



ASSISTANT DEPUTY MINISTER (REVIEW SERVICES)

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Non-Public Property Audit of Mess Management

Background text consisting of a repeating pattern of 'CANADIAN ARMED FORCES' and 'DÉFENSE NATIONALE' in a light blue color, serving as a watermark or background for the title area.



October 2017

1259-5-003 (ADM(RS))

Caveat

Non-Public Property (NPP) is created under the *National Defence Act*. The purpose of NPP is to provide benefit to serving and former members of the Canadian Armed Forces (CAF) and their dependants or for any other purpose approved by the Chief of the Defence Staff (CDS). Each unit's NPP is vested in the commanding officer (CO) of that unit.

NPP is a unique type of crown property, the governance of which is assigned to the CDS. Pursuant to subsection 41(1) of the *National Defence Act*, the CDS shall exercise his authority subject to any directions that may be given to him by the Minister.

Article 41(3) of the *National Defence Act* provides that the *Financial Administration Act* does not apply to NPP. Revenues from NPP operations constitute Non-Public Property pursuant to section 2 of the *National Defence Act*.

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Acronyms and Abbreviations

C&A	Compliance and Assurance
CAF	Canadian Armed Forces
CFMWS	Canadian Forces Morale and Welfare Services
CFO	Chief Financial Officer
CO	Commanding Officer
FA	Fixed Asset
FY	Fiscal Year
MD	Managing Director
NPP	Non-Public Property
NPPAM	Non-Public Property Accounting Manager
OPI	Office of Primary Interest
PMC	President of the Mess Committee
PSP	Personnel Support Programs
Sr VP PSP	Senior Vice-President Personnel Support Programs

Results in Brief

Mess operations on a base/wing are an important part of military culture. The CAF traditionally uses messes to build cohesion and esprit de corps. Messes create opportunities for CAF members to socialize and engage in leisure activities, while at the same time continuing to promote military values and traditions through attendance at official mess dinners and other mess functions. This audit focused on the governance and internal control framework surrounding mess operations.

The audit was included in the NPP Risk-Based Internal Audit Plan for fiscal years (FY) 2016/17 to 2018/19.

Findings and Recommendations

Governance

Oversight: Appropriate oversight mechanisms were generally in place to support effective mess operations. However, corporate NPP policies guiding mess operations are out of date. Updating applicable policies will help ensure that mess staff reduce operational inefficiencies and adopt or develop processes consistent with corporate direction.

It is recommended that the Managing Director (MD) NPP continually revise, review, communicate and sustain awareness on updated corporate policies for mess operations.

Business Planning: While all the messes examined undertook effective short-term business planning activities, most are lacking a medium to long-term plan for their lines of business. In addition, inconsistent mess facility usage data prevents trend analysis that would better inform decision making. Improved usage data and a longer-term strategic plan would improve management's ability to ensure continuing relevance of messes to their clients.

It is recommended that the MD NPP direct base/wing COs to develop longer-term plans and require messes to continuously capture and retain usage information that supports strategic decision making.

Controls

Delegated Authority: Staff and committee members who are engaged in financial matters related to mess operations have the appropriate authority to carry out their duties.

Managing Financial Information: Messes capture and report on financial and non-financial information on a regular basis. However, there is a need to improve the monitoring of budgets and improve the quality of financial and non-financial documents submitted to NPP Accounting Managers (NPPAM) as part of the reporting process.

Overall Assessment

Appropriate oversight mechanisms and effective short-term planning activities are in place at CAF messes. Mess operations would benefit from improvements to corporate policies and strategic plans, as well as a robust asset management regime and improved follow-up on areas of non-compliance.

It is recommended that the MD NPP provide an adequate challenge / quality assurance function to ensure the following:

- a. Budgets are properly monitored and adjusted as required with proper approval; and
- b. The quality of financial (and supporting non-financial) information submissions is improved.

Asset Management: Messes generally update their NPP fixed asset (FA) records on a regular basis; however, the accuracy and completeness of these FA listings need to be improved. Assets are not clearly identified or tagged, making it difficult to differentiate between those that are public versus non-public. These practices increase the vulnerability of assets (particularly smaller, portable assets) to loss or theft.

It is recommended that the MD NPP provide oversight to ensure that base/wing COs improve identification, recording and verification of FAs in compliance with the NPP Accountability Framework.

Compliance Activity: While Canadian Forces Morale and Welfare Services (CFMWS) conducts Compliance and Assurance (C&A) activities on a regular basis, recurring issues were noted.

It is recommended that MD NPP ensure that C&A activities include an effective follow-up process to achieve the timely resolution of compliance matters, with a special focus on recurring issues.

1.0 Introduction

1.1 Background

The CAF has used messes throughout history to foster morale and welfare and to promote military values, including camaraderie and unit cohesiveness.¹ There are currently a total of 118 land-based Regular Force messes located throughout the country, including 32 Officer's messes, 22 Senior Non-Commissioned Members' messes, 32 Junior Ranks messes and 32 Combined/All-Ranks' messes. All CAF members are required to belong to a mess appropriate to their rank. Members pay mess dues, which are used to fully or partially subsidize various mess activities falling under the NPP realm of operations.

The environment in which messes operate has changed over time due to factors such as demographic changes in the mess membership, proliferation of commercial enterprises that offer competing products and services and changing cultural norms and practices. Messes have had to adapt to these changes over time to keep the institution relevant.

Regular Force messes and service clubs are public Morale and Welfare programs with the exception of bar operations and entertainment activities, which are NPP programs. Every mess is administered by a mess committee, which has the responsibility to address the needs of the mess membership, while respecting public and non-public policies and approved local governance documents (mess constitutions and by-laws) that guide mess operations. The mess committee is the governing board for the mess, and the head of this board is the President of the Mess Committee (PMC). The PMC is a member of the CAF, who is appointed by the base/wing CO. The PMC is responsible to the base/wing CO for mess operations since the base/wing CO is accountable through the chain of command for the morale and welfare of his/her personnel.

Mess managers, who are akin to operational managers, plan, organize, staff, direct and control mess activities and events under the overall direction of the mess committee. The mess managers report functionally to the Personnel Support Program (PSP) managers regarding human resources, finance and contracting matters for NPP. They are also responsive to the PMC.

1.2 Objective

The objective of the audit was to assess the following:

- whether governance mechanisms are in place to support effective mess operations; and
- whether controls are in place and are regularly monitored.

1.3 Scope

The scope of the audit was limited to mess activities that are an NPP responsibility, as well as to the examination of the management of publicly owned mess assets. Mess financial and non-financial transactions from FY 2015/16 and FY 2016/17 (up to March 1, 2017) were examined.

¹ Lovas, Gwynneth Mary. *Canadian Military Law: Morale and Welfare Operations*, 2013, page 148.

Messes for Reserve Force members were excluded as these messes are currently being incorporated into the overall mess management governance framework. Regular Force messes on-board ships were excluded from examination as their NPP operations are subject to several compliance reviews both at the Royal Canadian Navy Headquarters and at the formation levels. Real property management, human resources, information management/information technology and contracting practices (as they relate to messes) were also excluded since these topics will be covered by audits identified by the Risk-Based Audit Plan for FYs 2016/17 – 2018/19.

1.4 Methodology

The following methodology was used to conduct the audit:

- reviewed and analyzed relevant Department of National Defence public and NPP policies and directives;
- reviewed and analyzed mess constitutions, mess executive and general meeting minutes from FY 2015/16 and FY 2016/17 of 19 messes;
- conducted preliminary site visits to four messes in the National Capital Region, followed by site visits to 19 messes in total at five bases/wings (Canadian Forces Support Unit Ottawa, Garrison Petawawa, Canadian Forces Base Halifax, Canadian Forces Base Kingston and 8 Wing Trenton);
- conducted interviews with various stakeholders responsible for messes both at CFMWS and at bases/wings;
- examined 221 NPP assets across 19 messes using a judgmental sampling methodology;
- examined judgmental sample of financial and supporting non-financial documents submitted by 19 messes to respective NPPAMs in 2015/16 and 2016/17; and
- examined mess financial statements for FY 2015/16 using the Prophet Business Intelligence tool.²

1.5 Criteria

The audit criteria can be found at [Annex A](#).

² Financial system of record for NPP operations.

2.0 Findings and Recommendations

2.1 Governance

2.1.1 Oversight

The messes visited had appropriate oversight structures in place. However, there are opportunities to improve and sustain awareness of mess policies among staff that would benefit the management of financial and non-financial resources.

Oversight mechanisms were found to be in place to monitor mess operations. All messes are required to have mess constitutions and accompanying by-laws that set out the regulations and guidelines for such things as conduct of mess meetings, associate memberships and dress regulations within the mess. The messes examined had appropriate constitutions and by-laws, as well as mess committees that met on a regular basis and held their General Mess Meetings twice a year. The meeting minutes reviewed had evidence that appropriate authorities, including the base/wing CO, had received and approved the information. The minutes were generally supported by appropriate financial and non-financial information and approved in a timely manner. At the time of examination, it was noted that 10 of 19 constitutions were available to members online, which is a good practice. This number is expected to increase with the launch of the new PSP CAFconnection.ca website.

One of the base/wing CO's oversight mechanisms is the Letter of Financial Management Attestation submitted to CFMWS, which he/she uses to formally communicate the assessment of the state of NPP operations at the base/wing. All five bases/wings examined had submitted Letters of Financial Management Attestation for FY 2015/16, which also cover the NPP operations of base/wing lodger units examined by the audit. The Letters of Financial Management Attestation identified issues of concern as appropriate. However, in two of the five bases/wings, the audit team noted that overdue FA verifications and the lack of independent stocktaking identified in the respective 2015/16 Letters of Financial Management Attestation had not yet been addressed.

From the perspective of overarching corporate direction, there are five manuals that provide guidance for mess administration, with an extra one specific to the Navy. A review of these documents identified inconsistencies in areas such as the level of detail required for independent stocktaking, missing references in the primary policy manual to some topics, such as Acquisition, Capital Expenditure, Attractive Items, Items on Loan, Disposal and Write-Off. Other examples include references to outdated CAF orders and inconsistent financial record retention requirements. Such inconsistencies create confusion about operating procedures and encourage the development of local processes/practices that may be less robust. The frequent turnover of mess personnel increases this risk. CFMWS is aware of this issue. It has initiated improvements to the policy suite and is examining opportunities for content consolidation, while retaining the integrity of key elements in the primary policy manual.

ADM(RS) Recommendation

1. It is recommended that MD NPP continually revise, review, communicate and sustain awareness on updated corporate policies for mess operations.

OPI: CFMWS/Senior Vice-President Personnel Support Programs (Sr VP PSP)

Messes are generally effective at short-term planning and are aware of many of the long-term challenges to their operations. However, the development of long-term goals would benefit the delivery of mess operations.

Annual budgets are the tool used for operational planning and short-term strategic business planning. All messes examined had annual budgets that were discussed at the Executive Committee Meeting held prior to year-end and were finalized at the year-end General Mess Meeting. These general and executive meetings are the principal avenue for key stakeholders in mess operations, such as committee members and the general membership, to provide feedback that drives the development of annual budgets and short-term strategic planning. The meeting minutes examined demonstrated evidence of discussions and decisions around topics such as the amount of member mess dues and any changes to that amount, estimated attendance for planned mess functions, renovation plans, available resources to assist with marketing and event management and the financial implications related thereto. Budgets are discussed further in subsection 2.2.2.

Interviews with mess managers and PMCs revealed longer-term challenges, such as declining attendance at events and a general decline in the use of mess bars during normal operating hours. Mess managers also advised that they make periodic adjustments to bar operating hours, bar prices and mess dues using the mess meetings as a platform to effect required changes. However, mess usage is not consistently tracked or measured with the exception of event attendance, making trend analysis difficult. While some business information, such as membership numbers, number of private functions, number of mess functions, attendees per function and performance against budgets, is tracked for trend analysis, the number of customer visits day-to-day is not tracked, with one exception. This information could be used to improve the decision-making process for future operating models for messes.

Most mess staff are aware of local environmental factors (e.g., location, competition and profile of base/wing workforce) that impact their operations, and some work collaboratively to promote mess events. There was an increased awareness among all messes of the need to include more family-oriented activities in order to attract members. Bases and wings have started to take steps to rationalize the footprint of messes. For example, two Officers' and Warrant and Sergeants' messes were co-located in a renovated building. In another case, a Junior Ranks mess, located in a dilapidated and stand-alone building, was moved to a multi-storey building on the base that is also used for military member accommodations. These decisions were made with the intention of reducing operating and infrastructure maintenance costs and increasing traffic flow through the mess.

Several proactive approaches to operational planning were noted at sites visited. Examples include the following:

- One of the wings recognized the challenges with declining bar usage at their messes and undertook an initiative to create an all-ranks pub on the base/wing. It also created an organizational structure where casual bartenders report to a common base/wing function coordinator who is responsible for scheduling their hours at various messes as required.
- One mess opened a snack bar in a higher foot-traffic area of the base in order to increase profitability of food items and ensure optimal utilization of kitchen staff.
- One base/wing is in the process of implementing a tool to gather user feedback on mess usage in its jurisdiction.

Despite the awareness of longer-term issues, formal long-term business planning practices were not consistent. Only 4 of 19 messes had formal long-term business plans, focusing on aspects such as three-year business objectives, marketing objectives and capital investments. These long-term business plans also noted information on membership trends, financial performance and the number of mess functions held for the previous three years. In addition, the business plans mapped the alignment of mess activities to PSP corporate initiatives and objectives. Long-term plans would better enable base/wing COs and committees to make the optimal, timely and cost-effective investment decisions that help ensure mess facilities and activities are aligned to members' changing needs.

ADM(RS) Recommendation

2. It is recommended that MD NPP direct base/wing COs to develop longer-term plans and require messes to continuously capture and retain usage information that supports strategic decision making.

OPI: CFMWS/Sr VP PSP

2.2 Controls

2.2.1 Delegated Authority

Staff and committee members had the appropriate authority to carry out their duties, although inadequate segregation of duties was observed at three messes.

At all 19 messes examined, the staff and committee members who required delegated authority (for corporate credit cards, petty cash or change funds) had valid delegated authority. Completion of the NPP Financial Delegated Authorities and Contracting course is a pre-requisite for mess staff or committee members to exercise financial delegation of authority, and all those with delegated authority had completed this course. The transactions that were sampled as part of the methodology demonstrated evidence that the NPPAM had reviewed the information submitted. The quality of this monitoring is described further in sub-section 2.2.2.

Appropriate segregation of duties was observed in 16 of 19 messes. In the remaining three, there was inadequate segregation of duties between the functions of purchasing, receiving and counting and approving payments for purchases.

2.2.2 Managing Financial Information

Relevant financial and non-financial information is captured, and reporting occurs on a regular basis. However, the monitoring of expenditures and the consistency and quality of information submitted to base/wing NPPAMs require improvement.

Mess members are required to pay mess dues that help fund NPP activities in the mess. The amount of mess dues varies at each mess. It is approved at a general mess meeting, with ultimate approval coming from the base/wing CO. As described in sub-section 2.1.2, discussions around mess dues were noted in many of the meeting minutes examined. The discussions should contribute to the formulation of appropriate annual budgets.

All 19 messes prepared annual budgets for FY 2015/16, and there was evidence of monthly monitoring in the executive mess meeting minutes examined. However, at six different messes, the quality of budget information suggested that monitoring such as variance analysis could be improved. Three of the six messes had very high variances between the budget and actual spending (e.g., a forecasted loss of \$740, when a loss of \$92,000 was incurred, or back-to-back bar losses exceeding \$15,000 per year). In the other three cases, the system contained inaccurate budget information, such as the budget to renovate a kitchen not having been included in the forecast and missing sales and cost of goods sold for a different mess kitchen. Inadequate monitoring of budgets against actual spending has the potential to lead to the inefficient use of financial resources.

Financial documents relating to daily sales or functions must be sent to NPPAMs on a regular basis. As indicated in sub-section 2.2.1, this practice was occurring; however, the quality and quantity of the information submitted differed vastly. Examples include the use of different stocktaking forms (some signed, others not), cases of incomplete merchandise requisition/transfer forms, PMC chits missing approval signatures and unsigned or incomplete prize registers. Similarly, overage/shortages noted in daily sales reports were generally not supported by documentation, sound justifications or a clear audit trail of numbers. Inadequate financial documentation can increase the risk of theft or loss of cash holdings and can reduce visibility of the use of resources.

ADM(RS) Recommendation

3. It is recommended that MD NPP provide an adequate challenge / quality assurance function to ensure the following:
 - a. Budgets are properly monitored and adjusted as required with proper approval; and
 - b. The quality of financial (and supporting non-financial) information submissions is improved.

OPI: CFMWS/Sr VP PSP/Chief Financial Officer (CFO)

2.2.3 Asset Management

NPP FAs in the mess are not being accurately recorded. Although regular verifications occur, these do not appear to address existing shortcomings in the records management process. The quality of stocktaking information for merchandise inventories could be improved.

Mess facilities include both public and NPP assets. Both the public and non-public frameworks provide for the periodic verification of these assets. NPP FAs have to be verified once every two years, and merchandise inventory needs to be verified on a monthly basis.

A total of 212 NPP FAs were reviewed across 19 messes to verify their existence and to check the accuracy and completeness of their asset records. Only 3 of the 212 assets reviewed had Control Identification Numbers, which are required by the policy. While some mess managers were better at distinguishing between their public and NPP assets, the managers generally found it challenging to tell them apart during the site visit. For these reasons, it was possible to confirm the existence of a majority, but not necessarily all FAs sampled. Fourteen of 19 messes had formally verified their FA holdings in the last two fiscal years. However, an examination of the FA listings maintained by the National Fixed Assets Office revealed that these listings are neither complete nor accurate.

In recognition of this risk, 12 of 19 messes took mitigating measures to track their assets, and another two messes have plans to do so in the near future. Some messes created photo books that contained a picture and description of the asset, while others annotated their FA listings with the status and location of the asset.

The management of publicly owned mess assets was examined by assessing the stocktaking of attractive/accountable materiel (e.g., walk-in freezer and fire extinguishers). Unit Cyclical Stocktaking Plans and Annual Stocktaking Performance Reports are used to track these items. Twelve of 19 messes prepared Unit Cyclical Stocktaking Plans for both FY 2015/16 and FY 2016/17 and completed one mandatory stocktaking during the audit scope period of FY 2015/16 – FY 2016/17. The remaining seven messes prepared Unit Cyclical Stocktaking plans for FY 2016/17. However, mess staff indicated that public furniture and effects in messes are treated as consumable materiel and hence are not registered on the Supply Customer Account. If required, mess managers can track their purchase history using the Defence Resource

Management Information System. As mentioned earlier, many of these furniture and effects could not be clearly distinguished from NPP assets by the mess managers.

Effective asset management is particularly important given that messes do not always have adequate security during operating hours, which increases the risk of loss for smaller, relatively attractive, portable items.

In addition to the assets described previously, messes have NPP merchandise inventories for food and bar operations that must be accounted for monthly. Samples from the 19 messes showed that merchandise inventories were counted and submitted to NPPAM on a monthly basis as required. However, as mentioned in sub-section 2.2.2, there appears to be no consistent format for submitting the information, which can lead to less efficient and effective practices to meet reporting requirements. Twelve of 19 messes were able to provide evidence that they account for spoilage/breakage of their merchandise inventory in mess bars. Spoilage/breakage registers help the messes keep track of trends in losses, such as broken glassware or wasted inventory (e.g., due to spillage, draught-line testing, etc.) and help determine any amounts that need to be expensed in the financial statements.

In addition to the monthly reporting requirements previously described, there is a requirement for the base/wing to carry out independent stocktaking of merchandise inventory also on a monthly basis. Fourteen of 19 messes provided evidence of independent stocktaking; however, 9 of the 14 messes did not carry out the independent stocktaking in accordance with the requirements. As indicated in sub-section 2.1.1, CFMWS is currently in the process of reviewing the finance manual. Its review should include this independent stocktaking requirement as it may impose a more significant administrative burden than necessary given existing controls.

ADM(RS) Recommendation

4. It is recommended that MD NPP provide oversight to ensure that base/wing COs improve identification, recording and verification of NPP FAs in compliance with the NPP Accountability Framework.

OPI: CFMWS/CFO and Sr VP PSP

2.2.4 Compliance Activity

Compliance activities identify internal control weaknesses; however, some weaknesses recur frequently despite ongoing reviews. Management does not always mitigate the control weaknesses identified.

The audit examined C&A reviews undertaken by CFMWS at the five bases/wings. These reviews assess NPP activities to validate compliance with policies, procedures and regulatory requirements and to evaluate the adequacy/effectiveness of internal controls over the accounting and processing of financial controls and safeguarding of NPP. The scope of the reviews is comprehensive, and control weaknesses are regularly identified and reported to management.

The most prominent recurring issues identified by the C&A reviews at the messes within the scope of the audit include the lack of timely FA verifications, the lack of independent stocktaking boards for mess merchandise inventory and safes that are not bolted to the floor or wall. Although the C&A process includes the requirement for a management action plan immediately following the assessment, no further formal follow-up is conducted to ensure that the plan is implemented.

The results of these activities are compiled and reported annually to the NPP Audit Committee.

ADM(RS) Recommendation

5. It is recommended that MD NPP ensure that C&A activities include an effective follow-up process to achieve timely resolution of compliance matters, with a special focus on recurring issues.

OPI: CFMWS/CFO

3.0 General Conclusion

Messes are an important element of the CAF culture. Given the fiscal constraints facing government departments and agencies over the last several years, the challenge for bases/wings will be to restructure/reorganize their mess operations based on trends noted through the systematic collection of usage data. No one operational plan or strategy is suitable for all messes. Appropriate oversight mechanisms and effective short-term planning activities are in place at CAF messes. However, improvements to long-term planning will allow bases/wings to be in a better position to ensure that messes continue to stay relevant to members and responsive to their changing needs. Updating the governance framework and strengthening various controls, such as asset management, compliance follow-up processes and monitoring of financial information submissions related to mess operations, will ensure effective stewardship over the resources required to implement mess objectives.

Annex A—Management Action Plan

ADM(RS) uses recommendation significance criteria as follows:

Very High—Controls are not in place. Important issues have been identified and will have a significant negative impact on operations.

High—Controls are inadequate. Important issues are identified that could negatively impact the achievement of program/operational objectives.

Moderate—Controls are in place but are not being sufficiently complied with. Issues are identified that could negatively impact the efficiency and effectiveness of operations.

Low—Controls are in place but the level of compliance varies.

Very Low—Controls are in place with no level of variance.

Governance

ADM(RS) Recommendation (Low Significance)

1. It is recommended that MD NPP continually revise, review, communicate and sustain awareness on updated corporate policies for mess operations.

Management Action

Agreed. Document A-AD-262-000/AG-000 has been rescinded and replaced by Chapter 9-4 of the PSP Policy Manual. Chapters 9-1, 9-2 and 9-3 were also updated since the audit was conducted, and the revisions will be communicated to stakeholders. Document AFN-105 will also be updated. The PMC Guidance Manual will be updated subsequently to reflect those changes.

In addition, and complimentary to this effort, the MD NPP has re-issued direction regarding the CFMWS Policy Management Framework on March 29, 2017. The framework identifies a requirement to review policies on a three-year cycle.

OPI: CFMWS/Sr VP PSP

Target Date: March 2018

Business Planning

ADM(RS) Recommendation (Moderate Significance)

2. It is recommended that MD NPP direct base/wing COs to develop longer-term plans and require messes to continuously capture and retain usage information that supports strategic decision making.

Management Action

Agreed. PSP's strategic plan and performance measurement framework will be rolled out to bases/wings in time for the next business planning cycle. This phase includes improved data collection that supports headquarters' performance measurement analysis and evaluation processes including mess usage. Policy direction will be issued to base/wing COs to develop strategic business plans.

OPI: CFMWS/Sr VP PSP
Target Date: January 2018

Managing Financial Information

ADM(RS) Recommendation (Moderate Significance)

3. It is recommended that MD NPP provide an adequate challenge / quality assurance function to ensure the following:
 - a. Budgets are properly monitored and adjusted as required with proper approval; and
 - b. The quality of financial (and supporting non-financial) information submissions is improved.

Management Action

Agreed. The CFO will remind finance staff of their challenging role in regard to budget control and of the requirement to receive appropriate and complete financial information. These requirements will be communicated under the "Getting Back to Basics" initiative promulgated by the CFO on March 24, 2017.

The Sr VP PSP, conjointly with the CFO, will issue direction to entity managers through COs regarding the requirement to have budgets adjusted with proper approval. In addition, the requirement for submission of appropriate financial and non-financial information will be highlighted in that correspondence.

OPI: CFMWS/Sr VP PSP / CFO
Target Date: January 2018

Asset Management

ADM(RS) Recommendation (High Significance)

4. It is recommended that MD NPP provide oversight to ensure that base/wing COs improve identification, recording and verification of FAs in compliance with the NPP Accountability Framework.

Management Action

Agreed. MD NPP will issue direction to base/wing/unit COs regarding accountability of FAs, with specific timelines for compliance with policies. A cost-benefit analysis of the requirement, outlined in document A-FN-105, Chapter 28 – Fixed Assets, will also be undertaken with a view to ensuring that controls are cost effective and that technology is leveraged where possible.

OPI: CFMWS/CFO and Sr VP PSP

Target Date: March 2018

Compliance Activities

ADM(RS) Recommendation (Moderate Significance)

5. It is recommended that MD NPP ensure that C&A activities include an effective follow-up process to achieve timely resolution of compliance matters, with a special focus on recurring issues.

Management Action

Agreed. CFO has instituted a follow-up process aimed specifically at recurring non-compliance. CFMWS will take advantage of annual training opportunities to reinforce policy compliance.

OPI: CFMWS/CFO

Target Date: Completed

Annex B—Audit of Mess Management Audit Criteria

A. Governance mechanisms are in place to support effective mess operations.

A1 – Appropriate oversight is in place to monitor mess operations, identify issues and ensure their resolution.

1. Effective oversight bodies are established and comply with applicable policy.
2. The oversight body/bodies request and receive sufficient, complete, timely and accurate information.

A2 – A balanced business planning framework is in place to support messes in planning their activities.

3. The organization has clearly defined and communicated strategic directions and strategic objectives aligned with its mandate.
4. The organization has in place operational plans and associated resources aimed at achieving its strategic objectives.
5. Feedback from users and other stakeholders drives strategic and operational planning.

B. Controls are in place and are regularly monitored.

B1 – Personnel engaged in financial matters related to mess operations have the appropriate authority to do so.

1. Employees formally acknowledge their understanding and acceptance of their accountability.
2. Compliance with financial management laws, policies and authorities is monitored regularly.
3. There is appropriate segregation of duties.

B2 – Relevant financial and non-financial information is captured and mess performance is monitored by the appropriate individuals on a regular basis.

4. A timely budget is developed at the appropriate level of detail that should be integrated into the business plan.
5. Forecasts are monitored on a regular basis.
6. Transactions are coded and recorded accurately and in a timely manner to support accurate and timely information processing.
7. Reviews are conducted to analyze, compare and explain financial variances between actual and planned spending.
8. Appropriate and timely financial and non-financial reporting is effectively communicated.
9. Management monitors actual performance against planned results and adjusts course

as necessary.

B3 – Mess current assets and FAs are recorded and verified regularly and protected against loss/theft.

1. Assets are protected and periodically verified.
2. Records and information are maintained in accordance with laws and regulations and are periodically verified.

B4 – Compliance activities ensure that internal control weaknesses in mess operations are identified and addressed in a timely manner.

1. Management identifies and mitigates the control weaknesses that may preclude the achievement of its objectives.
2. Compliance with financial management laws, policies and authorities is monitored regularly.