



FINAL

AUDIT OF THE

CANADIAN CENTRE FOR FOREIGN POLICY DEVELOPMENT

APRIL 2004

Department of Foreign Affairs and International Trade
Office of the Inspector General
Audit Division (SIV)

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EXECUTIVE SUMMARY

1.1 Background

1.1.1 The Departmental Audit and Evaluation Committee (DAEC) approved an audit of the Canadian Centre for Foreign Policy Development (CPC) to be undertaken in fiscal year 2004-05. Subsequently, the new ADM of the Strategic Policy Branch and the new DG of the Policy Planning Bureau (both arrived on April 1, 2003), requested that the audit be accelerated to begin in May 2003. They made this request due to concerns they had developed during the first few weeks of their new assignments about the management control and financial framework in CPC. The ADM requested that the audit focus on the management control framework and the financial and human resources functions within CPC. This request was part of management's desire to ensure the highest possible standards of transparency and accountability in the management of the CPC.

1.1.2 The audit was undertaken during the months of June and July 2003. The audit methodology included reviewing documentation and conducting interviews with management and staff to develop an understanding of their roles, responsibilities, authorities and associated business processes.

1.1.3 The Canadian Centre for Foreign Policy Development became a Division (designated CPC) on April 2, 2001. Prior to this date the Centre had been a contribution recipient since 1996. The major activity of the Centre is to fund initiatives to help members of the public contribute to the research and development of Canadian foreign policy. It provides information, alerts citizens to opportunities for public contributions, facilitates and promotes a policy development network across Canada, and encourages and supports policy development.

1.1.4 The Centre has always been housed in the Pearson Building, although entirely funded from a new Class of Contributions in support of Foreign Policy Consultation, Research and Outreach. Initially, the contribution funds were used to pay the salaries of employees working for the Centre. Following a departmental review of the Centre in the year 2000, it was decided to integrate the Centre into the Department's organizational structure, since the review concluded that the Centre was neither an NGO nor an official part of DFAIT. As a result, a new Division, CPC, reporting to the Policy Planning Secretariat (CPD), was created in April 2001. The Division consisted of seven positions – a director (PM 6), two analysts (ES 03), three event organizers (PM 02) and one assistant (AS 01). The mandate and scope of activities of the Division remained the same as they were prior to the departmental review.

1.2 Conclusion

1.2.1 The integration of the Centre into DFAIT in April 2001 resolved the administrative/legal issue of using Vote 10 (Grants and Contribution funds) for operational purposes by transferring this cost to Vote 1 funding; however, insufficient effort was directed to integrate the Centre's activities within the programs of CPD. The management control framework did not develop into one that supported the human resource and financial management functions. The Division did not possess the human resources with the appropriate skill sets and experiences to integrate itself effectively into the Department. Furthermore, there was insufficient effort made by the Division to utilize the Department's internal support services (Area Management Office, Finance and Human Resources) to negate this weakness. The Centre maintained its own logo and continued to deliver its programs much like it did before. CPC's mandate to respond to the priorities of the Minister to engage citizens in foreign policy development and strengthen government-citizen relations continued without significant change. The combined responsibilities to align the Division into the Department and at the same time respond to the Minister's priorities (Dialogue, Town Hall meetings, meetings with experts on Iraq) proved to be a daunting challenge for the staff. Consequently, the Audit Team (the Team) noted serious weaknesses in the Division's management capacity to develop and implement a management control framework to ensure strong and effective financial and human resource functions.

OBSERVATIONS AND RECOMMENDATIONS

2.1 Management Control Framework

2.1.1 In 2001, the Director was assigned the responsibility to establish the new Division; unfortunately the incumbent and the staff had no experience and training in organizational design within the Federal Government regulatory environment. In addition to establishing the new Division and delivering its programs, the Director was tasked to organize "the Minister's Foreign Policy Dialogue". The management challenges associated with this initiative, coupled with those related to the establishment of a new Division, had a negative impact on the Division's ability to deliver both priority mandates. Adjustments to organizational mandates are difficult to implement at the best of times and the situation was further exacerbated by the absence of any strategic and operational plans articulating roles and responsibilities, short and long term human resource strategies, and sound financial management administration procedures, including a formalized contribution approval and monitoring process.

Recommendation for CPC

2.1.2 CPC, in consultation with CPD, should develop and implement a strong management control framework that will support the development and implementation of strategic and operational plans

that address the division's roles and responsibilities, short and long term human resource strategies and sound financial management administration procedures.

CPC Response

2.1.2 Management immediately acted on the initial audit findings in late June and in July 2003, and under the leadership of the new Director, a strong management control framework has been implemented that addresses the division's roles and responsibilities, short and long term human resource strategies and sound financial management administration procedures.

2.2 Human Resource Function

2.2.1 The Division has a complement of seven positions. Since 2001, the staffing process to acquire personnel followed a three step approach: the use of contracts, followed by the use of casual employment, followed by the use of term appointments. Only two positions were indeterminate – the Director's and one rotational FS's. There were major gaps between the qualifications of some employees and the skill level required of the incumbent's position. As would be expected in such an environment the Division experienced a high turnover rate of staff. This was very evident in 2002-03 when the entire staff complement, with the exception of the Director, turned over. Some employees considered the Division a good conduit to better employment opportunities within the Department.

Recommendation for CPC

2.2.2 CPC, in consultation with CPD, should review and identify human resource needs and prepare a human resource strategy that will address the Division's requirements.

CPC Response

2.2.2 CPC, in consultation with CPD, has reviewed and identified human resource needs and prepared a human resource strategy that addresses the Division's requirements.

2.3 Financial Management Function

2.3.1 Since 2001, there were serious weaknesses in the Division's financial administration. The Team noted:

- improper use of PAYE;

- contracts entered into based only on oral confirmation resulting in additional administrative activities to correct the situation;
- some invoices were delayed until the Department had put in place the proper authorities to satisfy the rigour of the approval process. As a result, contribution recipients had to wait an inordinate amount of time to receive payment for the services that they had provided the Department;
- contribution agreements entered into that could not be realized before the end of the fiscal year;
- inadequate tracking and filing systems to facilitate the identification of all outstanding invoices and timely payments;
- no formalized project approval process for Contribution proposals; and,
- indiscriminate use of terminology (i.e. contract vs contribution agreement, service provider vs recipient, accountable advance vs advance payments) within the unit that could lead to a misunderstanding among staff.

2.3.2 The Team noted that divisional employees had a general lack of knowledge and understanding on how to administrate and manage a contribution program. Furthermore, there were no guidelines articulating the roles and responsibilities of each participant in the approval, administration and monitoring processes. The Area management Office (CAM) offered support on a number of occasions; however, it was not until the effects from the above-mentioned weaknesses became apparent did the Division involve CAM in rectifying the situation.

Recommendation for CPC

2.3.3 CPC should arrange with CFSI to provide staff training in both contracting and grants and contribution administration. In addition, the Division, with the assistance of CAM and the Finance Division (SMF), should develop and implement financial administration procedures to address the current weaknesses.

CPC Response

2.3.3 Staff training has been received in both contracting and grants and contribution administration and financial administration procedures have been developed and implemented.