

2017-2021

VALUE FOR MONEY AUDIT  
GLOBAL CENTRE FOR PLURALISM



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Kathlene Butler

# CONTENTS

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Acknowledgements.....	3
Publication History.....	4
Executive Summary.....	5
1. Audit Purpose and Approach.....	8
Objectives.....	8
Scope.....	8
Methodology.....	9
2. Governance, financial management, and administrative controls.....	11
A. The Centre has a robust internal control system, and small improvements can be made.....	11
B. A staff-centred response to the COVID-19 Pandemic improved staff perceptions.....	13
C. The Centre is working productively to address challenges with feedback mechanisms.....	14
3. Economy, efficiency, and effectiveness.....	15
A. The Centre adjusted travel procedures in 2022 to address challenges.....	15
B. The Centre is prioritizing improvements to human resources procedures.....	16
C. The Centre can improve outcomes by advancing its program performance tracking practices...	21
4. Conclusion.....	25
5. Recommendations and Organizational Response.....	26
6. Statement of Assurance.....	27
Annex A: Detailed Audit Methodology.....	28
Annex B: Internal Control Checklist Results.....	31



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The photographs included herein were provided by GCP archives or have appeared in past GCP publications. The cover photograph by Marc Fowler / Metropolis Studio depicts the Global Centre for Pluralism Headquarters building in Ottawa, Canada.

# Publication History

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VERSION	DATE	DESCRIPTION
<b>Initial Draft</b>	17 November 2022	Draft for Centre review and comment
<b>Final Draft</b>	23 November 2022	Final report for Centre review and comment
<b>Approved</b>	29 November 2022	Final report approved

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# Executive Summary

The past five years have seen the Global Centre for Pluralism (“the Centre”) evolve as its programs have developed and expanded. The organization began with solid foundations, and our five-year retrospective audit shows that this strength has continued and grown along with the Centre. This audit allows us to provide observations and recommendations that will enable the organization to continue evolving in a way that honours its vision, mission, values, and the people who fulfill these strategic objectives.

The Centre has maintained and augmented a robust set of internal controls over the past five years. The organization’s control structure demonstrates a concern for maintaining organizational economy, efficiency, and effectiveness as the organization grows and evolves. Annual external audits of the Centre’s finances for 2017 through 2021 show that financial mechanisms adequately separate duties, encourage responsible financial decision-making, and support organizational goals and objectives. The Centre continues to benefit from its close ongoing relationship with Aga Khan Foundation Canada (AKFC).<sup>1</sup>

Our audit interviews found a staff devoted to and focused on the Centre’s mission of pluralism. They demonstrated a keen understanding of the organization’s mission, direction, and evolution. We also observed that as the organization has grown, so has its need for systematic management and internal controls. Information and procedures that once could be communicated in casual day-to-day interactions now require more regular all-staff meetings and formalized systems.

In one example of a systematic organizational improvement effort, in January 2022, the Centre initiated a process for internally assessing its operations, including human resources, policies and procedures, payment processing, and other organizational support functions through a corporate services review.<sup>2</sup> Our audit operated independently from this assessment, but we identified similar issues to the corporate services review. The Centre’s corporate services review recommendations will address all but one audit observation.



<sup>1</sup> The Centre maintains close relationships with agencies and institutions of the Aga Khan Development Network, and with its Canadian organization, Aga Khan Foundation Canada.

<sup>2</sup> While this effort occurred outside of the audit coverage years, it served to identify and address issues that arose during the 2017 to 2021 period.

Overall, the Centre is operating economically, efficiently, and effectively thanks to its robust and adaptable system of internal controls and attention to implementation and revision. We recommend that the Centre fully implement the recommendations addressing issues it identified in its 2022 internal review. We also identified an opportunity to improve the Centre’s methods for strengthening organizational performance by establishing a tracking and reporting system that integrates organizational and program goals with individual activities.



# GLOBAL CENTRE FOR PLURALISM

## Value for Money Audit 2017-2021

His Highness the Aga Khan and the Government of Canada established the Global Centre for Pluralism (“the Centre”) as an independent, not-for-profit organization in 2006. The Centre’s mission is “to influence perspectives, inform policies and inspire pathways to advance pluralism.” The founding Funding Agreement with the Government of Canada requires that the Centre conduct a performance evaluation and (value for money) audit of its activities and projects at least once every five years.

The Global Centre for Pluralism engaged Ripple Peace Research & Consulting LLC to conduct the five-year retrospective performance evaluation and audit of the Centre for its operations from 2017 through 2021.<sup>3</sup> This engagement represents the third five-year evaluation and audit conducted for the Centre. This report provides the audit findings, conclusions, and recommendations, and the performance evaluation results are provided in a separate report.

The Centre continues to benefit from its close ongoing relationship with Aga Khan Foundation Canada (AKFC). A shared services agreement with AKFC has enabled Centre to provide improved organizational services to Centre employees by taking advantage of the buying power AKFC has as a larger organization. These advantages extend to the Centre’s internal control system, which has evolved from a system shared with the AKFC to a system unique to the Centre over time. In one example, the Centre moved from a shared financial service arrangement to an independent one during the 2017-2021 timeframe. Beginning in a shared fashion enabled the Centre to maintain a high level of financial discipline and control through this transition.

The audit and evaluation both found an organization on the cusp of a new phase of broader influence, with programs poised to amplify knowledge and implementation of pluralism worldwide. The past five years have seen the Centre evolve as its programs have developed and expanded. Over the years included in our audit (2017-2021), the Centre continued its evolution from a “start-up” organization to a mid-stage organization as it developed, piloted, and began implementing programs to expand knowledge, expertise, and application of pluralism on a global scale. As the Centre has grown, its procedures have also evolved. Significantly, the scope of this audit included the beginning of the global COVID-19 pandemic, which required global changes in how organizations communicated and operated. The Centre’s staff roster grew during this time, allowing the organization to move to more regular all-staff meetings and more formalized systems.

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<sup>3</sup> In some cases, our audit considered information and changes that occurred in 2022 as evidence for operational changes and improvements relevant to the 2017 - 2021 timeframe. Where this is the case, we note it as such in this report.

# 1. Audit Purpose and Approach

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Our five-year retrospective audit allows us to provide observations and recommendations that will enable the organization to continue evolving in a way that honours its vision, mission, values, and the people who fulfill these strategic objectives. Our audit, positioned at this time of transition, reflects on how internal controls and their implementation support staff in their work and help guide the Centre toward achieving its expansive organizational mission, “To influence perspectives, inform policies and inspire pathways to advance pluralism.”

## OBJECTIVES

The objectives for this audit were to assess the Centre’s value-for-money and internal control systems by assessing the organizational economy, efficiency, and effectiveness over the preceding five years.<sup>4</sup> Specifically, as part of the broader Centre 5-year review, this audit explores the overall objective through the following two questions:

1. Does the Centre have appropriate controls, including governance, financial management, and administrative policies?
2. Are the Centre’s programs designed and delivered with due regard to the principles of economy, efficiency, and effectiveness?
- 3.

## SCOPE

The scope of this audit included Centre internal controls and operations between 2017 and 2021. Our audit methodology prioritised internal control reviews to validate the Centre’s push toward global organizational goals while adhering to the values it holds dear. This audit included controls developed and used by the Centre between 2017 and 2021. When controls developed in 2022 served to address challenges that arose over the 2017 to 2021 time period, we considered these as well and noted them as such in this report. We also reviewed controls implemented before 2017 if they remained operational during the 2017 to 2021 timeframe.

While the audit objectives covered all Centre operations, the audit scope operated at two scales. First, the audit conducted a scan of the universe of organizational controls. Second, the audit

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<sup>4</sup> An audit of organizational economy, efficiency, and effectiveness or value-for-money is described as a “performance audit,” and noted as such in the Government of Canada’s five-year review requirements. However, to reduce reader confusion over the distinction between the audit and the performance evaluation conducted under this engagement, we refer to the “Performance (Value-for-money) Audit” herein as “the audit.”

focused on a sample of controls for testing and validation to understand how the controls help the Centre achieve its mission. Based on the governance, financial, and administrative organizational controls identified during the inception phase, the auditor selected a subset of three controls for testing:

1. We reviewed controls over **travel practices** to provide insight into financial controls.
2. We reviewed controls over **human resources** to provide an overview of how the Centre's operations adhere to its values, helping to promote and demonstrate pluralism internally and externally.
3. We reviewed controls over **performance monitoring** to provide an overview of how the Centre reviews progress toward organizational goals and objectives. These controls also provide a critical connection between the audit and evaluation processes, and the evaluation process and findings informed the audit of these.

It is important to note that we conducted this audit remotely due to COVID protocols and the related effects on travel and transportation. In addition, the time constraints for this audit precluded us from conducting an organization-wide, comprehensive audit of organizational controls. However, we did not determine that these conditions constituted an audit scope limitation. The audit methods provided sufficient and reliable evidence for our findings regarding the Centre's organizational control environment.

## METHODOLOGY

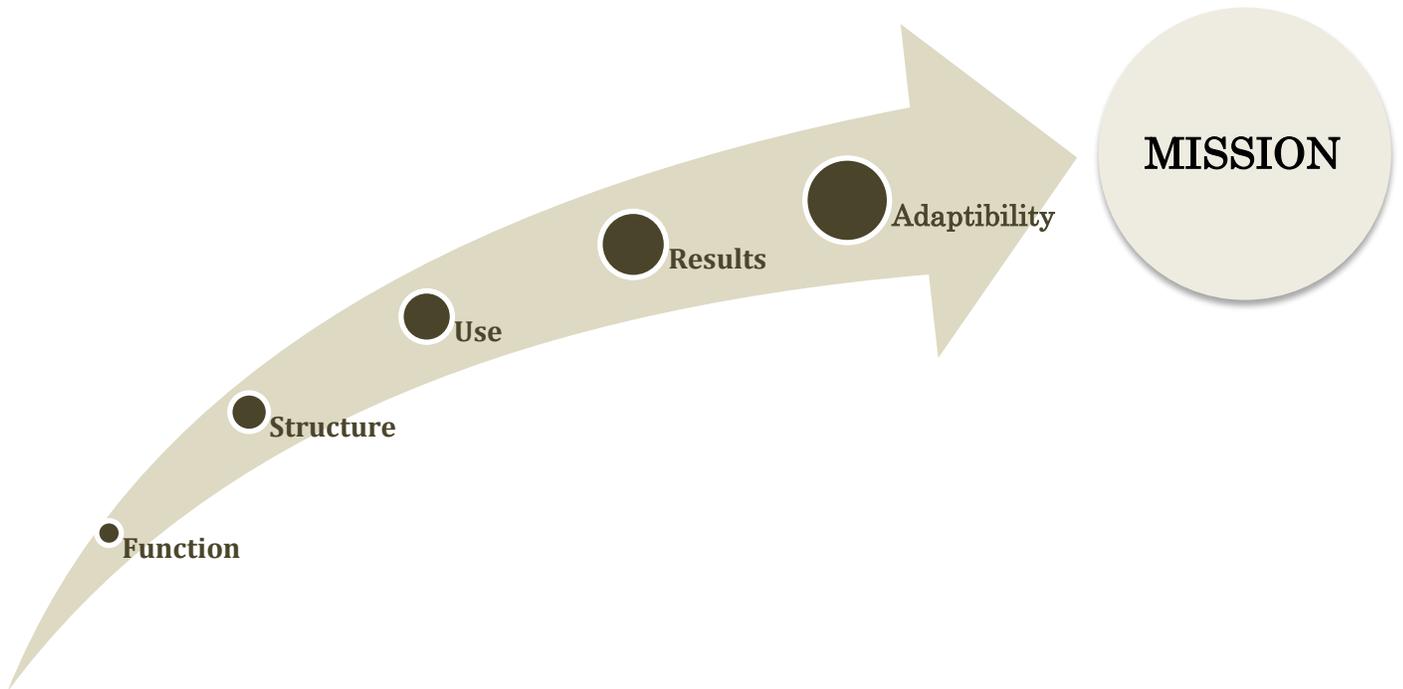
This audit used standard audit methods recommended by the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Audit. In this Value for Money audit for the Centre, we focused on audit techniques that provided information about economy, efficiency, and effectiveness. As such, our internal control assessment included organizational controls over governance, financial management, and administration and those designed to monitor and report performance.

We reviewed internal controls with an eye to how they drive organizational performance economically, efficiently, and effectively. The framework we applied considers seven aspects of internal control quality: presence, function, structure, use, results, adaptability, and, for tested controls, mission focus.

We provide additional details on our approach and methodology in Annex A. We conducted audit research between July 2022 and October 2022, including the following activities:

- Document and literature review
- Semi-structured video conference interviews with Centre staff and leadership
- General internal control survey

- Analysis and testing of the three internal controls selected for additional review.



*FIGURE 1: THE UNDERLYING PRINCIPLE DRIVING THIS FIVE-YEAR RETROSPECTIVE AUDIT IS TO STUDY HOW INTERNAL CONTROLS SERVE THE CENTRE'S MISSION BY REVIEWING CONTROLS' FUNCTION, STRUCTURE, USE, RESULTS, AND ADAPTABILITY.*

As the Centre has grown, so has its need for systematic management and internal controls. We found that the Centre's system of internal control has evolved between 2017 and 2021 to become more formalized while still retaining flexibility and adaptability that honours the organization's devotion to pluralism and people-centred operations. Information and procedures that once could be communicated in casual day-to-day interactions now require all-staff meetings and formalized systems. Likewise, our audit interviews found that Centre staff are committed to the organization's mission of pluralism and keenly understand the Centre's history and intended direction. They generally understood the Centre's internal controls, requesting additional clarity in some instances.

Annex A provides additional details on audit methodology.

## 2. Governance, financial management, and administrative controls

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This audit found that the Centre has appropriate governance, financial management, and administrative policies. The internal control structure provides a strong foundation for organizational management and includes almost all essential elements. The internal control checklist demonstrates that the Centre’s internal control system generally covers the recommended controls. (See Annex B for internal control checklist description and results). With this robust control environment, the organization has the structures it needs to support its mission-driven work.

We made three observations regarding the Centre’s controls over governance, financial management, and administrative policies, leading to one observed opportunity for improvement.

### **A. The Centre has a robust internal control system, and small improvements can be made.**

The Centre has established a robust set of internal controls that demonstrate a concern for maintaining organizational economy, efficiency, and effectiveness as the organization grows and evolves. As previously described, the Centre moved from a shared financial service arrangement to an independent one during the 2017-2021 timeframe. Annual external audits of the Centre’s finances show that financial mechanisms adequately separate duties, encourage responsible financial decision-making, and support organizational goals and objectives.

The Centre’s system of internal control includes regular reporting to management on financial expenditures associated with programs and bi-weekly decision-making meetings among a management committee (sometimes referred to as the “management team”). The management team is comprised of the Secretary General, who serves as committee chair, the Director of Programs, the Director of Finance, the Senior Manager, Business and Operations, and the Executive Assistant/Office Manager. Our audit shows that the management committee meetings serve as an effective method for reviewing and revising policies and procedures and lead to regular and systematic organizational improvements. For example, the Centre management committee initiated an organization-wide corporate services review.

In our interviews, staff told us they are not confident they can quickly locate and access Centre policies and procedures in a central location. Staff reported this despite the Centre conducting a

staff meeting describing the location of these documents within a shared drive. The Centre also noted this challenge in the corporate services review described above. It recommended developing an improved centralised system for accessing Centre policies and guidelines and providing regular updates on policies and procedures. In an October audit meeting, Centre leadership noted that implementation for this recommendation had begun.

Our general review of internal controls across the six elements of internal control purpose cited in our methodology found that the Centre's internal control system includes all the organizational controls we anticipated. We identified specific opportunities for improving controls around performance tracking and management, which we discuss under audit objective two.

### *Promising Practice*

In one example of a systematic organizational improvement effort, in January 2022, the Centre initiated a process for internally assessing its operations, including human resources, policies and procedures, payment processing, and other organizational support functions. This process engaged Centre employees across programs and operations and resulted in recommendations that the Centre plans to implement before January 2023. Our audit operated independently from this assessment, but we identified similar issues to the corporate services review. We anticipate that the recommendations stemming from the Centre's corporate services review will address all but one audit observation.<sup>5</sup> Specifically, the Centre's corporate services review coincided with this audit regarding

- Centralized policy and procedure organization
- Human resource expansion and staffing challenges, and
- Payment processing.

In each case, the Centre's corporate services review identified ways to resolve the issue that the audit found appropriate.

### *Opportunity for Improvement*

We recommend that the Centre implement its internal recommendations for centralising and familiarizing staff with policies and procedures which resulted from the corporate services review process.

In response to the draft of this audit report, Centre leadership responded that the Centre welcomes the findings and agrees with the recommendations of the performance (value-

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<sup>5</sup> The item not addressed in the corporate services review is our suggestion for incorporating a performance tracking system into the Centre's internal controls. See page 21.

for-money) audit presented. The Centre has already started implementing recommendations developed through the internal corporate services review.

## **B. A staff-centred response to the COVID-19 Pandemic improved staff perceptions.**

The operational disruptions stemming from the global COVID-19 pandemic that began in 2020 led to challenges within the Centre. The public health requirement for remote work changed how Centre staff interact within and across programs, halted most travel, and coincided with departures and recruitment challenges that left the Centre understaffed. To this end, the Centre management committee conducted an anonymous staff survey that asked staff to respond to questions about the pivot to remote work, their perceptions of workplace safety amid the pandemic, and other factors. Staff perceived this survey positively and reported that they appreciated the opportunity the survey provided for anonymous feedback to Centre management. Centre management found that the survey results provided valuable insight into staff perceptions and illuminated challenges that will be helpful beyond the pandemic for improving the Centre's operations.

Centre leadership noted that as employees navigated the pandemic, they observed a wide diversity of needs and received a wide variety of requests across the organization. This variety of needs led them to further adapt policies, procedures, and practices to support staff. In other examples, the Centre provided staff members with a stipend of \$300-\$400 for setting up their home offices. In another example, the previous sick leave policy allowed for 14 days per year, but Centre leadership determined that if someone contracted COVID, this sick leave would not be deducted from the 14 annual days.

The changes and adaptations the Centre made during the pandemic persisted during our audit. Although Centre employees were returning to the office, much flexibility remained:

- Before the pandemic began, the Centre provided three personal days per year for any use. Centre leadership doubled this time to six days. It instituted a practice of “no questions asked” for using personal days early in the pandemic to ensure staff had opportunities to take breaks for mental health. Centre leadership explained that they would not return to the previous three-day limit.
- Historically, the Centre held weekly staff meetings. During the pandemic, staff conveyed through the anonymous survey a desire to reduce the meeting frequency to bi-weekly, and Centre leadership made this change. The Centre returned to weekly staff meetings as people returned to the office.

Centre leadership described a practice of “experimentation” as people returned to the office and attempted to find a new level of comfort and camaraderie.

### C. The Centre is working productively to address challenges with feedback mechanisms.

Our audit identified possible communication challenges, although the perception of the potential issue varied across the organization. For example, some staff reported lacking opportunities to provide and receive management feedback. They noted that not everyone feels comfortable giving or receiving feedback from the management team. At the same time, other staff disagreed that communication issues existed, describing the Centre’s leadership as one that provides an open and discussion-focused atmosphere where disagreements can be discussed and vetted regardless of staff position or organizational management level.

While complex, this communication challenge has contributed to some unintended disruptions in the Centre’s morale and organizational productivity. The Centre’s leadership recognized that some communication challenges have occurred and described initiatives underway to better understand and improve communication issues across the organization.



#### *Promising Practices*

The Centre’s 2022 corporate services review led to a new opportunity for staff to communicate with Centre management regarding challenges they experience within the organization. Discussions with senior Centre staff regarding the possibility of offering an annual opportunity for staff to give anonymous feedback regarding operations and administration met with positive responses. In addition, Centre senior leaders described ongoing work with an external human resources consultant to build organizational camaraderie by identifying new opportunities for “facilitated opportunities to work on

the social-emotional side of competencies.” The Centre also engaged the human resources consultant to conduct one-on-one interviews with all Centre staff to identify any additional human resource-related challenges within the organization.

Based on leadership’s stated commitment to developing activities focused on building organizational camaraderie with assistance from an external human resources consultant, we make no recommendations in this area.

### 3. Economy, efficiency, and effectiveness

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We observed that robust and values-driven policies and procedures drive the Centre’s programs and that the policies and procedures provide a strong basis for economical operations. Our preliminary observations uncovered instances where the Centre can improve policies and procedures to improve operational efficiency and further the organization’s mission. At the same time, the Centre was amidst a corporate services review that recommended solutions to most of the challenges we identified. We highlight three examples below.

#### **A. The Centre adjusted travel procedures in 2022 to address challenges.**

The Centre’s *Travel And Hospitality Policy And Procedures*<sup>6</sup> establish a balance between achieving organizational objectives, like building relationships through outbound travel and hosting inbound travellers, with the efficient and economical expenditure of Centre funds. The policy, as amended in 2019, includes procedures and guidance for arranging travel, requesting advance per diem monies, and requesting reimbursements.

Because of the COVID 19 Pandemic, Centre staff have not travelled frequently between spring 2020 and the time of this audit (summer-fall 2022). However, staff generally report familiarity with the policy and procedures. Staff who have used the policy for their travel or to organize travel for others reported the guidance for making travel arrangements as straightforward and reasonable for balancing the travel need with traveller rest and comfort. Interviews included discussions of some delayed reimbursements for external parties travelling to visit the Centre.

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<sup>6</sup> As approved by the Executive Committee - February 17, 2012; amended by the Executive Committee – May 5, 2014; further amended by the Executive Committee (April 3rd, 2019).

Finance staff discussed these delays and explained that reimbursement across country borders could be complex.

### *Promising Practice*

The Centre identified and developed a solution to the travel reimbursement issue in the summer and fall of 2022. The finance staff worked to resolve the delays by automating some procedures and hosting a discussion with staff about the complications involved in this process and how to reduce delays. Finance staff prepared and delivered a training session for staff describing the reimbursement process, “Claim expense and advance walkthrough.” Staff reported that they appreciated this method of providing specific details about the process and how Centre staff can work together to make it operate smoothly.

## **B. The Centre is prioritizing improvements to human resources procedures.**

We reviewed the system of control over human resources within the Centre.<sup>7</sup> Our audit found these controls to be robust, clearly focused on the Centre’s organizational values and goals and clearly written. Robust human resources policies improve organizational effectiveness and efficiency by providing clear information about how hiring, reporting, performance, complaints, compensation, and departures should be handled within the organization. Such policies provide staff with clarity on their roles and responsibilities, directing their work and energy toward program operations and goals in a way that integrates staff well-being, work performance, and organizational values and goals.

Our interviews with Centre staff and leadership demonstrated that Centre employees generally understood these policies and procedures. Staff requested additional clarity regarding some procedures, and we identified three challenges associated with the Centre’s human resources policies and procedures. Each challenge we identified was also recognized during the Centre’s separate 2022 corporate services review process. We assessed the proposed recommendations from the corporate services review process and found that these recommendations also address the issues we identified.

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<sup>7</sup> Our review included the following human resources-related policies and procedures: the Global Centre for Pluralism Organizational Chart, dated June 2022; Staff List, dated 14 June 2022; Human Resource Policies Staff Handbook, July 2020 edition; Centre Recruitment Process: Selection and Hiring Guidelines, March 2021; and the Performance Management Guide, March 14, 2019.

## **Recruitment**

As in many organizations across the world, recruitment and retention challenges at the Centre have coincided with changes occurring during the COVID 19 Pandemic, creating a scenario where many Centre staff are new to the organization and lack long-term familiarity with its operational practices. Staff and leaders described ongoing recruitment and retention challenges, including interviewees not appearing for interviews, challenges receiving qualified applicants for job announcements, and departures. At the same time, the Centre's staff level has grown from 12 to 18 full-time staff between 2017 and 2021 (calendar year).

To address recruitment, the Centre's management committee established a staff committee in 2021 to establish a new policy. The resulting document, *Centre Recruitment Process*, March 2021, focuses on making recruiting decisions around equity and diversity questions. The performance evaluation identified challenges regarding language proficiencies specific to the organization's programs, and this process manual works toward addressing this challenge, noting, 'If knowledge of a language is considered of value to the position, this should be clearly stated in the job posting with specifics on which languages. Broad phrases such as "additional languages an advantage" should be avoided.'

Centre leadership noted that additional recruitment activities underway have focused on attracting candidates with specific language capabilities and candidates representing the diverse regions of the world with whom the Centre seeks to collaborate.

## **Promotion and Retention**

Interviews with leaders and some staff showed a clear understanding of the promotion process, but not all staff expressed the same level of clarity about this process. Centre leadership described their efforts to establish a promotion policy beginning in 2019 to remedy this. The Centre addresses promotion in its "Human Resource Policies Staff Handbook." In part, the promotion policy notes that promotions "will be determined by program/organizational requirements which would consider additional responsibilities and a substantive change in the tasks and responsibilities of the Position."

Data show an increase in promotions over the 2017 to 2021 period. Two of the 17 staff were promoted in 2018, one of 15 on board in 2020 received a promotion, and six of 18 were approved for promotion in 2021.

## STAFFING AND PROMOTIONS 2017-2021



FIGURE 2: FROM 2017 TO 2021, THE CENTRE'S STAFF INCREASED FROM 12 TO 18 FULL-TIME EMPLOYEES. OVER THAT TIME, THE CENTRE APPROVED PROMOTIONS FOR MORE EMPLOYEES IN 2021 (SIX) THAN IN ANY PREVIOUS YEAR.

The increase in promotions over the past five years shows that the system established for demonstrating how an employee's responsibilities have changed over time allows for promotion within the organization.

Some staff reported that they were unclear about how compensation works in the Centre and would appreciate additional information on how compensation decisions are made. The Centre provided the auditor with a compensation guide used in the recruiting process. The compensation guide is an excel document titled "Centre HR\_Salary Structure," dated 8 September 2020. However, it was not available for review by all Centre staff in the organization's human resource manual or on the policy and procedure shared drive.

We found that the Centre's attrition rate has varied over the past five years: 2021 saw the lowest attrition rate at 11 percent, while the previous year, 2020, saw the highest attrition rate at 33 percent. The average attrition rate at the Centre over this period was 18.8 percent.

### STAFFING AND ATTRITION 2017-2021

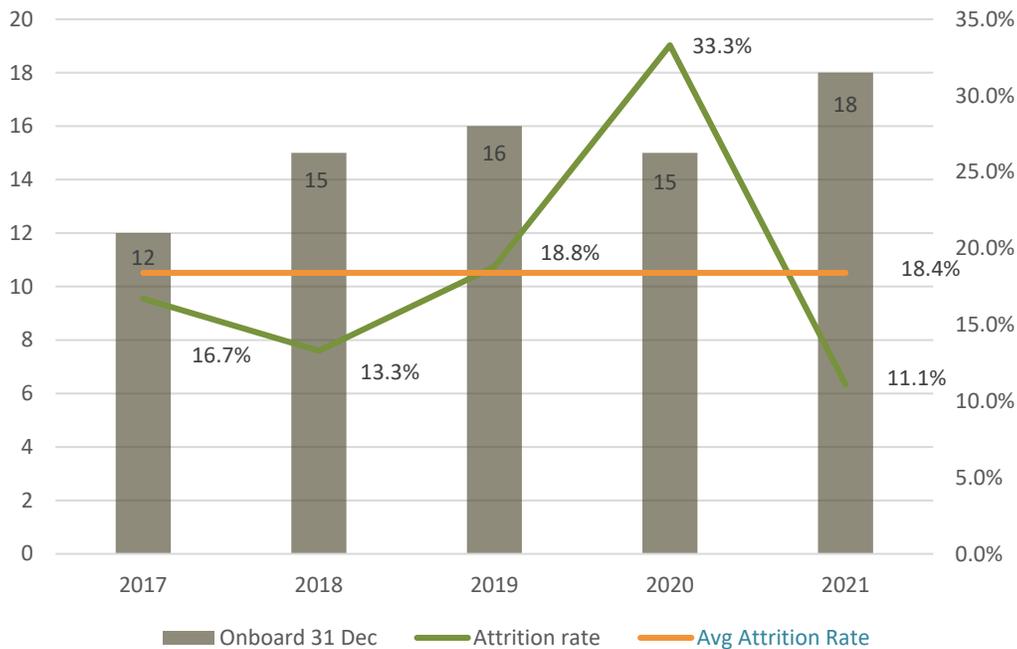


FIGURE 3: FROM 2017 TO 2021, THE CENTRE’S STAFF INCREASED FROM 12 TO 18 FULL-TIME EMPLOYEES. OVER THESE YEARS, THE CENTRE’S ATTRITION RATE VARIED, WITH A LOW OF 11.1 PERCENT IN 2021 AND A HIGH OF 33.3 PERCENT IN 2020. THE AVERAGE ATTRITION RATE FOR THE CENTRE OVER THESE YEARS WAS 18.8 PERCENT.

The Centre’s leadership acknowledged a high attrition rate. Centre senior leaders described ongoing work with an external human resources consultant to identify new opportunities for “facilitated opportunities to work on social-emotional side of competencies.” Management also noted that in their small organization of fewer than 20 full-time staff, they lack opportunities for upward mobility but have attempted to find other methods for professional development, work experiences, and travel that may not be available in larger organizations.

In addition, the Centre’s corporate services review identified the need to clarify policies and procedures for staff, recommending that the organization “Review and update Centre’s centralised information system to ensure that it contains updated policies, templates and forms. Develop and share a bibliography with links to key documents (policies, templates, forms, checklists) that the program team frequently uses. Assign someone to review and update the bibliography and circulate it whenever a key document is revised/updated. Introduce a process of systematically archiving old documents.” These steps can help the Centre ensure that staff know where to find information about promotion, remuneration, and recruitment.

#### Full-time Human Resource Position

Between 2017 and 2021, the Centre did not staff a full-time human resources position. The organization’s size may not warrant a full-time in-house arrangement. However, the Centre could

improve its operational capacity for addressing human resource challenges by identifying a way to provide full-time human resources support.

While staff did not note examples of conflicts, they said that without an organizational separation of human resources activities from program activities, there are concerns over raising delicate human resources challenges. In addition, staff expressed concerns that, due to the multiple responsibilities addressed by the Centre's human resources lead, human resources responsibilities could not be organizationally separated from other operations. As a result, it was possible that human resources functions may not be perceived as independent from other functions.

By building its human resource functions, the Centre can focus on managing human resources activities that ensure the organization has the skilled, motivated, and passionate staff onboard to further its mission.

The Centre's corporate services review also identified human resource service delivery as an organizational challenge. They identified "gaps in HR policy and services" and a "lack of clarity on and transparency in HR policies and processes" as challenges. The process anticipates resolving the challenges they identified by devising a "plan to ensure effective delivery of all HR services." In a nod to the communication challenges identified in our audit and the corporate services review process, they also recommend organizing "periodic (e.g., semi-annual) updates on HR policies," holding "sessions to clarify policies," and reviewing policy adherence.

### ***Promising Practice***

At the conclusion of this audit, the Centre was finalizing an agreement with an external human resources consultant who would serve in a full-time arrangement supporting the Centre's human resources needs.

### C. The Centre can improve outcomes by advancing its program performance tracking practices.

The Centre has established performance management policies and practices to govern personnel performance (day-to-day activities) and report on organizational performance by setting annual program goals and reporting on its accomplishments. However, the Centre has not yet established a program performance tracking system that connects day-to-day activities to the program tactics and strategies that serve to accomplish program goals.<sup>8</sup>



FIGURE 4: TO ACCOMPLISH THE CENTRE’S OVERALL MISSION, INDIVIDUAL PERFORMANCE, PROGRAM PERFORMANCE, AND ORGANIZATIONAL PERFORMANCE SHOULD WORK TOGETHER. AN INTEGRATED PERFORMANCE TRACKING SYSTEM CAN PROVIDE REGULAR, ACTIONABLE INFORMATION FOR TRACKING SUCCESS.

A robust performance management system integrates organizational, program, and individual performance to cascade mission, vision, values, and goals throughout an organization. It serves to improve organizational learning and the ability to adapt program strategies and tactics and draw improved connections between staff day-to-day activities and the accomplishment of major

<sup>8</sup> In analyzing the Centre’s approach to and controls over performance management, we reviewed the organization’s Performance Management Guide (dated March 14, 2019) and considered a performance management briefing document (dated November 27, 2020), the organization’s period administrative and program and building reports, annual reporting process and documents, annual corporate plans, risk management matrix, and board packages.

organizational goals. An integrated performance management system includes tools for tracking and reporting performance, adapting goals and plans as needed, and rewarding success.

### ***Organizational Performance***

The Centre sets annual goals in its corporate plans and reports on accomplishments in its annual public reports, quarterly reports to the Centre's board, and progress updates given as part of regular meetings of the Board Executive Committee. The Centre also collects and reports information to donors regularly. These reporting mechanisms provide the public and funders with information about the organization's progress in piloting its nascent strategies and programs and implementing its more developed programs and strategies.

The organization does not have an official policy documenting its annual planning process. Instead, the annual planning process is generally organized using timeline and planning documents attached to emails that outline dates for meetings and deadlines for final deliverables. We did not identify any issues associated with the current procedures; however, the Centre could explore codifying its annual planning and reporting processes in a formal policy document.

### ***Individual Performance***

The Centre established a values-driven and outcome-focused personnel performance management system. The organization's Performance Management Guide (dated 14 March 2019) shows that individual performance expectations are established alongside annual program plans, and staff verified that, in practice, individual performance plan development aligns with the annual program budget and planning process. Staff input validates that the process generally follows the policy/procedure, and staff report that the individual performance system provides positive opportunities for self-development, adjustment when needed, and regular conversations with managers about prioritising program activities.

The corporate services review described elsewhere in this audit report provides an example of how the existing personnel performance management system operates. When the Centre management team decided to undertake this assessment, it became part of an individual staff performance plan. The responsible party explained how including this effort in his performance plan helped him to identify and implement creative solutions when the project stalled due to staff departures. By implementing these solutions, the staff member anticipates completing the corporate services review and implementing its recommendations by January 2023. This accomplishment will improve internal controls and their implementation when fully implemented, supporting the Centre in its program implementation.

## *Program Performance*

Establishing a tracking and review system would allow the Centre to learn and adapt program strategies. It would also provide a resource for Centre leadership and communications teams to use for on-demand access to such information.

We conducted a Centre-wide audit sensemaking workshop to discuss staff suggestions, thoughts, and ideas regarding establishing a program performance tracking system. We collected comments from 18 Centre staff and leaders who participated in the workshop. Staff expressed enthusiasm for establishing a system. For example, one staff comment read, “[Tracking results] will help us to tell our story better, with more evidence, and more compellingly – not only outcomes but how we do our work and what that means.”

Participants also noted the importance of innovation to the Centre’s program development process, cautioning that any such system should be adaptable and flexible. For example, one staff person asked, “How will this allow us to maintain the flexibility we need to be able to respond to emerging opportunities?” They also expressed concern over the amount of time such reporting could take away from program work. For example, a staff person commented that tracking “...is essential and helpful, but [requires] accounting for implementation of new processes and aspects of work that have been untried, relatively untested, and requires extensive real-time learning and correction.”

Participants in the audit workshop noted that the existing processes used for donor and annual reporting could help inform the development of a tracking system. Centre participants noted the benefits of establishing a nested system that provides internal information to programs, information across programs and within the organization and its board, and external information to partners, funders, and the public through reporting.

### *Opportunity for Improvement*

Integrating performance systems may improve the Centre’s ability to integrate performance across the organization, assuring that as staff work toward meeting their performance goals, their work directly contributes to accomplishing program and organizational goals. While the Centre’s practices integrate personal performance and annual planning, there is an opportunity to develop and integrate a system for project performance tracking into this framework. In a workshop, the Centre’s leadership noted that they plan to prioritise efforts to conceive of, design, and implement a tracking system in hopes that it may be in place in the first quarter of the calendar year 2023.

In response to the draft of this audit report, Centre leadership responded that the Centre welcomes the findings and agrees with the recommendations of the performance (value-for-money) audit presented. The Centre acknowledges the need for strengthening results

tracking. They noted that they have plans for developing and operationalizing a monitoring, evaluation, and learning (MEL) system, and in particular, to develop a system that is both robust and also streamlined to the size and needs of the organization.



## 4. Conclusion

This five-year retrospective audit found the Centre to have a robust internal control environment that reflects organizational values and the organization's current state of evolution. We found that the organization's system for adaptive management, largely organized through the Centre management committee, indeed acted with forethought and determination to correct any issues it identified. Examples of these corrective actions include those to establish a promotion policy, those to adapt the organization during the COVID-19 pandemic, and those to identify opportunities to improve operations through a 2022 corporate services review.

Our internal control checklist found one internal control needing adjustment: organizational performance tracking. A lively, engaged, and productive discussion regarding performance tracking led to actionable suggestions and next steps for conceiving, developing, and implementing a performance tracking system that accounts for the Centre's unique programs, mission, and needs.



## 5. Recommendations and Organizational Response

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Based on the results of this audit, we recommend the following actions:

1. The Centre implement the recommendations developed during its corporate services review designed to address centralized policy and procedure organization, human resource expansion and staffing challenges and payment processing.
2. The Centre establish a system for integrating staff performance management with organizational planning and program performance tracking.

As previously noted, in response to the draft of this audit report, Centre leadership responded that the Centre welcomes the findings and agrees with the recommendations of the performance (value-for-money) audit presented. The Management noted that actions are underway on both recommendations:

**Recommendation 1:** The Centre has already started implementing recommendations of the internal corporate services review.

**Recommendation 2:** The Centre acknowledges the need for strengthening results tracking. They noted they have plans for developing and operationalizing a monitoring, evaluation, and learning (MEL) system, and in particular, to develop a system that is both robust and also streamlined to the size and needs of the organization.

## 6. Statement of Assurance

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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.



# Annex A: Detailed Audit Methodology

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In conducting this Value for Money audit for the Centre, we focused on audit techniques that provide information about economy, efficiency, and effectiveness.

- Economy, or the extent to which Centre policies and practices promote and achieve goals and objectives in a way that minimizes the funds required to accomplish goals while adhering to organizational values. For example, we studied internal controls over travel to provide data regarding how the Centre’s financial expenditures align with its budgetary goals.
- Efficiency, or the extent to which Centre policies and practices promote the accomplishment of tasks by making the best use of resources. For example, we reviewed the Centre’s growth as an organization over time to show whether organizational efficiency varied over the time period.
- Effectiveness, or the extent to which Centre policies and practices support and enable the organization to achieve its goals and objectives. For example, we reviewed internal controls governing performance monitoring and establishing expectations regarding progress and providing information to leadership and external parties about the organization’s success.

Although initially proposed, the methods for this audit do not include cost-benefit analysis because the Centre reported to the evaluation and audit team that significant long-term outcomes have not yet been achieved through their programming. Such outcome information is critical to conducting a meaningful cost-benefit analysis. However, the audit techniques proposed herein offer a suitable substitute for addressing the value the Centre’s programs offer for the financial investments made.

This audit used methods recommended by the Institute of Internal Auditors’ (IIA) International Standards for the Professional Practice of Internal Audit. To assess the adequacy of internal controls, the audit used a modified internal control checklist, which provides a basic assessment of internal control presence, function, structure, use, results, and adaptability.

To answer the first audit objective, “Does the Centre have appropriate controls, including governance, financial management, and administrative policies?” the audit catalogued internal control systems and verified that the systems met basic criteria. To do this, the auditor applied an internal control checklist (see Annex B) to answer the following questions for the controls reviewed:

<b>Presence</b>	Is the control present?
<b>Function</b>	Does a basic review show a logical functionality in the control design?
<b>Structure</b>	Does the control meet basic criteria, and is it approved and dated?
<b>Use</b>	Is the control distributed or available to all staff who are affected?
<b>Results</b>	Does the control result in reports to action officials?
<b>Adaptability</b>	Is there a process for periodic review and revision of controls?

This audit assessed the value the Centre’s programs offer for the financial investments made by answering the second audit objective, “Are the Centre’s programs designed and delivered with due regard to the principles of economy, efficiency, and effectiveness?” The auditor addressed the second objective through internal control testing of three selected controls: controls over performance monitoring, controls over human resources, and controls over travel practices.

For the three controls selected for testing, the audit conducted additional inquiries and tests on internal control use, results, adaptability, and mission focus. The auditor explored the following additional questions for the three controls selected for testing:

<b>Use</b>	How do users actually interact with these controls? (Structured interview questions)
<b>Results</b>	When tested, how does the control lead to actions?
<b>Adaptability</b>	Has the control been reviewed and revised? What revisions resulted?
<b>Mission focus</b>	How does the design, use, implementation, and adaptation of the control align with the Centre’s mission and values?

## Audit Evidence Standards and Confidentiality

This audit collected and compiled three types of evidence: testimonial (collected through interviews), documentary (collected through documents), and analytical (developed by analysing and compiling evidence).

Testimonial evidence collected in audit interviews will not be provided to Centre management unless the Centre requests this information at the conclusion of the engagement. Upon request, Ripple Peace Research & Consulting LLC will provide testimonial evidence collected in a summarised and de-identified format. This allows the auditor to collect information from Centre staff in a way that protects the confidentiality of their statements. Each interview for this audit began with a statement describing how the auditor will use the information provided and informing the interviewee that their statements will be held as nominally confidential and de-identified if provided to the Centre.

Documentary evidence collected was summarised and prioritised based on its provenance and date. Any documentary evidence provided as “confidential” was verified using non-confidential sources. Analytical evidence, by definition, was compiled from multiple data sources and thus will not be deemed confidential. Such analyses formed the basis for audit conclusions, findings, and recommendations, which means they were described to the Centre through findings discussions and reporting processes.

Information collected during the course of the audit will be maintained for one year and deleted thereafter.

As with the evaluation component of this review, the other ethical priorities maintained throughout the audit include cultural and contextual responsiveness, conflict sensitivity, and gender sensitivity. The work plan was designed with these priorities in mind, inviting ongoing review and discussion. Further, the Ripple Peace Research & Consulting LLC team has taken care to align with the Centre’s tone and messaging practices when communicating with external partners, collaborators, and stakeholders. Where relevant to audit subjects, these practices included the following:

- A positive, constructive engagement approach (rather than an adversarial approach) to discussing controversial and problematic issues.
- Avoidance of explicitly introducing the religious aspects of pluralism (understanding that this has been the Centre’s start-up strategy for avoiding reputational pigeon-holing based on the existing implicit awareness that religious pluralism is important to the Aga Khan Development Network).
- A global (rather than Western) approach to defining and approaching key concepts such as pluralism, human rights, etc.

# Annex B: Internal Control Checklist Results

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This audit conducted a general review of the Centre’s internal control environment to provide feedback on areas of strength and areas for improvement. The table below shows how the six elements of internal control review address the principles of economy, efficiency, and effectiveness. It is critical to note that an internal control checklist is a qualitative tool for assessing internal control quality. We caution that attempting to quantify the checklist would provide a false sense of precision for these results. Instead, the elements are intended to provide suggestions regarding places where the organization may choose to conduct deeper investigations into a particular control or area of control.

Our review shows a generally robust system of internal control across the six elements considered. All controls were present, and most were functional within the organization. Generally, we identified areas for improvement within the governance controls category. During our research, the organizational chart did not include information regarding reporting arrangements or associate staff names with positions. However, Centre senior leadership subsequently revised the organizational chart in alignment with adjusting the Centre’s structure. Because the new organizational chart had just been distributed, we could not review it for the “results” and “adaptability” categories.

Financial controls within the Centre all received high marks in this checklist, meeting each criterion. Reimbursement procedures did not receive a checkmark for “results” because these processes experienced a recent challenge and were undergoing adjustments to improve the processes. However, based on our review of the adjustments made, we believe the current reimbursement procedure will score well in this attribute once the new approach is implemented.

Similarly, administrative controls generally scored well on this internal control checklist. We address controls for strategic planning and performance monitoring along with performance reviews and performance leadership elsewhere in this document and recommend establishing a system to integrate these elements.

We have provided the chart below to give Centre management a tool for further exploring internal controls in the future.

	Presence	Function	Structure	Use	Results	Adaptability
<b>Economy (1), Efficiency (2), Effectiveness (3)</b>	3	1, 2, 3	2, 3	1, 2, 3	2, 3	1, 2, 3
<b>GOVERNANCE CONTROLS</b>						
<b>Organizational Chart</b>	✓	✓	✓	✓		
<b>Board Operations</b>	✓	✓	✓	✓	✓	
<b>Performance Reviews (tested control)</b>	✓	✓	✓	✓	✓	✓
<b>Whistle Blowing</b>	✓	✓	✓	✓		✓
<b>Performance Leadership and Culture (tested control)</b>	✓	✓				✓
<b>Management information and data integrity (policy from the AKFC)</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Remuneration</b>	✓	✓	✓			
<b>FINANCIAL CONTROLS</b>						
<b>Budget planning and execution</b>	✓	✓	✓	✓	✓	✓
<b>Investment</b>	✓	✓	✓	✓	✓	✓

<b>Travel (tested control)</b>	✓	✓	✓	✓	✓	✓
<b>Procurement</b>	✓	✓	✓	✓	✓	✓
<b>Reimbursement</b>	✓		✓	✓		✓

### ADMINISTRATIVE CONTROLS

<b>Strategic Planning and performance monitoring (tested control)</b>	✓	✓				✓
<b>Information Technology (policy from the AKFC)</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Access and Security</b>	✓	✓	✓	✓	✓	✓
<b>Human Resources (tested control)</b>	✓	✓	✓	✓		✓
<b>Risk Management</b>	✓	✓	✓	✓	✓	✓