



# International Development Research Centre

Report presented to the  
Board of Governors

27 March 2008

Special Examination Report



Office of the Auditor General of Canada  
Bureau du vérificateur général du Canada





Office of the Auditor General of Canada  
Bureau du vérificateur général du Canada

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27 March 2008

To the Board of Governors of  
International Development Research Centre

We have completed the special examination of the International Development Research Centre in accordance with the plan presented to the Finance and Audit Committee of the Board of Governors on 20 March 2007. As required by Section 139 of the *Financial Administration Act* (FAA), we are pleased to provide the attached final special examination report to the Board of Governors.

We will be pleased to respond to any comments or questions you may have concerning our report at your meeting on 27 March 2008.

I would like to take this opportunity to express my appreciation to the Board members, management, and Centre staff for the cooperation and assistance offered to us during the examination.

Yours sincerely,

A handwritten signature in cursive script that reads "Aline Vienneau".

Aline Vienneau, CA  
Principal

Attach.



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# International Development Research Centre

## Special Examination Report

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### Main Points

#### What we examined

The International Development Research Centre (IDRC) was established in 1970, one of the first organizations in the world devoted to supporting research activities that developing countries consider the most relevant to their prosperity, security, and equity. The Centre allocates its resources to specific development problems and forges links among the disciplines that can contribute to solutions. IDRC bases its approach to development on specific principles: staying closely linked to recipient communities and keeping operations flexible enough to respond to needs as they are identified.

On 31 March 2007, IDRC was supporting 524 active research projects and providing support to 714 institutions. It had 462 employees. Of these, 169, including 111 locally engaged staff, were working in the six regional offices located in Cairo, Dakar, Montevideo, Nairobi, New Delhi, and Singapore. The rest were working at headquarters in Ottawa.

Our special examination of IDRC looked at the systems and practices we considered essential to providing the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively. The areas we examined were strategic planning, risk management, performance management, management of research projects and partnerships, human resources management, research results and knowledge sharing, information technology and corporate governance.

#### Why it's important

Developing countries have a vast need for research. While many organizations provide development assistance, IDRC is among a smaller number supporting local development research. Given the rapidly changing global environment and IDRC's limited resources, its choices are critical: it must continually assess why, where, and how to intervene to have the greatest impact.

**What we found**

We found no significant deficiencies in the systems and practices we examined. In fact, IDRC's systems and practices in several areas have contributed to its success.

- IDRC has sound systems and practices to manage the funding of research projects, its core function. It uses an appropriate process to select and approve the research projects it funds, and it monitors projects to ensure that they are completed to a suitable standard of quality. The financial aspects of projects are adequately controlled. Since our last special examination in 2003, IDRC has also reduced its backlog of project completion reports. In a number of cases, it has been active in linking project recipients with other potential partners and donors to ensure that projects are sustainable after its own role has ended.
- The Centre's management of human resources demonstrates that it values its people as its strongest asset. Its reputation as a learning organization continues to attract and retain highly qualified staff who have developed effective processes for sharing knowledge and for capturing and disseminating research results.

We found certain other areas that need attention or that provide opportunities for improvement.

- Ten of the 21 seats on the Centre's Board of Governors have traditionally been reserved for foreign members so that Canadian members are in the majority, as the *International Development Research Centre Act* requires. We noted that because of government delays in filling Board vacancies, Canadian governors have not been in the majority since March 2007, which means the Board's composition is not in compliance with the *IDRC Act*. We also note that the terms of Board members are not well staggered—more than 44 percent of the current governors' terms will expire in 2011. The government's attention to these matters is needed.
- We note that IDRC has opportunities to improve its external reporting by demonstrating more clearly in its annual report which of its activities have contributed to achieving both short-term and long-term objectives and by providing multi-year performance information. It also needs to complete its work on the integrated risk management framework and its components.

***IDRC has responded.*** IDRC agrees with all the recommendations. Its responses follow the recommendations throughout the report.

## Special Examination Opinion

To the Board of Governors of the International Development Research Centre

1. Under section 131 of the *Financial Administration Act* (FAA), the International Development Research Centre is required to maintain financial and management control and information systems and management practices that provide reasonable assurance that its assets are safeguarded and controlled; its financial, human, and physical resources are managed economically and efficiently; and its operations are carried out effectively.
2. Section 138 of the FAA also requires the Corporation to have a special examination of these systems and practices carried out at least once every five years.
3. Our responsibility is to express an opinion on whether there is reasonable assurance that during the period covered by the examination (from January 2007 to September 2007) there were no significant deficiencies in the systems and practices we examined.
4. We based our examination plan on a survey and a risk analysis of the Corporation's systems and practices. On 20 March 2007, we submitted the plan to the Finance and Audit Committee of the Board of Governors. The plan identified the systems and practices that we considered essential to providing the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources managed economically and efficiently, and its operations carried out effectively. Those are the systems and practices that we selected for examination.
5. The plan included the criteria that we selected specifically for this examination in consultation with the Corporation. The criteria were based on our experience with performance auditing and our knowledge of the subject matter. Our choice of criteria was also based on guidance provided by the Canadian Institute of Chartered Accountants. (The criteria and the systems and practices we examined are listed in About the Special Examination at the end of this report.)
6. We conducted our examination in accordance with our plan and with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants. Accordingly, it included the tests and other procedures we considered necessary in the circumstances. In carrying out the special examination, we did not rely

on the work of internal audit because recent internal audits did not cover the systems and practices of areas examined.

7. In our opinion, there is reasonable assurance that there were no significant deficiencies in the systems and practices we examined with respect to the criteria established for the examination.

8. The rest of this report provides an overview of the Corporation and more detailed information on our examination observations and recommendations.



Richard Flageole, FCA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
30 November 2007

# Overview of the International Development Research Centre

## Background

9. In 1970, Canada established the International Development Research Centre (IDRC) through an Act of Parliament. The Centre was one of the first organizations in the world devoted to supporting research activities that developing countries identified. The Centre is a Crown corporation that reports to Parliament through the Minister of Foreign Affairs.

10. The *International Development Research Centre Act* establishes a Board of Governors of up to 21 members, including the President, appointed by the Governor in Council. The Act also stipulates that a majority of members, including the Chair and the Vice-Chair, must be Canadian. Up to 10 governors are appointed from other countries.

11. On 31 March 2007, IDRC had 462 employees. Of these, 169, including 111 locally engaged staff, were working in the Centre's six regional offices in Cairo, Dakar, Montevideo, Nairobi, New Delhi, and Singapore. The rest were working at headquarters in Ottawa.

## Legislative mandate

12. Parliament provided IDRC with a broad mandate to “initiate, encourage, support and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical and other knowledge to the economic and social advancement of those regions.”

13. The Act also requires the Centre to enlist the talents of researchers from Canada and other countries; to assist in enhancing the research capabilities, innovative skills and institutions that developing regions need to solve their problems; to encourage the coordination of international development research; and to foster cooperation between developed and developing regions on research and development problems for their mutual benefit.

## Mission and strategic objectives

14. IDRC's mission is to empower developing countries through knowledge; that is, by funding researchers in developing countries so that they can identify problems and make decisions that promote their

own prosperity, security, and equity. IDRC's objectives, as set out in its Corporate Strategy and Program Framework 2005–2010, are:

- **Strengthening research capacity:** To strengthen and help to mobilize the local research capacity of developing countries, especially in the four program areas of Social and Economic Policy; Environment and Natural Resource Management; Information and Communication Technologies for Development; and Innovation, Policy, and Science.
- **Influencing policy and practice:** To foster and support the production, dissemination, and application of research results that lead to changed practices, technologies, policies, and laws that promote sustainable and equitable development and poverty reduction.
- **Leveraging Canadian resources for research:** To leverage additional Canadian resources for research for development by creating, reinforcing, funding, and participating in partnerships between Canadian institutions and institutions in the developing world.

**15.** The Centre focuses on specific development problems and forges links among disciplines that can contribute to solutions. IDRC's approach to development is to stay closely linked to recipient communities and to keep operations flexible enough to respond to needs as the communities identify them.

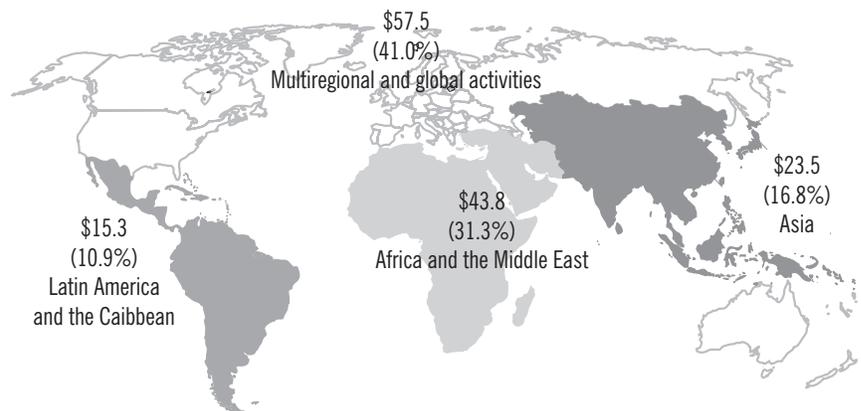
**16.** The Centre's 2005–2010 strategy and program framework identifies four broad areas in which it will support research. Through its four program areas, IDRC funds applied research and provides technical support to researchers on the problems identified as crucial to developing countries. Supporting research on issues that cut across several program areas encourages a participatory and multidisciplinary approach to approving and managing projects.

**17.** Within each broad program area, there are a number of program initiatives, each focusing on a particular development issue. Each program initiative, led by a multidisciplinary staff team, sets a research agenda and acts as a network that links researchers to address specific problems. IDRC allocated approximately \$140 million to the four main program areas and to other programs such as special initiatives (Exhibits 1 and 2). IDRC's four main program areas for 2005–2010 are:

- **Social and Economic Policy:** This program area supports research to inform key areas of public policy related to poverty reduction, equitable development, and human rights.

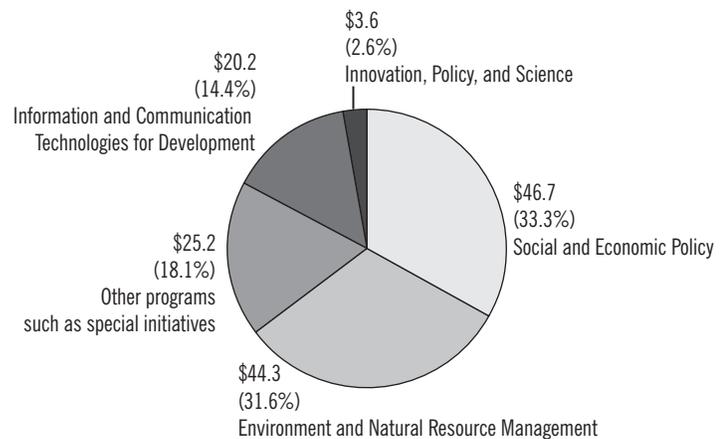
- Environment and Natural Resource Management: Research support focuses on the sustainable use and management of natural resources, stressing the involvement of local communities.
- Information and Communication Technologies for Development: Research focuses on ensuring that developing countries benefit from and contribute to the information economy.
- Innovation, Policy, and Science: This program area is the focal point of IDRC's policy, partnership, and programming on the science and technology and development agenda.

**Exhibit 1 Geographical distribution of \$140 million in total allocated to programs in 2006–07 (in millions of dollars)**



Source: IDRC, *Annual Report 2006–07*

**Exhibit 2 Program area distribution of \$140 million in total allocated to programs in 2006–07 (in millions of dollars)**



Source: IDRC, adapted from *Annual Report 2006–07*

18. As of 31 March 2007, IDRC was supporting 524 active research projects, including 179 initiated during the 2006–07 fiscal year. The Centre actively supported 714 institutions. IDRC also supported workshops, conferences, dissemination activities related to projects, and awards programs.

### Financial results and trends at a glance

19. IDRC finances its activities from annual Parliamentary appropriations through the Official Development Assistance portion of the Department of Foreign Affairs and International Trade's budget. The Centre also receives transfers from other federal agencies and from donor agencies and research funders. Exhibit 3 sets out IDRC's financial results for the past three years.

**Exhibit 3 Financial results for fiscal years 2004–05 to 2006–07 (in thousands of dollars)**

Revenues	2006–07	2005–06	2004–05
Parliamentary appropriations	144,760	131,955	122,340
Revenues from donor partners	20,526	17,582	15,779
Investment and other income	4,779	3,243	2,647
<b>Total revenues</b>	<b>170,065</b>	<b>152,780</b>	<b>140,766</b>
Expenses			
Development research programs:			
Funded by Parliamentary appropriations	82,677	79,229	77,094
Funded by donor partners	18,618	16,010	14,399
Support for development research	32,604	30,709	24,078
Administrative services	26,717	24,931	24,867
<b>Total expenses</b>	<b>160,616</b>	<b>150,879</b>	<b>140,438</b>

Source: IDRC, *Annual Report 2006–07*

## Findings and Recommendations

### Strategic planning

20. Developing countries have a vast need for research. While many organizations are involved in development assistance, the International Development Research Centre (IDRC) is one of a small number concerned specifically with supporting local development research. Given its limited human and financial resources, the Centre's strategic planning is especially important.

21. The rapidly changing global environment requires IDRC to assess in a timely manner why, where, and how to intervene to have the greatest impact. Given its decentralized operations, IDRC must not only provide clear direction to researchers in the field but must also ensure that its six regional offices and staff at head office follow this direction efficiently and effectively.

22. We expected IDRC to have a clearly defined strategic direction with specific and measurable goals and objectives to achieve its legislative mandate. Strategic direction and goals should take into account identified risks as well as the need to control and protect assets and to manage resources economically and efficiently.

23. We found that IDRC has a sound corporate planning process that provides clear direction for its programs and the activities supporting them.

**A well-defined planning process allows managers and the Board to provide clear direction**

24. We looked for systems and practices that would provide for a sound strategic planning process, taking into account the internal and external environment and organizational strengths and weaknesses. The strategic direction would be clearly defined and congruent with the Centre's mandate and vision. We found that IDRC had a Corporate Strategy and Program Framework 2005–2010, which reflects the Centre's strategic choices about where, why, and how it will assist in development research.

25. The Centre develops the five-year corporate strategy and program framework as part of its strategic planning, outlining its programs and strategic objectives for that period. The planning process includes staff from its head office in Ottawa and its regional offices. The process involves extensive consultations with experts and beneficiaries from developing countries as well as IDRC's partners in the Canadian foreign policy and research communities. Senior managers and the outside participants discuss with the Board of Governors topics such as development cooperation; the Canadian research environment and foreign policy contexts; and regional issues in science, technology, research, and development.

26. The Corporate Strategy and Program Framework assesses the emerging international and domestic contexts for development and addresses what they mean for IDRC. It sets the overall program focus and structure for the five-year period, which allows IDRC to identify which international and thematic research programs it should continue

or cease, and whether new themes should be added. It also links the program framework with the Centre's programming principles, as well as directions for program development, Canadian partnerships, and donor and development partnerships. Every year, program funding is allocated to reflect the Centre's priorities and needs. The annual Program of Work and Budget allocates funding for all activities and includes detailed work plans to carry out these activities.

27. In our previous special examination, in 2003, we reported that IDRC needed to clarify its strategic approach to its regional presence, including articulating a clear vision of what role regional offices should play. In reviewing the Centre's planning documents for this audit, we noted that IDRC did clarify the role of the regional offices: to provide a regional perspective to the Centre's programs, to nurture and develop partnerships, and to promote the dissemination of research results.

### **Risk management**

28. Given its mandate and strategic objectives, IDRC is required to take risks, to seek them out, to push the boundaries of innovation, to build capacity where institutions are weak and resources few, and to influence agendas for positive change.

29. Consequently, we expected that all levels of IDRC would focus on risks, particularly those involved in program delivery and administration. That focus should support the realization of the Centre's mandate, corporate goals, and objectives. We expected that IDRC would identify, measure, mitigate, monitor, and report risks to keep them within appropriate levels.

30. We found that IDRC has implemented risk management practices in major business operations and has substantially developed its risk management capability to support its future integrated risk management framework.

### **The International Development Research Centre is developing a corporate-wide approach to risk management**

31. In our last special examination report, we noted that IDRC needed to adopt a more comprehensive approach to risk management and to obtain consolidated information about all current risk management practices. This would allow senior managers to address global risks in a more systematic and comprehensive way. It would also enable managers to provide the Board with reasonable assurance that they had identified important risks in areas such as research and

partnership, governance and accountability, and resources management, and to ensure that systems and practices are in place to manage them.

**32.** In 2006, IDRC established a risk management unit to promote and facilitate integrated risk management practices. It also hired a risk management specialist who is responsible for the Centre's corporate risk profile and integrated risk management framework.

**33.** IDRC developed a corporate risk profile in 2006 as the first step leading to an integrated risk management framework. Senior managers approved the corporate risk profile, which the Finance and Audit Committee endorsed. Although IDRC formally assesses and manages risks related to recipient institutions, research projects, and donor organizations, it also needs to link these processes to the corporate risk profile. IDRC has three important risk management processes: institutional risk assessments, project risk assessments, and donor partnership risk assessments.

**34.** Institutional risk assessments allow the Centre to identify, assess, and manage risk related to recipient institutions. Regional controllers and grant administration staff assess what controls are in place and determine the financial and technical conditions for the payments schedule. This process is well documented and provides guidance on assessing low-, medium-, and high-risk institutions. IDRC recently reviewed the process and enhanced monitoring by establishing important indicators and a regular reporting schedule. We also noted that IDRC provides training to recipient institutions in financial administration and resource development.

**35.** Project risk assessments are required for each project. IDRC documents the results in the overall risk assessment and recommendation section of each project approval document. In 2003 we reported that project risks needed to be identified and assessed more fully, and that the project appraisal process required a better or more detailed assessment of the risks that could harm a project. During our current examination, our file review revealed that some risk assessments were not completed and therefore did not provide consistent and explicit information about significant risks. However, when we discussed this issue with some program officers, it became clear that research project and program monitoring mechanisms did reduce a number of risks. It is important that program and administrative officers appropriately document risk assessments throughout the project cycle.

**36.** Donor partnership risk assessments allow IDRC to assess the suitability of donors against the Centre's criteria, the impacts of new revenues on growth in program activities and resources, and the effect on the Centre's mandate and strategic objectives. During our examination, the Partnership and Business Development Division developed a risk assessment and mitigation tool that is aligned with IDRC's corporate risk profile. It has also identified and prioritized donor partners by classifying them as core partners, forward planning partners, potential and emerging partners, and high transaction cost partners. IDRC has yet to document the donor risk assessment methodology that will help new employees understand the risk assessment process, and will provide staff with the necessary guidelines when interacting with donors.

**37. Recommendation.** IDRC should:

- complete and document its integrated risk management framework and consolidate information about significant risk management processes,
- ensure project risk assessments are adequately documented and integrated into the Centre's risk management process, and
- document the donor risk assessment methodology.

*IDRC's response.* IDRC agrees with these recommendations.

*It has recently approved a Risk Management Policy and will continue to develop and strengthen its risk management framework to better document, consolidate, and enhance its processes to report key information on risk.*

*IDRC will ensure that information on its project risk assessments is appropriately documented and integrated with IDRC's other risk management processes.*

*It has already taken steps to document its donor risk assessment methodology in a recent paper discussed by its Senior Management Committee and will ensure that the methodology is disseminated, understood, and used by staff.*

## **Performance management**

**38.** Measuring and demonstrating the outcomes and impacts of research activities is a challenge. Research organizations around the world are struggling with this issue. IDRC managers do not control outcomes and impacts, but rather seek to influence them through certain activities, such as funding research projects and disseminating research findings. Nevertheless, it is important to assess to what extent IDRC-supported research helps the Centre achieve its objectives. This can significantly contribute to making sound decisions about selecting

future research programs and projects, terminating activities, reallocating resources, or launching new research initiatives. These decisions require good information about whether current research continues to be relevant to corporate priorities and how well projects are achieving their expected results. This kind of performance information is also vital for IDRC to hold managers to account for their use of resources and to tell stakeholders how well IDRC manages its resources and meets its strategic objectives.

**39.** We expected that IDRC's performance management framework would provide clear and concrete performance expectations and credible and balanced information about results.

#### **Mechanisms are in place to gather and assess the results of activities**

**40.** Overall, we found that IDRC has a good structure and processes in place to measure its performance. The Centre has developed an elaborate set of mechanisms over the years to gather and assess the results of activities. We also noted that IDRC is continually seeking ways to improve the measurement of its programs' outcomes and impacts.

**41.** In our 2003 special examination, we noted that IDRC was developing a performance monitoring system at the corporate level. Its corporate assessment framework provides for data gathering and analysis about IDRC's three corporate objectives, and focuses on four priorities that cut across the Centre's programs: strategic knowledge gathering, considerations of gender, donor partnerships, and evaluative thinking.

**42.** Since our last examination, the Centre's Evaluation Unit has comprehensively assessed two of IDRC's strategic objectives. In 2006, one strategic evaluation examined IDRC's efforts to build individual and institutional research capacity in developing countries, and in 2005, another strategic evaluation looked at the public policy influence of IDRC's work in developing countries. Overall these evaluations confirmed the relevance of the Centre's strategic objectives and identified areas for improvements. We noted that IDRC has experimented with how to best assess its four priorities. It is also reflecting on the best means to collect data to assess progress on identified priorities.

**43.** Program evaluation is also an important IDRC analytical tool for periodically assessing the relevance and impact of programs and the degree to which they meet their objectives. The Centre has developed evaluation tools and methods such as outcome mapping, a technique used widely in Canada and abroad. IDRC's Evaluation Unit engages

project teams in evaluations, contributes to capacity and methodology development and use, and supports organizational learning.

**44.** IDRC's evaluation plan covers the evaluation and external review of initiatives in every program area. Research projects are assessed as required by the project team, through evaluations and self-assessments. Program initiatives are assessed by teams of external reviewers. The Evaluation Unit assesses the quality of evaluation reports and communicates these results to the Board. Evaluation results support the sharing of knowledge, experiences, and lessons learned. They also support decisions to pursue an additional project phase, review program initiatives, reproduce projects in other regions, and improve components of similar projects.

**45.** Since 2005, IDRC's Resources Branch, along with its regional office staff, has developed performance indicators in the areas of finance and administration, grant administration, human resources, information technology, and information management. Since 2006, managers have used periodic reports on these indicators to make decisions and administer programs. IDRC has yet to select which of those performance indicators to use for reporting purposes in its annual report to Parliament.

#### **The annual report does not clearly present IDRC's progress against objectives**

**46.** IDRC's annual report is the only public document tabled in Parliament through which the Centre communicates to Parliamentarians, Canadians, and other stakeholders about its objectives and how well it meets them.

**47.** The annual report provides examples of projects in different program areas and countries. It also gives examples of how IDRC meets its strategic objectives. However, as we noted in our 2003 examination, the annual report still needs to provide a better link between the Centre's strategic objectives and the results reported in any particular year. The Centre should report on the results of its strategic evaluations and on selected performance indicators and results from its Resources Branch. The report could demonstrate more clearly which IDRC activities contributed to the achievements of short- and long-term objectives and provide multi-year performance information.

**48. Recommendation.** IDRC should improve its external reporting to better demonstrate to stakeholders and Parliament the extent to which the Centre is meeting its objectives, managing its resources efficiently, and managing its key risks.

**IDRC's response.** *IDRC agrees with this recommendation.*

*Although IDRC's annual report is its principal report to Parliament and Canadians, IDRC also communicates its performance and results through many other public means, including a website, regular meetings with members of Parliament, events in Canada, and a variety of publications. IDRC is committed to continuously improve external reporting of IDRC's performance by making better use of performance measurement tools as they are developed.*

### **Supporting research projects**

**49.** Supporting research projects is IDRC's core function. Sound project selection, monitoring, and assessment practices are essential for success. Project oversight poses a particular challenge for IDRC because it manages many projects, spread throughout the world, using many scientific disciplines. Collaborative research projects involving funding partners also add complexity.

**50.** We expected that IDRC would select, fund, monitor, extend, and terminate research projects, as well as partner relationships (recipients and donors), in a way that ensures the best use of its resources and provides the most value for developing countries.

**51.** We found that IDRC has sound systems and practices to manage the funding of research projects and that partnerships with recipients and donors are designed to achieve expected results, manage risks, and ensure due diligence.

### **Project selection, grant disbursement, and project monitoring is appropriate**

**52.** We looked for systems and practices that would allow IDRC to exercise due diligence when funding individual research projects and to exercise effective control over grant disbursements and project monitoring.

**53.** IDRC uses three approaches to developing research proposals:

- The Centre responds to unsolicited proposals that conform to IDRC's objectives and its program priorities.
- Staff members encourage individuals and institutions to submit funding requests that lie within IDRC's objectives and program priorities.
- IDRC holds several grant competitions using a call for proposals in defined thematic areas, followed by a selection process that frequently includes external experts.

**54.** To select projects, IDRC reviews proposals to determine if they comply with the Centre's Corporate Strategy and Program Framework. Next is a peer review conducted by a program team, followed by various other approvals, ending in a legal agreement. The Board has delegated signing authority to various managers who approve the projects according to their appropriate signing authority. Our review of project files and discussions with program officers revealed that systems operate as intended and provide reasonable assurance that selected projects will be completed to meet quality standards.

**55.** We are also satisfied that IDRC adequately controls projects' financial aspects. Our review of a sample of projects revealed that monitoring was done according to the terms and conditions of the grant agreements that legally apply to each individual project. Financial and technical reports were received, reviewed, and analyzed before payment. As noted previously, we found that IDRC has adopted the good practice of assessing the institutional capacity of potential research grant recipients, which helps to establish appropriate funding controls.

**56.** Our file review showed that project monitoring continues throughout a project's life. Project teams receive financial and management reports about completion deadlines, timing of payments, and budget use. In our review, we also noted site visit reports from program officers. Project completion reports, prepared by program staff, also play an important role in IDRC's assessment of activities and in evaluating the results of individual projects.

**57.** In our last special examination report, we noted a major backlog of project completion reports. At the time, 697 reports were outstanding. We felt that IDRC needed to develop a cost-effective strategy for dealing with the backlog and report on progress to the Board. The Centre also needed to assess the reasons for the backlog and the extent to which the current requirement for project completion reports meets the needs of management and program officers. We were pleased to note that IDRC had taken this backlog issue very seriously. It has redesigned the process, implemented the system Centre-wide, and aims to change the culture of project reporting. Senior managers regularly receive reports on completion rates and notify appropriate managers about reports that have not been completed. As of July 2007, 63 project completion reports were late. This is a significant improvement since our last examination.

**Project continuations are adequately managed**

58. IDRC supports some projects over long periods by adding phases. The particular challenge in managing these projects is to redefine them over time, within existing initiatives, or to terminate them if they do not meet new goals. Our file review revealed that decisions made on project continuations were well documented and followed project approval procedures.

59. In our 2003 special examination, we noted the need for IDRC to define a clear exit strategy that outlines when and how IDRC's role ends. We also discussed IDRC's responsibility to ensure a project can be sustained after IDRC's funding expires. The risk of a negative impact is greater when IDRC provides infrastructure and equipment that must be maintained after a project ends. While IDRC recognizes that its responsibility ends when it terminates a project, we found that in a number of cases IDRC provided extra value by linking project recipients with other potential partners and donors to ensure the project's sustainability.

**Donor partnerships are well managed**

60. The IDRC Act allows the Centre to seek other sources of funding, which opens possibilities for collaboration and partnerships. Since its creation, IDRC has entered into partnerships with more than 145 donors and international development agencies. Since 1997, the Partnership and Business Development Division has identified, initiated, and supported coordination with donor partners. The purpose of collaborating with other donors is to increase the scope and impact of Centre programs and contribute to global harmonization of development research. IDRC also works with other donors to increase funding to applied research carried out in developing countries. In 2006–07, donor partnership funding, including money recovered for administration costs, amounted to \$20.5 million, or approximately 12 percent of IDRC's total revenues.

61. Donor partnership funding for development research programs relates specifically to research that the Centre supports together with Government of Canada entities, other international donor agencies, and research funders. The Canadian International Development Agency (CIDA) remains the Centre's major partner in Canada, accounting for 28 percent of revenues from donor partnerships in 2006–07. A breakdown of these revenues is provided in Exhibit 4.

**Exhibit 4 Revenue from donor partners (in thousands of dollars)**

Organization	2006–07	2005–06	2004–05
Canadian International Development Agency	5,696	6,477	5,497
Other Government of Canada entities	3,070	3,304	3,209
Donor agencies and research funders	9,852	6,229	5,693
Recovery of administrative costs	1,908	1,572	1,380
<b>Total</b>	<b>20,526</b>	<b>17,582</b>	<b>15,779</b>

Source: IDRC, *Annual Report 2006–07*

**62.** We expected that IDRC would select, monitor, extend, and terminate donor partner relationships in a way that would ensure the best use of its resources and value for developing countries. IDRC uses various partnership approaches, whichever best suits its strategic interests and priorities. Our examination focused on those activities where IDRC shares funding with one or more partners.

**63.** IDRC has a well-defined partnering philosophy and guiding principles that are clearly communicated internally and externally. As noted in the risk management section of this report, IDRC has defined criteria and tools to guide its decisions when selecting partner donors. It has a well-defined partnership management model that covers the donor relationship cycle from its beginning to its end or continuation. We noted that managers and the Board have discussed ways to ensure new resources to support program areas.

**64.** IDRC has also implemented procedures to ensure that it complies with the terms and conditions of donor partnership agreements. We noted adequate management monitoring and oversight from senior managers and the Board. During our examination, IDRC was developing additional tools, such as an instrument for better streamlining the preparation of reports as required by donors and a tool for easing negotiations with potential donors. Also, both the Evaluation Unit and the Partnership and Business Development Division were working on a systematic approach to ensure adequate evaluation of co-funded IDRC projects.

**Human resources management**

**65.** IDRC is a knowledge-based organization in which intellectual capital is important and valued. Given that scientific inquiry and the needs of developing countries are changing, IDRC is required to have the human resources flexibility to adapt to and meet those needs in a timely manner.

**66.** We expected that IDRC would have systems and practices in place to ensure that it has a workforce with the competencies and skills required to achieve its strategic and operational objectives. We also expected IDRC to have developed and implemented policies and practices to ensure a safe and engaging workplace.

**67.** Since our 2003 special examination, the Centre has formulated and communicated its employment philosophy, and has developed a human resources strategic plan. We found that IDRC assesses its needs and determines the right mix of staff to meet its strategic and operational plans.

**IDRC has a good understanding of its human resources needs**

**68.** The Centre has adequate systems and practices to manage human resources. It has gathered qualitative and quantitative data about its demography, qualifications, competencies, and number of positions. Although IDRC does not have an integrated human resource information system, it does have stand-alone information technology that satisfies the organization's needs.

**69.** IDRC has a 2007–2010 human resources strategic plan. The plan identifies major priorities, such as learning and development, and attraction and retention. This plan is linked to the Centre's overall strategic objectives and was prepared in consultation with human resources staff and management. IDRC has developed performance indicators to assess the human resources function, and senior managers receive regular reports.

**70.** We noted that through its recruitment, promotion, and assignment processes, IDRC fills its positions on a timely basis with enough people who have the required skills and competencies. IDRC has developed job descriptions and position qualification statements that reflect the organization's needs.

**71.** IDRC has developed a code of conduct that applies to all its employees and board members. The code sets out the Centre's values and principles, as well as IDRC's employment philosophy. It clearly states the ethical requirements and responsibilities for ensuring professional conduct. Employees have told us that IDRC offers a

stimulating and sought-after workplace. IDRC encourages employee consultations by conducting group discussions among its staff about employment philosophy. However, IDRC does not regularly measure employee perception of and satisfaction with their general well-being, programs offered, and work environment. IDRC last conducted an employee survey in 1999. We encourage IDRC to seek anonymous and regular employee feedback about general employee well-being, and to communicate the results in its annual report.

### **Research results and knowledge sharing**

**72.** Generating and applying knowledge is embedded in IDRC's mandate. For this reason, we expected that IDRC would have adopted appropriate strategies and mechanisms to communicate research results to stakeholders who could implement them. We also expected that IDRC would have a structure for knowledge sharing, as well as supporting systems and practices enabling all IDRC personnel and partners to collaborate and to share the knowledge generated by IDRC and the research it supports.

**73.** We found that IDRC adequately gathers and disseminates research results and has instituted effective processes for sharing knowledge.

### **Organizational knowledge is gathered and transferred**

**74.** In various documents, IDRC often defines itself as a knowledge broker and a learning organization. We noted that its mission of empowerment through knowledge is well defined and communicated. IDRC's strategic and operational plans include clear short- and long-term objectives and supporting strategies related to disseminating results and sharing knowledge. Many activities support the dissemination of research results through thematic publications, tools and methodologies, direct access repositories, newsletters and briefing notes, and conferences. Information is also circulated in print and electronically.

**75.** Transferring knowledge from research often requires placing the information in a context that lends itself to application. At IDRC, program staff; researchers in developing countries; and employees in communications, information management, and evaluation collaborate to help disseminate research results. We noted that in project approval documents, recipients identified ways they expected to disseminate research results and to engage external contributors and policymakers in the countries where research takes place. We also noted that IDRC supports or is engaged in many knowledge networks about methodologies and global development issues, which promote applied research in developing countries.

76. We also noted many internal exchange processes, including thematic briefs, virtual group discussions, thematic annual learning forums, inclusion of evaluation results and lessons learned in the design of program initiatives and projects, and the project completion report process. IDRC also encourages research networks and researchers to invite policymakers to conferences and forums to present research results directly to them. The Centre regularly monitors the influence of particular projects on public policy and conducts in-depth evaluations to assess policy outcomes. As noted in the section on performance management, a strategic evaluation was recently conducted of the influence of Centre-supported research on policy in developing countries across all program areas and regions.

77. We also noted that some evaluations assess the effectiveness of major processes in collecting and managing information, making it publicly available, and keeping track of who contributes to and who uses research resulting from projects. We noted evaluations in areas such as the use of networks and thematic publications. We encourage IDRC to pursue these evaluations to better understand how its emphasis on communication leads others to adopt research findings.

### **Information technology**

78. We expected that the planning, development, implementation, and management of information technology would support the Centre's strategic and operational objectives, ensure business continuity, and satisfy informational needs at an acceptable cost and on a timely basis.

79. In 2004, IDRC's Information Technology Management Division (ITMD) underwent two reviews: one of security and one of business continuity. At the time of our examination, the Centre had addressed the review recommendations concerning weaknesses in its systems and practices for managing information technology security and business continuity practices.

### **Information technology strategic and operational plans are aligned with overall strategies**

80. ITMD has adopted a strategic and operational plan that reflects the Centre's needs and strategic direction. Annual performance reporting provides good indications about how well the projects and ITMD are managed. For its information technology projects, IDRC follows a formal project management framework that covers all aspects of project evolution. Project sponsors and owners are part of the process. Status reports and project committees monitor ongoing progress.

**The information technology security policy needs to address new technologies**

**81.** IDRC has had an information technology security policy since 2005. This policy discusses mobile and wireless access but does not address employee use of wireless devices such as personal digital assistants and portable computers. Furthermore, the policy does not address the use of electronic discussion groups that are not within the IT Management Division's control. Wireless devices can pose additional information security risks. Given that their use is becoming more common within IDRC, it is important that IDRC apply appropriate safeguards to restrict their use and that users are aware of what is deemed acceptable use.

**82.** IDRC has put in place an Information Technology Security Team with formal terms of reference. However, we found no evidence of how it is fulfilling its role since no formal agenda and minutes are kept of its meetings. The Information Technology Security Team has also produced an Information Technology Security Plan that outlines identified risks and gaps in information technology management. These risks and gaps have to be addressed in IDRC's integrated risk management framework (see Risk Management). This would allow senior management to be aware of these issues and how they are acted upon. However, we noted that where security issues are raised by other mechanisms, such as internal audits, these are brought to the attention of senior management for their review and action.

**83.** The division's Business Continuity and Resumption Plan was recently updated and aspects relating to head office have been tested. In the regions, business continuity plans are being updated to take into account changes in IT systems.

**Corporate governance**

**84.** Corporate governance refers to the structures, systems, and practices for overseeing the direction and management of an organization, so it can carry out its mandate and achieve its objectives. Sound corporate governance practices are essential to meeting the statutory control objectives outlined in Part X of the *Financial Administration Act* for Crown corporations.

**85.** We expected that the Centre would have a well-performing corporate governance framework that would enable the Board of Governors and senior managers to fulfill their legal responsibilities.

**86.** We found that the Board of Governors and IDRC managers have established and followed solid corporate governance practices.

**The Board of Governors follows solid corporate governance practices**

**87.** In reviewing IDRC's corporate governance practices, we paid particular attention to important governance elements such as roles and responsibilities, independence, capability, and membership of the Board; corporate performance information; Board self-evaluation and evaluation of the President; Board member orientation and training; and the internal audit function.

**88.** Four committees support the Board: the Executive Committee, the Finance and Audit Committee, the Nominating Committee, and the Human Resources Committee. The Board has adopted a formal Charter, which describes and assumes its stewardship responsibility. Through this Charter, the Board has clearly defined roles, responsibilities, and authorities to which all parties within the governance framework understand and agree. Each committee of the Board operates under appropriate terms of reference, which the Board approves, and each reports periodically to the Board. The terms of reference are reviewed and updated as required.

**89.** Collectively, Board members have appropriate independence, ability, skills, and talent, as well as access to the resources they need to be effective in meeting their responsibilities. The Board communicates effectively and appropriately with the President and officers of the Centre. Governors hold regular meetings without management in attendance, demonstrating the Board's independence.

**90.** As part of managing its own succession, the Board of Governors has profiled the skills and knowledge needed for its Board and has communicated the profile to the responsible minister. The Board has established appropriate criteria for Board candidate selection and regularly presents candidates approved by the Nominating Committee to the responsible minister whenever Board vacancies are expected or occur. A formal orientation program also exists for new governors and includes documentation about the code of ethics, conflict of interest procedures, and governors' roles and responsibilities. Senior managers also provide governors with the opportunity to voluntarily visit projects and regional offices.

**91.** The Board has enough information and knowledge to interpret the Corporation's legislative and public policy mandate, to provide management with strategic direction, and to exercise its oversight responsibilities. The Board's Terms of Reference set out the information it needs to exercise its stewardship role. The Board was closely involved in developing and approving the 2005–2010 Corporate Strategy and Program Framework. The Board also approves the

five-year program prospectus of initiatives, and annually approves the Program of Work and Budget. The Board receives an annual report about each program area and selected business units. The Board also discusses donor proposals with management, and approves all donor funding in excess of \$10 million. The Board believes that it receives appropriate, credible, and timely information.

**92.** Since our last special examination, the Board has implemented a process through which it periodically assesses the collective performance of Board members. Results are shared with the governors to address specific concerns and issues. The Board is also active in annually assessing the performance of the President. It also reviews succession plans for the executive, and oversees the President's role in planning the succession of senior managers.

#### **The current composition of the Board does not comply with the IDRC Act**

**93.** The *International Development Research Centre Act* stipulates that a Board of up to 21 members, of which a majority must be Canadian, should govern the Centre. Ten of the 21 seats on the Centre's Board of Governors have traditionally been reserved for foreign members so that Canadian members will be in the majority. Since March 2007, Canadian members have not constituted the majority. This non-compliance with the IDRC Act is due to government delays in nominating Canadian citizens to the IDRC Board. Given the Canadian vacancies on the Board, IDRC has had to carefully manage Board attendance to ensure that quorum requirements, including the requirement to have a Canadian majority, be met for all Board decisions.

**94.** In our previous special examination, we noted that the terms of governors were not well staggered. We found that this is still the case. Currently, the terms of more than 44 percent of governors will expire in 2011. This poses challenges for the Board as it increases the risk that continuity of expertise and corporate memory will be lost.

#### **IDRC is clarifying responsibility for the internal audit function**

**95.** Internal audit is an important element of corporate governance. It provides assurance to senior management and the Board that key financial, administrative, and operational activities are efficient and effective.

**96.** The internal audit function performs its audits of key financial, administrative, and operational activities as expected. It prepares an annual audit plan that is based on a complete inventory of auditable

activities and their risk assessment. The annual audit plan includes a clear description of the nature, scope, and costs of the proposed audits. This plan is presented to the Finance and Audit Committee for approval. The internal audit function semi-annually provides a progress report to the Finance and Audit Committee that includes a status of planned, completed, started, delayed, and cancelled audits.

**97.** Since 2006, IDRC has partially outsourced its internal audit function. An external service provider was contracted to conduct the planning, fieldwork, and reporting of the Centre's internal audits. IDRC's senior manager was responsible for preparing the annual audit plan of work and for managing the contract. A recent external review of the Centre's quality of internal audit work highlighted the need to clarify the role and reporting relationship of the Chief Audit Executive. We noted that IDRC is currently reviewing and clarifying the responsibility for the internal audit function as well as defining the Chief Audit Executive duties as per IDRC's Internal Audit Charter. This Charter clearly defines the roles and responsibilities of management, internal audit, and the Finance and Audit Committee.

**98. Recommendation.** IDRC should continue working with the government to ensure that the ratio of Canadian-to-international Board members is in accordance with the IDRC Act and that Board terms are better staggered.

**IDRC's response.** *IDRC agrees with these recommendations.*

*The Board will continue to work with the Minister of Foreign Affairs, the Department of Foreign Affairs and International Trade, and the Privy Council Office toward the timely appointment of qualified governors, by monitoring upcoming vacancies, identifying skills required, and suggesting candidates.*

*IDRC recognizes the importance of maintaining a balance between fresh perspectives and corporate memory. The Board works to ensure that appropriate staggering is maintained by recommending the reappointment of some governors.*

## About the Special Examination

### Objective

Under section 138 of the *Financial Administration Act* (FAA), federal Crown corporations are subject to a special examination once every five years. Special examinations of Crown corporations are a form of performance audit where the scope is set by the FAA to include the entire corporation. In special examinations, the Auditor General provides an opinion on the management of the corporation as a whole. The opinion for this special examination is found on page 3 of this report.

Special examinations answer the question: Do the corporation's systems and practices provide reasonable assurance that assets are safeguarded and controlled, resources are managed economically and efficiently, and operations are carried out effectively?

### Key systems and practices examined, and related criteria

At the start of this special examination, we presented the Corporation's audit committee with an audit plan which identified the systems and practices, and related criteria, that we considered essential to providing the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources managed economically and efficiently, and its operations carried out effectively. These are the systems and practices and criteria that we used for examination.

Function	Key Systems and Practices	Criteria
Strategic direction	<ul style="list-style-type: none"> <li>• Internal and external environment analysis</li> <li>• Corporate strategy and program framework</li> <li>• Program initiatives' expected results</li> <li>• Stakeholders' consultation</li> </ul>	IDRC has a clearly defined strategic direction with specific and measurable goals and objectives to achieve its legislative mandate. The strategic direction and goals take into account identified risks and the need to control and protect its assets and manage its resources economically and efficiently.
Risk management	<ul style="list-style-type: none"> <li>• Integrated risk management</li> <li>• Institutional risk assessments</li> <li>• Project risk assessments</li> <li>• Donor risk assessments</li> <li>• Risk-based audit planning</li> </ul>	IDRC has a focus on risk embedded in its corporate culture. That focus should be pervasive at all levels of the Corporation and should support the realization of its mandate, business goals, and objectives. Risks should be identified, measured, mitigated, monitored, and reported in order to be kept within an appropriate level.

Function	Key Systems and Practices	Criteria
Performance management	<ul style="list-style-type: none"> <li>• Performance framework</li> <li>• Quality assessment of the information</li> <li>• Corporate assessment framework</li> <li>• Program evaluation annual coverage</li> <li>• Divisional strategic plans and annual report</li> <li>• Operational framework</li> </ul>	IDRC's performance management framework should provide clear and concrete performance expectations and credible and balanced performance results. This framework should promote good accountability to Parliament, Canadian taxpayers, and stakeholders.
Management of research projects and partnerships and dissemination of research results	<ul style="list-style-type: none"> <li>• Research projects' policies</li> <li>• Manuals for procedures and electronic systems facilitate the assessment, approval, and monitoring of research projects</li> <li>• Partnership philosophy and framework</li> </ul>	IDRC should select, fund, monitor, extend, and terminate research projects as well as partnerships (with recipients and donors) in a manner that ensures the best use of its resources and value for developing countries.
Corporate governance	<ul style="list-style-type: none"> <li>• Role and functioning of the Board and its committees</li> <li>• Board renewal</li> <li>• Ethics regime</li> <li>• Training and orientation of members</li> <li>• Board and CEO assessment</li> <li>• Information for decision making</li> </ul>	IDRC should have a well-performing corporate governance framework that enables the Board of Governors and senior management to be accountable for the responsibilities assigned to them by governing legislation.
Information management and dissemination of results	<ul style="list-style-type: none"> <li>• IT strategic and operational plans</li> <li>• Information security and continuity planning</li> <li>• Service delivery</li> </ul>	The planning, development, implementation, and management of information technology and knowledge management systems should support IDRC's strategic and operational objectives, ensure business continuity, and satisfy informational needs at an acceptable cost and on a timely basis.

Function	Key Systems and Practices	Criteria
Human resources	<ul style="list-style-type: none"> <li>• Human resources planning</li> <li>• Succession planning</li> <li>• Recruitment</li> <li>• Performance management</li> <li>• Training and development</li> <li>• Work environment</li> </ul>	<p>IDRC has a workforce with the key competencies and skills needed to achieve its strategic and operational objectives. IDRC provides an engaging and safe workplace environment that supports its workforce in meeting its objectives.</p>

### **Audit work completed**

Audit work for this special examination was substantially completed on 30 November 2007.

### **Examination team**

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## Appendix List of recommendations

The following is a list of recommendations found in the Special Examination Report. The number in front of the recommendation indicates the paragraph where it appears in the report. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
<b>Risk management</b>	
<p><b>37.</b> IDRC should:</p> <ul style="list-style-type: none"> <li>• complete and document its integrated risk management framework and consolidate information about significant risk management processes,</li> <li>• ensure project risk assessments are adequately documented and integrated into the Centre’s risk management process, and</li> <li>• document the donor risk assessment methodology.</li> </ul> <p>(28–36)</p>	<p>IDRC agrees with these recommendations.</p> <p>It has recently approved a Risk Management Policy and will continue to develop and strengthen its risk management framework to better document, consolidate, and enhance its processes to report key information on risk.</p> <p>IDRC will ensure that information on its project risk assessments is appropriately documented and integrated with IDRC’s other risk management processes.</p> <p>It has already taken steps to document its donor risk assessment methodology in a recent paper discussed by its Senior Management Committee and will ensure that the methodology is disseminated, understood, and used by staff.</p>
<b>Performance management</b>	
<p><b>48.</b> IDRC should improve its external reporting to better demonstrate to stakeholders and Parliament the extent to which the Centre is meeting its objectives, managing its resources efficiently, and managing its key risks.</p> <p>(38–47)</p>	<p>IDRC agrees with this recommendation.</p> <p>Although IDRC’s annual report is its principal report to Parliament and Canadians, IDRC also communicates its performance and results through many other public means, including a website, regular meetings with members of Parliament, events in Canada, and a variety of publications. IDRC is committed to continuously improve external reporting of IDRC’s performance by making better use of performance measurement tools as they are developed.</p>

Recommendation	Response
<p><b>Corporate governance</b></p> <p><b>98.</b> IDRC should continue working with the government to ensure that the ratio of Canadian-to-international Board members is in accordance with the IDRC Act and that Board terms are better staggered. (94–97)</p>	<p>IDRC agrees with this recommendation.</p> <p>The Board will continue to work with the Minister of Foreign Affairs, the Department of Foreign Affairs and International Trade, and the Privy Council Office toward the timely appointment of qualified governors, by monitoring upcoming vacancies, identifying skills required, and suggesting candidates.</p> <p>IDRC recognizes the importance of maintaining a balance between fresh perspectives and corporate memory. The Board works to ensure that appropriate staggering is maintained by recommending the reappointment of some governors.</p>