



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

**SPECIAL EXAMINATION REPORT -
INTERNATIONAL DEVELOPMENT RESEARCH
CENTRE, OF THE FALL 2016 REPORTS OF
THE AUDITOR GENERAL OF CANADA**

**Report of the Standing Committee on
Public Accounts**

**Hon. Kevin Sorenson
Chair**

FEBRUARY 2017

42nd PARLIAMENT, 1st SESSION

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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

TWENTY-FIRST REPORT

Pursuant to its mandate under Standing Order 108(3)(g), the Committee has studied the Special Examination Report - International Development Research Centre, of the Fall 2016 Reports of the Auditor General of Canada and has agreed to report the following:

“INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—SPECIAL EXAMINATION REPORT—2016,” FALL 2016 REPORTS OF THE AUDITOR GENERAL OF CANADA

INTRODUCTION

The International Development Research Centre (IDRC or the Centre) is a federal Crown corporation that was established in 1970 by the [International Development Research Centre Act](#) with a 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.”¹

According to the Office of the Auditor General of Canada (OAG):

The Centre obtains most of its funding from the Government of Canada. The *International Development Research Centre Act* also allows the Centre to seek other sources of funding. In the 2014–15 financial year, the Centre’s parliamentary appropriation was \$190 million. Revenues from other sources amounted to \$68.8 million, including \$66.8 million from donor contributions.²

Questioned about the identity of the Centre’s donors, Jean Lebel, President, IDRC, responded:

We currently have a set of five or six large donors: the Department for International Development of the U.K. government, Australian Aid, and Norway’s government, through their development agency, as well as large philanthropic ones, the Bill and Melinda Gates Foundation and the Hewlett foundation.³

Mr. Lebel explained that IDRC only accepts donors’ contributions when the Centre is also contributing to a project:

If [the Department for International Development] were to come to us from the U.K. and say “we want you to do this” and we were not ready to invest our money, we wouldn’t do it. When we do these partnerships, it’s always on the basis that it fits with our strategic planning, that it’s going to help to achieve our objective, that it fits in with the broader international affairs family of Canada, and that it gives us an opportunity to deliver a greater impact with resources that are channelled together within IDRC.⁴

1 Office of the Auditor General of Canada (OAG), “[International Development Research Centre—Special Examination Report—2016](#),” *Fall 2016 Reports of the Auditor General of Canada*, para. 1.

2 Ibid., para. 6.

3 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 13 December 2016, [Meeting 39](#), 1555.

4 Ibid.

Regarding the Centre's strategic plan, Mr. Lebel stated the following:

The [Centre's] current five-year strategic plan was introduced in 2015. It guides IDRC's work through three strategic objectives: to invest in knowledge and innovation for large-scale positive changes, to build the leaders in research for today and tomorrow, and to be the partner of choice for greater impact. These strategic objectives drive the decisions we make on a daily basis about the people, projects, and institutions we support worldwide. Let me give you a few examples. In Colombia, research has resulted in fortified potatoes that are more nutritious, produce higher crop yields, and are more resistant to disease. Other projects are economically empowering women, such as one in India that is connecting women-owned local businesses with global supply chains. Innovations are improving access to education, such as a project that is using digital tools and resources to improve the accessibility and quality of education for Syrian [refugees] and host community children. Those are just a few examples of the new and ongoing projects we support each year.⁵

In its special examination of IDRC, the OAG examined whether the systems and practices that it selected for examination at IDRC “were providing it with reasonable assurance that its assets were safeguarded and controlled, its resources were managed economically and efficiently, and its operations were carried out effectively.”⁶ This special examination covered the systems and practices that were in place between August 2015 and March 2016; however, the OAG also examined certain matters that preceded this period, “such as the performance reporting for the 2010–2015 planning period.”⁷

On 13 December 2016, the House of Commons Standing Committee on Public Accounts (the Committee) held a hearing to study this special examination. From the OAG, the Committee met with Sylvain Ricard, Assistant Auditor General, and Lissa Lamarche, Principal. IDRC was represented by Jean Lebel, President.⁸

The Committee expressed its disappointment that neither the Chair nor the Vice-Chair of IDRC's Board were present at the meeting. In response, Mr. Lebel explained that:

As stated in the IDRC Act, the president of IDRC is responsible for the running of the day-to-day operations and is accountable on the running of the [Centre] and its financial system as well as its operational system. Therefore, I am the public officer, VC of the organization, and I represent the organization on these matters. The chair is chair of the board of governors, but by the IDRC Act of 1970, I am the one who has the authority to speak at the committee.⁹

I accept this, and I will carry it forward to our chair, Margaret Biggs. When we received the invitation, I was advised by the secretary of the board and our legal counsel that

5 Ibid., 1535.

6 OAG, “[International Development Research Centre—Special Examination Report—2016](#),” *Fall 2016 Reports of the Auditor General of Canada*, para. 7.

7 Ibid., p. 22.

8 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 13 December 2016, [Meeting 39](#), 1530.

9 Ibid., 1545.

I should appear. If we made a mistake there, I'm sorry about it. We will definitely address it.¹⁰

FINDINGS AND RECOMMENDATIONS

A. Corporate Governance

Overall, the OAG found that IDRC “had in place good corporate governance practices.”¹¹ However, the OAG found a significant deficiency in IDRC’s Board complement: the “Board did not have enough members to ensure a quorum was continuously maintained.”¹² For example, in recent years, IDRC “operated with 7 or 8 of 14 governors on its Board of Governors as a result of delays in the appointments.”¹³

Sylvain Ricard, Assistant Auditor General, OAG, told the Committee that this deficiency in IDRC’s Board complement “threatened the board’s ability to validly conduct business, repeatedly putting at risk its ability to fulfill its oversight and decision-making responsibilities.”¹⁴

According to the OAG, this gap occurred even though IDRC “proactively identified to the [Minister of International Development and La Francophonie] the skills gaps created by the departure of particular governors as well as the potential candidates possessing the necessary profile. The Minister’s role is to recommend candidates to the Governor in Council, who is responsible for executing these appointments.”¹⁵

For his part, Mr. Lebel acknowledged that this gap existed from November 2012 to June 2016, and that the Centre’s Board did not have a quorum three times during that period.¹⁶

Mr. Ricard drew the Committee’s attention to an added challenge that IDRC faces with respect to the timely replacement of its board members:

Unlike the practice in most crown corporations, when the term of a board of governors member is up, the member cannot stay on the board until a replacement is found. That is the case for IDRC and a few other crown corporations. Under the *Financial Administration Act*, in most crown corporations, when the term of a board of governors member is up, the member can stay on until a replacement is found. That is an added challenge that IDRC and a few other crown corporations face when it comes to the timely replacement of board members.¹⁷

10 Ibid., 1555.

11 OAG, [“International Development Research Centre—Special Examination Report—2016,”](#) *Fall 2016 Reports of the Auditor General of Canada*, para. 19.

12 Ibid., para. 22.

13 Ibid.

14 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 13 December 2016, [Meeting 39](#), 1530.

15 OAG, [“International Development Research Centre—Special Examination Report—2016,”](#) *Fall 2016 Reports of the Auditor General of Canada*, para. 22.

16 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 13 December 2016, [Meeting 39](#), 1550.

17 Ibid.

For this reason, the OAG recommended that IDRC “continue to engage with the Minister of International Development and La Francophonie on the need for sufficient and timely appointments to the Board of Governors, continue to provide the Minister with profiles of potential candidates, and reinforce the need for staggered terms of office.”¹⁸

IDRC agreed with this recommendation and committed to work with “the Minister of International Development and La Francophonie, in a manner that is consistent with the [\[new process\]](#) established by the government for the appointment of Governor in Council candidates.”¹⁹ According to IDRC’s action plan, this commitment was completed in June 2016.²⁰

According to Mr. Lebel, “a new chairperson and six new governors were appointed through the Government of Canada’s new open, transparent, and merit-based appointments process,” thereby ensuring quorum.²¹ He then pointed out that “this was the first time this process was used.”²²

In light of this testimony, the Committee recommends:

Recommendation 1

That, no later than 31 December 2018, *Global Affairs Canada* consider making legislative changes to allow the members of the *International Development Research Centre’s* Board of Governors to serve until a replacement is found, and that the Centre move to staggered terms going forward.

B. Strategic Planning, Risk Management, and Performance Measurement and Reporting

The OAG found that IDRC “had adequate systems and practices in place for strategic planning, risk management, and performance measurement and reporting.”²³ However, the OAG also found that “there was a weakness in the integration of performance measurement at the project level with performance measurement at the corporate level and that there were opportunities to improve this integration in strategic planning and risk management.”²⁴ For example, the OAG noted that:

The Centre was inconsistent in integrating project-level activities into corporate-level activities (and vice versa). Specifically, in performance measurement and reporting, the performance measures used at the project level did not align with and adequately inform

18 OAG, “[International Development Research Centre—Special Examination Report—2016](#),” *Fall 2016 Reports of the Auditor General of Canada*, para. 24.

19 Ibid.

20 International Development Research Centre (IDRC), [Management Action Plan: Special Examination Report, Office of the Auditor General of Canada – 2016](#), 25 November 2016, p. 1.

21 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 13 December 2016, [Meeting 39](#), 1540.

22 Ibid.

23 OAG, “[International Development Research Centre—Special Examination Report—2016](#),” *Fall 2016 Reports of the Auditor General of Canada*, para. 26.

24 Ibid.

the measurements at the level of strategic objectives. In addition, projects did not have clearly defined implementation activities in support of the Centre's strategic objectives. Furthermore, risks identified at the corporate level had not systematically been translated into operational risks, nor had the risks identified by projects been systematically escalated into the corporate risk profile.²⁵

According to the OAG, this "weakness matters because the misalignment of corporate and project objectives creates a risk that information needed to report against the strategic objectives might not be available or compiled, or that the corporate risk profile might omit risks that are project-specific."²⁶

Consequently, the OAG recommended that IDRC "put in place a systematic approach to integrate its strategic direction, risk management, and performance measurement and reporting with its project planning and monitoring," and "ensure coordination and communication of these corporate-level activities throughout the Centre."²⁷

IDRC agreed with this recommendation and stated that its management developed new detailed program area and program implementation plans in 2015, which are part of the Centre's strategic plan objectives and strategic direction.²⁸ These program implementation plans were approved by IDRC's Board of Governors in 2015, and were reviewed and approved by management in September 2016.²⁹ In addition, management developed new processes and systems in 2015 for the coordination and reporting of program intentions and results against strategic objectives.³⁰ Lastly, following an assessment of the Centre's integrated risk management program in 2015, IDRC's "management drafted an action plan, which was presented to the Finance and Audit Committee of the Board of Governors in February 2016, with the goal of improving the integration of risk management practices," by the end of 2018.³¹

In its action plan, IDRC committed to the following actions:

- "Alignment of all new research projects to one or more of the Centre's Strategic Objectives" (Ongoing implementation that started in 2015).³²
- "Development of Program Area Implementation Plans aligned with IDRC's strategic objectives, approved by the Board of Governors" (Completed in March 2015).³³

25 Ibid., para. 31.

26 Ibid., para. 32.

27 Ibid., para. 33.

28 OAG, "[International Development Research Centre—Special Examination Report—2016](#)," *Fall 2016 Reports of the Auditor General of Canada*, para. 33.

29 IDRC, "[Management Action Plan: Special Examination Report, Office of the Auditor General of Canada – 2016](#)," 25 November 2016, pp. 1-2.

30 Ibid., p. 2.

31 Ibid.

32 Ibid., p. 1.

33 Ibid.

- “Development of Program implementation Plans, approved by IDRC management” (Completed in September 2016).³⁴
- “Development of new performance management and monitoring processes and systems” (Completed in March 2016).³⁵
- “Implementation of a two-year action plan to improve the Centre’s integrated risk management practices” (Expected to be completed in 2018).³⁶

Mr. Lebel stressed that all research projects supported by the Centre “must speak to one or more” of the Centre’s strategic objectives; failing this, the projects are not funded.³⁷

Mr. Lebel also explained that “the action plan focuses on further strengthening the integrated risk management approach by establishing a more robust methodology, improving the process of identifying risk, and ensuring appropriate communication channels exist.”³⁸ He then reassured the Committee that this “work is on track and is expected to be completed by the end of 2018.”³⁹

Asked whether the management action plan that was presented to the Finance and Audit Committee of the Board of Governors in February 2016 had been approved, Mr. Lebel responded that the Finance and Audit Committee accepted this plan, which “sets out, in sequence, the activities that will be carried out until 2018.”⁴⁰

In response to a question about the rationale for the deadline of 2018, Mr. Lebel stated:

In 2015, IDRC had an external assessment of its entire risk management system done. We reviewed our risk management system. Under our previous system, risks were relatively buried in a countless number of risks that we would add up year after year. Now we have a much more robust method based on a handful of risks. Five were identified and approved by the board of directors. This is a model that requires constant consideration by the [Centre's] management. The vice-president of corporate strategy and communications is in charge of that, and an executive committee addresses risk management on an ongoing basis. Twice a year, we conduct a risk assessment, and we evaluate our risk tolerance as well as related mitigation measures. Although the responsibility falls on the executive committee, all [Centre] employees have to contribute, given the activities we carry out in developing countries. Our basic approach to projects has always incorporated risk management, but now, we do a much better job of addressing it. That is true for project risk management right through to corporate risk management. It's a continuum that is rooted in a whole. It requires training and involves technical knowledge, such as how to build risk registers and track risks. It may seem like

34 Ibid., p. 2.

35 Ibid.

36 Ibid.

37 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 13 December 2016, [Meeting 39](#), 1540.

38 Ibid.

39 Ibid.

40 Ibid., 1545.

a lengthy process, but the finance and audit committee considered it to be a robust plan. The committee accepted the plan, which is currently being put in place.⁴¹

Asked how IDRC will ensure that the “performance expectations that are set at the corporate level are reconciled with those set at the project level,” Mr. Lebel responded:

When I started my mandate as president of the organization in 2013, we were on the edge of getting a new strategic plan. I've been working for 20 years at IDRC. I indicated to the senior management team that it was time to refresh our vision of the future as well as to integrate the best in terms of deliverology and monitoring ourselves against expectations. For the strategic plan, this is not a glossy brochure. This is not a pamphlet. This is a strategic plan that was approved by the board. It is simple. It is crisp. It is clear. It's for people to be in their office and to know why they are coming to IDRC to work. They all know why. They have this soft spot. They want to make a change in the world. With this document, you can ask almost any employee at IDRC about the strategic objective. The employee knows it's about impact, it's about leadership, and it's about partnership. How do you translate this? That was in the making as the special examination took place between August 2015 and March 2016. We had just rolled out our strategic plan in April. We were developing the implementation plan for each team with the indicator that fit with the work that they have to conduct and with the strategic objective. Now if you go to the IDRC implementation plan for each of our programming teams, whether it's on agriculture; climate change; maternal, newborn, and child health; reproductive health; economic growth; science, technology, engineering, and mathematics, all of these teams have a quite elaborate set of indicators and targets. The issue is discussed on at least a yearly basis with the board. In fact, it's discussed on an ongoing basis. We have an annual performance report that is tabled with our board and a report on the progress that we have made on our objectives.⁴²

In response to questions about the process that IDRC uses to set targets and baselines for its performance indicators, Mr. Lebel stated:

I'm going to be very humble and honest. Now that we have targets and indicators, it's always a challenge on how to establish that. I can tell you with all our board of governors, we have numerous conversations with our staff. Because there was no baseline, you have to set one. You set one from evidence that you have or evidence that is out there, but you really aren't sure. In the last year at the performance management report session that we had, we already saw that there were some indicators that we are really overshooting, and to four, five, six times what we were expecting. Does it mean that we're performing very well? No. That means that maybe it's the wrong indicator or the information gathered has a bias, so we're working on this. Fundamentally, we want to make sure that the targets that we set for ourselves at a corporate level are reasonable—according to our opinion, the opinion of our board, and experts—to be accomplished over a five-year period. If we miss them, we want to make sure we understand why. This is why this plan is flexible enough to have course correction. Let's say that a program is not performing at all because of conditions in the field, because it is simply not the right approach. We can pull the plug. We can say, “let's use the resources towards this strategic plan because it's not delivering.” We have a system in place that is an ongoing live system that tracks where we are and gives the opportunity to do course correction in order to maximize the chances to attain our goal.⁴³

Therefore, in light of this testimony, the Committee recommends:

41 Ibid.
42 Ibid., 1600.
43 Ibid., 1625.

Recommendation 2:

That, no later than 31 December 2018, the *International Development Research Centre* provide the House of Commons Standing Committee on Public Accounts with a progress report explaining how the Centre has put in place a systematic approach to integrate its strategic direction, risk management, and performance measurement and reporting with its planning and monitoring systems. This report should also explain how the Centre ensures coordination and communication of these corporate-level activities throughout the Centre.

C. Selection and Management of Research Projects

The OAG found that IDRC “had rigorous project selection and approval process and sound project monitoring,” and thus, did not make any recommendation in this area of the examination.⁴⁴

D. Selection and Monitoring of Donor Agreements

According to the OAG:

Partnerships have enabled the Centre to mobilize resources in addition to its parliamentary appropriation. Through two types of partnerships, the Centre has leveraged its investments in development research. In the co-funding model, the Centre receives and administers funds from other donors for implementing specified programs, along with its own funds. In the more recently adopted parallel-funding model, the Centre and a partner both allocate financial resources to a project or program, with each donor administering the funds it has provided. This model has provided new opportunities for engaging with the private sector and emerging funders.⁴⁵

The OAG found that IDRC “had in place processes to manage and mitigate risks associated with its co-funded and parallel-funded partnerships,”⁴⁶ however, it also noted “a weakness in the processes to assess risk (notably, reputation risk) associated with potential parallel-funding private-sector partners before entering into agreements with them.”⁴⁷ According to the OAG, this could expose IDRC to risks, “including harm to its reputation if it becomes associated with a partner with reputation issues.”⁴⁸

Mr. Ricard noted that the Centre “did not have a systematic approach to assessing partners and the risks that it might be exposed to from these parallel partner agreements.”⁴⁹

44 OAG, “[International Development Research Centre—Special Examination Report—2016](#),” *Fall 2016 Reports of the Auditor General of Canada*, para. 42.

45 *Ibid.*, para. 40.

46 *Ibid.*, para. 43.

47 *Ibid.*

48 *Ibid.*, para. 44.

49 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 13 December 2016, [Meeting 39](#), 1530.

The OAG, hence, recommended that IDRC “establish a systematic approach to assessing risks associated with parallel partnerships prior to entering into the agreement.”⁵⁰

IDRC agreed with this recommendation and stated that its management “created last year a working group to study this issue.”⁵¹ “The objective of the working group is to understand comparators’ approaches to assessing and managing parallel funding; develop more actionable definitions of parallel funding; and adapt the Centre’s existing and tested co-funding partnership risk assessment and authorization systems, processes and controls, to the complexities of parallel funding.”⁵² According to IDRC’s action plan, this commitment was completed on 30 September 2016.⁵³

Regarding parallel partnerships, Mr. Lebel noted:

[W]e are more and more entering into what we call parallel partnerships, where we work alongside partners to achieve common goals, but where IDRC does not administer the funds. For example, IDRC and Tim Hortons are working together on the common goal of increasing coffee farmers’ ability to adapt to the effects of climate change, based on new research. Working alongside partners in this way, including the private sector, requires thorough risk assessment. That is why IDRC has recently reviewed and strengthened its parallel partnership risk assessment and authorization systems, processes, and controls.⁵⁴

Mr. Lebel also added the following with respect to IDRC’s parallel partnership with Tim Hortons:

Tim Hortons came to IDRC and said, “We have a challenge with our coffee crop in Colombia both in quality and in quantity, and we think that it’s related to climate change.” IDRC said, “We have programs that we have been funding with two universities that could help you.” We are funding the research for new farming techniques, new crops of coffee, new processes in light of climate change adaptation, and we’re pushing this to the co-op farmers association of Colombia of coffee farmers. Tim Hortons is bringing its resources to the co-op in order to enhance their ability to seize the opportunity of the research. There’s nothing more difficult than to change the habit of a farmer. You know this. If he loses his crop, he loses his revenue and he’s in a dramatic situation. Through this enhancement and push from the coffee buyers, Tim Hortons, the farmer has an opportunity to say if Tim Hortons is pushing us to take this technology, and this technology has been validated to be effective, we have a better chance to improve our supply, improve quality, and increase the revenue of the farmer in Colombia.⁵⁵

50 OAG, [“International Development Research Centre—Special Examination Report—2016,”](#) *Fall 2016 Reports of the Auditor General of Canada*, para. 45.

51 Ibid.

52 Ibid.

53 IDRC, [Management Action Plan: Special Examination Report, Office of the Auditor General of Canada – 2016](#), 25 November 2016, p. 3.

54 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 13 December 2016, [Meeting 39](#), 1540.

55 Ibid., 1625.

CONCLUSION

In this special examination, the OAG found that, with the exception of the significant deficiency in IDRC's Board complement, there were no significant deficiencies in the IDRC's systems and practices examined for corporate management and the management of research projects and donor agreements.⁵⁶ Therefore, the OAG "concluded that the Centre has maintained these systems and practices during the period covered by the audit in a manner that provided the reasonable assurance required under section 131 of the *Financial Administration Act*."⁵⁷

The Committee commends the Centre for having properly implemented corrective measures for two of the three recommendations of the OAG, and will monitor the Centre's progress in implementing its proposed corrective measures for the remaining recommendation by 31 December 2018.

56 OAG, "[International Development Research Centre—Special Examination Report—2016](#)," *Fall 2016 Reports of the Auditor General of Canada*, para. 46.

57 Ibid.

SUMMARY OF RECOMMENDED ACTIONS AND ASSOCIATED DEADLINES

Table 1 – Summary of Recommended Actions and Associated Deadlines

| Recommendation | Recommended Action | Deadline |
|-------------------------------------|--|-------------------------|
| <p>Recommendation 1 (p. 4.)</p> | <p><i>Global Affairs Canada</i> needs to consider making legislative changes to allow the members of the <i>International Development Research Centre's</i> (IDRC) Board of Governors to serve until a replacement is found, and the Centre needs to move to staggered terms going forward.</p> | <p>31 December 2018</p> |
| <p>Recommendation 2 (p. 8)</p> | <p>IDRC needs to provide the Committee with a progress report explaining how the Centre has put in place a systematic approach to integrate its strategic direction, risk management, and performance measurement and reporting with its planning and monitoring systems. This report should also explain how the Centre ensures coordination and communication of these corporate-level activities throughout the Centre.</p> | <p>31 December 2018</p> |

APPENDIX A LIST OF WITNESSES

| Organizations and Individuals | Date | Meeting |
|--|-------------|----------------|
| International Development Research Centre Jean Lebel, President | 2016-12-13 | 39 |
| Office of the Auditor General of Canada Sylvain Ricard, Assistant Auditor General Lissa Lamarche, Principal | | |

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings ([Meetings Nos. 39, 44](#)) is tabled.

Respectfully submitted,

Hon. Kevin Sorenson
Chair

