



City of Edmonton Office of the City Auditor



Africa Centre: Governance & Management Review

October 30, 2018



1200, Scotia Place, Tower 1
10060 Jasper Avenue
Edmonton, AB T5J 3R8
Phone: 780-496-8300
edmonton.ca/auditor

Report Highlights

Summary.....	2
Recommendations.....	4
Governance: Strengths & Improvements	5
Management: Use of Grant Awards	13
Appendix 1: Africa Centre Board's Response & Action Plans	17

Objectives

To determine if the Africa Centre's governance structure supports effective decision making.

To determine if the Africa Centre is using City grants for the intended purposes.

Scope

This audit was a governance and management review of the Africa Centre. Financial information was reviewed to ascertain the completeness of the Africa Centre's management processes. This audit did not incorporate a financial statement audit as these services are currently provided by the Africa Centre's external auditors. The scope of review was from April 1, 2016 to March 31, 2018.

Statement of Professional Practice

This project was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing



Report Summary

Background

The Council for the Advancement of African Canadians in Alberta is an independent organization incorporated in Alberta under the Societies Act and currently operates under the name “Africa Centre”. The Africa Centre is a nonprofit organization and its mission is to create opportunities for access and full participation in Edmonton. The Africa Centre operates with the following four strategic objectives:

1. Advancement and Empowerment

The Africa Centre creates an enabling environment and supports African Canadians in Edmonton to reach their full potential.

2. Identity

The Africa Centre works to maintain a connection to Africa and supports an understanding of African practices, customs, and values through programs that deepen cultural identity while balancing it with a Canadian identity.

3. Integration

The Africa Centre works to improve the economic and social integration of African Canadians into Canadian society and culture.

4. Engagement and Alignment

The Africa Centre focuses on issues and opportunities common to all African Canadians and through this serves to create a community unified by common goals.

The Africa Centre provides a variety of services that focus on:

- Holistic development and wellness for children;
- Mentorship and employment for youth and young adults;
- Legal support for high risk youth;
- Adult literacy and seniors' wellness; and
- Community engagement and capacity-building events.

Between 2013 to 2017 the City awarded \$1.97 million to the Africa Centre

To support these initiatives from 2013 to 2017 the City awarded approximately \$1.97 million to the Africa Centre. This consisted of \$1.14 million in unrestricted funding from the Multi-Cultural Relations Office (MRO) operations grant award and \$833,000 in restricted funding from the Family Community Supports and Services (FCSS) grant award. Both awards are currently managed by the City's Social Development Branch in the Citizen Services Department.

What did we do?

- We conducted a literature review in best practices for nonprofit governance and compared those practices to the Africa Centre's governance structure and processes.
- We assessed the Africa Centre's compliance to standing regulation.
- We reviewed the Africa Centre's Board of Directors (Board) governing documents and processes.
- We reviewed the organization's management processes, interviewed management, and compared the organizations use of MRO and FCSS grant awards to grant requirements.
- We surveyed the Africa Centre's stakeholders.

What did we find?

1. The Africa Centre can make improvements to its governance by better aligning its governance structure, processes, and documents to best practice.
2. The Africa Centre is using City grants in accordance with the grant requirements.
3. The Africa Centre needs to adopt a collaborative budgeting process that considers entity risks, operational needs, and strategic priorities to ensure optimal use of grant awards year-over-year.

Recommendations

Recommendation 1

Improve governance structure and processes

We recommend that the Africa Centre Board of Directors improves its governance structure and processes to better align with best practice in nonprofit governance. This would include ensuring that processes are established and implemented to:

1. Monitor and manage organizational risk and the wide array of stakeholders the entity has,
2. Monitor and manage the Board's composition,
3. Assess the performance and contribution of the Executive Director and individual Board members; and
4. Consistently document meeting decisions.

Recommendation 2

Update governing documents

We recommend that the Africa Centre Board of Directors ensure that its governing documents are updated to include provisions and guidance that better align with best practice in nonprofit Board governance. This includes:

1. Simplifying the language of Bylaws and ensuring consistency between all governing documents,
2. Ensuring that Bylaws contain voting provisions that are consistent with voting policies for registered members; and
3. Providing guidance on the Board's risk management, strategic management, and stakeholder management processes in the terms of references for the Board's committees.

Recommendation 3

Implement a collaborative budgeting process

We recommend that the Africa Centre Board of Directors ensure the establishment and implementation of a collaborative budgeting process that prioritizes:

1. The structural and operational needs of the organization.
2. Pervasive risks as derived from an annual documented risk assessment; and
3. The achievement of the organization's strategic plan.



Governance: Strengths and Improvements

Nonprofit governance is unique from other forms of governance as it operates with a dual focus: advancing the social mission of the organization while ensuring that the organization remains viable. Fulfillment of these goals is the fiduciary responsibility of a nonprofit board. To uphold this responsibility a nonprofit board must ensure its structure and processes enable them to make effective decisions.

Compliance with regulation

We found that the Africa Centre was in compliance with the Societies Act as at March 31, 2018.

Nonprofit organizations in Alberta are regulated by the Alberta Societies Act.

Compliance with the Societies Act ensures that a nonprofit organization has the basic capacity to operate. Requirements include five or more Directors on a board; a set of bylaws to convey rules and processes, and annual filings of a nonprofit's audited financial statements.

We reviewed the Africa Centre's original Certificate of Incorporation dated October 23, 2006. We also reviewed the Africa Centre's transaction submission history with Corporate Registry from its incorporation date to March 31, 2018. We found no instances or indication from Corporate Registry to suggest non-compliance with the Societies Act.

Governance structure and processes

A nonprofit organization demonstrates good governance when its structure and related processes enables them to make effective decisions. Our gap analysis comparing the Africa Centre's governance structure and processes to best practice¹ suggests that overall improvements can be made. Table 1 summarizes our findings.

¹ Our literature review resulted in the summarization of 12 best practices in Nonprofit governance from the following sources: 1) CPA Canada (2009) "20 Questions Directors of Nonprofit Organizations Should ask about Governance, "; 2) Deloitte LLP (2013) "The Effective NPO Board"; 3) Community Literacy of Ontario (2014) "Board Governance Resource Guide, "; and 4) Charity Village (2007) "Governance models, Board types or best practices?".





Table 1: Best Practice in Nonprofit Governance vs. Africa Centre's Governance structure

The Africa Centre can improve on 6 of the 12 best practices in nonprofit governance we reviewed.

Best Practice	Africa Centre's Current State	Required Action
Board Authority Board's role and responsibilities are clearly defined.	✔ Aligns with best practice	N/A
Governing Documents Governing documents include Bylaws ² , Terms of References for Committees, and a Strategic Plan.	✔ Aligns with best practice	N/A
Policies and Procedures Key organizational policies exist and are up-to-date.	✔ Aligns with best practice	N/A
Board Size The size of the Board ranges from 5-12 members.	✔ Aligns with best practice	N/A
Strategic Management Process The Board monitor's the achievement of the strategic plan.	✔ Aligns with best practice	N/A
Length of Service The length of time that can be served by a Director is defined.	✔ Aligns with best practice	N/A

² The Africa Centre currently has two sets of Bylaws: a 2006 version currently filed with Alberta's Corporate Registry and a 2017 version that will be filed once it has been approved at the Africa Centre's annual general meeting in November 2018. For the purposes of the audit, we reviewed both sets of Bylaws and refer to both versions in our use of the term "Bylaws" in the report.

Best Practice	Africa Centre's Current State	Required Action
Board & Executive Composition The Board ensures that it has the right set of skills to govern and manage the entity.	A documented method does not exist to ensure that the Board consistently has the right set of skills to govern. Currently, the Board is in the process of hiring an Executive Director.	 Recommendations 1.2 and 1.3
Board's Meeting Processes Meeting processes ensure significant decisions are consistently documented.	Decisions and action items from meeting minutes are not consistently documented.	 Recommendation 1.4
Risk Management Process The Board identifies, addresses, and monitors significant organizational risks.	While funding risks are discussed in the governing documents a more complete discussion of risks facing the entity, and the methods to mitigate them does not exist.	 Recommendation 1.1
Stakeholder Management Processes The Board categorizes, addresses, and monitors the needs of its stakeholders.	While stakeholders are mentioned in the governing documents how the organization will categorize, monitor, and address their respective needs is not discussed.	 Recommendation 1.1
Board Self-Evaluation The Board regularly assesses its performance.	The Board does not regularly evaluate its performance.	 Recommendation 1.3
Management Relationship The Board's relationship with management is clearly defined.	The relationship between the Board and Executive Director are described differently in the Bylaws and Terms of References ³ .	 Recommendation 2.1



³ The Africa Centre has three committees each of which has its own set of Terms of References: The Governance & Public Policy Committee, Communities Strategies & Engagement Committee, and the Finance & Risk Management Committee.

Stakeholder Management

Stakeholder management is an essential component of nonprofit governance. It is the documented process of understanding the type of stakeholders an organization has, their specific needs, and how those needs can be addressed.

Currently the Board does not have a documented method to manage and monitor the needs and expectations of all the stakeholders it has.

Adopting a documented stakeholder management process would enable the organization to address the various needs of its stakeholders in a timely manner.

Through review of the Communities Strategies and Engagement Committee terms of reference we observed that management ensures that a variety of activities are performed to properly engage clients and funders. However Stakeholders for nonprofit organizations also include regulators, unions, employees, partnering organizations as well as the registered members of the organization.

One way to achieve this is the use of a stakeholder matrix which categorizes an organization's stakeholders by type, influence, and engagement need. Stakeholder matrixes enable organizations to monitor and ensure that all stakeholders are properly engaged.

Stakeholder Survey

105 stakeholders completed the survey. They included clients, funders, registered members, employees, and general community members.

We conducted a survey to gain an understanding of the Africa Centre's stakeholders, their needs, and their perception of the Africa Centre. Key findings from the survey are shown below:



50% of all respondents were community members.



77% of community members use the Africa Centre's programs and services.



24% of respondents felt that the Africa Centre is not listening to their comments and suggestions.



21% of respondents did not feel that they could provide comments and suggestions to the Africa Centre freely.



27% of respondents felt that they did not understand how the Africa Centre made their decisions.

The first two findings from the survey highlight the integral role the Africa Centre plays in the community while it services the social integration needs of its clients.

The remaining findings showcase the current success of the Africa Centre's feedback activities which include providing access to governing documents upon request, question and answer periods at community meetings, emails to the community members' list, and the "Contact Us" email/phone option available to members on the website.

Respondent Comments

"I appreciate the services provided by the Africa Centre. It provides my kids with a sense of belonging and helps them strongly align with some African values."

"[Africa Centre] should publish their achievements and have them presented to community members in a periodical community meeting as a form of accountability for members..."

"The Africa Centre is an amazing organization and they provide necessary programs and services to the community it affects. However, this is not done to its potential, efficiently, or effectively..."

Recommendation 1

Improve governance structure and processes.

We recommend that the Africa Centre Board of Directors improves its governance structure and processes to better align with best practice in nonprofit governance. This would include ensuring that processes are established and implemented to:

1. Monitor and manage organizational risk and the wide array of stakeholders the entity has,
2. Monitor and manage the Board's composition,
3. Assess the performance and contribution of the Executive Director and individual Board members; and
4. Consistently document meeting decisions.

Board Response



Accepted by the Board:

See appendix 1 for action plans



Implementation Date:

April 30th, 2019



Responsible party:

Africa Centre Board and Management

Governing Documents

To be effective, a Board's decision-making process should be supported by a set of governing documents that include Bylaws to define the Board's role and processes, strategic plans, and terms of references (TOR) to define the purpose and work for special Board committees.

The Africa Centre has a sufficient set of governing documents.

We found that the Africa Centre is consistent with best practice in this regard as it has a set of bylaws, a strategic plan, and terms of references for each of its three committees: The Governance and Public Policy committee, Finance and Risk Management Committee, and Community Strategies and Stakeholder Engagement committee.

Improvements can be made to enhance the overall usefulness of their decision making processes.

Our review of the governing documents however suggests that improvements can be made to enhance their overall usefulness to the Board's decision making process. We found the following issues impacting the usefulness of the governing documents:

Bylaws	<ul style="list-style-type: none">• Simplify bylaws by reducing use of legal and complex language.• Review voting rights of all "Class A" voters to ensure they are consistent with the "One member-per-country" voting methodology for registered members.
Strategic Plan	<ul style="list-style-type: none">• Establish performance measures to monitor strategic goals in the strategic plan.
Governance & Public Policy TOR	<ul style="list-style-type: none">• Describe and outline the Board's policy making process.
Finance & Risk Management TOR	<ul style="list-style-type: none">• Discuss the Board's risk management process.• Document the risks facing the organization.
Community Strategies & Engagement Committee TOR	<ul style="list-style-type: none">• Document and monitor the type of stakeholders the entity has.• Discuss the Board's stakeholder management process.

Recommendation 2

Update governing documents

We recommend that the Africa Centre Board of Directors ensure that its governing documents are updated to include provisions and guidance that better align with best practice in nonprofit Board governance. This includes:

1. Simplifying the language of Bylaws and ensuring consistency between all governing documents,
2. Ensuring that Bylaws contain voting provisions that are consistent with voting policies for registered members; and
3. Providing guidance on the Board's risk management, strategic management, and stakeholder management processes in the terms of references for the Board's committees.

Board Response



Accepted by the Board:

See appendix 1 for action plans



Implementation Date:

June 30th, 2019



Responsible party:

Africa Centre Board and Management



Management: Use of Grant Awards

Compliance to requirements of use

We found that the Africa Centre used the 2016 and 2017 grant awards in accordance with grant agreement requirements.

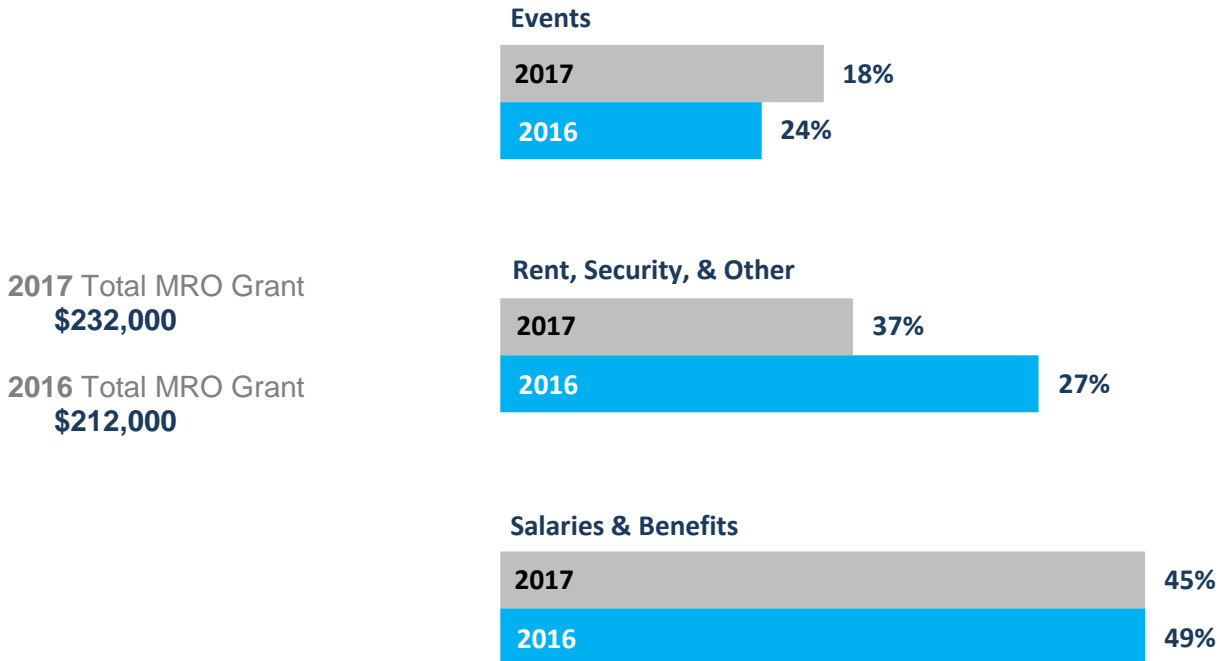
The City currently supports the Africa Centre through two grant programs:

1. **Multicultural Relations Office (MRO)** operating grants. These grants are generally unrestricted with the exception of a salary restriction (i.e., no more than 50% of the grant can be used towards salary expenses). This allows grant recipients to use grant funds for any operational expense including community engagement activities.
2. **Family and Community Support Services program (FCSS)** specific grants. These grants fund specific initiatives and services an agency may offer to its community clients. As a result, they are restrictive in nature and cannot be used to sustain operational expenses beyond the specific service or program being funded.

For both the MRO and FCSS grants, we found that the majority of the expenses were used to fund salaries of staff carrying out the Africa Centre's various programs. We tested these and other payments and found that the Africa Centre used the 2016 and 2017 grant awards in accordance with grant agreement requirements.

Optimizing Use of Funds

Given that the MRO grant can generally be used to support any operational expense an agency may incur, we performed additional analyses to assess the Africa Centre's use of the MRO grant in each of the 2016 and 2017 fiscal years.



Opportunities exist to optimize the use of the MRO grant award year-over-year.

Aside from traditional operating costs (salary, rent, & utilities) the Africa Centre spent more than 18% of its funding on events both in 2016 and 2017. Our discussions with the Board and staff revealed that *Event* related expenses are for critical community engagement activities that form the African identity as part of the larger Edmonton community.

However, in addition to community engagement the City also provides MRO funds to assist service providers in operating effectively and efficiently. Through our interactions and observations we observed that opportunities exist to optimize the use of MRO funds in future years to address the following operational challenges:

- Retrieving information in a timely manner was a challenge during the audit and remains a challenge for the office. The underlying root cause is the absence of an IT infrastructure to streamline the offices processes onto a shared network and also protect the Africa Centre's data.
- Incompatible office tasks are being performed by accounting and administration. Ensuring appropriate segregation between the administration of payroll, financial bookkeeping, and custody of cash is central to safeguarding the financial resources of an entity.

While the Africa Centre does have a budgeting process in place, we observed that improvements can be made to the process in the following ways:



Adopting a collaborative approach to budgeting by engaging program managers and office administration. This would enable the Board to identify, understand and appropriately address pertinent operational needs.



Making budgeting decisions based on a documented method that appropriately categorizes organizational risks, needs, and wants.



Documenting the budgeting process to enhance transparency to stakeholders while ensuring that budgets are developed in a consistent way year-over-year.

Monitoring grant requirements

Monitoring use of grant funds enables an organization to ensure it is complying with grant requirements on a consistent basis. We found that the Africa Centre is monitoring grant requirements for both the FCSS and MRO grant awards through their current budgeting process.

Reporting to the City for grants used

Reporting use of grant funds allows an agency to demonstrate accountability for grant awards. We found that the Africa Centre provides regular reports to the City in accordance with grant agreement requirements.

Recommendation 3

Implement a collaborative budgeting process

We recommend that the Africa Centre Board of Directors ensure the establishment and implementation of a collaborative budgeting process that prioritizes:

1. The structural and operational needs of the organization.
2. Pervasive risks as derived from an annual documented risk assessment; and
3. The achievement of the organization's strategic plan.

Board Response



Accepted by the Board:

See appendix 1 for action plan



Implementation Date:

April 30th, 2019



Responsible party:

Africa Centre Management

Acknowledgement

We would like to sincerely thank the Board of Directors of the Africa Centre, its employees, and City Administration in both the Multicultural Relations Office and Community Resources sections of the Social Development Branch, Department of Citizen Services.



Appendix 1: Africa Centre Board's Response & Action Plans

The Africa Centre Board aspires to take the Centre to a new height to create a stronger, safer and prosperous African community in Alberta. The Board accepts and agrees with all the recommendations of the governance and management review audit conducted by the City of Edmonton's Office of the Auditor.

The Board will use the recommendations as an avenue to transform the performance of the entire organization and to create a culture of continuous improvement that will enable the Centre to thrive for years to come.

The Board and management will take an inclusive approach to implement concrete actions to achieve full implementation of the audit recommendations. Moving forward, the Board will ensure the Africa Centre adopts best practices to enhance the organization's performance and effectiveness.

To get the transformation right, the organization will introduce new ways of doing business which will foster a meaningful relationship with stakeholders including the African community, funding partners, various levels of government, partner organizations, and the public. Our action plans to the recommendations are provided below:

- Recommendation 1:** We recommend that the Africa Centre Board of Directors improves its governance structure and processes to better align with best practice in nonprofit governance. This would include ensuring that processes are established and implemented to:
1. Monitor and manage organizational risk and the wide array of stakeholders the entity has,
 2. Monitor and manage the Board's composition,
 3. Assess the performance and contribution of the Executive Director and individual Board members; and
 4. Consistently document meeting decisions.

Action Plan 1.1: The Africa Centre will develop and implement organizational performance management system that will include key organizational performance indicators to monitor the strategic plan.

Responsibility: Africa Centre Board and Management

Implementation date: April 30, 2019

Action Plan 1.2: The Africa Centre will develop and adopt a **Board Evaluation Policy** that will include a skills matrix to manage and monitor the composition of the Board and enhance the performance and effectiveness of Board members.

Responsibility: Board

Implementation date: January 31, 2019

Action Plan 1.3: The Africa Centre will develop and implement a process to evaluate both the Executive Director and Employees against performance indicators that will enable excellence, accountability, and also promote employee recognition and positive workplace culture.

Responsibility: Board and Management

Implementation date: April 2019

Action Plan 1.4: The Africa Centre will develop and implement a process to ensure that meeting decisions from Board Meetings are recorded on a consistent basis.

Responsibility: Board

Implementation date: January 2019

Recommendation 2: We recommend that the Africa Centre Board of Directors ensure that its governing documents are updated to include provisions and guidance that better align with best practice in nonprofit Board governance. This includes:

1. Simplifying the language of Bylaws and ensuring consistency between all governing documents,
2. Ensuring that Bylaws contain voting provisions that are consistent with voting policies for registered members; and
3. Providing guidance on the Board's risk management, strategic management, and stakeholder management processes in the terms of references for the Board's committees.

Action Plan 2.1: Revise bylaws to ensure simple and non-technical language and alignment and consistency of all governing documents.

Responsibility: Board

Implementation date: June 30, 2019

Action Plan 2.2: Amend bylaws to include provisions that are consistent with voting policies for registered members.

Responsibility: Board

Implementation date: June 30, 2019

Action Plan 2.3: Incorporate risk management, policy-making, and stakeholder & strategic management processes in the terms of references for the Board's Committees.

Responsibility: Board and Management

Implementation date: April 30, 2019

Recommendation 3: We recommend that the Africa Centre Board of Directors ensure the establishment and implementation of a collaborative budgeting process that prioritizes:

1. The structural and operational needs of the organization.
2. Pervasive risks as derived from an annual documented risk assessment; and
3. The achievement of the organization's strategic plan.

Action Plan 3.1: The Africa Centre will adopt a collaborative-based budgeting approach that will:

1. Engage program and office management; and
2. Prioritize the financial resources of the organization in consideration of structural and operational needs, pervasive organizational risks, and the achievement of Africa Centre's strategic goals.

Responsibility: Management

Implementation date: April 30, 2019