

## **Can CMHA Audit Itself Ethically?**

**Steve Lurie, CMHA Metro Toronto**

### **Context:**

CMHA has a mixture of internal and external accountability requirements now. We have a mission. We have many internal and external stakeholders. These include: clients, staff and volunteers, Board of Directors, Ministry of Health, United Way, colleague agencies, and the broader public.

There are concerns, given the multiplicity of accountability requirements, that an ethical auditing process should add value, rather than simply take additional time for compliance reporting.

### **What's In Place Now**

#### **Internal**

*Strategic Planning:* This is done by the Board of Directors every two to three years, involves staff and client input, and review of mission, agency financial and program performance data. The last cycle used scenario planning and developed a series of strategies, rather than detailed plans. The board receives updates on strategies annually.

*Program Review:* All CMHA community support programs are reviewed at least once every two years in relation to program objectives, process and outcomes. The review is based on an accreditation model and involves board members, volunteers, clients, families, program and management staff.

*Financial Audit:* Auditors retained by the Board of Directors conduct an annual financial audit, based on a review of financial records prepared by CMHA financial staff. The audit is based on materiality measures and compliance with CICA audit policies for non-profit organisations.

*CMHA Ontario Division Administrative Standards:* Every two years our Board is required to carry out a self-assessment. The standards focus on governance, policies and procedures in all areas.

### **External Requirements**

*United Way:* Every two years our allocation request is reviewed against United Way performance criteria which include community building, program effectiveness and governance.

*Ministry of Health:* Each year we submit an operating plan and budget submission which includes, \$ spent, clients served, commentary on achievement of program objectives and human resource issues.

*Municipal Bingo License:* Every six months we have to report income, expenditures and certify compliance with provincial bingo requirements. An internal staff review indicated that we are not able to comply with the rules concerning payment of "runners" and supervising members, so we have decided to cease bingo operations effective this June when our current license expires.

*Revenue Canada Charitable Return:* This document is filed annually, largely based on figures from audited statements.

As the preceding sections indicate, there are a number of separate organisational audit processes that individually assess aspects of organisational or program performance. What is missing is a process for discussions about how we are doing in relation to public and organisational good at the Board and senior management level and regular feedback about how employees feel about their jobs and working relationships.

**Proposal:** Use the concept of ethical auditing to stimulate more discussion about how we're doing in relation to public and organisational good; and look at our processes and outcomes. The purpose is to help CMHA identify, strengthen and conserve our assets and foster organisational learning.

Ethical auditing provides a frame for ensuring that our current audit processes add value to CMHA and will foster analysis of the whole organisation rather than our current focus on components and processes.

The focus will be on *three framing questions* that can be derived from Fred Bird's material on ethical audits. The process for answering each question will be described briefly.

*To what extent is CMHA fostering the good of the organization/ community?*

**Process:**

- Board, management and staff rep workshop about how CMHA is doing in relation to our mission and look forward for the next two or three years. This workshop will be similar to our previous strategic planning workshops and will focus on organisation strengths and weaknesses as well as a review of the external environment. **Timing:** Spring 2000 and at least every two years

*To what extent is CMHA acting in keeping with fitting standards for conduct?*

**Process:**

- Conduct staff surveys and focus groups on work environment issues. **Timing:** Spring 2000 and at least annually
- Board staff reflection on governance and organisational process issues using CMHA Ontario Division administrative standards. **Timing:** Fall 2000 and every two years thereafter.
- Financial Audit and Investment Reporting: Annual review of audited statements by the Finance Committee and review of investment performance and policy in relation to the "prudent investor" provisions of the Trustee Act. The Finance Committee will report to the Board.

Consistent with this approach, the Finance Committee and Board recently reviewed our supplementary fundraising programs and results in terms of our involvement in gaming and "ethical fundraising" and have decided to curtail our involvement in bingo and telemarketing.

*To what extent is CMHA able to achieve anticipated outcomes or objectives?*

- Implement our revised program review process beginning in the Fall of 2000
- Do a qualitative consumer satisfaction study every three years. This ensures that consumers are heard in their own words, as they comment on the community support services we provide.

This approach to ethical auditing described above has a number of advantages:

- It frames the auditing process in relation to key questions outlined in Bird's Foci # 2
- It uses a variety of methods to open up communication with a variety of stakeholders (clients, staff, Board) about organisational performance and surface issues.
- It can, when fully implemented be achieved within a two to three year cycle.
- The approach doesn't add significantly to internal and external accountability requirements but will complement and "inform" them.