



Canadian Race Relations Foundation

Special Examination Report—2011



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

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

To the Board of Directors of the Canadian Race Relations Foundation:

We have completed the special examination of the Canadian Race Relations Foundation in accordance with the plan presented to the Finance and Audit Committee of the Board of Directors on 25 February 2011. 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 Directors.

I would like to take this opportunity to express my appreciation to the Board members, management, and the Corporation's staff for the excellent co-operation and assistance offered to us during the examination.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S. Ricard', written in a cursive style.

Sylvain Ricard, CA
Assistant Auditor General

16 September 2011
OTTAWA

Attach.

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Canadian Race Relations Foundation Special Examination Report—2011

Main Points

What we examined

The Canadian Race Relations Foundation is a Crown corporation founded in November 1997. It was created as part of the 1988 Japanese–Canadian Redress Agreement, which acknowledged that the treatment of Japanese–Canadians during and after World War II was unjust and violated principles of human rights. Under the terms of the Agreement, the federal government promised to create a Canadian Race Relations Foundation.

The Foundation’s operating income is derived primarily from the income earned by investing a one-time \$24 million endowment fund established by the Government of Canada when the Foundation was created. The *Canadian Race Relations Foundation Act* requires that the endowment itself be used solely for investment.

The Foundation reports to Parliament through the Minister of Citizenship, Immigration and Multiculturalism. It is governed by a board of directors and has six employees; its office is in Toronto. The Foundation’s activities are mainly outreach and awareness activities, which are intended to contribute to the elimination of racism and racial discrimination. They include media events, use of social media tools, award, and education and training programs.

We examined whether the Canadian Race Relations Foundation’s systems and practices provide it with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively. In this first special examination of the Foundation, we focused on the areas of governance, strategic planning and risk management, investment management, and operations. Our examination covered the systems and practices that were in place between November 2010 and April 2011.

Why it’s important

The Foundation’s mandate, as specified in the *Canadian Race Relations Foundation Act*, is to facilitate the development, sharing, and application of knowledge and expertise throughout Canada in order to contribute to the elimination of racism and all forms of racial

discrimination in Canadian society. The Foundation supports the federal government's commitments and responsibilities under the International Convention on the Elimination of All Forms of Racial Discrimination and under Canadian law for equal participation in Canadian society and the elimination of discrimination.

What we found

We found no significant deficiencies in the systems and practices of the Canadian Race Relations Foundation. We noted good practices in a number of areas, and we also noted some practices that the Foundation would benefit from improving.

- The Foundation's Board of Directors has most of the elements necessary for effective governance. The Board's roles and responsibilities and those of the executive director are clearly defined, and the Board provides management with strategic direction and oversight. The Board has developed an effective working relationship with management, and has practices in place to maintain its independence. However, the Board competency profile has not been updated since March 2009, and that profile did not reflect the specific skills and experience required on the Board. In particular, the profile did not identify the extent of investment management expertise the Foundation needs to oversee the portfolio that provides the majority of its income.
- The Foundation has most of the elements necessary to manage its investment portfolio. Its investment policy includes all the key elements necessary to guide the Foundation's investment strategy, and the activities of three fund managers are overseen by an investment advisor and the Board. However, management and the Board need more complete performance information to better monitor the investment portfolio.
- The Foundation's strategic planning process sets clear direction for its operations. Planning of activities is mainly done through the development of the business plan, which aligns the activities with the Foundation's strategic plan and mandate, and includes information that allows them to be monitored by management and the Board. The Foundation also identified its major organizational risks and developed action plans to mitigate them, which management started to implement. However, there has been no review of the actions taken or their effectiveness in mitigating the risks.

***The Foundation has responded.** The Foundation agrees with all of the recommendations. Its detailed responses follow the recommendations throughout the report.*

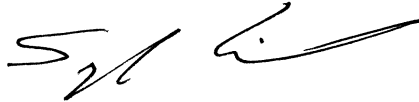
Special Examination Opinion

To the Board of Directors of the Canadian Race Relations Foundation

1. Under section 131 of the *Financial Administration Act* (FAA), the Canadian Race Relations Foundation (the Corporation) 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 10 years.
3. Our responsibility is to express an opinion on whether there is reasonable assurance that during the period covered by the examination—from November 2010 to April 2011—there were no significant deficiencies in the Corporation’s systems and practices.
4. We based our examination plan on our survey of the Corporation’s systems and practices and a risk analysis. On 25 February 2011, we submitted the plan to the Finance and Audit Committee of the Board of Directors. 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 examination plan also included the criteria that we used to examine the Corporation’s systems and practices. These criteria were selected 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. 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 any internal audits.

7. In our opinion, based on the criteria established for the examination, there is reasonable assurance that during the period covered by the examination there were no significant deficiencies in the Corporation's systems and practices.

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



Sylvain Ricard, CA
Assistant Auditor General
for the Interim Auditor General of Canada

20 July 2011
Ottawa, Canada

Overview of the Canadian Race Relations Foundation

9. The Canadian Race Relations Foundation is a Crown corporation founded in November 1997, after the *Canadian Race Relations Foundation Act* came into force on 28 October 1996. The Foundation was established as part of the 1988 Japanese Canadian Redress Agreement. The agreement acknowledged that the treatment of Japanese Canadians during and after World War II was unjust and that it violated principles of human rights. Under the terms of the agreement, the federal government promised to create a Canadian Race Relations Foundation. The National Association of Japanese Canadians negotiated a \$12 million contribution from the Government of Canada on behalf of Japanese Canadians; the government added a further \$12 million, creating a one-time \$24 million endowment fund to establish the Foundation.

10. The Foundation was also established to support the federal government's commitments and responsibilities under the International Convention on the Elimination of All Forms of Racial Discrimination, the Canadian Charter of Rights and Freedoms, and the *Canadian Multiculturalism Act* for equal participation in Canadian society and the elimination of discrimination.

11. The Foundation has six employees and is registered as a charity. Its office is located in Toronto, but it conducts activities nationally. Its mandate, as specified in the *Canadian Race Relations Foundation Act*, is to facilitate the development, sharing, and application of knowledge and expertise throughout Canada in order to contribute to the elimination of racism and all forms of racial discrimination in Canadian society.

12. Given the small size of the organization, the Foundation has defined the contribution it can make to the elimination of racism as delivering activities in support of the following four corporate objectives:

- Provide leadership and serve as a national voice and agent of change by working with all sectors of Canadian society in the development of a national framework and program to eliminate all forms of racism, and help strengthen the Canadian identity. Activities to accomplish this objective include media events such as press conferences, news releases, speeches, and public campaigns, and the use of social media tools such as the Internet, Facebook, and Twitter.

- Provide and promote effective education and training across the country in order to facilitate greater appreciation for civic responsibility and harmonious race and ethnic relations, and strengthen a harmonious Canada. Activities to accomplish this objective include education and training programs and the Award of Excellence symposium.
- Influence public policy and promote positive systemic anti-racist change through research, collection of data, and the establishment of a national information base; act as a clearing house to provide information about race relations resources; and establish links with public, private, and educational institutions. Activities to accomplish this objective include national surveys, roundtables, and lectures.
- Develop strategic alliances with national and regional private, public, and other institutions to strengthen and enhance the Foundation's capacity to design and deliver programs, and act as a national communication organization to disseminate anti-racism information and knowledge. Activities to accomplish this objective include the Mathieu Da Costa Challenge and the Canadian Municipalities Against Racism and Discrimination project.

13. The Foundation does not receive annual funding from Parliament. Its operating income is derived primarily from the income it earns by investing the \$24 million endowment that was established at its creation. A small amount of additional income is generated by workshops, projects, publications, and donations. Because a significant portion of the endowment fund was invested in the stock market, it suffered significant losses during the 2008 global financial crisis. As a result, the Foundation reduced its expenditures from \$1.4 million in 2009 to \$855,000 in 2010. The Foundation eliminated some of its activities and scaled back others, but continued to identify, plan, and deliver projects contributing to each of its corporate objectives. In the 2010–11 fiscal year, the Foundation conducted 18 activities. By the end of that fiscal year, the Foundation's investment portfolio had almost returned to its original \$24 million value.

14. The Foundation reports to Parliament through the Minister of Citizenship, Immigration and Multiculturalism. It is governed by a Board of Directors, which consists of a Chair and up to 19 voting directors who are appointed by the Governor in Council, on the recommendation of the Minister. The directors serve on a part-time

basis and are paid a per diem. As of March 2011, the Board had 10 voting members.

15. The Foundation's day-to-day operations are managed by its executive director, who is appointed by the Governor in Council, on the recommendation of the Minister, and who serves on the Board as a non-voting member. There are two other non-voting members of the Board: a representative of the Deputy Minister of Citizenship and Immigration Canada and a representative of the National Association of Japanese Canadians.

16. In addition, The *Canadian Race Relations Foundation Act* requires the establishment of an investment committee that consists of

- the Board Chair;
- a director, who is designated by the Board; and
- three other members with financial or investment consulting experience, who are appointed by the Governor in Council, on the recommendation of the Minister.

At the time of our examination, the Chair of the Investment Committee participated in meetings of the full Board.

17. As part of the 2009 Economic Action Plan, the federal government committed to reducing the size of the boards of many federal organizations. The 2010 *Jobs and Economic Growth Act* included amendments to the enabling legislation for these organizations, including two amendments to the *Canadian Race Relations Foundation Act*. One amendment reduced the maximum size of the Board from the Chair and 19 directors to the Chair and 11 directors. The other amendment eliminated the legislative requirement for a separate investment committee. The *Jobs and Economic Growth Act* was passed in July 2010; however, these amendments had not come into force at the time of our examination. They require an order-in-council fixing the date that they will come into force.

18. The practical effect of reducing the number of Board members would be minimal, given that there were 10 Board members when the *Jobs and Economic Growth Act* was passed. Of greater consequence is the elimination of the separate legislated investment committee, which would require the Board to decide how it will oversee the Foundation's endowment fund.

Focus of the special examination

19. Our objective was to determine whether the Canadian Race Relations Foundation's systems and practices provide the Foundation with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively during the period covered by the audit. In this first special examination of the Canadian Race Relations Foundation, we focused on the areas of governance, strategic planning, risk management, investment management, and operations.

20. Further details on the audit objective, systems and practices, and criteria are provided in **About the Special Examination** at the end of the report.

Observations and Recommendations

Corporate governance

21. Corporate governance refers to the structures, systems, and practices for overseeing the direction and management of an organization in order to carry out its mandate and achieve its objectives. Sound practices in corporate governance are essential to meeting the objectives relating to Crown corporations that are outlined in Part X of the *Financial Administration Act*, namely those concerning the safeguarding and control of the corporation's assets, the economical and efficient management of its resources, and its effective operations.

22. We examined whether the Foundation has a well-performing corporate governance framework that meets the expectations of good practices in Board stewardship, shareholder relations, and communication with the public.

23. We looked at the following elements of the Foundation's governance framework:

- clear roles and responsibilities,
- Board independence and capability,
- orientation and training for Board members,
- communication with the public,
- adherence to corporate ethics and values,
- evaluation of the executive director, and
- Board self-assessment.

24. Overall, we found that the Foundation has the key elements of a good governance framework; however, we noted areas for improvement.

The Foundation has several elements of effective governance

25. The Foundation's Board Charter, By-law #1, and Governance Policy outline all the elements of the Foundation's governance framework, and they clearly define the roles and responsibilities of the Board and the executive director. The Board provides management, with whom it has developed an effective working relationship, with strategic direction and oversight. We noted in our discussions with management and the Board members, including the non-voting members, that all parties were aware and respectful of their roles. We also noted that the Board conducts regular in-camera meetings with only its members.

26. The Board is supported by six Board committees (the Executive Committee, the Finance and Audit Committee, the Governance Committee, the Human Resources Committee, the Investment Committee, and the Nominations Committee) and two advisory committees (the Advisory Committee on Aboriginal Issues and the Advisory Committee on Anti-Black Racism Issues). Each of these committees operates under terms of reference that are approved by the Board and that reflect their purpose. The Board committees meet periodically, and the committee chairs report to the Board at each Board meeting.

27. The Foundation produces an annual report, which is available on its website. The Board of Directors conducted its first annual public meeting in May 2010, as required by amendments to the *Financial Administration Act* that were passed in 2009 and applied to the Foundation.

28. The Foundation organizes an orientation session for new members of the Board and provides them with the comprehensive Board Reference Manual. This manual and the Governance Policy include the Foundation's policies on values and ethics. The Board members and employees are required to sign a conflict of interest declaration on appointment. Recently, the Board also established a requirement that its members sign a declaration every year.

29. Once a year, the Board assesses the performance of the Foundation's executive director and establishes goals. In 2007, the Board conducted a self-assessment in an effort to strengthen the

Board's corporate governance capabilities. We found that, while this process led to the identification of issues, which the Board discussed, neither a follow-up of the self-assessment nor subsequent self-assessments were done. We encourage the Foundation to pursue this self-assessment initiative more rigorously and frequently to identify successful practices and provide the opportunity to discuss areas for improvement.

The process for identifying skills and experience needed on the Board could be improved

30. The Foundation's Board of Directors, through its Nominations Committee, is responsible for preparing and maintaining a competency profile that reflects the full range of skills, abilities, and experience that future Board members will need to address the challenges and risks that the Foundation faces. The Foundation's operations and the *Canadian Race Relations Foundation Act* suggest the need for at least two types of expertise on the Board—expertise in race relations and expertise in financial management, especially investment management—to ensure that the investment of the endowment fund is managed well, mainly through the Investment Committee.

31. The Board discusses its membership and composition at most meetings. However, we found that the last competency profile of the Board of Directors, which was prepared in March 2009, was incomplete, because it did not reflect the specific skills and experience required on the Board. For example, the Board restructured its Investment Committee in anticipation of the new amendments to the 2010 *Jobs and Economic Growth Act*, to include mainly Board members. However, it had not incorporated into its competency profile the extent of investment management expertise it needs to oversee the portfolio that provides the majority of the Foundation's income.

32. Recommendation. The Canadian Race Relations Foundation's Board of Directors should update its competency profile to ensure that it includes all skills needed, including financial and investment oversight expertise.

The Foundation's response. Agreed. The Foundation has already started the process to update the competency profile that includes all skills needed, including financial and investment oversight expertise. The Nominations Committee regularly assesses the skills of existing members against the skills that are required and reports this information to the Board, and the Foundation will record these discussions in an updated profile.

Investment management

33. A vital component of the Canadian Race Relations Foundation's day-to-day operations is the management of the endowment fund, which provides most of its operating income. The \$24 million endowment fund was established solely to be invested, with income earned being used to fund the Foundation's programs and activities to fulfill its mandate.

34. We examined whether the Foundation has investment strategies, systems, and practices that support sound investment decisions. We looked at the Foundation's investment policies, its processes for implementing policies, and the monitoring of investment results by the Board.

35. Overall, we found that the Foundation has implemented a new investment policy that includes all the key elements needed to manage its investment portfolio in compliance with the *Canadian Race Relations Foundation Act*. However, we noted some areas for improvement.

The Foundation has most elements of a sound investment management structure

36. The Foundation's Board approved a revised investment policy in 2009. The policy includes all the key elements necessary to guide the Foundation's investment strategy, including

- investment objectives,
- risk tolerance and constraints,
- roles and responsibilities,
- asset mix,
- investment management guidelines,
- performance standards, and
- rebalancing and reporting guidelines.

37. Before the 2009 policy was implemented, the Foundation's portfolio was managed as a single fund. Under the revised investment policy, the Foundation's portfolio assets are split into two separate funds: the restricted fund, which holds the initial \$24 million endowment, and the unrestricted fund, which is for the capital appreciation of the \$24 million.

38. The Foundation's assets are held by a major financial institution that acts as the custodian of the portfolio. The portfolio is managed by three fund managers, who have each been allocated a portion of the

restricted and unrestricted portfolios. Each fund manager operates under an agreement with the Foundation and in accordance with the Statement of Investment Policies and Guidance that relates to their part of the Foundation's overall portfolio.

39. The fund managers are overseen by an investment advisor hired by the Foundation. The investment advisor is responsible for providing information on portfolio performance to management and the Foundation's Investment Committee. The advisor is also responsible for providing advice on the portfolio structure, identifying fund managers to implement the structure, and recommending changes in the balance among assets and fund managers. The Investment Committee reviews the information and advice and makes recommendations to the Board.

40. The investment advisor reports separately on the restricted and unrestricted funds. The new portfolio structure and reporting method allow the Board and management to better verify that only the income from the endowment is used for operating expenses, as the *Canadian Race Relations Foundation Act* requires.

41. We found that the Statements of Investment Policies and Guidance for two of the three fund managers, and three sub-policies addressing particular aspects of the Foundation's investment management structure, have not been updated to be consistent with the new investment policy. As well, the agreement between the Foundation and its investment advisor is outdated. We encourage the Foundation to ensure that the documentation of its investment management framework is current and consistent with the revised investment policy.

The Foundation could improve its practices for monitoring portfolio performance

42. The performance of the Foundation's investment portfolio is measured against a benchmark index, which is calculated using preselected market indices. The investment advisor provides quarterly reports on performance against the benchmark to the Foundation. The 2009 investment policy added some key elements to the performance measurement of the Foundation's investment portfolio. The Foundation's investments are now expected to exceed the benchmark, both as a whole and for each fund manager. The policy also added new performance measures, including that the portfolio as a whole and each fund manager rank in the top 25 percent of comparable portfolios. As well, under the new policy, fund managers will be evaluated to determine whether they comply with the policy and

guidance and what client service they provide. However, one and a half years after the adoption of the policy, the investment advisor had not yet provided information to management and the Board on how fund managers are meeting these new performance measures.

43. Recommendation. The Canadian Race Relations Foundation should establish a process for obtaining information on how the performance measures added in 2009 are being met for its investment portfolio, assess the results, and act on its conclusions in a timely manner.

The Foundation's response. Agreed. The Foundation's Investment Committee and Board have already started the process to obtain additional information related to performance measures for its investment portfolio. We expect to act on this recommendation no later than December 2011.

Strategic planning and risk management

44. Strategic planning defines an organization's direction, as well as its activities and the reasons underlying them, placing particular emphasis on the desired future state of the organization. It also assesses and adjusts the strategic direction based on changes that occur in its environment and in the risks it faces. Risk management includes risk identification, risk assessment, and a process for documenting measures taken to mitigate the risks. The Board of Directors has an important role to play in both strategic planning and risk management.

45. We examined whether the Foundation has clearly defined strategic directions and specific and measurable goals and objectives to achieve its legislative, commercial, and public policy mandate. We also examined whether its strategic direction and goals take into account government priorities, identified risks, and the need to control and protect its assets and manage its resources economically and efficiently.

46. We looked at the Foundation's strategic and operational planning process and the integration of human resource planning in corporate strategic planning. We also looked at the risk management practices and certain elements of the performance measurement and reporting process.

47. Overall, we found that the Foundation has clearly defined its strategic direction and aligned its operations accordingly. We also found that the major risks have been identified, but no formal follow-up on action plans has been conducted to mitigate these identified risks.

The Foundation's strategic planning process sets clear direction for its operations

48. The Foundation's strategic plan sets its direction for a three-year period. It is implemented through annual business plans, which list the activities to be undertaken each year to achieve the expected results. The planning process is a constant challenge, because the Foundation's income may vary substantially from year to year, depending on investment results and the effectiveness of other fundraising activities.

49. The Board of Directors worked with management to develop a three-year strategic plan for the 2008–09 to 2010–11 fiscal years. The plan includes the Foundation's mandate, vision, mission, and values as well as its goals and the measures of their achievement. These elements are consistent with the mandate set out in the *Canadian Race Relations Foundation Act*. We found that, while the strategic plan does not include an analysis of the internal and external environments, information is captured in other documents that are developed by management and discussed at Board meetings.

50. The corporate objectives in the strategic plan serve as a basis for developing the annual business plans. The Foundation's business plan is intended to guide management action by including

- clear objectives,
- activities to be delivered,
- staffing and resource requirements, and
- performance measures and targets.

51. The Foundation's business plan establishes a link between the strategic objectives and operational planning. In addition, the business plan includes an annual update of the internal and external environment, which guides the selection of the activities each year.

52. We found that the business plan contains information that allows for the monitoring of activities—for example, means, timetables, responsibilities, and expected results.

53. The Foundation has a broad mandate and limited human resources. It is therefore important that its human resources are employed to the best effect since they represent a major part of the Foundation's expenditures. However, the level of effort to carry out the activities is not quantified in the business plan, which limits the ability of management and the Board to assess the adequacy of staff resources and, if necessary, to prioritize activities. We encourage the Foundation to include in its business plan the number of full-time employees

needed to carry out each of its planned activities, in order to determine whether it has sufficient human resources.

Identified risks could be better monitored

54. Risk management involves identifying, assessing, accepting, understanding, acting on, monitoring, and communicating risk issues. The Foundation has put in place a risk management process to provide reasonable assurance that it will

- achieve its strategic and operational objectives,
- manage its resources economically and efficiently, and
- protect its assets.

55. In May 2009, the Foundation completed an organizational risk assessment, to identify, prioritize, and document existing risks, which it presented to and discussed with its Board of Directors. The risk assessment also included a series of action plans to mitigate identified risks. We found that, while management started to implement the action plans, no review of the actions taken or their effectiveness in mitigating the risks has been conducted. We also noted that the two most important risks identified in the risk assessment were related to revenue generation and the Board's expertise—both of which, as discussed earlier in this report, are areas that still need attention.

56. Recommendation. To fully implement its risk management process, the Canadian Race Relations Foundation should periodically review its risk mitigation action plans and report on them to the Board of Directors.

The Foundation's response. Agreed. Senior management will more aggressively pursue its procedures to review the risk mitigation action plans on a quarterly basis and report on its progress to the Board of Directors.

The Foundation's operations

57. The Canadian Race Relations Foundation conducts a wide variety of activities to support its mandate and its four corporate objectives. The Foundation's activities are mainly outreach and awareness activities, which are intended to contribute to the elimination of racism and racial discrimination.

58. We examined whether the Foundation has outreach and awareness systems and practices in place that are consistent with its mandate. We looked at the Foundation's systems and practices for selecting and managing its outreach and awareness operations, and overall, we found that those systems and practices are sound.

The Foundation has a process for selecting activities that are consistent with its mandate

59. The Foundation's business plan for the 2010–11 fiscal year outlines a total of 18 activities. The Foundation increasingly pursues its activities through service agreements with other government agencies, which contain the objectives, milestones, and budgets that the Foundation has agreed to deliver.

60. We found that, through the business planning process, the Foundation's Board, management, and staff are actively involved in selecting activities that are consistent with the Foundation's strategic plan, and therefore with its mandate. The business plan is initially prepared by management in consultation with staff. Under each of the four corporate objectives, a series of activities is identified and proposed. The business plan is then presented to the Board for discussion and approval.

The Foundation has systems and practices to properly manage its activities

61. Planning of activities is mainly done through the business plan, which includes information that allows for monitoring of activities. Many of the Foundation's activities are small in scale and are conducted on an ongoing basis. We found that the Foundation has planning and management systems and practices that are appropriate to the scale of these activities.

62. To assess the Foundation's systems and practices for planning and managing its larger projects, we looked in detail at one of the Foundation's major activities, the Award of Excellence symposium. The symposium is held once every two years and is organized by the Foundation and its partners to

- share information,
- facilitate networking among organizations and agencies, and
- recognize outstanding anti-racism initiatives.

63. We found that all key elements of the symposium, such as objectives, timelines, resource allocation, and budget, were in place. Management monitored the activity through financial and progress updates.

64. The progress of all the Foundation's activities is reported in detail at the Board meetings, through the Budget Variance Report, and the Executive Director Report and the Staff Report, which include updates and progress made since the last reporting period. Progress on

large projects, such as the Award of Excellence symposium, is sometimes reported as a separate agenda item. These reports provide management and the Board with enough information to monitor activities and make any necessary adjustments.

65. We found that information in these reports is not structured in the same way as it is in the business plan. The reports therefore do not report progress against the goals set out in the business plan. We encourage the Foundation to ensure better consistency between its reporting to the Board and its business plan.

Conclusion

66. We conclude that during the period under examination, the Canadian Race Relations Foundation's systems and practices were maintained in a manner that provides the Foundation with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

About the Special Examination

All of the audit work in this report was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Objective

Under section 138 of the *Financial Administration Act* (FAA), federal Crown corporations are subject to a special examination once every 10 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? A significant deficiency is reported when there is a major weakness in the Corporation's key systems and practices that could prevent it from having reasonable assurance that its assets are safeguarded and controlled, its resources are managed efficiently and economically, and its operations are carried out effectively.

Key systems and practices examined and criteria

At the start of this special examination, we presented the Corporation's audit committee with an audit plan that 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 are managed economically and efficiently, and its operations are carried out effectively. These are the systems and practices and criteria that we used for our special examination.

These criteria were selected for this examination in consultation with the Corporation. They were based on our experience with performance auditing—in particular, with our special examinations of Crown corporations—and on our knowledge of the subject matter. Management reviewed and accepted the suitability of the criteria used in the special examination.

Key system and practice examined	Criteria
Corporate governance	To maximize the Foundation's effectiveness and its ability to balance public policy objectives with its commercial objectives, the Foundation has a well-performing corporate governance framework that meets the expectations of good practices in Board stewardship, shareholder relations, and communication with the public.

Strategic planning and risk management	The Foundation has clearly defined strategic directions and specific and measurable goals and objectives to achieve its legislative, commercial objectives, and public policy mandate. Its strategic direction and goals take into account government priorities, identified risks, and the need to control and protect its assets and manage its resources economically and efficiently.
Investment management	The Foundation has investment strategies, systems, and practices that support sound investment decisions.
The Foundation's operations	The Foundation has outreach and awareness systems and practices in place consistent with its mandate.

Period covered by the special examination

Audit work for this special examination was substantially completed on 1 May 2011. It covered the systems and practices that were in place between November 2010 and April 2011. However, to gain a more complete understanding of the significant systems and practices, we also examined certain matters that preceded the starting date of the special examination.

Audit team

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Sana Garda

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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
Corporate governance	
<p>32. The Canadian Race Relations Foundation’s Board of Directors should update its competency profile to ensure that it includes all skills needed, including financial and investment oversight expertise. (30–31)</p>	<p>Agreed. The Foundation has already started the process to update the competency profile that includes all skills needed, including financial and investment oversight expertise. The Nominations Committee regularly assesses the skills of existing members against the skills that are required and reports this information to the Board, and the Foundation will record these discussions in an updated profile.</p>
Investment management	
<p>43. The Canadian Race Relations Foundation should establish a process for obtaining information on how the performance measures added in 2009 are being met for its investment portfolio, assess the results, and act on its conclusions in a timely manner. (42)</p>	<p>Agreed. The Foundation’s Investment Committee and Board have already started the process to obtain additional information related to performance measures for its investment portfolio. We expect to act on this recommendation no later than December 2011.</p>
Strategic planning and risk management	
<p>56. To fully implement its risk management process, the Canadian Race Relations Foundation should periodically review its risk mitigation action plans and report on them to the Board of Directors. (54–55)</p>	<p>Agreed. Senior management will more aggressively pursue its procedures to review the risk mitigation action plans on a quarterly basis and report on its progress to the Board of Directors.</p>