Director of Finance - AKFC
17	Adrienne Clarkson	Board Member – Chair of the Executive Committee
18	Jean Lebel	President - IDRC

Audit Findings

For each line of inquiry that comprises the Audit Program, findings and observations were consolidated using the structure illustrated below, with formal substantiation provided through fully-indexed and peer-reviewed working papers.

Heading	Content
Criteria	Provided a summary of the expected practice, as specified in the audit program.
Condition	Summarized the observed condition of the practice or area being reviewed, as determined by the outcome of the audit procedures.
Cause	Identified the probable causes for any deficiencies or instances of non-compliance, as determined through the outcome of the audit procedures.
Effect	Detailed the potential impact of the deficiency in terms of risk.
Assessment	<p>Provided the rating of the control effectiveness, using the scale provided in the table below.</p> <p>Any significant findings, in turn, formed the basis of our conclusions and recommendations.</p>

We formally assessed the effectiveness of each control using the following four-point scale.

Scale	Definition
1 Not effective at all	Significant management attention is needed to improve these practices.
2 Somewhat effective	Some parts of this area are working well, but key deficiencies exist.
3 Mostly effective	Most parts of this element are working as intended, but more work is needed in some areas.
4 Fully Effective	No action is required. Everything is working as intended.

APPENDIX B AUDIT FINDINGS ASSESSMENT

The following table presents the formal assessment of the effectiveness of each control using the four-point scale.

Control Objective	Audit Criteria	Control Assessment
A. The Centre's strategic vision is well defined in the Corporate Plans and Annual Reports.	A1: Appropriate internal controls, including governance, financial management and administrative policies have been established, are documented, and are being followed.	4
	A2: Controls and policies in place are supported and ensure the Centre's activities are compliant with the Funding Agreement.	4
	A3: Controls and policies have been reviewed and updated to align to the current operating environment as outlined in the most recent corporate plan.	4
B. The Centre's key programs and activities are aligned to the strategic vision.	B1: The Centre's strategic vision is well defined in the Corporate Plans and Annual Reports.	3
	B2: The Centre's key programs and activities are aligned to the strategic vision.	4
C. The Centre's programs are designed and delivered with due regard to the principles of economy, efficiency and effectiveness.	C1: The governance committees and structures exercise proper oversight over spending policies and program activities expenditures.	4
	C2: Appropriate management oversight and budgetary controls are in place and are being followed.	4