



ASSISTANT DEPUTY MINISTER (REVIEW SERVICES)

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Review of Canadian Forces Morale and Welfare Services Internal Governance



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Acronyms and Abbreviations

ADM(RS)	Assistant Deputy Minister (Review Services)
CAF	Canadian Armed Forces
CANEX	Canadian Forces Exchange System
CDS	Chief of the Defence Staff
CEO	Chief Executive Officer
CFMWS	Canadian Forces Morale and Welfare Services
CFO	Chief Financial Officer
CIO	Chief Information Officer
COO	Chief Operations Officer
DND	Department of National Defence
EXMB	Executive Management Board
HR	Human Resources
IM/IT	Information Management/Information Technology
IRMC	Investment and Resource Management Committee
ITCC	Information Technology Coordination Committee
MD NPP	Managing Director, Non-Public Property
MFS	Military Family Services
MFSP	Military Family Service Programs
MW	Morale and Welfare
NDA	<i>National Defence Act</i>
NPP	Non-Public Property
OCI	Office of Collateral Interest
OHS	Occupational Health and Safety
OPI	Office of Primary Interest
PSP	Personnel Support Program
RMC	Resource Management Committee
ROD	Record of Decisions
SISIP	Service Income Security Insurance Plan
SMART	Specific, Measurable, Achievable, Realistic and Time-bound

SNPF, CF	Staff of the Non-Public Funds, Canadian Forces
SOT	Support Our Troops
STWG	Strategic Transformation Working Group
TOR	Terms of Reference
VP Corp Svcs	Vice-president Corporate Services

Results in Brief

The objective of this review engagement was to provide assurance on the effectiveness and efficiency of governance and management oversight within Non-Public Property (NPP) and provide opportunities for improvement.

As with any other processes and practices, NPP governance faces certain challenges given the finite number of resources, complex organizational structure and breadth of businesses. Effective and efficient governance and management oversight create clear authority, lines of reporting and accountability, and informed decision making.

Findings and Recommendations

Strategic and operational planning and monitoring. A number of good practices to plan and monitor strategic and operational objectives have been implemented by management. The 2017-2020 Canadian Forces Morale and Welfare Services (CFMWS) Strategic Plan outlines SMART (specific, measurable, achievable, realistic and time-bound) objectives which include performance measures with timelines. The majority of divisions have developed and finalized strategic plans which are aligned with CFMWS priorities. Divisions have developed processes to track progress against strategic objectives, and a number of performance measurements have been established at the corporate and divisional levels. Strategic priorities within the NPP accountability framework are monitored by a number of committees, and regular bilateral meetings between the Managing Director, Non-Public Property (MD NPP), division heads and their subordinates take place.

However, there are opportunities for improvements to support improved oversight over strategic planning initiatives, including regular reporting to senior management on the progress and achievement of strategic objectives as defined in the corporate strategic plan.

CFMWS should formulate operational objectives to include in its business plan and related divisional business plans that are SMART. The objectives should provide a clear definition of the expected success of the initiative, include a measure to monitor progress, focus on outcomes and have a defined timeline by which the outcome should be achieved.

CFMWS should consider integrating the Public Fund Requirement for the Delivery of Mandated Morale and Welfare Responsibilities with the NPP business plan in order to assist in coordinating resources and activities to administer NPP and selected public morale and welfare programs, services and activities.

Overall Assessment

- Many effective governance and oversight practices exist at all levels, appropriate for the organization's requirements and complexity
- Governance within CFMWS is supported by a culture of values and ethics to promote efficient governance and rigor in regards to spending and the accountability of funds
- Opportunities exist to further improve the formalization of practice to support improved oversight and monitoring

Availability of relevant and timely information to support effective and efficient oversight.

Various analysis and financial data are provided to committees to perform their oversight responsibilities. Information provided is generally aligned to the committee's mandate and roles and responsibilities. As previously noted, a number of performance measures have been established at the corporate and divisional level to support monitoring and oversight.

Although some divisions independently developed performance indicators to measure their performance, we noted that the robustness of performance reporting varies from one division to another.

It is recommended that CFMWS consider further enhancing key reporting information to support oversight, such as key performance measures. Potential enhancements include compiling and regularly reporting measures to senior management, improving the breadth of measures for each priority, business unit/function and those typical of the sector/industry, and integrating reporting of public and non-public activities to provide a holistic view of the organization. In the interim, CFMWS should consider performance measures where data and/or benchmarks are more readily available, and/or enhancing access to data to support measurements.

Breadth of oversight and documentation/monitoring of committee decisions. A number of committees have been implemented to oversee the organization's operations. The mandate/purpose as well as the roles and responsibilities of the majority of these committees have been documented through terms of reference (TOR). Roles and responsibilities are further documented in the Delegation of Authorities for Financial Administration of Non-Public Property (NPP), Senior Management job descriptions and CFMWS NPP Functional Authorities. The majority of committees meet on a regular basis and discussions on oversight of operations occurred. However, based on our documentation review, we were often not able to determine the extent of these discussions and decisions.

It is recommended that CFMWS review and formalize all committees' TOR in order to clarify their roles and responsibilities and ensure that, where appropriate, responsibilities include typical key aspects of oversight, such as risk, strategy, performance, people, finance and Information Management/Information Technology (IM/IT).

It is recommended that committee documentation be improved to maintain records of committee information packages, document decisions and action items, and monitor tracking of action plans.

It is recommended that CFMWS consider appropriate committee meeting timing for efficient and effective management oversight and update committee TOR accordingly. Committee chairs should ensure that meeting timing is achieved as identified.

Note: Please refer to [Annex A—Management Action Plan](#) for the management response to the ADM(RS) recommendations.

1.0 Introduction

1.1 Background

The *National Defence Act* (NDA) (Sections 2 and 38-41) establishes NPP as a unique type of Crown property, and establishes its purpose to provide benefit to serving and former members of the Canadian Armed Forces (CAF) and their families. NPP revenues from varied activities, such as messes, specialty interest activities, CANEX and SISIP Financial are retained as NPP to provide programs and services to members. The NPP organizations are not subject to the *Financial Administration Act* as specified in the NDA.

The NDA makes the Minister of National Defence ultimately responsible for NPP and specifies that NPP is vested with the Chief of the Defence Staff (CDS), Base/Wing Commanders and Unit Commanding Officers. The CFMWS is responsible for administering NPP on behalf of the CDS and for delivering selected Morale and Welfare (MW) services and activities to eligible members and their families.

NPP is also used to deliver certain programs on behalf of the Department of National Defence (DND) and the CAF. NPP organizations enter into arrangements with the Department through agreements normally memorialized through the use of Memoranda of Understanding or Service Level Agreements.

With over 4,400 Staff of the Non-Public Funds, Canadian Forces (SNPF, CF) employees on bases, wings, units and at headquarters in Ottawa, CFMWS operates with a fundamental principle in mind: the customer comes first. In partnership with bases, wings and units, it ensures that its customers, the CAF Regular and Reserve Force members, retired and former CAF members, military families and NPF employees, receive the MW programs, services and activities they deserve. CFMWS has implemented a Values and Ethics Policy which promotes its values of Community, Integrity, Loyalty, Courage, Stewardship and Professionalism. This culture, which is the cornerstone of good governance, helps promote a culture of rigor in regards to spending and the accountability of funds for the benefit of the members. In addition, an Assistant Deputy Minister (Review Services) (ADM(RS)) review of the Enterprise Risk Management Framework conducted in 2017 noted the existence of a strong risk culture, above that of similar Non-Profit Organizations.

As agents of NPP, CFMWS is responsible for the management of NPP funds to provide those who serve or have served and their families, with MW services to contribute to CAF operational readiness. Services provided to members include a full range of fitness, sports and recreation, family and charity-like support, retail and financial services. CFMWS delivers its MW programs and services through four operating divisions and four supporting divisions. The NPP operating framework requires the integration of public and NPP resources to ensure a seamless MW delivery stream. It is, thus, a complex framework to manage and one that requires agreements

with multiple stakeholders to help ensure positive evolution for effectively serving an ever growing and changing community.

An effective and efficient management oversight framework, of which governance is a key element, is needed to give sufficient, continuous and reliable evidence and assurance that the strategic objectives and risks to CFMWS' success are being well managed. Strong governance and oversight is a key process to help ensure CFMWS operations are conducted efficiently and effectively as agents of NPP.

The current governance structure is depicted in the following diagram:¹

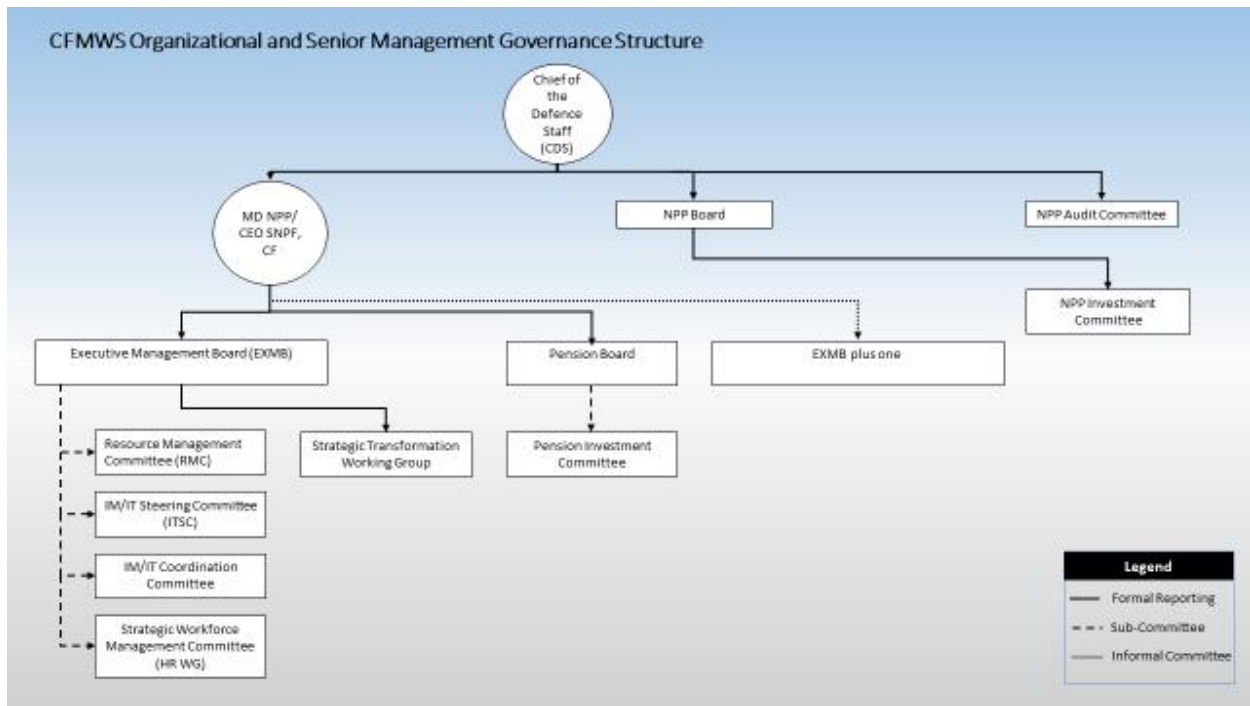


Figure 1. CFMWS Organizational and Senior management Governance Structure. This figure depicts an oversight framework for CFMWS.

The organization structure for CFMWS is depicted in the following diagram. Governance structures, including divisional management committees, formal and informal working groups and committees, and groups related to specific programs, projects or initiatives are also in place within relevant functional responsibility areas.

¹ The EXMB plus one is a consultative informal governance body for all levels of executive leadership to promote cross-division interaction and discussion and help shape executive intent.

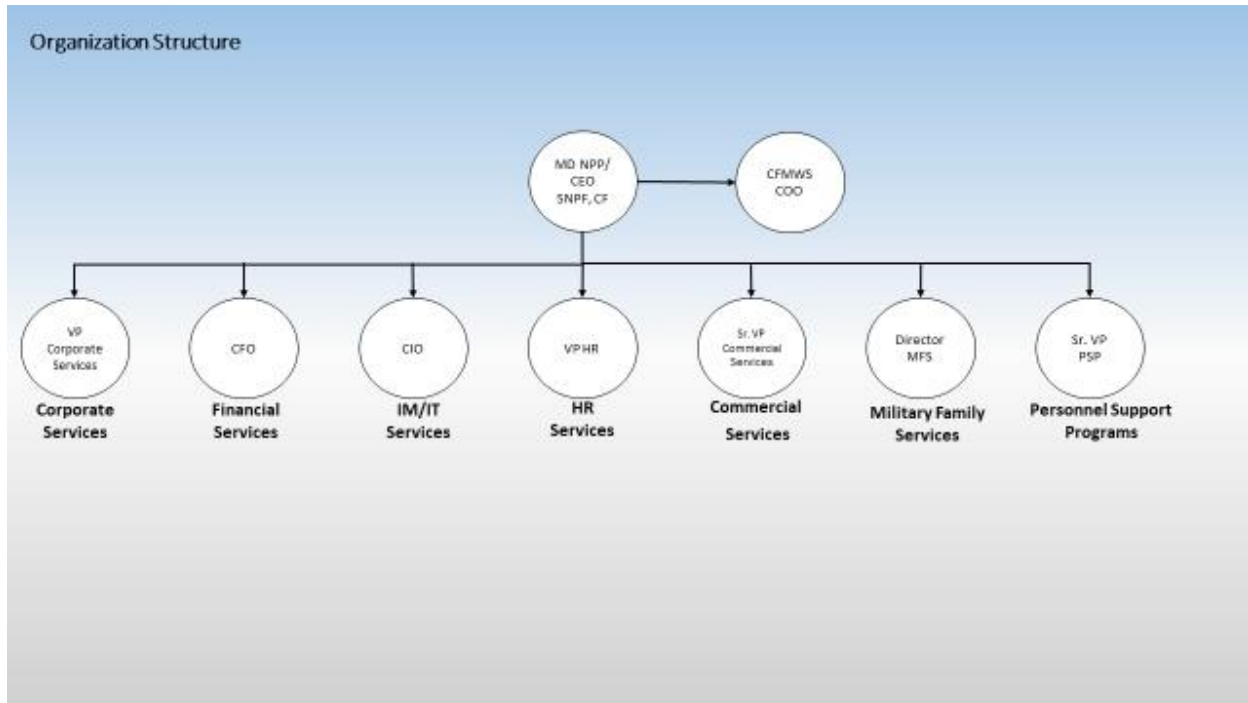


Figure 2. CFMWS Organization Structure. This figure depicts the reporting relationship between seven CFMWS entities and the MD NPP/Chief Executive Officer (CEO) SNPF, CF.

In addition to the structures depicted in Figures 1 and 2, the ADM(RS) assists in providing independent assurance over the governance, risk management and internal control processes over NPP. The NPP Audit Committee reports to the CDS and provides independent, objective assessment and assurance of the adequacy of risk management, control and accountability with respect to NPP. CFMWS entities, including CANEX and SISIP, are also subject to annual external audits of their financial statements.

1.2 Rationale

Governance is the management of strategic directives. It is more than compliance; it is the structuring and management of information systems, people, technology and controls to effectively and efficiently support the achievement of an organization's goals. In this context, effective governance can help mitigate risks, reduce costs, improve performance and deliver meaningful business benefits. Additionally, in this context, governance is a key entity-wide control that includes senior management oversight and independent board/committee oversight.

As with any other processes and practices, the governance infrastructure within CFMWS faces certain challenges that need to be strategically managed with a finite number of resources and within a complex organizational structure and breadth of operations. Effective and efficient governance creates clear authority, lines of reporting and accountability, and informed decision making.

1.3 Objective

The objective of this review was to assess the effectiveness and efficiency of governance within CFMWS and identify opportunities for improvements. The engagement sought to identify cost-effective ways that governance can be improved to support the achievement of CFMWS' current mandate, while also assessing the organization's ability to consider and oversee potential future lines of business/mandates.

1.4 Scope

The scope of this review covered the current governance structure in place to foster efficient and effective oversight. Specifically, the review considered the following:

- Oversight bodies are established;
- Oversight bodies have appropriate and clearly communicated mandates, roles and accountabilities; and
- Oversight bodies demonstrate effective oversight of key CFMWS initiatives.

The review work was conducted between February 2020 and April 2020.

1.5 Methodology

The review results are based on evidence from the following sources:

- Interviews, including representatives of senior management and directors;
- Committee documentation including TOR, Records of Decisions (ROD) and presentation material;
- Divisional reports, including strategic plans, organizational charts and dashboards; and
- Available policies and procedures manuals.

1.6 Review Criteria

The review criteria can be found at [Annex B](#).

2.0 Findings and Recommendations

2.1 Strategic and operational planning and monitoring

CFMWS has implemented a number of good practices to plan and monitor strategic and operational objectives and support effective and efficient governance and oversight.

A number of committees have been implemented to provide monitoring of strategic priorities within the NPP accountability framework. In addition, communication is maintained on an on-going basis, including through regular bilateral meetings between the MD NPP, division heads and their subordinates. Committee roles and responsibilities are generally clearly defined and non-overlapping to further support efficient governance and oversight.

Our review noted that each division, with the exception of Corporate Services and Military Family Services (MFS), has developed and finalized three year strategic plans which are aligned with CFMWS' priorities. Objectives of the NPP business plan were found to be generally specific, achievable and realistic, but lacked a time and measurable dimension. Each division has developed processes to track the progress against strategic objectives to different degrees of robustness.

The review identified opportunities for improvements to support improved oversight over strategic planning initiatives including the continued evolution of performance measures for improved monitoring and governance.

The review found that numerous performance measurements are present at the corporate and divisional levels, and the performance framework continues to evolve. However, many indicators currently lack benchmarks to support further analysis, and the timeliness of available indicators does not support governance oversight and decision making. In addition, it was noted that a number of business units have not yet fully implemented performance measures.

2.1.1 Strategic planning

The CFMWS has in place a corporate Strategy 2017-2020 document and a corporate strategic plan 2017-20 that provide specific and corresponding operational objectives to support effective strategic oversight. More recently, a 10 year strategy, Strategy 2030, has been developed, which specifies its priorities and the strategic initiatives to support these priorities. All divisions have developed and finalized three year strategic plans, with the exception of Military Family Services (MFS) whose plan is in draft and Corporate Services. The plans aligned to the overall CFMWS strategic plan which also specifies the divisions' strategic initiatives.

Overall, each division's strategic plan, with the exception of MFS and Corporate Services, include objectives/priorities for: creating new products and services; growing revenue generation; reinforcing credibility as the MW provider of choice; and talent management. Each division has developed processes to track the progress against strategic objectives, with differing levels of robustness and supporting information.

Notable Effective Practices

- The majority of Divisions' strategic plans are aligned with the CFMWS strategic plan.
- Existence of cross-divisional committees to consult and communicate on policy issues. (Human Resources (HR) Advisory, IM/IT Coordination and Values and Ethics Committees).
- On-going communication including bi-lateral meetings.
- Monitoring, provided by the compliance and assurance team.

The following strategic plans were developed by the division head and approved by the appropriate committee:

- Personnel Support Program (PSP) Strategic Plan, 2017-2020;
- CANEX Strategic Plan, 2017-2020;
- SISIP Strategic Plan 2018-2021;
- CF Appreciation Plan 2018-2021;
- HR Strategic Plan 2018-2021;
- Finance Strategic Plan 2018-2021;
- CFMWS Information and Technology Strategy 2019-2021; and
- Corporate Communications Marketing and Stakeholder Relations Strategy 2018-2021.

2.1.2 Strategic and operational objectives

The review compared the strategic objectives from the Strategy 2030 to the strategic objectives listed in the 2020-21 Fund Requirement for the Delivery of Mandated Morale and Welfare Responsibilities and NPP business plan and found the strategic objectives were aligned. To support monitoring and oversight, we also reviewed the strategic objectives listed in the Strategic plan 2017-2020 to assess the extent to which the objectives were SMART to support oversight and monitoring. Overall the objectives from the strategic plans were identified to be

operational objectives, aligned to the overall strategy 2017-2020 document. Each of the objectives had a timeline, was assigned to a specific division and was generally measurable. . Per discussion with division heads, the intention was to develop divisional strategic plans that will align to the 2030 Corporate Strategy and further develop detailed objectives in the business plans.

Operational objectives included in the NPP business plan were found to be generally Specific, Achievable and Realistic. However, we did note that improvements could be made to the time and measurement dimensions of the measures, especially for longer term projects that may span beyond the strategic plan. For example we noted the following:

- The continued implementation of the digital enterprise program. The business plan provides details of the project but does not provide a timeline as to when the implementation is required to be completed.
- Integration of CANEX customer information with CFMWS enterprise Customer Relationship Management. An indication of timeline for this objective would allow the reader to understand when this objective is expected to be completed and, also, if this integration is a stepping stone or priority to become a data driven organization.
- CANEX to invest in in-store connectivity. Adding a timeline, and objective for number of stores to be better connected, would clearly communicate expectations and allow end-of-year progress to be measured against a clear objective.
- CANEX objective to re-build relationship with military units/canteens with the objective to increase wholesales. Adding a timeline and set targets such as number of calls per month/quarter would assist in monitoring the progress against objectives.

The establishment of SMART goals with defined measures, milestones and timelines will assist management in tracking the progress of its activities against established objectives.

ADM(RS) Recommendation

1. CFMWS should formulate operational objectives to include in its business plan and related divisional business plans that are specific, measurable, attainable, realistic and time-bound. The objectives should provide a clear definition of the expected success of the initiative, include a measure to monitor progress, focus on outcomes and have a defined timeline by which the outcome should be achieved.

OPI: COO

OCI: All Divisions

2.1.3 Public and NPP business plans

The review noted that the public business plan focuses mostly on the public funding requirement and relationship with DND. It describes resources that will be necessary for CFMWS to provide the services to DND as described in A-PS-110.

The review observed that objectives from the public Business Plan aligned to the Strategy 2030 plan in its requirement for funding for staff.

From 2008 and forward, it has typically been the practice to present the NPP and Public business plan separately. This is mostly due to the departmental requirement to provide the public business plan in June/July of each year, while the NPP business plan is presented to the NPP Board in January. Management representatives have noted that this has been a challenge and are considering moving to one single business plan. The review noted that all stakeholders would benefit from an integrated business plan that includes priorities that are NPP and publicly funded.

- NPP governance is partially supported by public resources. Therefore, strategic objectives listed in the NPP business plans are also of interest to stakeholders who would usually receive the public business plan (e.g., DND Senior Management and CDS).
- CFMWS' annual report integrates public and NPP-funded services, including performance data related to CAF wellness and physical fitness and the Military Family Service Programs (MFSP), while the public business plan and the NPP business plan omit any operational objectives linked to the CAF wellness and physical fitness strategy and MFSP.
- Although the NPP business plan includes high-level descriptions of publically funded activities, (e.g., NPP governance structure (\$40 million), MFSP (\$41 million) and CAF Programs (\$54 million)), it does not address the detailed funding requirements and description to achieve CFMWS mandate and strategic objectives.

ADM(RS) Recommendation

2. CFMWS should consider integrating the Public Fund Requirement for the Delivery of Mandated Morale and Welfare Responsibilities with the NPP business plan in order to assist in coordinating resources and activities to administer NPP and selected public morale and welfare programs, services and activities.

OPI: COO

OCI: CFO

2.1.4 Monitoring and oversight over strategic and operational objectives

In addition to the committees in place, on-going communication within management and tracking of results help management to monitor results against strategic and operational objectives. Regular bi-lateral meetings between senior management and the CEO and weekly Executive Management Board (EXMB) meetings are held with standing agenda items including risk, strategy, performance, people, finance and IM/IT. An ethical culture including a Values and Ethics Policy which promotes the values of community, integrity, loyalty, courage, stewardship and professionalism contributes to good governance and helps promote a culture of rigor in regards to spending and the accountability of funds for the benefit of the members.

Timely and relevant performance measures aligned to strategic and operational objectives are an important part of oversight and monitoring of corporate and divisional objectives. We found that a number of performance measurements are present at the corporate and divisional level, and performance measurement practices continue to evolve; however, the review noted practices are inconsistent across divisions.

At the corporate level, according to the National Manager, Corporate Performance Measurement, CFMWS has begun working on the Departmental Results Framework (Strategy Map, Logic Models, Key Performance Questions and Key Performance Indicators). The following indicators have been reported on for the benefit of the CAF for example:

- Percentage of CAF families that feel they meet the challenges of military life;
- Percentage of military personnel who feel that the CAF provides a reasonable quality of life for themselves and their families;
- Number of families accessing services (e.g., employment, education, child care, mental health, financial counselling); and
- Percentage of CAF members who are satisfied with the overall support their family receives from the CAF.

The annual report presents results from operations aligned to strategic objectives. The review compared the strategic objectives listed in the 2017-2020 Strategy to the 2018-2019 CFMWS annual report to determine the extent to which the strategic objectives were reported in the annual report and found that overall objectives from each of the four strategic objectives were reported.

The review noted that some of the results and outputs presented in the annual report would provide a better indication of progress and success if comparison to prior year, and/or performance targets were included. This would allow users to better understand CFMWS progress and allow DND to assess the impacts, for example, of funding changes on CAF members.

One example of measured progress is the CAF FORCE evaluation where 47,106 members completed their evaluation, an 11 percent increase over the prior year. Other examples of data from the annual report that would benefit from comparisons to prior years and to targets are:

1. For SISIP, more than 67,000 client interactions and provided information and awareness about financial security.
2. \$4.3 million revenue from donors and corporate Canada for Support Our Troops (SOT).
3. Staff demographic data, provides an interesting outlook on the composition of the CFMWS staff. A comparison to prior years would allow management and the reader to better understand the trends and better measure the impacts of CFMWS employment equity policies.
4. The number of members/families who received loans to prevent financial stress.

For each of these examples, providing data from the prior year and also performance targets, would further strengthen analysis and oversight to determine if policies and actions are achieving desired outcomes.

We also noted a number of performance indicators in place to monitor divisional strategic and operational objectives and area for improvements as follows:

Commercial Services Division

- SISIP reports monthly performance indicators in the form of dashboards that include specific operational performance measurements, including: number of new insurance clients; number of proactive calls to clients; number of new investment clients; total money under management; and number of families/members assisted through financial assistance programs compared to target.
- CANEX monitors gross sales on a weekly basis, and other profitability indicators are updated and reported monthly. Profitability indicators include: Sales (\$); gross profit (%); operations as a percentage of sales; Earnings before interest, taxes, depreciation and amortization; and sales at CANEX.ca. All of these indicators are compared to prior year and to budget.

Although performance measures exist for the Commercial Services Division, it was noted that timeliness of profitability data has been a challenge, as profitability measurements are usually available approximately six weeks after the period end.

For CANEX, the review noted the absence of performance measurement and indicators that would typically be reported for a retail organization, including: sales per square foot; average transaction value; inventory turnover; and online sales as a percentage of retail sales.

Ongoing client surveys are another best practice that we would expect in a retail and financial services industry. While SISIP and CANEX have implemented a Net Promoter Score to track customer satisfaction, client surveys are not completed across all divisions. Ongoing client surveys can provide a measurement of client satisfaction and client needs.

Personnel Support Programs Division

- A pilot program to measure and report the number of members using PSP offerings and member satisfaction is currently on-going.
- Fitness level of CAF members are annually evaluated and reported using eFIT. The eFIT evaluation system allows for reports to be generated for CAF commands that include:
 1. Display the average performance of specific groups on the FORCE Fitness Profile.
 2. Indicate the number of CAF personnel evaluated on the eFIT system.
 3. Break down the FORCE Evaluation results for CAF personnel (met/not met standard or achieved incentive levels).

4. Compare the average estimated aerobic capacity and waist circumference of CAF personnel to the equivalent Canadian population.
5. Display average FORCE component completion times for male and female CAF personnel.

Except for the eFIT evaluation system noted previously, PSP has very little performance measurements reporting in place. A gap exists in the operational reporting of PSP activities. Other than the pilot program identified previously, there was no evidence of structured, regular operational reports for PSP operations, which require careful oversight given the nature of the services that are delivered across Canada and overseas. Part of the challenge is due to the fact that the majority of PSP operations are delivered at the bases, wings, units or on deployments, and data is maintained using various software and collection and storage methods. Because of this, data cannot currently be compiled and integrated at the national level.

HR Division

Quarterly dashboards are produced by the HR division as well as a detailed annual report. Performance measures include: Turnover rate (voluntary and involuntary) per division; absenteeism rate; Occupational Health and Safety (OHS) incident rate; and employment equity targets compared to actual. Next to each of the performance indicators on the dashboard, it is indicated if the results have increased or decreased compared to prior quarters.

IM/IT Division

The IM/IT Division prepares a monthly executive operating report which includes detailed service management performance indicators, including incident and service request backlogs. Operational and security performance measures include service availability, network availability, system back-up details and external scan results. Data presented includes historical data and charts to help users analyze the data and identify trends. IM/IT has also implemented a formal operational Change Management process for the production system where changes are approved by the Changed Management Board and the status of projects are reported regularly to the Strategic Transformation Working Group (STWG).

Finance Division

The Finance Division prepares quarterly financial reports for each of the divisions, lines of business and units/base/wings trust accounts. In addition to the financial reports, quarterly investment reports (Canadian Forces Central Fund and SISIP Segregated Fund) which include typical investment performance measures are prepared. These include returns compared to indexes, investment asset classes portion (%) and investment performance.

Corporate Services Division

SOT has established a number of performance indicators, but they have not yet started to report.

The need for further progress in the implementation of performance measures has been recognized by CFMWS management. Specifically, the CFMWS Strategy 2030 recognizes the need to implement a further suite of performance measures. As one of its priorities, CFMWS aims to “[b]ecome a data-driven organization, enabling accurate measurement of performance and value.” The PSP Strategic Plan FY 2017-2020 also recognizes the need for enhanced metric reporting to promote the CAF culture of fitness and wellness.

CFMWS provides certain services on behalf of DND to the CAF and their families. However, the CAF has not determined the expected service levels associated with the funding provided. The CAF, as the recipient of these public services, should provide clarification to CFMWS of expectations, and collaborate with CFMWS to clarify its service delivery expectation.

A well designed performance measurement framework and related information will further support the robust oversight over CFMWS performance and support the monitoring of the effectiveness of operations and progress against strategic priorities and initiatives.

2.2 Availability of relevant and timely information to support effective and efficient oversight

Overall, senior management reported being satisfied with the information available to support effective and efficient oversight. Our review of documentation, reports, minutes and RODs noted that the committee information provided generally aligned to the committee’s mandate.

Information provided to committees often included various analyses and financial data. Based on these interviews and review of divisional reports currently being produced, we observed that while some divisions independently developed the performance indicators required to measure performance for their division, robustness of performance reporting varies from one division to another.

2.2.1 Information to support committee oversight

Information provided to committees often included various analyses and financial data. Our review identified the following as information produced on a regular basis that is relied upon for committee oversight:

- On a monthly basis, finance produces, for all divisions, financial reports for Public and non-public funded expenditures.
- HR reports are available on request (ad hoc), and management has access to the Workforce application to consult and obtain information as required.
- Divisions have developed regular metrics that they need to allow for management of operations and goals such as:
 - Sales and revenue report by branch/store for commercial operations;

- Staff turnover and number of workplace accidents, absenteeism for HR;
- Monthly IM/IT operations indicators, including number of service management incident and service request statistics, incident backlog >7 days analysis, service backlog >90 days analysis; and
- Ad hoc reports that are compiled from the 26 PSP local management. PSP has indicated that they do not receive regular national operational reports, considering that it is difficult to get reports that are National in scope, as each base/wing operates distinctly.

However, our review noted that there appears to be a lack of reporting of non-financial information, including performance indicators and other related information to support oversight over strategic priorities and service standards. Overall, we could not find documented detailed information related to risk management, strategy/performance and overall analysis of actual versus budgets for both public and non-public funds. Some representatives of senior management noted the lack of defined expectations in regards to client service standards, which would assist in prioritizing activities. We understand that the lack of reporting is partly due to the difficulty of obtaining data in a timely manner.

2.2.2 Monitoring of Public and NPP Business plans and funding decisions

While we understand that it is efficient and effective for CFMWS to provide publicly and NPP funded services through the NPP accountability framework, it is also important to have relevant and timely financial and non-financial information for both public and non-public activities to support financial stewardship and management oversight over operational results.

While the review recognized that CFMWS is a complex organization with diversified operations and funding sources, we noted that financial reporting for public and non-public activities could be further improved, specifically:

- While senior management reported that they are generally satisfied with the financial information available, they also reported that management of their respective budgets in two distinct funding areas (i.e., public and non-public) adds complexity and requires additional time, effort and reporting to appropriately analyze.
- Corporate business plans, including forecasting and budgeting, are created and presented distinctly for public and non-public funded activities. We also observed that the public business plan was discussed at the June 2019 meeting while the non-public business plan was discussed at the December 2019 meeting of the Resource Management Committee (RMC). While our review of the RMC ROD noted that the public and non-public business plans were reviewed, and that CFMWS financial results including updated forecasts are presented at the NPP Board meetings, we would have expected that significant changes and/or adjustments to forecasts throughout the year would be reflected in the documented ROD of the EXMB and/or the RMC committee. However, the standing agenda item at the EXMB includes “Revised Public Financial Requirements and updated NPP revenue and expenses.”

CFMWS has the responsibility to provide publicly and NPP-funded services through the NPP accountability framework. One key element to support this role is having timely access to relevant information in regards to actual revenue and expenses compared to plans and funding approval by DND and the capacity to measure the impact of funding decisions for NPP.

ADM(RS) Recommendation

3. It is recommended that CFMWS consider further enhancing key reporting information to support oversight, such as key performance measures. Potential enhancements include compiling and regularly reporting measures to senior management, improving the breadth of measures considering measures for each priority, business unit/function and those typical of the sector/industry, and integrating reporting of public and non-public activities to provide a holistic view of the organization. In the interim, CFMWS should consider performance measures where data and/or benchmarks are more readily available, and/or enhancing access to data to support measurements.

OPI: COO

OCI: All Divisions

2.3 Breadth of oversight and documentation/monitoring of committee decisions

A number of committees have been implemented to oversee CFMWS NPP operations. The majority of the committees meet on a regular basis to discuss items related to their mandates. In addition, our review of available committee documentation, including reports, minutes and RODs demonstrated that discussions related to oversight of operations generally occurred at committee meetings. We also noted that information was provided at committee meetings, aligned to the committees' mandates to support effective governance.

Our review of documentation noted evidence that strategy is discussed at committee meetings at all levels. Discussions with management representatives and review of documentation demonstrated that oversight activities were performed by management; however, based on our documentation review, we were often not able to determine the extent of these discussions and decisions.

2.3.1 Clarity of roles, responsibilities and accountabilities

Governance and oversight roles and responsibilities have been documented for committees as well as for senior management. A number of committees have been implemented by management to oversee the organization/function, their key mandates and accountabilities, and other legal, financial and priority management activities for CFMWS NPP. The majority of these committees have established TOR which specify the mandate/purpose as well as specific roles and responsibilities.

Roles and responsibilities are further documented in the Delegation of Authorities for Financial Administration of Non-Public Property (NPP) revised December 2019, Senior Management job descriptions and CFMWS NPP Functional Authorities (March 2017).

Management reported that, overall, there is no duplication of effort within the governance and committee structure to support efficient oversight. However, we noted that the same key employees will participate in more than one committee and, as a result, may receive similar/duplicate material and/or presentations. This is likely expected given the diverse operations and relatively small senior management team.

Management also noted that membership at committees possessed the right skill set, except for dedicated legal support, and that the organization will invite to committee subject matter experts when necessary. This was observed throughout the ROD of multiple committees (IM/IT Coordination Committee, HR Advisory Committee, NPP and Pension Investment Committees). It was noted during our review, that the absence of legal support may impact the effectiveness of management oversight over key practices. A Review of the Enterprise Risk Management Framework conducted in 2017 noted the existence of a strong risk culture, above similar non-profit organizations (i.e., based on size).

To support a robust oversight function, we would have expected that the TOR would clearly specify the responsibilities for key oversight areas including risk, strategy, performance, people, finance and IM/IT (where applicable). Although these key oversight areas do not need to exist in each committee, comparable practice would suggest that they are typical oversight focus areas for most committees. Our review of defined roles and responsibilities noted that although some aspects of these areas were covered in some TOR, others had not clarified roles for many of these oversight areas. Without a clear understanding of these roles and responsibilities, committee monitoring and oversight activities may not cover important oversight areas, including typical key aspects of oversight, such as changes to key risks in support of the organization's mandate and key priorities.

In addition, our review noted that three informal committees did not have documented TOR or documented/formalized roles and responsibilities. Specifically, the EXMB+1, the Data Analytics Committee and the Outreach Collaboration Committee did not have documented TOR. Although these committees are not considered part of the formal governance structure, they do provide an oversight role and key inputs into the overall governance of CFMWS NPP. As a result of each committees' role in governance, their roles with respect to key oversight areas in support of overall NPP governance should be documented.

ADM(RS) Recommendation

4. The TOR should be reviewed and formalized for all committees in order to clarify their roles and responsibilities and ensure that, where appropriate, responsibilities include typical key aspects of oversight, such as risk, strategy, performance, people, finance and IM/IT.

OPI: VP Corp Svcs

OCI: All divisions

ADM(RS) Recommendation

5. CFMWS should review the TOR of the EXMB subcommittee, and consider reducing the duplication and restructuring to have the Information Technology Coordination Committee (ITCC) report to the CIO, as in practice it resembles more an IM/IT Advisory committee that reports to the CIO.

OPI: VP Corp Svcs

OCI: COO/CIO

2.3.2 Completeness of meetings agenda, ROD and action plans

Multiple executive and advisory committees exist at CFMWS to support effective decision making and communication of strategic objectives and policies.

Effective committees will provide agendas and information material to members in advance of meetings, document minutes and/or RODs as well as action plans. RODs and actions plan provide effective monitoring of implementation of decisions. Our review found that committees at CFMWS operated at different levels of robustness as documented in the following table:

<p><u>Committees that provided agendas, document ROD and action lists</u></p> <ul style="list-style-type: none">• Information Technology Steering Committee• ITCC• NPP Investment Committee• Contracting Committee• Finance Senior Management Committee• OHS Committee
<p><u>Committees that provided agendas and document ROD, but does not keep any action plans</u></p> <ul style="list-style-type: none">• RMC• Pension Board• Pension Investment Committee• Labour Management Committee

<ul style="list-style-type: none"> • Learning and Development Committee
<p><u>Committees that provided an agenda only</u></p> <ul style="list-style-type: none"> • EXMB (ROD were documented starting December 2019) • STWG: Recently created committee, agendas were provided but ROD and action plan were not documented consistently • Values and Ethics Committee • HR Senior Management Committee • HR Advisory committee • SISIP Operating Committee
<p><u>Other</u></p> <ul style="list-style-type: none"> • Strategic workforce (HR) did not meet in 2019 • Outreach Collaboration Committee is an informal committee, without formal TOR, documented agendas, ROD and action plan • Data Analytics Committee is an informal committee, without formal TOR, documented agendas, ROD and action plan

Our review of available committee documentation, including reports, minutes and RODs, demonstrated that discussions related to oversight of operations occurred at committee meetings. However, because the EXMB and other committees previously noted did not consistently document RODs and as a result provided limited information related to the depth of discussions and action items, we could not in the cases of those committees assess items discussed at meetings or confirm that the depth of discussions was complete and aligned to the committees' roles and responsibilities.

As an example, the EXMB recurring agenda notes items that are the responsibility of EXMB, (e.g., divisional activities, risk, and strategic and business planning). Because there is a lack of documentation in regards to the RODs of the EXMB Committee, our review of the EXMB RODs was limited to the period extending from December 16, 2019 to March 9, 2020. The EXMB RODs reviewed mentioned that standing items were discussed at the meetings; however, details of the discussions were not documented, and the items discussed were limited to miscellaneous subjects. The review also noted that daily special EXMB meetings occurred, starting March 18, 2020, due to COVID-19, and although the ROD are very brief, action items were integrated into the standard ROD for the EXMB in February 2020.

Complete and regular committee meeting documentation, including agendas, RODs and action plans, clearly communicate decisions and actions to be implemented to all committee members and senior management. They also serve as a monitoring tool to help ensure that decisions and actions are completed by the office of primary interest as intended and in a timely manner. A risk exists that without appropriately documented RODs or follow-up of action that the

decisions and/or actions are not implemented as intended and/or efforts to perform the task could be duplicated, and therefore be inefficient.

ADM (RS) Recommendation

6. Committee documentation should be improved to maintain records of committee information packages, document decisions and action items and monitor tracking of action plans.

OPI: Committee chairpersons

2.3.3 Frequency of meetings

Multiple executive and advisory committees exist at CFMWS to support decision making and communication of strategic objectives.

The TOR of committees specify the frequency at which members should meet. For the majority of committees, meetings are to be held on a quarterly basis. In the case of the EXMB, the TOR specify that meetings will be held at the call of the Chair (CEO).

Per our review of available committee agendas, minutes and RODs, we have noted that the majority of committees have met as per the prescribed frequency, and the EXMB has met approximately every two weeks. However, three committees have not been meeting on a regular basis. These include the Strategic workforce working group, which has not met for the past year, the Resource Management Group which only met twice in 2019 and the HR Senior Management Committee which did not meet for the period extending from April 25, 2019 to September 27, 2019.

In addition to helping keep momentum of committee activities, appropriate meeting timing is necessary to help ensure timely and effective management oversight of issues, identification, assignment and communication of action items. Regular meetings are also necessary for management to monitor and follow up on action items.

ADM (RS) Recommendation

7. CFMWS should consider appropriate committee meeting timing for efficient and effective management oversight and update committee TOR accordingly. Committee chairs should ensure that meeting timing is achieved as identified.

OPI: COO

OCI: Committee chairpersons

3.0 General Conclusion

CFMWS provides a wide variety of services for the benefit of serving and former members of the CAF and their families, which include commercial, financial, insurance, and sports and fitness services, among others. Publicly and NPP-funded services are delivered using the NPP accountability framework. The diversity of services delivered and the funding mechanisms in place contribute to the complexity of the organization.

Certain practices related to strategic planning, monitoring and business planning have been implemented to support effective governance. Specifically, committees have been implemented to provide monitoring of strategic priorities within the NPP accountability framework. In addition, communication is maintained on an on-going basis, including through regular bilateral meetings between the MD NPP, division heads and their subordinates. Performance measurements are present at the corporate and divisional level, and continue to evolve. In addition, committee roles and responsibilities are generally clearly defined and non-overlapping, and a culture of values and ethics exists to further support efficient governance and oversight.

A number of opportunities for improvement have been identified to further support the efficiency and effectiveness of governance and management oversight including: establishing SMART objectives and performance measures; and formalization of committee decisions documentation.

Specifically the review noted that establishing SMART objectives and performance measures will support improved oversight over strategic and operational objectives. Committee roles and responsibilities could be clarified by formalizing TOR and include key aspects of oversight such as risk, strategy, performance, finance and IM/IT, as well as establish appropriate committee meeting timing. Many indicators currently lack benchmarks to support further analysis and the timeliness of available information does not support governance oversight and decision making.

Annex A — Management Action Plan

ADM(RS) Recommendation

1. CFMWS should formulate operational objectives to include in its business plan and related divisional business plans that are specific, measurable, attainable, realistic and time-bound. The objectives should provide a clear definition of the expected success of the initiative, include a measure to monitor progress, focus on outcomes and have a defined timeline by which the outcome should be achieved.

Management Action

The CFMWS Strategic Plan 2021 – 2024 and accompanying performance measures will be presented for NPP Board consideration at the NPP Board meeting in January 2021. If accepted, then the measures will be implemented in April 2021 with annual reporting at the NPP Board level to occur in September 2022. Operational objectives within the plan will be articulated in a manner that will demonstrate the objectives to be specific, measurable, attainable, realistic and time-bound where feasible. More emphasis will be placed on achieving realistic implementation timelines than has been shown in past Business Plans, recognizing that the organization must remain flexible and adaptive to a changing environment.

OPI: COO

OCI: All Divisions

Target Date: September 2022

ADM(RS) Recommendation

2. CFMWS should consider integrating the Public Fund Requirement for the Delivery of Mandated Morale and Welfare Responsibilities with the NPP business plan in order to assist in coordinating resources and activities to administer NPP and selected public morale and welfare programs, services and activities.

Management Action

CFMWS has included requirements for DND funding of publicly responsible services and shared funding activities within its annual Business Plan. Historically, the NPP Business Plan has been presented annually to the NPP Board for approval in January. Typically, DND/Investment and Resource Management Committee (IRMC) receives representation seeking annual funding allocations from Level 1s and the members of the Minister of National Defence Portfolio Council in February/March. Throughout the business year, CFMWS coordinates Public Fund requirements with DND/CAF through the DND Corporate Account Process. Confirmation of the availability of DND funds will be sought from DND/IRMC by CFMWS annually in accordance with DND's schedule.

Beginning with the FY 2021/22 business planning year, CFMWS embarked on a process whereby it includes both Public and Non-Public Fund requirements together in one integrated Strategic Plan over a three-year horizon. Because of differences in timing for submission requirements for DND and the NPP Board respectively, the Strategic Plan includes a Public Fund Annex, which was forwarded to DND via the Chief of Military Personnel as the Level 1 responsible for the DND Corporate account. This was conducted in advance of the Strategic Plan's submission to the NPP Board. CFMWS would benefit from liaising directly with DND and CAF Corporate authorities, Vice Chief of the Defence Staff, Chief of Programme and Assistant Deputy Minister (Finance), Chief of Financial Management, directly on multi-year business planning and in-year financial management matters respectively to alleviate the sequencing challenges currently faced by submitting via Chief of Military Personnel and its submission timeline requirements.

OPI: COO

OCI: CFO

Target Date: July 2021

ADM(RS) Recommendation

3. It is recommended that CFMWS consider further enhancing key reporting information to support oversight, such as key performance measures. Potential enhancements include compiling and regularly reporting measures to senior management, improving the breadth of measures considering measures for each priority, business unit/function and those typical of the sector/industry, and integrating reporting of public and non-public activities to provide a holistic view of the organization. In the interim, CFMWS should consider performance measures where data and/or benchmarks are more readily available, and/or enhancing access to data to support measurements.

Management Action

In accordance with Management Action 1, CFMWS will introduce the reporting of select performance measures pursuant to the approval of the NPP Board with quarterly reporting at

the EXMB in 2021. CFMWS has implemented an enterprise process to link measures across broad and diverse activity lines to enhanced governance structures and anticipates that to be ready for the 2024-2027 Strategic Plan. A fulsome enterprise list of performance measures by business unit/function will be reported to the NPP Board upon completion of the FY 2022/2023 reporting cycle.

OPI: COO

OCI: All Divisions

Target Date: September 2024

ADM(RS) Recommendation

4. It is recommended that CFMWS review and formalize all committees' TOR in order to clarify their roles and responsibilities and ensure that, where appropriate, responsibilities include typical key aspects of oversight, such as risk, strategy, performance, people, finance and IM/IT.

Management Action

CFMWS will examine committee membership at the executive level to ensure that relevant expertise and TOR meet modern social enterprise requirements. CFMWS will optimize this review to improve the formalization of internal governance practice to support improved oversight and monitoring at the enterprise level. Resource limitations will limit the ability of CFMWS to fully integrate committee oversight into a corporate secretarial function in the near term. CFMWS will examine fiscal options to create an enterprise governance committee secretariat.

Management's internal review of the existing governance framework will ensure that the oversight by committee is appropriately designed and effective based on CFMWS' complexity, risk and other benchmarks. This examination will ensure that those committees that have an established, direct linkage to the governance mandate of NPP or SNPF, CF, and support the Senior Executives in the key aspects of oversight have formalized TOR, agendas and RODs. Management will ensure the mandates of committees and working groups that are consultative in nature and not directly linked to either NPP or SNPF, CF governance clearly state their function.

OPI: VP Corp Svcs

OCI: All Divisions

Target Date: April 2023

ADM(RS) Recommendation

5. CFMWS should review the TOR of the EXMB subcommittee, and consider reducing the duplication and restructuring to have the ITCC report to the CIO, as in practice it resembles more an IM/IT Advisory committee that reports to the CIO.

Management Action

CFMWS will amend the EXMB policy.

OPI: VP Corp Svcs

OCI: COO/CIO

Target Date: April 2022

ADM(RS) Recommendation

6. It is recommended that committee documentation be improved to maintain records of committee information packages, document decisions and action items and monitor tracking of action plans.

Management Action

CFMWS will implement this recommendation in a manner consistent with the Management Action Plan response at Management Action 4.

OPI: Committee chairpersons

Target Date: April 2023

ADM(RS) Recommendation

7. CFMWS should consider appropriate committee meeting timing for efficient and effective management oversight and update committee TOR accordingly. Committee chairs should ensure that meeting timing is achieved as identified.

Management Action

CFMWS will implement this recommendation in a manner consistent with the Management Action Plan response at Management Action 4, including the establishment of a Forward Planning Agenda for Committee chairpersons to report to the EXMB.

OPI: COO

OCI: Committee chairpersons

Target Date: April 2023

Annex B — Review Criteria

Criteria Assessment

The review criteria were assessed using the following levels:

Assessment Level and Description

Level 1—Satisfactory

Level 2—Needs Minor Improvement

Level 3—Needs Moderate Improvement

Level 4—Needs Significant Improvement

Level 5—Unsatisfactory

Governance Structure

1. Appropriate senior management committees are established and operating to monitor the performance and lead appropriate management actions in support of the achievement of CFMWS' mandates and key accountabilities.

Assessment Level [3] – Although the majority of committees have defined their mandate and roles and responsibilities with documented TOR, roles and responsibilities must be clarified and include, where appropriate, key aspects of oversight, such as: risk; strategy; performance; people; finance; and IM/IT.

Governance Roles

2. Oversight roles, accountabilities and delegations are established, clearly communicated, and appropriate to support the achievement of CFMWS' mandates.

Assessment Level [3] – A number of processes have been implemented by CFMWS to oversee key organizations, mandates, accountabilities, legal, funding, and priority management activities for CFMWS NPP. However, the effectiveness of these processes could be further enhanced.

Governance Effectiveness

3. Senior Management Committee oversight is appropriate and effective based on CFMWS' complexity, risk and other benchmarks.

Assessment Level [3] – Documentation was not consistently produced across committees, and RODs were not maintained in a consistent manner and provided limited information related to discussions and action items. Tracking and monitoring of action plans could be improved by documenting committee information packages, document decisions and action plans.

Sources of Criteria

- Treasury Board's Core Management Controls;
- The Committee of Sponsoring Organizations (COSO) 2013 Framework.