

# MANAGEMENT AUDIT OF THE OLOF PALME INTERNATIONAL CENTER

## SUMMARY

Professional Management AB was commissioned by Sida/SEKA to carry out a management audit of the Olof Palme International Center. The audit covered the following areas and structures of management:

- Mission and vision.
- Changes in the operational setting.
- Management by results.
- Financial management.
- Accounting and auditing.
- Laws and regulations.
- Organisational premises of the Olof Palme International Center.
- Organisational structure of the Olof Palme International Center.
- Forms of dialogue/consultation between the Olof Palme International Center and Sida.
- Norms, values and attitudes.
- The day-to-day political agenda.

Briefly, we arrived at the following conclusions. Within the Olof Palme International Center there is a strong individual assumption of responsibility, coupled with supportive structures both formal and informal. The level of aspiration and the workload are high. The project organisations find co-operation to be characterised by a positive spirit, helpfulness and flexibility. The routines surrounding applications and debriefing function satisfactorily, though many project organisations would like to see a clear individual feedback on the quality of their applications and reports. The education and information activities of the Olof Palme International Center are highly appreciated, though desires exist for a greater proportion of seminars, courses and conferences to be held in other places than Stockholm.

The steering systems in general are well developed, familiar to the staff of the Olof Palme International Center, and most often to the project organisations as well, and extensively applied in practice. The structure of activities has been firmed up in recent years, and we find that the Olof Palme International Center today has an appropriate organisation.

Development work, in our opinion, should above all be aimed at greater concentration/focusing (programming) of project activities, with a shift of emphasis at all operational levels in favour of more follow-up, evaluation and dissemination of experience.

Initiatives in the partner countries are very inchoate. Increased co-operation between the project organisations, both in Sweden and in the partner country, would probably both enhance the efficiency of the projects and help to build up a more stable, sustainable capacity. Greater concentration should therefore be considered, as regards the selection both of partner countries and of initiative areas (Project sectors).

External demands exist from the Riksdag (parliament), government and Sida for successive development of the capacity for declaring the results of development co-operation and for disseminating experience as to which initiatives work best in different circumstances. Internally too – within the member and project organisations – more interchange of experience is desired both in Sweden and in the partner countries.

The suggestions for improvement emerging in the course of the management audit serve to indicate a course to be followed in subsequent development work. We recommend that the Olof Palme International Center, together with its member organisations, draw up a long-term development plan for acting on the opportunities for improvement which have now been identified. This process should run for about two years, and the first stage will be to draw up a concrete working plan and timetable, which should be finalised in the spring of 2002. A development phase will then follow, aimed at successively implementing the proposed improvements. We also recommend that the Olof Palme International Center commit itself to following up the results of the management audit – and the ensuing process of improvement – by convening a follow-up seminar on the theme of “The management audit – one year on”. The member organisations and Sida should be invited to this seminar. All the recommendations made in the other chapters of this report are itemised in App. 8.

### **Audit procedure**

As part of its controlling responsibility, Sida is tasked with verifying that development assistance monies, however channelled, are efficiently applied to their intended purposes. Sida’s basic view regarding the ownership of development co-operation initiatives is that implementing responsibility devolves on the partner. Accordingly, the partner is also administratively responsible for controlling the activity. Management audits are designed to enable Sida to establish whether the frame organisations are capable of meeting their contractual obligations to Sida.

It is the purpose of the management audit:

to examine the reliability and relevance of the systems of operational and financial management existing within the Olof Palme International Center.

to determine, on the basis of this examination, whether the documentation which Sida receives under current agreements reflects actual conditions and can therefore be regarded as a sound basis for Sida’s decision-making in the handling process, and

to furnish the Olof Palme International Center with input data for the internal process of change it undertakes together with its member and project organisations in Sweden.

Basically, a management audit can have three different focal points:

- Control. (Do firm systems and routines exist? How are they documented?)
- Assurance. (How is it ensured that systems and routines are applied by everyone in the organisation? How does this work in practice?)
- Development. (How can systems and routines be improved? How can changes be successfully introduced?)

Management auditing show a general tendency to focus more and more on the developmental perspective, and it is crucially important, to our way of thinking, that the main focus of attention should be on developing the management systems, rather than on control.

For this audit we examined documentation from the offices of the Olof Palme International Center in Stockholm, from member organisations, from project organisations (both in Sweden and in the field) and from Sida. Field studies were undertaken in Estonia, Bosnia and South Africa.

### **Mission and vision**

The Olof Palme International Center was founded in 1992 by the Social Democratic Party (SAP), the Swedish Trade Union Confederation (LO) and the Swedish Co-operative Union (KF). Its mission is that of a resource for its member organisations and for its members nationwide, with reference to international development co-operation, and to awaken the international involvement of established membership groups and new groups. The development initiatives of the Olof Palme International Center and its member organisations are primarily aimed at supporting the emergence of free democratic organisations promoting liberty, democracy, social justice and peace in different parts of the world.

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Although the mission of the Olof Palme International Center is seen to be quite clear and firmly established, long-term relations with the member organisations are in need of development. The wide span of the Centre's mission can sometimes make it hard to communicate to the members. Desires have been expressed for the Centre to communicate and establish its mission still more clearly. It is felt that the Palme Centre can be of more benefit to its members by still more clearly taking upon itself the role of think-tank and spearhead.

#### **We recommend that**

- the governing body of the Olof Palme International Center moot the feasibility of closer co-ordination of initiatives by the member organisation,
- the Olof Palme International Center inaugurate a visionary process aimed at describing its mission and benefit to members still more clearly in a futures perspective,
- the Olof Palme International Center draw up a common member-oriented communication strategy for its mission,
- the Olof Palme International Center carry out regular membership surveys to canvass the members' estimation of member benefit and their assessment of development needs,
- the Olof Palme International Center regularly investigate the project organisations' opinion of the support they receive,
- the governing body of the Olof Palme International Center adopt a funding strategy which includes deliberations concerning a vitalisation of the I-fund and/or other instruments,
- the Olof Palme International Center, as part of its ongoing dialogue with other frame organisations and Sida/SEKA, further develop the role of civil society in development co-operation, partly in the light of the results of the work done by Glocom.

#### **Changes in the operational setting**

Representatives of the member organisations find the Olof Palme International Center competent in its analysis of the operational environment. The organisation is found to be flexible and adaptable, adjusting rapidly to changes in the world situation. One positive instance quoted is its handling of disaster relief to Nicaragua a year or so ago. Personal contacts with individual handling officers are described as highly positive and rewarding where knowledge of the outside world is concerned.

During the past two years the Olof Palme International Center has greatly expanded its information and opinion-formation activities, with a view to raising the quality and quantity of debate on ideas within the labour movement. The Centre operates from a distinct body of basic political values. This is seen to be a great advantage, but at the same time a need is identified for open-ended reflection on the outside world and for development of the Centre's capacity as a learning organisation.

#### **We recommend that**

- the Olof Palme International Center develop its monitoring and analysis of world affairs, so as to ensure that the priorities made are based on relevant facts and the broadest possible foundation,
- one or more persons within the Centre be made expressly responsible for the methods aspect of the monitoring and analysis of world affairs,
- that the Centre intensify its contacts with Solidar and other prospective partner organisations within the EU,
- that the Centre investigate the feasibility of broadening the funding base of the projects undertaken, e.g. through a higher level of self-financing and EU funding.

#### **Management by results**

The following changes, among others, have affected the mode of management:

- The economic downturn has necessitated optimum use of the available funding.

- The combination of increasing demands and dwindling resources has created a need for a process whereby resource reallocation decisions can be made more rapidly.
- Improved IT support augments the possibilities of decision-makers and other interested parties gaining access to the information necessary for the evaluation of results and effects.
- A desire for holistic perspective and opportunities of strategic management calls for improvement of the input data for decision-making.

In consequence, operational management has come to focus more and more on the output side (results and effects).

During 200 the member organisations and the Olof Palme International Center carried out some 250 development co-operation projects in different parts of the world. The number of project organisations has for several years been relatively constant – about 100.

The Logical Framework Approach (LFA) is envisaged as a support for the working process. LFA is regarded as a good tool, but its “status” is unclear. Some of the people we interviewed regarded it as mandatory, while others think of it as a recommended working approach. Most projects do not have LFA-related modes of description.

The follow-up of initiatives and projects in the partner countries devolves on the Swedish project organisations. This follow-up is relayed to the Olof Palme International Center both continuously, on a year-by-year basis, and at the end of each project. It includes both a financial report and a progress report in terms of target achievement etc. The Swedish project organisations sometimes experience difficulty in obtaining data from their co-operation partners. The cost of a field visit by the Swedish project organisation is usually included in the project budget. The majority, however, find that one field visit is not enough. Quite often the reports received are narrative accounts of the project rather than an evaluation of the results achieved in relation to the target document. This is partly due to the instructions not being followed. It is seldom we have been able to tell, from putting plan and report side by side, whether or not the plan has actually been accomplished.

There is uncertainty regarded the requirements for quality systems. Both Sida/SEKA and the Olof Palme International Center, therefore, have cause to elucidate those requirements within the frame organisations and within the member and project organisations. Responsibility for quality and efficiency rests, however, with the project organisations, not with the Centre.

The Olof Palme International Center is assumed to have systems for evaluating the projects conducted with funding support from Sida, but this is a principle “more honoured in the breach than in the observance”.

We feel that operational planning within the Olof Palme International Center should be further developed so as to establish a clearer connection between the choice of aspiration level (expressed in target terms) and the scale of funding. The targets in the Centre’s operational plan, in our opinion, are insufficiently concrete and verifiable. Planning is made to focus on excessively abstract aims and ideals. LFA is a method which meets basic requirements of logic and structure, but it is becoming increasingly clearer, in the light of more recent models, that LFA needs to be developed, simplified and modernised.

The manuals/directions issued by the Olof Palme International Center tend to overlap, and there is uncertainty as to how mandatory they really are.

Applications and reports do not always comply with LFA thinking, even if the latter is said to be the norm. Risks analyses – if any – are couched in general terms, as are target descriptions. The relationship between targets, activities and indicators is sometimes unclear.

There is widespread agreement concerning the importance of better follow-up of activities. Follow-up today is project-based. It would be an advantage if the member organisations with many projects were to compile their own conspectus, analysis and valuation of the aggregate results of the individual projects, so that aggregate results would be communicated to the Olof Palme International Center.

Great efforts are being devoted to quality assurance in the work of the Olof Palme International Center, and quality management has now come to the point where its different elements need to be systematised into a holistic entity, i.e. a coherent quality system. Two qualitative dimensions are specially highlighted, namely **professional quality** and **customer-perceived quality**, and a figure is presented, describing seven natural stages of development work at the individual workplace when implementing the operational targets through the development of effective quality systems, under the heading of Commitment Quality Management (CQM).

### **We recommend that**

- Operational planning at the Olof Palme International Center be further developed, partly through an operationalisation of the targets and a clearer connection between levels of aspiration and scale of funding,
- the Olof Palme International Center clarify the status of LFA as a tool, while at the same time presenting simpler alternatives appropriate to the same purpose,
- LFA be further developed, so that it will also be user-friendly to potential partners in the partner countries,
- the Olof Palme International Center initiate development work together with the member organisations, with a view to streamlining the flow of documents by means of electronic transmission and reduced overlap between different documents,
- the Olof Palme International Center introduce a simple risk management model, such as the Risk Window,
- the Olof Palme International Center create in-house a coherent quality system based on an applicable quality philosophy, e.g. Commitment Quality Management (CQM),
- field instruments be further developed as an instrument of follow-up and evaluation,
- the Olof Palme International Center define more closely the requirements for a concise presentation and analysis of results for all projects by the member organisations with the most wide-ranging project activities,
- the Olof Palme International Center define more closely the requirements applying to the project organisations' own control, follow-up and evaluation of activities,
- the Olof Palme International Center produce a simple publication reviewing the applications, limitation, advantages and drawbacks of different methods, with concrete examples, as a basis for work by member and project organisations to create systems for following up and evaluating projects,
- the Olof Palme International Center initiate methods development work together with the member organisations, concerning QA systems for project activities,
- the Olof Palme International Center carry out, annually, at least one effect evaluation of activities in a certain country or member organisation or with reference to a particular theme,
- the Olof Palme International Center construct an integral system for evaluating the aggregate activities of the member organisations,
- the Olof Palme International Center also carry out evaluations at country or sector level, together with other frame organisations,
- the possibilities be investigated of developing a partnership between the Olof Palme International Center, Sida/SEKA and the other frame organisations in connection with evaluation work,
- the Olof Palme International Center initiate a methods development project together with member organisations concerning local ownership.

## Financial management

Contractual procedures are clearly defined, documented and well-known within the organisation. Templates for agreements between Sida and the Swedish project organisation, and also between the Swedish project organisation and the project organisation in the partner country, have been devised in consultation with legal experts. These templates are well-known and commonly used. Manuals of application procedure and feedback reporting exist.

The agreements are signed at the Olof Palme International Center in mid-January, but we have been able to establish that often they are not signed by the Swedish project organisation until very late in the year to which an agreement refers. Very often, an agreement has been lacking in spite of the initiative already having entered the implementation phase.

Our overall verdict on financial management at the Olof Palme International Center is that we find it satisfactory, and we have the impression that the Centre's follow-up and control of financial management in the project organisations creates good prospects of effective operational follow-up. The Centre has, as far as is possible, established routines ensuring good control of projects, at the same time as the routines established provide good prospects of combating corruption.

We propose that correspondence and documentation be conducted electronically as far as possible. This will facilitate feedback reporting, corrections and additions, as well as reducing switching times.

### We recommend that

- new grants be made absolutely conditional on earlier projects being completely reported by the organisation, as laid down in the agreements for the old projects,
- application of Sida/SEKA's directions concerning the importance of agreements for the release of funding be discussed with Sida/SEKA,
- agreement extensions be made in writing, recorded and entered in BASCO,
- contractual obligations of financial reporting be unfailingly respected,
- the Olof Palme International Center's controller be specially tasked with taking measures aimed at improving the follow-up of reporting requirements,
- the Olof Palme International Center draw up written instructions on attestation,
- the Olof Palme International Center review actual compliance with the requirement of separate accounts for Sida funds,
- the Olof Palme International Center establish routines ensuring that one and the same person cannot record an invoice and at the same time settle it.

## Accounting and auditing

There is widespread agreement within the Olof Palme International Center that follow-up and debriefing by the project organisations will have to be improved. Experience of the assistance funded in earlier years needs to be pinned down, systematised and passed on to the new projects.

Our overall assessment of the Olof Palme International Center's accounting and auditing is that it creates relatively good prospects of effectively following up the Centre's own activities and development co-operation activities.

It is important that the Swedish project organisation should demand full insight in project activities in the partner country, and also that the Swedish project organisation should take its control responsibilities seriously, so as to ensure that the project measures up to the rules which apply.

The annual report presented by the Olof Palme International Center for the 2000 fiscal year meets the requirements of Swedish law for voluntary associations. In this connection it should be specially noted that, as from 1st January 2001, the Olof Palme International Center is obliged to comply with the

Book-Keeping Act, which makes clear that the annual report has to be compiled in compliance with the stipulations of the Annual Accounts Act.

**We recommend that**

- the Olof Palme International Center and the project organisations ensure that accounting records and the compilation of future annual reports comply with the Book-Keeping Act and the Annual Accounts Act,
- the Olof Palme International Center and the project organisations verify that the audit of local projects complies with Sida's auditing instructions.

**Laws and regulations**

**We recommend that**

- the Olof Palme International Center carefully analyse the directions issued by Sida/SEKA on implementation of the Public Procurement Act (LOU) and that it inform the member and project organisations of any policy changes.

**Organisational premises of the Olof Palme International Center.**

This part of the management audit covered:

- *the allocation of responsibilities between the Olof Palme International Center and its member organisations* on the one hand and the project organisations on the other,
- *the process of establishment and decision-making vis à vis the member organisations* and the project organisations,
- the form of association
- the choice of partners.

The interviewees find the allocation of responsibilities between the Olof Palme International Center and the member and project organisations to be clear enough, though there is discussion as to whether a different allocation of responsibilities might be possible and desirable.

Head office finds it relatively easy to involve member organisations and individual persons within whom there is a longstanding relationship, but less easy to get member organisations on board if they have not previously been involved in development co-operation.

As regards the form of association, there may be cause to accept a trend towards more commercially justified organisational solutions, i.e. acceptance of market solutions, e.g. for ongoing capacity build-up.

**We recommend that:**

- all agreements make clear which legal persons are partners,
- the Olof Palme International Center carry out a review of all local project organisations in the partner country, to ensure that they measure up to Sida's requirements,
- the Olof Palme International Center ensure, through training, template agreements, examination of application papers etc., that a local partner in the partner country will be seriously assessed,
- the Olof Palme International Center ensure, before phasing out a project, that the partner organisation in the partner country develop a deliberate strategy for finding other sources of income,
- the Olof Palme International Center initiate methods development work in which the capacity of the member organisations for taking part in development co-operation of different kinds is further developed and articulated,
- the Olof Palme International Center develop routines for systematically canvassing the views of member and project organisations, e.g. through regularly recurrent questionnaires,

- the dialogue between the Olof Palme International Center and the member organisations continue as hitherto regarding such matters of common concern as methods development, the allocation of tasks, competence development and so on.

### **Organisational structure of the Olof Palme International Center**

The executive Committee not having met for 18 months, the governing body of the Olof Palme International Center should discuss its role and *raison d'être*, if any. Otherwise we have no comment to make on the Centre's decision-making procedure.

The work of the Management Group (*ledningsgruppen*) should be made clearer, as regards both form and content.

As regards the organisation and working procedures of head office, we find the Centre's organisation today to be appropriate to its purpose, and there is a widespread feeling that the working climate has improved with the passage of time. On the other hand, the Centre has expanded heavily in a relatively short time, as regards both personnel strength and diversity of activities, and we now recommend a period of consolidation and of focusing on quality. In our belief, the Olof Palme International Center today does not have an adequate way of following up the use made of working time and, accordingly, the priorities chosen. This precludes a good follow-up of changes in the balance between the processing of applications and further planning.

#### **We recommend that:**

- a handling officer be appointed within the Olof Palme International Center to assume thematic responsibility for matters of follow-up and evaluation,
- the Olof Palme International Center consider increasing its field presence, e.g. by having someone stationed in a minority region,
- the Olof Palme International Center develop its function in relation to the member and project organisations, primarily as regards the distribution of training arrangements, networking and individual feedback on applications and reports.

### **Forms of dialogue/consultation between the Olof Palme International Center and Sida.**

Relations between the Olof Palme International Center and Sida are invariably described as very good. The Centre maintains a continuous dialogue with several Sida divisions, and Sida is generally perceived as a competent partner. Its expertise is appreciated and its exercise of public authority viewed as a natural ingredient.

#### **We recommend that:**

- An inquiry be made concerning the feasibility of developing the interchange of information and experience between the Forms of dialogue/consultation between the Olof Palme International Center's project activities and the embassies concerned.

### **Norms, values and attitudes**

The work of the Olof Palme International Center rests on shared norms, attitudes and values. The shared values permeating the workplace include democracy, sense of purpose and solidarity.

#### **We recommend that:**

- the Olof Palme International Center use existing working norms to continue ensuring that different views, values and creative ideas can be raised for discussion,



- the Olof Palme International Center initiate a methods development project in order, together with the member organisations, to follow up co-operation with a view to articulating the common value base in the development co-operation context,
- the Olof Palme International Center continue to play an active part in discussing the implications of the concepts of popular/mass movement and civil society.

### **The day-to-day political agenda**

We find it both inevitable and desirable for development co-operation to be a part of current political debate. By and large, that debate helps to sustain, perhaps even augments, interest and involvement where these matters are concerned.

#### **We recommend that:**

- the Olof Palme International Center continue to set aside resources for participation in the debate on development co-operation, at both national and international levels.