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Chief Review Services Chef - Service d'examen

CRS  CS Ex



Review of the  
Implementation of Modern Management  
within the  
Department of National Defence

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## Acronyms and Abbreviations

ADM(Fin CS)	Assistant Deputy Minister (Finance and Corporate Services)
CDAO	Central Departmental Accounting Officer
CF	Canadian Forces
C Prog	Chief of Programme
CRS	Chief Review Services
DFA	Director Finance and Administration
DFPP	Director Financial Policy and Procedures
DG Fin Mgmt	Director General Financial Management
DG Fin Ops	Director General Financial Operations
DM	Deputy Minister
DMPAP	Director Military Pay and Accounts Processing
DND	Department of National Defence
DRMIS	Defence Resource Management Information
FAA	<i>Financial Administration Act</i>
FAM	Financial Administration Manual
FMAF	Financial Management Accountability Framework
FMAS	Financial Managerial Accounting System
FY	Fiscal Year
IRM	Integrated Risk Management
L0	Level Zero
L1	Level One
L2	Level Two
L3	Level Three
MAF	Management Accountability Framework
OPI	Office of Primary Interest
PAA	Program Activity Architecture
PMF	Performance Measurement Framework
RDAO	Regional Departmental Accounting Officer
TBS	Treasury Board Secretariat
VCDS	Vice Chief of the Defence Staff



## Synopsis

The keystone document *Results for Canadians: A Management Framework for the Government of Canada*, published in March 2000, outlines an agenda for modern management within the federal government that is guided by values, focused on results and which ensures responsible spending.<sup>1</sup> It states that “modern management integrates the best of current management practices and priorities for change into a coherent whole.”<sup>2</sup> Three such practices—fundamental to the concept of modern management—are performance management, risk management, and accountability and stewardship.

Chief Review Services (CRS) undertook a review of the implementation of these modern management practices within the Department of National Defence (DND). The report provides information regarding the status of performance management, risk management, and accountability and stewardship based on a review of the processes and practices in place within nine departmental organizations.

Overall, significant effort has been placed on implementing modern management practices; however, full integration has not yet occurred, particularly in the area of performance management. Additionally, while risk management and accountability and stewardship frameworks have been established, further enhancements could increase the effectiveness of these processes.

Management agrees that more remains to be done and has indicated that the on-going initiative to implement performance measures that are fully aligned with the Program Activity Architecture (PAA) will help to ensure that management efforts are results-focused, and risk-sensitive. As well, on-going policy revisions and information system enhancements should serve to further solidify accountability and stewardship practices.

Improving management requires continued effort and attention.<sup>3</sup> As such, CRS will monitor the progress made in implementing the management action plans and will undertake a follow-up engagement if warranted.

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<sup>1</sup> *Results for Canadians: A Management Framework for the Government of Canada*, 30 March 2000, page 5.

<sup>2</sup> *Ibid*, *President’s message*.

<sup>3</sup> *Ibid*.



## Results in Brief

In 2000, the Government of Canada published the keystone document *Results for Canadians: A Management Framework for the Government of Canada*.<sup>4</sup> This document introduced the concept of modern management: a management model placing increased emphasis on results-focused decision making, risk management and accountability. Modern management promoted a shift from control and compliance-centric management to a framework emphasizing the ethical, efficient achievement of results.

With values and ethics as underpinning principles, modern management focuses on three key areas:

- Performance management;
- Risk management; and
- Accountability and stewardship.

Over the past several years, consistent with the concept of modern management, DND has introduced several initiatives intended to improve accountability, decision making and the achievement of objectives at all levels of the organization. These initiatives have been adapted and modified to facilitate continuous improvement and, as such, an assessment of their current status was warranted.

This review of the implementation of modern management was undertaken to assess the effectiveness of current performance management, risk management, and accountability and stewardship processes and practices within DND. The report provides information regarding the current status of these initiatives within Level One<sup>5</sup> (L1) and subordinate organizations, based on a review of the practices in place within nine groups.

Overall, significant effort has been placed on implementing modern management practices; however, full integration has not yet occurred, particularly in the area of performance management. Additionally, while the frameworks for risk management and accountability and stewardship have been established, certain improvements could further increase the effectiveness of these initiatives.

### Overall Assessment

Performance management, risk management and enhanced accountability and stewardship practices have been introduced throughout the Department. Further development of these practices is required if they are to become integral, value-added components of departmental management.

<sup>4</sup> *Results for Canadians: A Management Framework for the Government of Canada*, 30 March 2000.

<sup>5</sup> L1 organizations are those organizations reporting directly to the Deputy Minister or Chief of the Defence Staff. The review focused on modern management processes within these groups, including their subordinate organizations, rather than at the corporate level (i.e., Level 0 (L0)).

## Findings and Recommendations

**Performance Management.** More consistency is required in the extent to which performance is being measured and used in decision making throughout the Department. While some reviewed groups had defined performance measures and established standards that they were striving to achieve, others were still at the rudimentary stages of this process. As well, groups varied in their ability to demonstrate that performance information was actually being used to influence decision making and resource allocations. For some reviewed groups, the implementation of a performance management framework needs additional attention and the requirement to institute performance measures at levels below L1 should be further communicated.

Developing key performance measures related to each group's principal objectives would allow managers to more fully demonstrate whether resources are being used to the best advantage. To be most effective, senior managers within each organization must fully support the use of performance metrics; key stakeholders, including client groups, should have input in defining acceptable standards; and results should be widely communicated and visibly utilized in subsequent decision making.

**Risk Management.** The DND/Canadian Forces (CF) Integrated Risk Management Policy<sup>6</sup> outlines a framework for managers to use to identify, assess and prioritize, respond, and monitor and evaluate key risks.<sup>7</sup> In all reviewed groups, initial risk management practices had been implemented, with processes at the L1 level somewhat more mature than those at subordinate levels.

Reviewed groups had all created a risk register which documented their key risks and anticipated responses. However, the quality of these registers varied, particularly at the Level Two (L2) level and below. More complete identification of tolerance levels would facilitate prioritization of risks and the identification of appropriate risk responses. Furthermore, formally monitoring the effectiveness of the risk responses and environmental factors that could impact the risk register throughout the year would increase the value of this process.

Management should strengthen communication, monitoring, and feedback regarding the appropriateness and completeness of identified risks, tolerance levels and risk responses. This will facilitate the risk management process and support proactive responses to events which may impact the achievement of objectives.

**Accountability and Stewardship.** Three key departmental processes used to ensure accountability and stewardship and to support the Deputy Minister's (DM) responsibilities as the Departmental Accounting Officer are:

- L1 attestations regarding financial management;
- Delegation of financial authorities; and
- Monitoring to ensure compliance with the *Financial Administration Act* (FAA).

<sup>6</sup> DND/CF Integrated Risk Management Policy, January 2007.

<sup>7</sup> DND/CF Integrated Risk Management Guidelines, January 2007, page 4.

At the time of the review, all groups were respecting the intent of these controls; however, these controls could be applied more consistently, thoroughly and efficiently.

The Department is currently reviewing the attestation procedures performed by L1 and lower organizations to improve consistency, to ensure materiality, and ultimately to enhance the reliability of the departmental representation letter. As an additional initiative, the current method of recording delegated financial authorities should be examined to ensure the method is fully understood, effective and efficient. Finally, risk-smart monitoring approaches for ensuring compliance with the FAA should continue to be explored and implemented.

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**Note:** For a more detailed list of CRS recommendations and management response, please refer to [Annex A](#)—Management Action Plan.

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## Introduction

### Background

Modern management is intended to assist managers in delivering results for Canadians by ensuring that the elements of good decision making and stewardship are in place. In recent years, Treasury Board Secretariat (TBS) and DND have implemented a number of initiatives to promote and support the concept of modern management. These include the establishment of the Management Accountability Framework (MAF), the Integrated Risk Management (IRM) Framework, the PAA, and results-based management.

At the foundation of modern management is a changed concept of comptrollership. Traditionally, comptrollership in government has focused on financial controls and accounting functions such as transaction processing and budget management. It has been regarded largely as the domain of financial specialists. As part of modern management, however, the emphasis of comptrollership changes from controls and compliance to results and values. It includes a shift from a centralized financial focus to a broader management perspective and, as a result, becomes an integral part of each manager's responsibilities.

#### What is Modern Management?

##### Past:

- Focus on financial controls, accounting processes and compliance
- Segregated business functions
- Risk-averse
- Rules-based
- Responsibility of financial experts

##### Present:

- Focus on results and values
- Broader management perspective
- Integrated decision making
- Performance-based
- Managed risk
- Linking of financial and non-financial information
- Increased focus on accountability and stewardship
- Responsibility of all managers

A review of the implementation of modern management was undertaken to assess the status of initiatives established to support decision making, accountability and the achievement of departmental and organizational objectives. While the Office of the Auditor General published a report on financial management and control at the





Department's corporate level (L0) in March 2009, this report aims to provide information regarding these practices at subordinate levels of the organization (L1 and below).

## Objective

The objective of this review was to examine the implementation of key modern management principles throughout the Department. Specifically, the performance management, risk management, and accountability and stewardship processes within various departmental groups were reviewed.

Annex B contains the criteria used to assess the objective.

## Scope and Methodology

A cross-section of departmental organizations in terms of functional role, organizational size and hierarchical level (i.e., L1, L2 and L3) were consulted during the course of this review. Detailed review procedures were completed within five groups; interviews were conducted within four additional groups to corroborate initial findings.

Business plans, strategic assessments, performance measures and risk registers, primarily from fiscal year (FY) 2008/09, were reviewed, as well as FY 2007/08 financial attestation letters. Selected expenditures and their related authorities from quarters 1 and 2 of FY 2008/09 were also examined.

**Note:** This review focused on the processes in place at various departmental levels during the above-mentioned time periods, and therefore does not reflect recent changes initiated by the Department. The on-going development of a corporate performance management framework based on the departmental PAA, the evolution of the Corporate Risk Profile, and anticipated enhancements to the attestation process should serve to address some of the issues raised in this report. Notwithstanding, the observations and recommendations within this report can be used to guide individual organizations as they strive to incorporate a modern management framework, and can also contribute to the overall departmental goal of results-based management.

## Findings and Recommendations

### Performance Management

Performance measures need to be more fully integrated in decision-making processes to enhance results-based management.

As stated in Results for Canadians: A Management Framework for the Government of Canada

“The foundation of results-based management is accurate and timely performance information. Departments and agencies need to implement an information regime that measures, evaluates and reports on key aspects of programs and their performance in core areas; holds managers accountable for achieving results; and ensures unbiased analysis, showing both good and bad performance.”<sup>8</sup>

Such a framework can assist an organization in efficiently achieving its goals by providing information on results achieved and the resources used to achieve those results.

The Departmental Performance Report, the MAF, and the performance management agreements of departmental executives all endeavor to measure and report on some aspects of performance. Additionally, the Department’s new PAA framework, which will be fully implemented by April 2010, requires certain L1s, acting as program owners, to report on key performance measures. These measures will require input from subordinate levels, and consequently they will serve, in part, as a means of gauging performance throughout the organization. However, it is expected that managers at the L2 level and below will require additional performance measures in order to fully assess the efficient achievement of their objectives.

### Identifying Appropriate Performance Measures

Identification and communication of appropriate performance measures is the foundation for a rigorous performance management framework. To be effective, performance measures should:

- Focus on key metrics related to the principal objectives and risks of the organization;
- Be measurable in a cost-effective manner, ideally by using existing systems and information;
- Be based on standards established in consultation with key stakeholders (i.e., managers, employees performing the work, clients receiving the service, and the relevant functional experts); and
- Measure both the resources consumed and the quality of resulting outcomes.

<sup>8</sup> Results for Canadians: A Management Framework for the Government of Canada, 30 March 2000, page 15.

The understanding and use of performance management concepts and tools varied throughout the organization. In two of the reviewed groups:

- The Assistant Deputy Minister or L1 Commander was the primary sponsor for the initiative;
- Indicators related to most key objectives were being monitored;
- Standards had been identified; and
- Results were regularly communicated throughout the organization and were reported upwards.

In the remainder of the reviewed organizations, a performance management framework was not yet fully developed and the use of performance measures had not yet been integrated with other management strategies such as business plans. One organization used metrics to document the degree of completion of particular initiatives, but would have benefited from measures that monitored overall achievement of each of their strategic objectives. In other organizations, the implemented performance measures did not monitor resource consumption, such as the person days or budget dollars consumed in the process. Such enhancements would facilitate the use of performance measures to evaluate value for money.

The interviewed managers, particularly at the L2 level and lower, stated that while general guidance is available, they would welcome more specific direction and feedback to help them develop useful performance measures.

### **Use of Performance Measures in Decision Making**

Used effectively, performance measurement facilitates knowledge-based decision making and leads to improved processes and more strategic resource allocation. Consequently, organizations should compare their outcomes or actual results to the desired results or standards and use this information to help guide decisions and take corrective action when necessary.

During interviews, several organizations indicated that they were comparing actual to expected performance and three of seven interviewed organizations had identified action plans to improve areas of poor performance. However, in all cases, documentation of this process could be improved.

Departmental-level performance measures are currently being developed in conjunction with the implementation of the new PAA. In many cases, the reported PAA measures will rely on the consolidated performance results of subordinate level groups. Consequently, these measures should be useful, to some degree, in monitoring the achievement of performance objectives at lower levels. However, managers at the L1 level and lower should consider the extent to which additional performance measures would be useful to fully assess the achievement of their objectives. With an integrated performance management framework, accountability and decision making can be improved.

**Recommendation (OPI: VCDS/C Prog)**

Provide guidance to L1s regarding the requirement for subordinate organizations to develop a performance management framework that monitors effective achievement of their objectives and efficient use of resources. Such a framework should incorporate:

- Senior management within each organization as the main sponsor;
- Key metrics with negotiated standards; and
- A decision-making process that analyses results and documents resulting management actions.



## Risk Management

All reviewed organizations had implemented initial risk management practices. More consistent processes would provide greater assurance that key risks are identified and fully addressed.

In January 2007, the DND/CF IRM Policy<sup>9</sup> was instituted to provide departmental managers with a framework to identify and manage key risks. This framework, designed to be applied at all levels of the organization, defines IRM as “a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective and in relation to the achievement of overall organization objectives.”<sup>10</sup> The IRM Guidelines which accompany the Policy state that “the Risk Management process has four key steps: identify; assess and prioritize; respond; and monitor and evaluate.”<sup>11</sup>

According to the Department’s Integrated Risk Management Strategy, DND promotes risk management as an integral component of planning and managing the organization rather than a stand-alone exercise. By integrating risk management practices with business planning, budget management, performance management and other decision-making processes, managers can better anticipate those obstacles which may prevent the organization from achieving its objectives.

### Identification, Assessment and Prioritization of Risks

Risks are specific events that have the potential to prevent, degrade, delay or enhance the achievement of an organization’s objectives. To ensure key risks are identified, organizations must be fully apprised of all significant risks within their subordinate organizations.

Assessment of these risks is based on their likelihood of occurrence and the resulting level of impact or consequence. Tolerance levels should be negotiated in order to determine management’s willingness to accept the likelihood and impact of each risk. The combination of the risk rating tolerance level and current mitigation strategies determines the level of residual risk and the priority to be assigned to each identified risk.<sup>12</sup> This information is to be documented in a risk register.

This process was more fully developed in some reviewed organizations than in others. Generally, organizations in which the senior authority acted as the risk management champion had implemented a more thorough, integrated risk-management framework. The reviewed organizations had all identified events that might prevent their organizations from achieving their objectives, and had rated these events using the system identified in the IRM Guidelines. However, associated risk tolerance levels were often not defined.

<sup>9</sup> DND/CF Integrated Risk Management Policy, January 2007.

<sup>10</sup> Department of National Defence and Canadian Forces Integrated Risk Management Implementation Plan, June 2007, page 2.

<sup>11</sup> DND/CF Integrated Risk Management Guidelines, January 2007, page 4.

<sup>12</sup> Ibid, page 4-7.

In certain reviewed organizations, the preparation of a risk register was viewed as a compliance requirement, rather than a value-added management tool. While these groups acknowledged the importance of risk management, risk registers were not consulted on an on-going basis to guide management actions and, as such, the full benefits of the IRM process were not being realized.

### **Identification of Risk Responses**

Decision makers must respond to risks by developing a plan to either reduce the likelihood of occurrence and/or to minimize the impact of the risk if it does occur. The response should be based on the priority of the risk, and the organization's capability and capacity to respond, given resource limitations. As outlined in the IRM Guidelines,<sup>13</sup> the four generic risk response strategies are to avoid, transfer, accept or mitigate the risk.

Generally, the L1 risk registers indicated that consideration was given to each of the four risk response strategies based on the nature and prioritization of the risk. Some groups, for example, indicated that mitigating actions would be taken for high-priority risks, whereas monitoring or acceptance of the risk would be sufficient for lower priority risks. At the L2 level and lower, however, requests for additional resources were a commonly documented response. For instance, in one reviewed group, three of the four risks in the risk register highlighted a need for additional funds to be allocated to the group. While certain situations may warrant additional funding as a means to mitigate the risk, organizations should be encouraged to fully consider all alternatives.

### **Monitoring and Evaluation of Risk Responses**

One of the reviewed organizations demonstrated that it was monitoring and evaluating the effectiveness of its risk responses. This group exceeded its targeted performance standard for one of its key deliverables because of a specific action taken in response to a risk. Other reviewed groups had not yet developed a mechanism to review the effectiveness of implemented risk responses, and therefore could not use this information to improve the process or to aid in future decision making.

### **Periodic Reviews of Risk**

Risk management should occur on an ongoing, rather than periodic or annual basis. Managers typically undertook a formal review of risks on an annual basis in conjunction with the yearly business planning and strategic assessment process. This frequency meets the minimum IRM Guidelines and allows decision makers to formulate their business plans and objectives for the year based on an assessment of risks at that point in time. However, the dynamic environment within which the Department operates may cause risks to change on a frequent basis. As a result, ongoing, documented monitoring of the organization's internal and external environment to identify new or changing risks is strongly encouraged.

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<sup>13</sup> Ibid, page 8.

Overall, the Department has made significant strides in implementing initial IRM practices. However, a more consistent and systematic process will provide greater assurance that key risks are identified and fully addressed.

**Recommendation (OPI: VCDS/C Prog)**

Promote continuous improvement of the IRM process by encouraging the following actions at all levels of the Department:

- Senior management within each organization should act as the principal sponsor;
- Feedback regarding the completeness and appropriateness of risk registers—including the risk assessments, tolerance levels, prioritization and risk responses—should be provided by more senior levels;
- A documented assessment of the outcomes of risk responses should be required to facilitate continuous improvement; and
- Regular, systematic reviews of risks should be ensured by periodically updating risk registers.



## Accountability and Stewardship

While certain processes are in place to support accountability and stewardship throughout the Department, their consistency and efficiency could be improved.

### Letters of Attestation

The Departmental Accounting Officer must attest to the accuracy and completeness of the Department's financial records in the Letter of Representation and the Statement of Management Responsibility Including Internal Control over Financial Reporting. To support the DM in this responsibility, L1 advisors and their supporting comptrollers must attest to the accuracy and completeness of their financial records and to the existence of key controls.

The attestation process used in eight organizations for the FY 2007/08 year-end was reviewed.

While L1 advisors and their supporting comptrollers had a good understanding of the intent of the attestation letter, the rigour which was applied to assessing the strength of controls prior to signing the letter varied. One organization had used the Financial Management Accountability Framework (FMAF)<sup>14</sup> as a reference. The FMAF provides guidance for L1 advisors and comptrollers to consider prior to signing annual financial attestation letters; however, it has not been recently updated to reflect current departmental attestation requirements. Two other groups were able to demonstrate a systematic approach in which they used a variety of tools and information sources to prepare the letter. For the remaining groups, further consideration of their control processes would have resulted in a more robust attestation process.

One group had records that documented the work completed in support of the attestation letter. As the comptroller incumbent had changed in several of the other groups, verbal confirmation of the work performed was difficult to obtain. Without documentation, it is difficult to determine if sufficient rigour was applied to the process. It is also more difficult to ensure transfer of knowledge in the event of staff turnover.

L1 advisors and their subordinate levels must have a common understanding of the purpose of the attestation, and the extent of supporting work and documentation required. Current departmental initiatives aimed at clarifying the objective of financial attestation letters, and at providing guidance on materiality in particular, should aid in addressing this issue.

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<sup>14</sup> Financial Management Accountability Framework, Department of National Defence and the Canadian Forces, March 1998.



## Delegation of Authority

The Delegation of Authorities for Financial Administration for the DND/CF<sup>15</sup> outlines the policy and procedures for delegating authorities within the Department. Responsible officials delegate responsibilities related to particular budgets to subordinates based on the limits prescribed in this document. A series of forms has been developed to document the financial authorities delegated to individuals.

While this review and previous audits found that individuals exercised authority in accordance with their delegation, there is continuing confusion regarding the type of authority required in specific situations and the documentation requirements. Understanding and maintaining the current delegation forms requires significant effort. One of the reviewed groups was completing the forms in a centralized fashion, primarily to reduce the number of errors that were created when the responsible officials filled out the forms on their own. Multiple copies of the forms are created and maintained by, as a minimum, the Regional Departmental Accounting Officer (RDAO), and the individual's organization. This compounds the difficulty of ensuring all copies are updated when authorities or budget managers change.

Given the large number of individuals with delegated authority,<sup>16</sup> and the high rate of turnover, the current paper-based process is cumbersome and difficult to keep current. Previous CRS reports have advocated the development of a more automated process for documenting delegated authorities. Such a process would not only facilitate regular updates, but would also streamline monitoring processes. In the longer term, integrating delegated authorities with financial system access privileges would increase the efficiency and effectiveness of these controls. In the meantime, policies and procedures should be reviewed to ensure delegations of authorities are maintained in an efficient manner.

## FAA Compliance and Monitoring

In 2004, the Department developed the Comptrollership Action Plan<sup>17</sup> in response to the federal-wide call to strengthen public sector management. The Action Plan was intended to provide “clear guidance and direction to managers and leaders at all levels on management practices and controls, stewardship of resources, probity and fiduciary responsibilities.”<sup>18</sup>

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<sup>15</sup> Delegation of Authorities for Financial Administration for the Department of National Defence (DND) and the Canadian Forces (CF), 30 January 2008.

<sup>16</sup> At the time of the review, there were almost 7,000 delegation of authority forms held by the National Capital Region RDAO.

<sup>17</sup> Strengthening Accountability and Comptrollership in National Defence, 16 June 2004.

<sup>18</sup> Ibid, page A1.

In accordance with the Comptrollership Action Plan, certain initiatives have been implemented. For example, there is mandatory periodic training and pre-certification testing for those with delegated financial authorities. RDAOs now conduct risk-based pre-payment verification procedures on high-risk and high-value transactions, and the Assistant Deputy Minister (Finance and Corporate Services) (ADM(Fin CS)) organization has implemented some automated controls including logic checks regarding debit and credit balances, and monthly reporting of system adjustments made to and from personnel expenditure accounts.

While progress has occurred, particularly with regards to training, additional enhancements could improve the efficiency and effectiveness of control processes. For example, the RDAO post-payment verification process is not standardized, and the Central Departmental Accounting Officer (CDAO) does not compile Department-wide results or review the findings of individual RDAOs. Using a standardized approach and reviewing results would allow the Department to more readily monitor risk areas, perform trend analyses, or identify areas where policy clarification may be warranted. Additionally, automated tools such as exception reports could be further developed to facilitate a more risk-based monitoring process.

Continuously improving accountability and stewardship practices will provide greater assurance that the Department is meeting key financial accountability requirements. Strengthened attestation procedures will help identify and address any control weaknesses which could materially impact the Department's financial records; streamlining the delegation of authority documentation process will improve the efficiency of the Department's expenditure controls; and the increased use of risk-based and automated controls will improve the efficiency and effectiveness of monitoring processes.

**Recommendation (OPI: ADM(Fin CS)/DG Fin Mgmt and DG Fin Ops)**

Continue to strengthen accountability and stewardship procedures by:

- Providing updated guidance which enables sufficient and consistent attestation procedures throughout the Department;
- Reviewing policies and procedures to ensure delegation of authorities are maintained in an efficient manner; and
- Developing additional risk-smart approaches for monitoring and ensuring compliance with the FAA.

## Annex A—Management Action Plan

### Performance Management

#### CRS Recommendation

1. Provide guidance to L1s regarding the requirement for subordinate organizations to develop a performance management framework that monitors effective achievement of their objectives and efficient use of resources. Such a framework should incorporate:
  - Senior management within each organization as the main sponsor;
  - Key metrics with negotiated standards; and
  - A decision-making process that analyses results and documents resulting management actions.

#### Management Action

Direction will be issued by June 2010 to L1s and subordinates to develop performance management frameworks that monitor effective achievement of their objectives and efficient use of resources.

The guidelines of the Program Activity Architecture – Performance Measurement Framework (PAA-PMF) will be amended to provide more generic guidance that addresses the review findings and recommendations by June 2010.

The PAA and performance management requirements within the LO Plan and business planning process will be enhanced during the FY 2011/12 business planning cycle.

A mechanism will be developed for holding L1s accountable for ensuring that subordinate levels have developed a PMF that is integrated with the PAA.

There shall be an annual review of the extent and maturity of performance management.

**OPI:** VCDS/C Prog

**Target Date:** June 2010 with subsequent enhancements

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## Risk Management

### CRS Recommendation

2. Promote continuous improvement of the IRM process by encouraging the following actions at all levels of the Department:
  - Senior management within each organization should act as the principal sponsor;
  - Feedback regarding the completeness and appropriateness of risk registers—including the risk assessments, tolerance levels, prioritization and risk responses—should be provided by more senior levels;
  - A documented assessment of the outcomes of risk responses should be required to facilitate continuous improvement; and
  - Regular, systematic reviews of risks should be ensured by periodically updating risk registers.

### Management Action

An update of the Defence IRM Policy and Guidelines will be completed by summer 2010. This will be based on the TBS's overhaul of their IRM framework due for completion in spring 2010. This will support ongoing development and improvement of risk management integration at the L1 and below.

C Prog will facilitate the completion of corporate risk mitigation action plans, with associated performance measures and targets, by spring 2010.

Regular liaison will continue with L1 Risk Champions on the progress of their IRM initiatives. Currently, the majority of L1 Risk Champions are at the Director General/Colonel level.

An annual review of IRM implementation status will be conducted.

**OPI:** VCDS/C Prog

**Target Date:** Spring and summer 2010

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## Accountability and Stewardship

### CRS Recommendation

3. Continue to strengthen accountability and stewardship procedures by:
  - Providing updated guidance to enable sufficient and consistent attestation procedures throughout the Department;
  - Reviewing policies and procedures to ensure delegation of authorities are maintained in an efficient manner; and
  - Developing additional risk-smart approaches for monitoring and ensuring compliance with the FAA.

### Management Action

Guidance to the financial management community to support relevant and consistent year-end attestations is being developed by DG Fin Ops and DG Fin Mgmt in consultation with CRS. This guidance will be communicated to the financial community of practice (by way of L1 comptrollership representatives) at the Defence Comptrollership Council in January/February 2010 and will be included in the year-end communications/requests for L1 Letters of Attestation for FY 2009/10.

**OPI:** ADM(Fin CS)/DG Fin Ops/DFA

**Target Date:** June 2010

The Department's delegation instrument (both matrix and accompanying notes/document) and Financial Administration Manual (FAM) Chapter 1014-4-1 (Control of Financial Signing Authorities) are currently being updated. The updates include incorporating any new requirements resulting from the recently revised Treasury Board policy. As well, the updates reflect internal re-organizations, improvements and clarifications received from feedback and queries within DND.

**OPI:** ADM(Fin CS)/DG Fin Mgmt/DFPP

**Target Date:** September 2010

In addition, DFPP currently provides L1 organizations with on-demand sessions and presentations on Delegation of Authority. DFPP will remind L1 advisors of this resource to assist in understanding the Delegation of Authority forms.

**OPI:** ADM(Fin CS)/DG Fin Mgmt/DFPP

**Target Date:** Ongoing/continuous

**ANNEX A**

DFPP continues to work with other departmental stakeholders for the selection and implementation of a centralized application for departmental tracking and maintenance of information on individuals with delegated financial signing authorities. A goal of the project is the elimination of duplication of effort with the current paper-based process. Specifically, DFPP will continue to work with the Financial Managerial Accounting System (FMAS)/Defence Resource Management Information (DRMIS) Development Team for further assessment and testing of the proposed solution within SAP after delivery of Single Instance early in FY 2010/11.

**OPI:** ADM(Fin CS)/DG Fin Mgmt/DFPP

**Target Date:** June 2011

The CDAO function has not been fully implemented within the Department. Two FAM policies outlining roles and responsibilities of the RDAO and CDAO are being developed.

**OPI:** ADM(Fin CS)/DG Fin Mgmt/DFPP

**Target Date:** September 2010

Implementation of these policies will result in the organizational structure necessary to ensure standardized processes are followed and risk-based monitoring and trend analysis functions are performed to increase compliance with the FAA.

**OPI:** ADM(Fin CS)/DG Fin Ops/DMPAP

**Target Date:** December 2010

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## Annex B—Review Criteria

### Objective

#### 1. Performance Management

##### Criteria

- Reliable and relevant performance measures have been identified, communicated and implemented.
  - Outcomes are evaluated against the inputs consumed.
  - Key results are assessed against expected results and integrated into decision making.
- 

### Objective

#### 2. Risk Management

##### Criteria

- Key risks are identified and rated.
  - Risk responses are adequate and risk-based.
  - Risk responses are implemented and are operating effectively.
  - Risks are monitored and periodically assessed.
- 

### Objective

#### 3. Accountability and Stewardship

##### Criteria

- The attestation process is thorough and consistent.
- Delegations of authorities are documented, reviewed, and well understood.
- Compliance with key elements of the FAA is monitored.