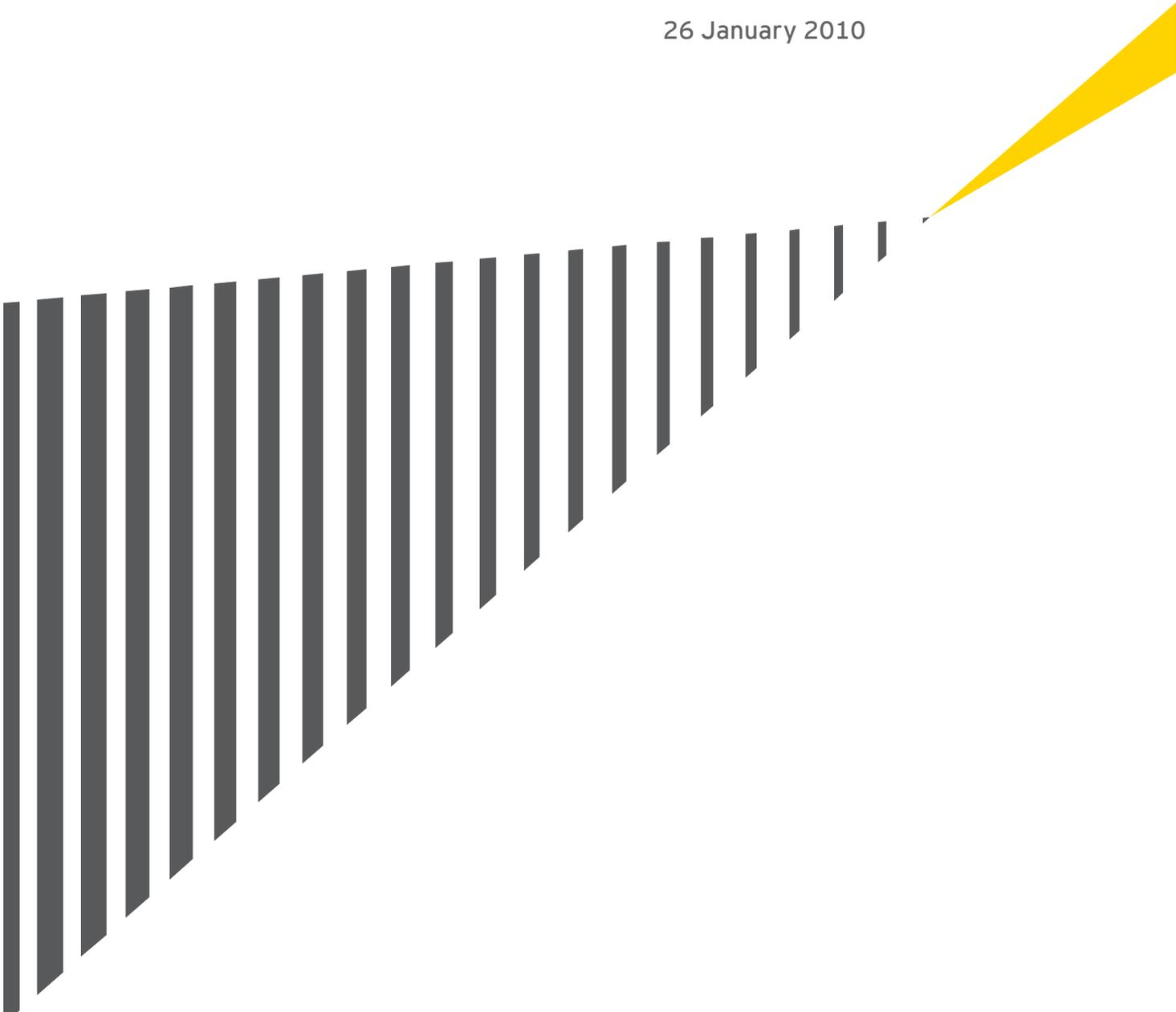


Forum of Federations

Value for Money Audit

26 January 2010





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26 January 2010

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Ms. Embounou:

Please find enclosed the final report for the Value for Money Audit of the Forum of Federations.

This report was prepared further to the audit conducted between March and June 2009, in accordance with the proposed work plan discussed and agreed upon with you in late March 2009.

Thank you again for your cooperation and the cooperation of your colleagues and staff in the conduct of the audit.

Regards

A handwritten signature in black ink, appearing to read 'Charles-Antoine St-Jean'.

Charles-Antoine St-Jean, FCA
Partner

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Executive Summary

The Forum of Federations (the Forum) was founded in 1999 and received an initial grant of \$10M from the Department of Foreign Affairs and International Trade (DFAIT) in 2001. In 2005, DFAIT committed \$20M in additional funding in the form of a conditional grant to be drawn down over six years. This core or “basic” funding has been supplemented by partner government contributions and contracts with other government departments. The scope of this audit focuses specifically on how the Forum has managed the core funding from DFAIT and not other funding sources. The funding agreement signed with DFAIT stipulates that one of the conditions is that the Forum undertakes to have a Value for Money (VFM) audit conducted before the end of the present agreement in 2011.

As identified in the Agreement with DFAIT, the Value for Money Audit must examine the Forum’s overall performance delivering its programs.

Our objective is to provide the Forum of Federations with an independent and objective assessment of the extent to which the Forum delivered the following functions with due regard to economy, efficiency and effectiveness:

1. The leveraging of contributions and development assistance
2. Administration and infrastructure
3. Travel management
4. Human resources

The Forum’s executive management team identified the areas of focus for the VFM audit.

Key Findings

1. The leveraging of contributions and development assistance
 - ▶ Has made significant progress in supplementing Canada’s core funding in many innovative ways.
 - ▶ Is still working to better track “in-kind” and “spent by others” contributions.
 - ▶ Has well-aligned and integrated its partners to fulfill its strategic objectives.
2. Administration and Infrastructure
 - ▶ Has obtained good value for money spent on accommodation costs.
 - ▶ Should explore ways of further streamlining its general procurement processes including reviewing the use of procurement cards.
3. Travel Management
 - ▶ Has documented travel policies that are reviewed and updated on a regular basis.
 - ▶ Should develop guidelines to assist program directors consider a variety of means to deliver their programs, including use of travel.
 - ▶ Should increase the level of automation of the travel claims process to reduce claim error rates and streamline processing efforts.

4. Human Resources

- ▶ Should update its study on compensation.
- ▶ Perceptions of staff compensation remain positive.
- ▶ Should improve incentives for program staff and create a position to drive the identification of opportunities to deepen existing partnerships and identify new ones.

About the Audit

The process of scoping the audit was facilitated by the consulting firm PGF Consultants Inc. (PGF) who conducted an Organizational Performance Evaluation (OPE) in 2008 and led the Forum through a strategic planning exercise in 2004.

Areas identified took into consideration the findings of various reports including the OPE, a financial compliance audit conducted by DFAIT in 2007 and the external assessment of travel management and delivery in 2008. The areas were debated extensively and approved by the Forum's Senior Executives.

In addition to conducting interviews of Forum staff and reviewing documents, we conducted an employee survey and used an Ernst & Young Maturity Model to help guide our assessments around human resource practices.

Audit Framework

The following preliminary VFM audit framework maps the areas identified by the Forum of Federations, categorizing the issues of focus using the VFM audit categories of economy, efficiency and effectiveness. Control has also been added. On that basis, we developed an audit framework, which is presented below:

Table 1-Forum of Federations VFM Audit: Preliminary VFM Audit Framework

Matters of interest	Attributes			
	Economy	Efficiency	Effectiveness	Controls
1. Leveraging contributions and development assistance	Actual value of in-kind and cash contributions	Maximizing leverage of core funding	Have partnerships helped Forum to achieve programming objectives?	
2. Administration and infrastructure		Optimal use of administration and fixed costs budget?		
	Administrative costs and recommendations for improving management of administration and infrastructure			
Matters of interest	Attributes			

Matters of interest	Attributes		
3. Travel management	Are travel resources being used in a way that maximizes delivery of program objectives?		Controls in place to confirm sound, cost-effective management of travel budgets?
4. Human resources	Value for money of human resources?		
		How does the Forum enable maximum staff performance in terms of the quality/efficiency toward the attainment of overall objectives?	<p>Motivation of human resources (market rates/working conditions)</p> <p>Empowerment of program staff in attaining Forum's objectives</p>

Chapter 1 - Leveraging contributions and development assistance

Audit objective: To determine whether the Forum has maximized its opportunities to leverage funds and develop partnerships that achieve program objectives.

Lines of inquiry

1.1 What is the actual value of the in-kind and cash contributions?
1.2 Is the organization maximizing leverage of its core funding?
1.3 Have partnerships helped the organization to achieve its programming objectives?

1.1 What is the actual value of the in-kind and cash contributions?

What we looked at

We looked at the processes behind how in-kind and cash contributions are calculated. We also looked at the Organizational Performance Evaluation (OPE) conducted by PGF Consultants Inc., their findings regarding the calculation of in-kind and cash contributions, as well as the measures that have been undertaken since the publication of their report in April 2008 to improve the calculating of in-kind and cash contributions.

Background

The OPE conducted by PGF Consultants Inc. in April 2008 concluded that “since embarking on a multi-sectoral internationalization process in 2005, the Forum has succeeded in diversifying its funding with financial and in-kind contributions from other governments”. However, the OPE recommended that “the Forum take appropriate measures to demonstrate and communicate the international leveraging of the funding it receives from the Government of Canada”. Demonstrating and communicating leveraging of funding through in-kind and cash contributions was one of four key recommendations made in the OPE.

The total cost of programs as compiled by the Forum’s Finance and Operations department for the fiscal years 2007, 2008 and 2009 are as follows:

Table 2-Total cost of programs (000\$), 2008-2009

2008-2009	Canada Grant	Other Partners	Contracts	Forum cash	In kind	Spent by others	Total
Internationalization Governance & Dev	293	106		399			399
Ass. Programs	1,584	6	1,208	2,798	413	582	3,794
Global Programs	672	277	21	969		423	1,391
Public Information	673			673	43		716
Operations (includes Board)	773	152		924			924
Total	3,995	539	1,229	5,764	456	1,005	7,224

Table 3-Total cost of programs (000\$), 2007-2008

2007-2008	Canada Grant	Partners	Contracts	Total Forum cash	In-kind	Spent by others	Total
Internationalization	318	82		400	200	107	707
Governance Programs	1,590	1	1,903	3,493	80	144	3,717
Global Programs	904	142	46	1,092	350	7,000*	8,442
Public Information	876	3		879	56	0	936
Operations	722	271		992	75	0	1,067
Total	4,410	499	1,949	6,858	761	7,251	14,871

Table 4-Total cost of programs (000\$), 2006-2007

2006-2007	Forum cash	In-kind	Spent by others	Total
Internationalization	217			217
Governance Programs	2,303		1,093	3,396
Global Programs	1,047	350	1,194	2,591
Public Information	962	100	24	1,086
Operations	841	10		851
Total	5,371	460	2,312	8,143

Data extracted from Forum of Federations Annual Reports

* Figure represents Government of India's 2007 fiscal year contribution towards the Fourth International Conference in November 2007.

In the OPE report, PGF highlighted the Forum's success in 2005-06 and 2006-07 of leveraging the funds provided under the Grant Agreement by attracting support, both cash and in-kind, from other sources. This is consistent with our findings related to fiscal years 2007-08 and 2008-09.

Findings

Our review indicated that the Forum is still not capturing the complete amount of their in-kind and spent by others contributions. The Forum is capturing, as part of their budget, secondments and cash contributions from partners. However, it is not fully capturing funds spent by others. This could include donated hospitality, donated meeting space, donated transport or donated equipment. This could also include the value of person-days or person-months being donated to a program by personnel from national non-governmental organizations (NGOs), government agencies or local partners.

We note that the Forum is working to improve the collection of this information and have the program staff report regularly on in-kind and cash contributions. The Public Information and Education (PIE) department has been tasked, since 2005, with providing information regarding partner in-kind and cash contributions for publication of the Annual Report.

In response to the recommendation by PGF Consultants Inc. regarding improving processes to calculate in-kind contributions, the Forum amended Activity Completion Reports (ACRs) in 2008 to require program staff to report on in-kind contributions. This includes reporting on Forum Cash Contributions, Partner Cash Contributions and Partners In-Kind Contributions.

We reviewed a sample of six Activity Completion Reports prepared by different staff members and noted that half of those ACRs did not have the "contributions" section completed or were in a format that did not contain a contributions section. We also noted that program staff was not required to provide back up information in the ACRs to demonstrate how the estimated partner cash or partner in-kind contribution was calculated.

The Forum is also in the process of implementing a new system (called GYST) to capture and report program performance data. As of May 2009, the system was not yet fully operational.

Recommendations

The Forum should develop a formalized in-kind contribution policy, and related instruments, that clearly define all eligible in-kind contributions and provide guidelines to estimate such amounts. The policy should also define roles and responsibilities for recording and reporting activities related to in-kind contributions. This policy would enable improved consistency, accuracy and completeness of all in-kind contribution reporting.

The Forum should require supervisor sign-off of Activity Completion Reports to confirm due diligence on the amount of in-kind contribution reported.

Management comments:

Management agrees. Once internal policy is clearly defined, capacity to track this information could be built into the new integrated information management system (GYST).

1.2 Is the Forum of Federations maximizing leverage of its core funding?

What we looked at

We examined various modalities which the Forum uses for leveraging funds.

Background

A July 2004 audit of the Forum by the Office of the Inspector General at the Department of Foreign Affairs and International Trade (DFAIT) stated that "in order to sustain itself in the longer term, the Forum is pursuing funding from international donors". The audit encouraged the Forum, in conjunction with DFAIT, to develop a

detailed project plan for its “internationalization”. Since that date, the Forum has been successful in leveraging funds by attracting support, both cash and in-kind, from other sources as highlighted in the 2008 OPE report prepared by PGF.

The Forum has established nine formal partnerships where countries sign Framework Agreements and commit to support and participate in the Forum’s activities: Canada, Austria, Switzerland and Nigeria in fiscal 2005; Australia, India and Mexico in fiscal year 2006; Ethiopia in fiscal year 2007; and Germany in fiscal year 2008. While Austria did not renew its membership, Brazil became a partner in fiscal year 2009.

Expansion of the Forum’s international involvement is also evidenced by the growth in participants and countries attending international conferences; approximate figures provided by the Forum include:

Table 5-International Conferences

	1998 (Canada)	2002 (Swiss)	2005 (Belgium)	2007 (India)
Participants	500	600	800	1,300
Countries	24	60	80	116
Keynote speakers	38	24	39	38

The Forum has indicated that approximately 1,200 participants attended other forum events in 2006-2007; this grew to 2,300 participants in 2007-2008. Examples of these events include: UN conferences on fiscal federalism for Iraq; Global Dialogue roundtables in Ottawa, Brazil, Switzerland, Spain, and South Africa; and workshops in Argentina, Germany, Sri Lanka and Sudan.

Tables 2 to 4 summarize the costs of the Forum’s programs and the sources of funding. The core funding grant received from the Government of Canada has led to a range of leveraged resources which include:

International partners’ core contributions. This is the \$50K/year core contribution paid by each partner to the Forum. The first to contribute the annual cash contribution was Switzerland in 2005, followed by Australia, Austria and Mexico. In 2006, Ethiopia and Germany were added to the list of annual partner contributors in 2006. Nigeria followed suit in 2007 for a total of seven international partners. Other partner core contributions were made in-kind.

Partner enriched contributions: These include additional annual cash contributions from some partners. For example, Switzerland has provided \$365K and \$416K for the fiscal years 2008, 2009 in such a contribution, and has pledged a further \$470K for 2010.

International partners in-kind contributions: These include the secondments of senior officers from Switzerland and Germany, and various services such as translation. The Forum’s Annual Report estimates the value of these in-kind contributions at \$760K for the fiscal year 2008 and \$413K in 2009 for the secondment of senior officers from Switzerland and Germany.

International Conferences: These flagship activities take place every three years. They are essentially all funded and paid for by the host governments. These conferences are central to the development of the Forum’s international networks. India’s direct costs for the 2007 conference were in excess of \$8.5M over two years.

Furthermore, cost of travel for attendance of the delegates is generally paid for by their governments. The Forum estimates these travel costs to be in excess of \$2M per conference but these were not reflected in the estimate of \$10 million in leveraged funds contained in the 2007 Annual Report.

Local partners' support for Forum activities: The Forum mode of operations is to seek local partners to support local activities. Local partners share the cost of an event, provide the venue, translation services and provide personnel to assist with the event. The Forum estimates the cost of local partners support to be in excess of \$250K in 2007.

Development assistance contracts: The Forum secured close to \$2M and \$1M in development assistance for the fiscal years 2008 and 2009 respectively. This number is increasing and in FY10 total anticipated contract spending is estimated at \$3.4M.

Public Information and Education: We looked at the Forum's Public Information and Education branch (PIE). While most of PIE's budget is derived from its core funding, it also has produced a number of publications using development assistance contracts and has entered into commercial publishing arrangements, which provide distribution and the possibility of royalties for Forum publications. In meeting with the director of the PIE, we were informed that the PIE's strategy is to treat such publications as the book *Federalism: An Introduction* written by its president, George Anderson, and the Forum's flagship publication, "Federations Magazine" (published twice annually) to showcase the organization and its accomplishments and help attract new country partners and development assistance funding. In the case of the book, the Forum has had the work translated by two partner institutions and a partner country, and treats those pro bono efforts as an in-kind contribution. As well, the Forum's Development Assistance Programs have funded the translation, printing and distribution of the book in four other languages. The book has appeared in English, Arabic, Amharic, Catalan, German, Hindi, Kurdish, Nepali, Portuguese, Russian and Spanish. Arrangements are underway for several more language editions. We were informed that the Forum will seek similar arrangements for the recently-released publication entitled "*Fiscal Federalism: A Comparative Introduction*."

Findings

The Forum has made a significant effort to supplement the core funding received from the Government of Canada in many innovative ways. The number of partner countries has more than doubled since 2004-2005. The Forum has also been successful in achieving funding diversification through increases in partner country contributions beyond the core amount. By way of example, the Forum's 2007 Annual Report indicates that the \$4.4M core funding grant received from the Government of Canada in that fiscal year enabled it to leverage additional direct and indirect financial support for its own operations, as well as major activities in excess of \$10 million in funding from other sources.

These efforts have been successful in expanding the scope of its activities and influence. The 2005 international conference had 200 more participants involving 20 more countries than the 2002 conference. Attendance continued to grow in 2007 with an additional 500 people attending and 36 more countries being represented. Attendance at other forum events almost doubled from 2006-2007 to 2007-2008.

While 2007 was a particularly strong year, with leverage being well over twice the size of Canada's core funding, the general record is one of significant leverage with a positive trend over time. Moreover, the Forum appears to be unique amongst Canadian NGO's in this regard. In reviewing Board minutes, we noted numerous strategic discussions at the Board level related to creating and deepening partnerships and the associated funding that goes with them.

We noted that the Forum's 2004-2010 Strategic Plan will soon require renewal. Although the Forum has made a significant effort to supplement core funding, we heard concerns among program staff and senior management that the leveraging process needed to be more systemic in nature in order to meet DFAIT's requirements for grant renewal.

The Forum is exploring additional ways to attract other stakeholders and friends of the Forum to contribute to the expansion of its activities. One such way is to create a roster of country candidates who would join with different membership privileges, and related cost. The Forum is exploring the feasibility of such membership with selected countries, such as Argentina, Spain, Italy, and the USA. We were informed during the course of our audit that the Forum could be required to seek Treasury Board approval to receive additional funds from the Government of Canada. This requirement is a condition of the DFAIT Grant. The Forum has recently concluded a protocol with the Canadian International Development Agency (CIDA) which provides for the Forum to receive federal government development assistance in addition to the DFAIT Grant. The Forum is of the view that the CIDA protocol is compliant with the DFAIT Grant.

Recommendations

1. The Forum should seek formal assurance from DFAIT that the CIDA protocol is compliant with the conditions attached to the DFAIT Grant.
2. The Forum should update its operational plan for leveraging funds beyond 2010.

Management comments:

The key longer term issue is the future of Canada's support. The Forum's significant and stable core funding is one of the reasons the Forum is deemed to be a non-government organization of choice for receiving such assistance. In the event of longer term Canadian support beyond 2010 a clear plan on leveraging will be developed.

1.3 Have partnerships helped the organization to achieve its programming objectives?

What we looked at

We looked at whether the Forum was able to integrate its partners into programming that was consistent with the Forum's objectives, or whether partnerships were taking the Forum "off track". We hoped to find that the Forum was integrating its partners into its activities in a consistent manner.

To do so, we examined the Global Dialogue Program and Thematic Programs, which are both part of the Forum's Global Programs. We looked at the extent to which the

engagement of partners in the Global Dialogue Program and Thematic Programs helped the Forum to achieve its programming objectives. To do so, we looked at the first two of five strategic objectives. We addressed the fifth strategic objective—diversification of resource base and building partnerships—in section 1.2 above.

We also reviewed a 2007 evaluation of the Global Dialogue Program conducted by Professor J. Peter Meekison (the Meekison Report), an expert on Canadian federalism and a Fellow at Queens University Institute of Intergovernmental Relations.

We assessed the extent to which Governance Programs has tracked the leveraging of funds using core grant funding from its partner countries over the three years covered by the audit. Program staff advised us that relevant documentation was not readily available and considerable effort would be required to retrieve and assemble it. Accordingly, we focused our assessment on the Global Dialogue Program, for which documentation could be retrieved while we conducted the audit.

Background

There are five strategic objectives taken from the Forum of Federation's Strategic Plan, 2004-2010. They are as follows:

- ▶ Strategic objective 1. The Forum will continue to foster mutual learning about the operation of federal systems through active dialogue among practitioners.
- ▶ Strategic objective 2. The Forum will increase global awareness and knowledge of federalism by sharing and making accessible information and comparative perspectives.
- ▶ Strategic objective 3. The Forum will continue to provide information and advice to societies engaged in post-conflict discussions and peace-building activities that seek to incorporate federal features in their governance arrangements.
- ▶ Strategic objective 4. The organization will provide a forum for exploring the possibilities of federalism in addressing governance issues relating to Indigenous Peoples.
- ▶ Strategic objective 5. The Forum will build its organizational strength through diversifying its resource base, building partnerships and enhancing its profile in federal countries and worldwide.

Global Dialogue Program

The Forum describes the Global Dialogue Program as a “program of workshops, conferences and related discussion forums and publications on different themes in federalism...The program creates ongoing opportunities for practitioners, scholars, and young professionals to share their experiences and academic research and to produce enduring comparative resources about current and emerging issues in federalism.”

Typically, there are four stages to each round of the Global Dialogue Program, known as the “knowledge spiral”:

1. Selecting approximately twelve relevant federal countries, signing contracts and distributing background packages to Country Coordinators.
2. A one-day roundtable of 10-20 participants in each country.

3. A two-day international event of Country Coordinators and representatives from each country roundtable.
4. A theme booklet prepared for each country by the Country Coordinator, along with a brief chapter on comparative outcomes. A theme book published by the Forum, containing chapters on the practices of all participant countries.

During the period under review, the Global Dialogue Program covered four themes as follows:

- ▶ In 2006, the Global Dialogue Program theme was Foreign Relations in Federal Countries.
- ▶ In 2007, the focus was on Local Governments and Metropolitan Regions in Federal Systems.
- ▶ In 2008, the focus was on diversity in Federal Systems.
- ▶ In 2009, the focus was on intergovernmental relations in Federal Countries.

The themes and countries that participated in the Global Dialogue programs are outlined in Table 6 below:

Table 6-Global Dialogue Program topics

	2006 FOREIGN RELATIONS	2007 LOCAL GOVERNMENT	2008 DIVERSITY	2009 INTERGOVERNMENTAL RELATIONS
AUSTRALIA	P	P	P	P
AUSTRIA	P	P		
CANADA	P	P	P	P
GERMANY	P	P	P	P
INDIA	P	P	P	P
SWITZERLAND	P	P	P	P
SOUTH AFRICA	NP	NP		NP
BELGIUM	NP		NP	NP
UNITED STATES	NP	NP	NP	
MALAYSIA	NP			
SPAIN	NP	NP	NP	NP
BRAZIL		NP	P	P
MEXICO		P		P
NIGERIA		P	P	P
ETHIOPIA			P	
RUSSIA			NP	
ARGENTINA				NP
EUROPEAN UNION				NP

P=PARTNER

NP=NON-PARTNER

Thematic Programs

The Forum's website expresses how the Forum's Thematic Programs were developed as an evolution and complement to the Global Dialogue program:

"The Forum is increasingly being drawn into comparative work on sectoral issues in federal systems. To date this has been done as part of individual country projects. However, from a policy standpoint the programs focus on specific sectoral issues and typically span multiple countries. Thematic programs operate in parallel with the Forum's Global Dialogue program. While the Global Dialogue deals with structural issues, thematic programs are meant to be more policy oriented".

During the period under review, Thematic Programs covered five themes as follows:

- ▶ In 2007, the two Thematic Program themes were Financing of Capital Cities and Oil and Gas.
- ▶ In 2008, the Thematic Program theme was Water.
- ▶ In 2009, the Thematic Program themes are Immigration and Integration as well as the Public Sector.

The themes and countries that participated in the 2007-2009 Thematic Programs are outlined in Table 7 below:

Table 7-Thematic Program topics

	2007 FINANCING OF CAPITAL CITIES	2007 OIL AND GAS	2008 WATER	2009 IMMIGRATION AND INTEGRATION	2009 PUBLIC SECTOR
AUSTRALIA	P	P	P	P	P
AUSTRIA					
CANADA	P	P	P	P	P
GERMANY	P		P	P	P
INDIA		P			P
SWITZERLAND	P		P	P	P
SOUTH AFRICA	NP		NP		
BELGIUM					
UNITED STATES	NP			NP	NP
MALAYSIA		NP			
SPAIN					
BRAZIL		NP	P		P
MEXICO	P	P	P		NP
NIGERIA	P	P	P		
ETHIOPIA			P		
RUSSIA					
ARGENTINA					
EUROPEAN UNION					
PAKISTAN		NP	NP		
VENEZUELA		NP			

P=PARTNER
NP=NON-PARTNER

Findings

Our review indicates that the Global Dialogue Program is based on a robust programmatic model. This programmatic model—based on the knowledge spiral described in the background section above—has been replicated by the Forum on an annual basis since 2002. The model has also been replicated for the Thematic Programs. As Meekison states in his report, “central to the model is the notion of federations learning from each other”. This reflects the “concept of selecting participants from a wide range of federal countries to ensure that as many points of view and experiences as possible related to a given topic are represented”.

The Meekison Report presents the results of an evaluation questionnaire sent to previous participants of the Global Dialogue Program. From the 54 respondents, Meekison concludes that “the vast majority...made it clear that the program had an impact on their work”. Similarly, half the respondents “strongly agreed” and another third “agreed” that the program added to the study and understanding of comparative federalism.

In reviewing partner participation between 2006 and 2009, we noted that the regular and consistent inclusion of partner countries in the Global Dialogue and Thematic Programs has ensured their integration into programs that are consistent with the Forum’s objectives. This has allowed the Forum to demonstrate value to partner countries, maintain a presence with partner countries, hold events and share their practices with others.

We noted that current partners such as Australia, Germany, India, Switzerland and Nigeria all participated in Global Dialogue programs dating back to 2002. This has allowed the Forum to demonstrate value to its prospective partners. The Forum has been strategic in involving numerous other countries, such as Brazil, which participated as a prospective member country in 2007 prior to becoming a member in 2008. The Forum has involved the European Union and Argentina in 2009, and is exploring the possibility of both joining in the near future.

In summary, our review indicates a good alignment and integration between partners, as both financial supporters of the Forum and key participants in the sharing of knowledge around federalism.

Recommendations

1. That Forum program staff assigned to Governance Programs maintain an up-to-date record of funds that have been leveraged through partner countries.

Management Response

The Forum agrees with the recommendation. We are in the process to complete the implementation of “GYST”, a project management system for which there is a means to capture the in-kind leveraged by the Forum through its partner countries and events.

Chapter 2 - Administrative and Infrastructure Costs

Audit Objective: To determine if administrative and infrastructure costs are being optimized and to make recommendations for improving management of administration and infrastructure.

Lines of inquiry

2.1 What is the basis for allocating administrative and infrastructure costs to the various Forum programs, and is it reasonable?
2.2 Are costs reasonable in relation to other organizations of similar size and mandate?
2.3. Is Forum of Federations managing administrative costs in the most effective and efficient manner?

Notes

The main elements of administrative and infrastructure costs (AIC) are compensation, accommodation and office expenses. They represent approximately 40, 20 and 10% of total AIC respectively. Other main elements include depreciation and general travel.

Please note that compensation and travel costs were reviewed under Audit Objectives 4 and 3 respectively.

2.1 What is the basis for allocating administrative and infrastructure costs to the various Forum of Federations programs, and is it reasonable?

Background

The Forum defines direct program/project costs to be those that can be traced directly to a project/program. These costs include administrative staff time directly related to a particular project or program.

The basis for allocating remaining indirect AIC to Forum programs is defined in the various contribution agreements between the Forum and the contributing organizations.

Findings

We noted that the basis of allocation of the remaining indirect AIC was subject to an audit by DFAIT in 2008 and was deemed to be reasonable in the circumstances.

However, we noted that the allocation method is not formally documented, nor communicated to Forum personnel, thereby increasing the risk of errors.

Recommendations

The Forum should document the administrative and infrastructure allocation policy and methodology.

Management comments:

The Forum accepts the recommendation. It is updating financial policies in which allocation methodology will be addressed.

2.2 Are costs reasonable in relation to other organizations of similar size and mandate?

Background

Most NGOs have different mandates, scope of operations, stakeholders, business models and accountability requirements. For these reasons, finding a perfect comparator is a difficult exercise.

After discussion with Forum management and our own review, we selected the International Centre for Human Rights and Democratic Development (ICHRDD) as a reasonable comparator for purposes of addressing this question. The ICHRDD is an independent Canadian institution of similar size and mandate. It is international program-based and obtains funding from parliamentary appropriations and federal departments and agencies.

Findings

ICRDD projects account for 60-65% of its total expenditures, whereas Forum projects account for approximately 80-85% of the Forum's costs. Of particular note is the fact that salaries not associated with programs accounted for 25% of ICRDD expenditures, whereas Forum salary costs were only 6% of non-associated costs.

The Forum non-project related costs are lower than its comparator and have remained relatively stable over the years. Furthermore, the Forum's performance of 15 to 20% of costs incurred for non-project activities is not dissimilar from the norm applied by the Canadian Revenue Agency when it examines the reasonableness of the activities of a registered charity to maintain its tax status. This level would suggest that the relative weight of its non-project costs over project costs of the Forum is not excessive when compared to other NGOs.

While Forum non-project related costs are clearly lower than a comparable entity and have remained relatively static, and in some categories have decreased, over the past three years, there is the risk that these levels may not, or should not, be sustained. While project volumes and revenues have increased from \$4.5M in 2006 to \$6.7M in 2008, salary costs have actually decreased during that same time frame.

Recommendation

In light of the Forum's growth targets for 2010 and beyond, the Forum should review the current and targeted levels of infrastructure, including support staff, systems and office space to assess whether the current levels are sufficient to support the planned growth targets in 2010 and beyond.

Management Comments:

Agree.

2.3. Is the Forum of Federations managing administrative costs in the most effective and efficient manner?

This section is broken into accommodation costs and general procurement.

2.3.1. Accommodation Costs:

Background

The Forum occupies 6900 square feet of office space in the market area of Ottawa, under a two-year lease expiring July 2009. A visual examination of the premises confirms that all office space is used by either full-time or part-time staff. While the premises are adequate, they are not of a Class A category and could be considered as modest Class B.

Annual lease and maintenance costs are approximately \$185K.

Findings

The commercial rental market report from real estate company JJ Barnicke indicates that average net rent per square foot was \$13.74 in 2007 for a similar class building in downtown Ottawa. The Forum's net rent was \$9.50 per square foot in 2007. Current JJ Barnicke rental reports for Q1-2009 show Class A space available in the Ottawa Market area at \$22 per square foot and average Class B space running at \$17.79 per square foot. The Forum's net rent was still \$9.50 per square foot for the year ending March 31, 2009.

Based on the Forum's staffing levels of 28 employees, rule of thumb calculations would suggest office space requirements range from 5900 to 6500 square feet, depending on the configuration of the space. Visual examination indicates that available office space appears to meet the Forum's current needs.

The review of these two elements suggests that the Forum is obtaining good value for money spent on accommodation costs.

Recommendation

None.

Management Comments:

None.

2.3.2. General Procurement:

Findings

The Forum's procurement practices are well supported by a policy, a well designed process, and related instruments. There are clear delegated signing authority limits, approved suppliers list, and purchase order requirement for each purchase. The Forum's procurement process incorporates key controls, including segregation of duties and three-way match process.

The Forum's procurement process and related filing system is largely paper-based and, therefore, labour intensive and not as efficient as it could be if automated. Constant retrieval and re-filing of source documents is consuming a high level of Finance employees' time.

The Forum does not use procurement cards.

Recommendations

The Forum should:

- 1) Explore streamlining its goods receipt, invoice approval and payment processes by increasing the level of transaction automation and imaging documents where possible.
- 2) Review whether the use of procurement cards would allow the Forum to obtain better discounts, consolidate small purchases into one invoice payment and provide standardized procurement reports.

Management Comments:

Streamlining: Management agrees on a suggestion to explore the above (some automation has already been identified internally). However, proposals for systems changes should also acknowledge the need for adequate manpower resourcing to implement the changes. The 2008 PGF report identified that Forum's mandate has progressed and continues to grow without a proportional growth in support services.... and "may be reaching its limits.

Procurement cards: It should be noted that Forum's biggest expense items are travel, salaries and rent, for which procurement card arrangements would probably not be applicable. Management will review this recommendation for expense items such as supplies, which make up less than 4% of total Grant expenses; overall value-for-money gains might not be considerable. Forum has experimented with settling travel purchases via Amex corporate card, but because of its international and complex itineraries, it has not proven to be very efficient.

Chapter 3 - Travel Expenses

Audit Objective: To determine if travel resources are being used in a way that maximizes delivery of Forum of Federation's program objectives.

Lines of Inquiry

3.1 What criteria do program managers apply in establishing travel plans to enable program delivery? Are alternate communication means considered (e.g. video/teleconferencing, etc.)?
3.2 To what extent are travel requirements being met by the FOF preferred travel agency?
3.3. Are adequate controls in place to ensure FOF travel policies are complied with?

Background

Overview of Forum's Travel Expense Management Policies and Practices

The Forum has several policies in effect covering the travel expense area. These policies include an overall travel policy covering travel rules in general and separate policies addressing some areas in more detail such as: business air travel, hotels and accommodation, hospitality. These policies are broadly based on Treasury Board (TB) guidelines, adjusted, as necessary, to ensure compliance with funding agency agreements, which in some instances are more restrictive than TB guidelines.

The policies are well documented, comprehensive in nature and are revisited and updated on a regular basis as business needs dictate. Most recently, several travel policies were updated to incorporate recommendations made to the Forum by LinkLine International in their September, 2008 report entitled "Assessment and Travel Management and Delivery". They are also being updated to include new Forum operational realities - dealing with travel organization in overseas stations. The specific policy documents that were reviewed are listed below:

Travel and Accommodation Policy - dated February 29, 2008

Travel Policy - dated March 17, 2003 (old policy)

Hospitality Policy - dated March 17, 2003

Hotel and Accommodation Policy - dated March 17, 2003

Best practices for Travel Expense management include the following key features:

- ▶ Travel and expense policies and procedures have support of senior management and the whole user community
- ▶ Use of corporate cards
- ▶ Easy to use on-line claim submission process is available to all users
- ▶ Automated payments to separate employee bank accounts
- ▶ Capability to report on travel and expense costs
- ▶ Discounts negotiated with preferred suppliers
- ▶ Travel Manager in place

Standard performance measures for travel expenses include:

- ▶ Number of errors on expense claim forms
- ▶ Cycle time from expense claim submission to claim payment to employees
- ▶ Use of preferred suppliers

3.1 What criteria do program managers apply in establishing travel plans to enable program delivery? Are alternate communication means considered (e.g. video/teleconferencing, etc.)?

Findings

The Forum acts as host and participates in many conferences. These conferences involve many participants who often travel from all over the world to meet in one central location to discuss common issues. Program staff cited that one of the most beneficial mechanisms to effectively deliver their programs and build partnerships is by face-to-face contact with the various stakeholders and government representatives at these events.

Program plans, including travel budgets associated with these plans, are approved annually by the Forum's board and each trip requires approval in advance of travel. However, there is no formal policy or guidelines to provide guidance to program management on the most appropriate means of program delivery. We could not find evidence that alternate communication means are considered by program managers in establishing their travel plans.

Forum staff advised us that video conferencing, as an alternate means of program delivery, is not considered as an effective means of delivering program value. As a result, it is not widely used. However, other low cost modes of communications, such as email communication and telephone are widely used to support program delivery.

In the sample of travel claims reviewed, there were several instances of very high telecommunications charges (roaming charges associated with Blackberry usage).

Recommendations

The Forum should:

- 1) Develop guidelines to assist program directors consider a variety of means to deliver their programs, including use of travel. The guidelines should incentivize the program directors to be more creative in identifying lower cost program delivery mechanisms.
- 2) Explore the feasibility of increasing use of video-conference with new VoIP low cost technology.
- 3) Reassess its practices on Blackberry usage for overseas usage to reduce costly roaming charges. Alternate mechanisms might include purchasing pre-paid phones in the foreign destination or entering into longer term cell phone agreements for frequent foreign destinations.

Management comments:

Forum agrees to regularly reviewing and identifying lower cost program delivery mechanisms and complementary tools such as video-conferencing. However, networking and working with partners are vital to Forum's work and the essential need for face-to-face contact should not be underestimated.

With the expansion of its overseas operations, the Forum is also recruiting field staff to handle programs directly in the field; this should reduce the need for such frequent travel by HQ staff.

Forum policy already requires staff to be attentive to roaming charges and to use pre-paid phones. Usage by staff is regularly monitored. Management will improve application of the policy.

3.2 To what extent are travel requirements being met by the Forum's preferred travel agency?**Findings**

The Forum has been using the same travel supplier, CBO Travel, for the past seven years. CBO Travel provides travel services to the Forum and is engaged by the Forum primarily to book airline arrangements for employees travelling both within North America and internationally. In discussions with Forum staff and management, there seems to be a high degree of overall satisfaction with CBO Travel and, in particular, their level of customer service. Service fees charged by CBO appear to be in line with industry norms and CBO provides the Forum with travel management reports.

Reviews commissioned by the Forum in 2008 (led by LinkLine International) included a review of the extent to which travel requirements were being addressed by the Forum's primary supplier, CBO Travel. As the Forum broadens its reach and increases its involvement with Development Assistance programs and international conferences, its travel needs will continue to evolve. Over the past few years, the Forum's travel expenditures have increased and travel requirements have become more complex. Given the relative importance of this expense element, the Forum should re-evaluate travel supplier suitability on a regular basis.

Recommendation

The Forum should establish a review cycle for the provision of its travel services. These reviews should take place on an informal basis yearly and formally every three to five years, whereby management can reaffirm its travel needs, rank its needs (e.g. Is cost most important?), evaluate CBO's ability to satisfy current and future needs and determine whether it should formally go out to tender for its travel services.

Management comments:

Agree. An informal internal review was performed in 2007; there was an external review in 2008 with a more formal review taking place in 2009.

3.3. Are adequate controls in place to ensure the Forum's travel policies are complied with?

Findings

Process and system controls for travel expenses include pre-approval of travel, travel advance requests and expense claims payment supported by signed approval by next level of management. In addition, all claims are thoroughly reviewed by the Finance team prior to approval for payment. Payment is largely effected via direct deposit to employees' bank accounts.

While a fundamental control framework exists to help ensure that expense claims are in accordance with Forum policies, day-to-day enforcement of the travel expense policy is largely the responsibility of the Finance function within the Forum.

The claims process is largely manual; the nature of the Forum's international focus results in relatively complex travel claims and the claim form itself contains only basic calculation features. Consequently, the quality of first time submission of travel expense claims is very low: 100% claims sampled contained evidence of rework and corrections required by the Finance team. Errors ranged from missing management approvals (signatures) to calculation and financial coding errors. Many corrections were small in dollar value and often appeared to relate to foreign exchange rate differentials. The Forum's current travel policy does not appear to have a tolerance level for waiving small errors. Poor quality travel claims result in Finance staff spending a greater proportion of time performing lower level (less value-added) transactional tasks.

Forum policy allows employees to request cash advances for estimated travel costs. Given the frequency of international travel, it is not uncommon for cash advances to be in the thousands of dollars. Although the Forum has a policy requiring travel claim submission within 15 days following the completion of a trip and prohibits employees from requesting additional advances until previous travel claims are settled, there still is a significant lag between travel advance issuance and travel claims submission. For the sample travel claims reviewed, this represented an average of 2.4 months.

Recommendations

The Forum should:

- 1) Examine options for introducing corporate credit cards (self-liability). As credit card acceptance becomes more and more common place, cash advance systems have been abandoned by most international organizations in favour of company-sponsored or employee credit card usage. Credit cards help encourage employees to file their claims in a timely manner, as most employees will want to settle promptly in order to avoid late payment fees. In addition, administrative processing costs are reduced as only one payment is issued per claim.
- 2) Review the option of establishing tolerance levels for small errors or variations in foreign exchange rates to streamline claims processing (e.g. lesser 10% of claim value or \$2-\$10).

- 3) Reinforce employee responsibility for travel expense quality and compliance to Forum policies and increase the level of automation of the travel claims process to reduce claim error rates and streamline processing efforts. Simple enhancements to the existing Excel-based form, incorporating drop down selections for approved expense categories and embedding financial accounting codes, would improve the quality of claims submissions. The option of automatically uploading approved Excel-based expense templates directly into the Forum accounting system should be reviewed.

Management comments:

Forum will re-assess use of (self-liability) corporate credit cards for frequent staff travellers. It will also need to ensure that this usage will not increase administrative processing.

Enhancements to increase the level of automation of the travel claim process will be examined in conjunction with other policy measures related to accountability and responsibility for travel within the organization as a whole.

Chapter 4 - Human Resources

Lines of inquiry

4.1 Do salary/benefits and working conditions allow the organization to hire and retain employees?
4.2 To what extent does the organizational structure and working culture of the organization empower program staff in obtaining the objectives of the organization?
4.3 Does the organization manage the performance of its staff?

4.1 Do salary/benefits and working conditions allow the organization to hire and retain employees?

What we looked at

We examined the Forum's documentation related to compensation. We conducted an employee survey in April and May of 2009 to assess employee satisfaction with their compensation. We reviewed the vacancy pattern and average tenure of employees for the last three years.

Background

To ensure a good basis of employee compensation, the Forum commissioned an independent study to examine salary and benefits. MCO Business Group Inc. conducted the study in the fall of 2002. The study compared employee salary levels with five "comparable" non-governmental organizations (NGOs) and those of the Public Service Commission (PSC). More recent data was not available, but we were informed that the Forum is considering updating its study on compensation levels.

In the absence of an up-to-date assessment of compensation levels, we conducted an employee survey to gauge the perception of competitiveness. The survey was conducted in April and May 2009, with 21 out of 26 employees responding to the questions on salary and benefits.

Findings

We have noted the following:

Salary. The 2002 study found that the salary range mid-points of:

- ▶ Most Forum non-management positions fall within the spread of salary range mid-points for similar positions in the NGOs surveyed
- ▶ All Forum non-management positions fall below the salary range mid-points for similar positions in the PSC
- ▶ Forum management positions fall above the spread of NGO salary range mid-points for comparable positions
- ▶ Four Forum management positions fall above the salary range mid-points for comparable positions in the PSC

The employee survey indicated that 81% of respondents perceived their salaries to be in line with the pay in similar organizations.

Benefits. The MCO study compared 22 aspects of employee benefits including vacation, pension plan, personal days, maternity top-up, health care benefits and others. The study compared the Forum to five NGO's and the PSC. The study found that the Forum's benefits:

- ▶ Exceeded those provided by the survey participants in 6 of 22 comparisons
- ▶ Were comparable in 15 of 22 comparisons
- ▶ Fell slightly below in 1 of 22 comparisons

The benefit that fell "slightly below" other NGOs and the PSC was vacation time. The study recommended that vacations be adjusted to 3/4/5 weeks after 0/5/10 years of service. This recommendation was implemented by the Forum. A "length of service incentive" is addressed in section 14.1 of the Forum's Operational Manual.

The employee survey also indicated that 95% of respondents perceived their benefits to be in line with the pay in similar organizations.

Vacancy and tenure. Our review of vacancy and tenure did not indicate systemic problems. At the time of our review, there were no vacancies at the Forum.

In summary, our review indicates that compensation appears satisfactory to enable the Forum to hire and retain its employees. However, as indicated in section 4.3.2, there is a risk of an increased level of turnover and vacancy until the Grant Agreement with the DFAIT is secured.

Recommendation

1. The Forum should update its study around compensation.

Management comments:

Agree. This is tabled for early 2010. Previous programming for this task were pushed back in prior years in order to give way to more pressing work related to establishment and set up of Development Assistance activities and overseas operations.

4.2 To what extent does the organizational structure and working culture of the organization empower program staff in obtaining the objectives of the organization?

What we looked at

Given the importance of leveraging funds to the success of the Forum, we examined whether the organizational structure and working culture of the organization empowered staff to participate actively in the leveraging of funds. We, therefore, focused our attention in section 4.2.1 on the Forum's strategic objective number 5, which states that "the Forum will build its organizational strength through diversifying its resource base, building partnerships and enhancing its profile in federal countries and worldwide". We examined the extent to which program staff was expected to play a role in helping to identify new, and deepen existing, partnerships.

We also looked briefly at the organizational structure of the Forum and its relation to executing the four programmatic strategic objectives, in section 4.2.2.

We included findings from our employee survey, which looked at job satisfaction and perceptions about workload.

General Background

There are five Forum of Federations Strategic objectives. Table 8 maps out the lead department in carrying out the strategic objective and provides detail on the staffing contingent.

Table 8-Breakdown of strategic objectives and lead departments responsible for implementation

		Strategic objective	Lead Department	Estimated Number of employees/consultants
PROGRAMMATIC	1.	The Forum will continue to foster mutual learning about the operation of federal systems through active dialogue among practitioners.	Global programs	3 employees
	2	The Forum will increase global awareness and knowledge of federalism by sharing and making accessible information and comparative perspectives.	Governance Programs and Partnerships	4 employees 2 consultants
	3	The Forum will continue to provide information and advice to societies engaged in post-conflict discussions and peace-building activities that seek to incorporate federal features in their governance arrangements.	Development Assistance Programs	6 employees 1 part-time employee
	4	The organization will provide a forum for exploring the possibilities of federalism in addressing governance issues relating to Indigenous Peoples.	Governance Programs	4 employees 2 consultants
LEVERAGING	5	The Forum will build its organizational strength through diversifying its resource base, building partnerships and enhancing its profile in federal countries and worldwide.	Director, South America and Programs and Partnerships	1 employee

Note: Employees and consultants do not necessarily work exclusively on one strategic objective; when required, resources may be assigned to support multiple objectives.

4.2.1 Leveraging:

Background

Operational objective 5.5 in the Forum's Strategic Plan for 2004-2010 calls for the Forum to "increase (its) profile and build strength through expanding its partnership arrangements". One of the outputs or results is that "at least twelve states will have signed agreements by 2010". This is consistent with the terms of the Forum's Grant Agreement with the DFAIT, which calls for the Forum to attain 12 partnerships by 2011 and is, therefore, a highly strategic objective.

Findings

We looked at the role of program directors and program officers and noted that "opportunity identification" is part of their job descriptions in most cases. Opportunity identification includes identifying funding and partnership opportunities in the region and liaising with partners and other countries. However, program staff also have responsibilities for an array of other related duties, including program planning and strategy, program implementation, project delivery and Forum program in general and communications.

During our interviews, we heard concerns that the work load of program staff made it challenging to focus on opportunity identification and partner liaison. These concerns were confirmed by the employee survey. Survey results found that 50% of respondents agreed there was sufficient staff to handle their workload. Similarly, PGF's Operational Performance Evaluation found that "interviewees note that the financial and operational areas of the Forum...may be reaching their limits".

We noted that a full-time position existed from 2001- 2007 to develop and maintain relations with partners. The position reported directly to the President.

Responsibilities for the position included:

1. **Internationalization and partner governments**, including preparing and negotiating contribution agreements; serving as principal contact with Partner Governments; identifying prospective partners.
2. **Funding and sustaining partnerships**, including increasing and diversifying Forum funding and funding agencies.
3. **Liaison, representation and external relations**, including developing a preliminary memorandum of understanding with potential partners and continuing with consultations until the new partner is recruited.

In 2007, the individual responsible for developing and maintaining relations with partners was additionally assigned country program responsibilities. These responsibilities for developing and maintaining relations were later assigned to another country program director. Our understanding is that less than 25% of this position is currently devoted to this strategic responsibility.

The lack of a dedicated resource to drive the process of identifying new, and deepening existing, partnerships may create challenges to the Forum in further diversifying its resource base and building additional partnerships.

Recommendations

1. The Forum should review the organizational structure and reassess the adequacy of resource levels in each department.
2. The Forum should ensure that adequate resources are available to manage and deepen existing partnerships and drive growth opportunities in partner countries.

Management comments:

The hiring of a new VP Operations in October 2009 enables the CEO to focus on funding matters.

4.2.2 Programmatic:

Background

The Forum's organizational structure is divided into five departments:

Governance Programs has a VP, two regional directors and a program assistant. There are also two consultants working for Governance Programs: one consultant focusing on Mexico and the other on Canada Programs.

Development Assistance Programs has a VP, two regional directors (Africa, Asia-Pacific), supported by a program assistant, two program managers and one part-time program officer. Funding for DAP programs are derived from both the Grant and other funds, mainly Development agencies or Ministries of Foreign Affairs. Grant funds are allocated annually to cover program activities in Ethiopia and Nigeria; the Regional Office in Addis is funded with Grant funds and at least 60% of salaries and benefits for staff working on DAP programs are paid out of the Grant. In FY 2009/10, funding agencies are the Swiss Agency for Development and Cooperation (SDC) and DFAIT. Discussions on additional funding are currently led with the German Ministry of Foreign Affairs, the British DFID, and the Canadian International Development Agency.

Global Programs (includes international conferences, Global Dialogue and Thematic Programs) is headed by a Senior Director and supported by two support officers.

Finance and operations is headed by a Senior Director, supported by a finance manager, program assistant, accountant, finance officer and human resources manager, and LAN Manager (consultant). We noted that the Senior Director is the most senior finance person in the organization.

Public Information and Education is headed by a Senior Director supported by three full-time and one part-time staff member.

Findings

During our interviews it became clear that some program staff (including a Senior Director, a Director and a Program Officer) might be listed in one department but also have reporting responsibilities in another department. For example, the Director of Asia-Pacific programs and Australia reports to the VP Development Assistance Programs, but reports to the VP Governance Programs. The Senior Director for Global programs reports directly to the President of the Forum, but for his work in India,

works with the VP Governance Programs and Partnerships. The use of a matrix structure for program roles and responsibilities has allowed the Forum to maximize resource value and expand its program coverage with a relatively small staffing complement.

While some increases in program staffing levels have occurred (e.g. the Development Assistance Programs department was created in 2008 headed by a Vice President), the current matrix model of staffing programs may not be sustainable as the Forum continues to expand into additional lines of business, overseas operations and diversifies its funding base.

Recommendation

1. The Forum should re-examine its reporting structure and re-assess required resource levels and skill set in each department.

Management comments:

It should be acknowledged that the Forum has reached high levels of productivity over many years with a small effective staff and with the strategic decision to diversify its funding source, staffing levels have reached a point of saturation. Accordingly, the organization underwent restructuring in September 2009. A VP Operation position was created to coordinate and oversee internal operational matters across all sectors of the Forum's business. This will free up the CEO to devote time exclusively to funding renewal, high level program management and external relations. The Governance and Global programs were merged and put under the management of a VP. Responsibilities were reassigned in order to avoid staff reporting to more than one person. Overseas offices are now operational in Sudan, Ethiopia, Nigeria and Nepal, which permits the organization to shift the Development Assistance program management and logistic workload to the field, thus permitting head office to focus on our Core work.

It must also be mentioned that even though the Core grant presently subsidizes part of the Development assistance program (DAP), it is the intention of the Forum that this subsidy will reverse itself and that in the near future, not only DAP will be financially self-sufficient, it will contribute to the Forum's overhead costs, thus permitting the Forum to increase its capacity if needed.

4.3 Does the organization manage the performance of its staff

What we looked at

We divided this section into two, looking separately at performance management and training and talent management.

We examined whether there was an employee evaluation and development process in place and an alignment between employee evaluation and development plans and training plans. We reviewed a maturity model for employee evaluation and development and compared against the Forum’s own processes.

Building on audit step 4.2 (whether the organizational structure and working culture of the organization empowered staff to participate actively in the leveraging of funds), we looked at whether the employee evaluation and development process provided an incentive for program staff to drive the identification of new and deepening of existing partnerships.

We drew on the results of the employee survey we conducted, in which we gauged employee perceptions around opportunities for professional development and growth, as well as long-term opportunities.

4.3.1 Performance management

Background

We reviewed a maturity model for employee development plans. There are five levels: basic, developing, established, advanced and leading.

Basic	Developing	Established	Advanced	Leading
Plans do not exist	Plans exist but training not directly linked to plans and not all positions are included	All employee development plans are created, reviewed and approved and linked to training plans. Data is easily accessed by leadership	All employee development plans are tied to training plan, succession plan, and skills assessment. Review/Feedback is provided on an annual basis	All employee development plans are tied to training plan, succession plan, and skills assessment all housed in the talent management tool. Review/Feedback is given quarterly based on the data provided from the talent management tool

A policy on “performance evaluation and merit increases” is addressed in section 13 of the Forum’s Operational Manual. According to section 13.1 of the Manual, “the Forum will evaluate the performance of each eligible employee in writing at least annually, and provide feedback to the employee”. Section 13.2 elaborates on the policy, stating that “all eligible employees will be evaluated annually as of March 31st”.

Employees are eligible to receive modest performance bonuses to the maximum of 5%. According to Section 13.1 of the Manual, employees receive a merit increase “in one or more steps at their level in the salary grid and/or a one time performance-based payment depending on their performance evaluation for the year”. This is subject to the availability of funding and the approval of the Senior Management Committee.

Findings

According to the above maturity model, the Forum has an *established* system of employee development plans. All employee development plans are created, reviewed and approved and linked to training plans. The plans were readily available in hard copy from Human Resources.

We reviewed the Performance Planning and Reviews (PPRs) for the 06/07 and 07/08 fiscal years and found that all had been completed. Evaluations for the 08/09 fiscal year are not required to be completed before end of June 2009; hence the evaluations were not available.

We examined a sample of three PPRs for program directors and two PPRs for program officers. We found that there was at least one reference to “opportunity identification” as an accountability objective for each of the program directors and for one of the two program officers. Objectives related to building stronger relationships, identifying and developing funding opportunities, proposing new programs and identifying other donors for programming. However, in most cases these goals were listed among many other goals related to program management, raising the issue as to whether “opportunity identification” would be a priority. In interviews, we heard comments from staff about the difficulties of juggling “opportunity identification” with program management.

We noted that the policy around performance evaluation and merit increases is not necessarily tied to “opportunity identification” responsibilities.

Recommendations

1. The Forum should consider amending the PPRs so that “opportunity identification” becomes a key objective as part of the annual accountability objectives.
2. The Forum should consider amending its policy on performance evaluation and merit increases for appropriate program staff by relating bonuses to identifying new, or deepening existing, partnerships.

Management comments:

Agree.

4.3.2 Talent management

Background

The employee survey that we conducted in April and May 2009 examined issues around talent and performance management.

Findings

We noted through survey data and individual survey responses that employees did not necessarily see long-term prospects for themselves at the Forum. The employee survey found that less than half (48%) of respondents agreed that they have the opportunity for personal development and growth. Only 29% of respondents agreed that the Forum offered long-term possibilities for them. This was offset against an overall rate of 86% of respondents satisfied with the Forum as a place to work. We noted in the individual responses that employees were particularly concerned about the renewal of its grant with DFAIT. Given the Forum's growth plans, attracting and retaining quality talent is critical if the Forum is to continue to introduce new programs and deliver and maintain existing core programs. In the face of increasing business complexity (e.g. overseas operations) and competition for executive level talent in the Ottawa marketplace, the Forum may find it increasingly difficult to attract and retain appropriate talent. As long as uncertainty around funding exists, the Forum may be faced with the reality of having to pay a premium to attract and retain senior resources.

PPRs for 06/07 and 07/08 contained a section on training and development needs. We found that training requests were generally aligned to the position. This included requests for language training and training in results based management, including the Forum of Federation's own new results-tracking system (GYST).

We noted that training requests were followed up with the implementation of a Training Calendar, which breaks down the budget for the implementation of training for each fiscal year. For fiscal year 07/08, training for languages, results based management and GYST made up most of the budgetary allocation for training. We also noted a significant reduction in the training budget for fiscal year 09/10.

Recommendations

1. The Forum should undertake an organizational review which addresses both short and long-term future resource requirements.
2. The Forum should examine whether it can provide, at a minimum cost, more group training opportunities for its staff. This might offset the reduction in the 09/10 training budget and concerns about professional development.

Management comments:

As commented in 4.2.2 restructuring was initiated at senior executive levels. Further assessment of short and long term resource requirements is on-going and will, undoubtedly, lead to other changes.

The Forum routinely conducts in-house group sessions on policy change, travel, etc. Several workshops were organized in 08/09 on the development of a Forum RBM framework and on the principles of RBM in general. Once this framework has been built into GYST, the system will be rolled out and other on-hand group training sessions will be held.