



National
Defence

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Chief Review Services Chef - Service d'examen

CRS  CS Ex

Audit of Service Income Security
Insurance Plan Financial Services
(SISIP FS) – Financial Planning Service

January 2014

7055-21-19 (CRS)



Canada 

Caveat

Non-Public Property (NPP) is created under the *National Defence Act* (NDA). The purpose of NPP is to provide benefit to serving and former members of the Canadian Armed Forces (CAF), and their families or for any other purpose designated by the Chief of the Defence Staff (CDS). NPP of each unit is vested in the Commanding Officer of that unit.

NPP is a unique type of crown property, the governance of which is assigned to the CDS. The Minister of National Defence (MND) has authority to make regulations with respect to liability and restitution for loss of or damages to NPP. MND also has authority to ensure good governance and to ensure NPP is being used as intended.

Article 38(1) of the NDA provides that the *Financial Administration Act* (FAA) does not apply to NPP. Revenues from NPP operations are retained as Non-Public Funds.



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Acronyms and Abbreviations

CAF	Canadian Armed Forces
CDS	Chief of the Defence Staff
CFMWS	Canadian Forces Morale & Welfare Service
CRS	Chief Review Services
FY	Fiscal Year
NDA	<i>National Defence Act</i>
NPP	Non-Public Property
OPI	Office of Primary Interest
SISIP FS	Service Income Security Insurance Plan Financial Services
SWOT	Strengths, Weaknesses, Opportunities and Threats
VP	Vice-President



Results in Brief

In accordance with the Non-Public Property (NPP) Audit Group's work plan for fiscal year (FY) 2010/2011, Chief Review Services (CRS) conducted an audit of the Service Income Security Insurance Plan Financial Services (SISIP FS) financial planning service.

The intent of this audit was to provide to the Chief of the Defence Staff (CDS) an assessment of the robustness of the SISIP FS financial planning service business model, notably the service's sustainability. The audit analyzed the viability, governance framework, strategic direction, risk management, and management control framework of the SISIP FS financial planning service.

SISIP FS's financial planning service was established in 1994 to provide serving and former members of the Canadian Armed Forces (CAF) and their spouses with financial planning advice. Additional service offerings were added in the early 2000s to include investment management and income tax preparation services.

At the end of 2011, financial planning services were offered at 18 branches to 6,805 clients and there were about \$195.1 million investments or assets under management. Since its establishment, the SISIP FS financial planning service has not been able to generate sufficient revenues to achieve a financial break-even point.

Overall Assessment

SISIP FS's financial planning service viability is at risk due to:

- business decisions, including its current fee structure, that do not reflect the market environment, client base or capacity of the organization;
- governance, strategic management and risk management processes which are not sufficiently rigorous; and
- an absence of robust performance measurement tools that are aligned with the service's and organization's objectives.

Key Findings

Viability of Financial Planning Services

- The current fee structure of the SISIP FS financial planning service limits the generation of revenues and prevents the achievement of financial viability.
- SISIP FS has not conducted an in-depth analysis of the financial planning services' capacity since the establishment of the services.
- The financial planning service's target clientele has not been re-assessed since the establishment of the service.

Governance and Strategic Direction

- The governance framework, e.g., processes, procedures and tools developed by SISIP FS, needs to be strengthened.
- The organizational authorities, roles and responsibilities do not reflect all the tasks performed by SISIP FS employees, nor are they aligned or integrated into the organizational structure.



- The NPP Board has, on occasion, taken on operational rather than strategic decision making, and could be perceived to be in a conflict of interest.
- Goals and objectives at the divisional, regional and local levels are not assessed or established on the basis of a rigorous operational planning process that is aligned with the SISIP FS strategic plan.
- SISIP FS's financial planning services' communication processes should be augmented in order to increase the accuracy, consistency, transparency and integrity of information presented to key stakeholders.

Risk Management

- SISIP FS's financial planning service does not have a documented risk management process in place to recognize, understand, quantify and properly manage the risks associated with their activities.

Performance Management

- SISIP FS's financial planning service does not have the tools, analyses or studies required to support the accuracy or the relevance of their strategic and operational objectives.

Management of Laws and Regulations

- SISIP FS's financial planning service conforms to the laws and regulations governing financial planning services. However, SISIP FS should formalize, document and manage policies and procedures related to legislative and regulatory compliance through a centrally accessible portal.

Note: For a more detailed list of CRS recommendations and the management response, please refer to Annex A—Management Action Plan.

Introduction

Background

SISIP FS is one of the operating divisions of Canadian Forces Morale & Welfare Service (CFMWS), formerly known as the Canadian Forces Personnel and Family Support Services organization. The SISIP FS financial planning service is one of three business lines under the responsibility of the President, SISIP FS.¹ The financial planning service, financial counselling, and insurance sales fall under the operational responsibility of the Vice-President of Financial Planning Services.

In November 1994, SISIP FS introduced an initiative to provide serving and former members of the CAF and their spouses with financial planning services. The Deloitte consulting firm was contracted to complete a study to assess the market and the feasibility of the initiative. In its reports, Deloitte concluded that the services' objectives were feasible, but not financially viable. Despite this, SISIP FS chose to provide consulting services to their clients to advise them on how to plan their budget, their finances, their retirement and their insurance coverage. This initiative was approved by Armed Forces Council, and the service began in 1995.

The primary targets of this new service were CAF members between the ages of 18 and 29, i.e., those members who were in the early stages of their career. Management determined that CAF members would pay a fixed monthly fee to receive consulting services and two monthly service rates were established. A lower rate per month for junior ranks (i.e., soldiers, corporals, master corporals, sergeants, officer cadets, second lieutenants and lieutenants) was put in place, and another rate was set for all other ranks.

The service was introduced at 18 SISIP FS branches across Canada. In the early 2000s, modifications to the service offerings were made to include additional activities, such as investment management and income tax preparation.

Since implementation, the service has been in a deficit position. To address this issue a project, titled the "Revenue Project," was carried out in 2011. The intent of the project was to evaluate various options for revenue generation and then to put in place an action plan. The plan developed suggested the financial planning service would become financially viable by 2018. The financial planning service would likely have generated a loss of \$20 million or more by 2018 if the business had continued to follow this plan.

Figure 1 comprises an abridged version of the SISIP FS organizational chart in place at the time of the audit and illustrates the strategic positions of the organization. As presented, this structure has not been validated in any official document.

¹ On 25 March 2013, the position of President SISIP FS was replaced by Senior Vice-President (VP) Commercial Services as part as a reorganization of CFMWS.

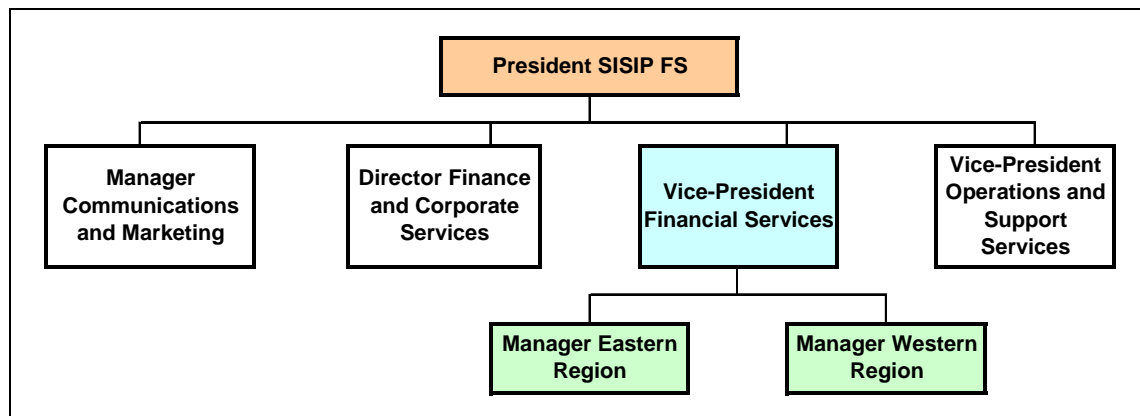


Figure 1. SISIP FS Organizational Structure. This version of the structure demonstrates the high-level hierarchical relationships involved in the management of the financial planning service.

Objectives

The intent of this audit is to provide assurance to the CDS that the business model of the SISIP FS financial planning service is sound and sustainable. The audit will also provide assurance that the governance framework, the risk and management strategies, and the control framework are adequate and that the financial planning service is meeting its mandate.

Scope

This audit covered the period from January 2009 to December 2012², and focused on the soundness and sustainability of the business model used by SISIP FS in providing their financial planning service. The audit was conducted across the following five broad areas:

- service viability;
- governance and strategic direction;
- risk management;
- performance management; and
- laws and regulations management.

Methodology

The methodology for the audit included the following:

- in-briefs with SISIP FS executives;
- research, including analysis of the processes, laws, policies and governance framework;
- review of the governance framework of the SISIP FS financial planning services;
- interviews with SISIP FS personnel and key stakeholders;

² Note: Subsequent to the end of the conduct phase of this audit, SISIP FS underwent an organizational transformation, including a change in leadership, which is reflected in how management responded to this audit.

- review and analysis of the documentation and practices related to risk management of the financial planning services;
- review and analysis of the documentation and practices related to the management of the various laws governing financial planning services;
- assessment of the performance management regime;
- review and analysis of the action plan put in place to achieve revenue neutrality;
- follow-up questions and interviews;
- site visits to SISIP FS branches in Ottawa, Petawawa and Kingston;
- analysis of all evidence and observations; and
- periodic updates of the audit and post-implementation meeting with Director General Morale and Welfare Services and SISIP FS executives.

Findings and Recommendations

Viability of Financial Planning Services

SISIP FS financial planning's current business model does not support the premise that this line of business is sustainable or could become financially viable.

The SISIP FS financial planning service was launched in 1995 and offered consulting services to serving and former members of the CAF, and their spouses for a fixed monthly fee. A business plan, titled *Towards Financial Independence*, had been developed based on the findings of a study carried out by the Deloitte consulting firm. The plan stated that if a minimum of 7,260 clients was not obtained by 1997, the service would be suspended. Deloitte's study confirmed that the services' objectives were feasible; however, they did not believe that the service would be financially viable. The 1994 plan had specified that more than 18,830 clients would be required by the year 2000 in order for the service to be financially viable. However, in 2011, SISIP FS management suggested that 7,000 clients was close to maximum capacity.

As noted, in terms of client numbers the objectives that had been initially established were never achieved. In the early 2000s, the SISIP FS financial planning service was modified to extend to investment management and income tax preparation services. The original business plan was not amended to reflect these new activities, notably any impact on the financial planners' capacity to offer these services. Neither the services' financial model nor their targeted clientele were re-assessed.

To date, the SISIP FS financial planning service has not been financially viable. In 2011, an action plan, titled the "Revenue Project," was put in place to support the achievement of financial viability by 2018. As a result, management presented various options to the NPP Board regarding changes to the fee model and/or fee structure. The documentation presented to the Board was limited to revised budgets, including amendments to fees charged and to the number of clients, but did not include revised capacity models, client demographics, risk assessments, or other information that would generally be presented to support informed business decision-making. The Board authorized a very modest increase in fees, but did not support a proposal to amend the fee model.

Financial Model

The financial model of a financial planning service has two main components. First, the fee model represents the way funds are collected from clients, and second, the fee structure represents the fees that will be charged to clients based on the chosen fee model.

The fee model used by many financial planning service providers uses a fixed rate and variable fees, and generally includes a fee structure that either varies according to the value of investments made in the organizations or is linked to an hourly rate structure. The advantage of this type of structure is that it generates revenues that vary according to the use, complexity or value of the file.

The fee model of the SISIP FS financial planning services consists of a fixed monthly rate, which was initially established when it provided only consulting services. The addition of investment management as part of their activities allowed the SISIP FS financial planning service to add a revenue stream from the management of these investments. This revenue represents the primary source of the services' revenue, but is not related to the fee model of SISIP FS and the revenue is dependent on the increase in value of the funds managed. Any negative fluctuation in the market, or decrease in the number of clients, could further prevent the service from generating sufficient resources to reach financial viability. There is also no causal link between the complexity of a client and/or the size of a portfolio, and the fees charged, which could adversely affect service capacity. There is a serious risk that SISIP FS may not be able to generate sufficient income to recover the services' operating costs.

Market and Clientele

It is important for an organization such as SISIP FS to have adequate knowledge of the evolving market in which it operates, in order to ensure that the service it provides meets the needs of its target clientele. In the case of SISIP FS, this was originally defined as CAF members who are in the early stages of their career.

Market research is an effective tool for collecting and analyzing market and demographic data that can be used to determine the needs, expectations, opinions, and behaviours of the various types of clients, and to determine what other service providers in the market offer. SISIP FS has not conducted a market research study in order to address any market or client changes due to the introduction of the investment management and income tax preparation activities, nor has it re-assessed their target clientele.

In 2009, SISIP FS initiated the *Revenue Project*, which noted that the financial planning environment had changed significantly over the last decade and its primary market, CAF members who are early in their careers, may no longer be appropriate. This suggests that a change to the service's mandate may be appropriate. As part of the 2011 action plan, the managers of the financial planning services prepared reports in which they indicated that only 49 percent of the clients using the SISIP FS financial planning services are representative of the services' targeted clientele. To date, a new mandate has not been formally articulated. SISIP FS is at risk of expending limited resources trying to attract or expand the business in areas that in fact may not contribute to the growth or viability of the business.

Capacity to Provide Services

Knowledge of their client capacity is a key element for setting SISIP FS's financial planning services strategic and operational objectives. In this context, "capacity" represents the maximum number of clients that the SISIP financial planning service is capable of handling under normal operating conditions, that is, with its current complement of financial planners. SISIP FS has not conducted an analysis of their client capacity since the introduction of the investment management and income tax preparation activities. As part of the 2011 action plan, the managers of the financial planning services prepared and presented reports in which they indicated that, with the resources that were currently in place, SISIP FS was close to attaining its maximum client capacity for the

financial planning services, which they believe is around 7,000 clients. However, there was no study conducted or documented to verify that 7,000 was in fact the maximum client capacity. Additionally, as noted earlier, the 1994 plan indicated that 18,830 clients were needed for the financial planning service to become financially viable. During the audit it was observed that certified financial planners are responsible for all aspects of a client's file, including those services that could be completed by other staff, i.e., income taxes, and then subsequently reviewed by the certified financial planners.

A lack of documented knowledge of the market and of the clientele constitutes a risk to SISIP FS financial planning services in its achievement of long-term growth or financial success. Since the target clientele profile currently used by SISIP FS is based on information collected during the establishment of the services in 1994, any additional knowledge of clients' demographics rests with the managers themselves, increasing the risk that some of this key information will not be included in developing future plans. This could prevent SISIP FS from adequately focusing their resources on sectors of the market that could assist them in achieving financial viability. This risk, coupled with the noted concerns about the financial model and the challenges to growing capacity to provide additional services, constitutes a significant risk for the SISIP FS financial planning service to become viable and to recover their operating losses to date.

Recommendation

1. To assess financial viability, SISIP FS financial planning services should undertake the following activities in support of the development of a sound, robust business model:
 - Re-assess their model of generating income from investments, as well as their fee structure.
 - Complete an assessment of their clients' needs, as well as determine and define their market niche and their current and future target clientele.
 - Conduct an assessment of their client capacity in order to determine whether there are sufficient resources available to support clientele and achieve business targets.

OPI: Senior VP Commercial Services

Governance and Strategic Direction

SISIP FS financial planning service needs to strengthen its governance framework and formally establish, communicate, monitor and report appropriate strategies, priorities and business objectives.

Governance

Governance can be defined as the combination of processes and structures implemented by senior management to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives. A governance framework includes a body of processes, policies and procedures that are put in place to guide the organization and ensure compliance with laws and regulations. Policies, procedures and job descriptions define roles and responsibilities and, as such, provide direction to staff.

SISIP FS is an operating division of the CFMWS, which is overseen by a Director General, who reports to the NPP Board, which advises the CDS. The roles and responsibilities of the NPP Board were articulated in the terms of reference, dated 2011, and centered on oversight and strategic direction. Prior to the issuance of this document, on occasion, the Board members, who themselves may be users of the financial planning services, had weighed in on operational level decisions, which could have placed them at risk of a real or perceived conflict of interest. Ongoing Board member orientation training should eliminate this risk in the future.

SISIP's financial planning service operates in a highly regulated investment services environment. To support compliance with external policies and regulations and ensure the quality of services provided, a strong governance framework, with the elements noted earlier, is a key success factor.

Many of SISIP FS's key foundation documents, including strategic plans, operational plans, market studies and client surveys, are either out-of-date or lack many of the key elements expected of such documents. Many key activities and processes are completed, for example the setting of goals/objectives for the year; however, these are generally done in an informal manner and thus are heavily reliant on corporate memory that rests with individuals. The last client survey was conducted in 1992, in support of the *Towards Financial Independence* business plan, which was used to introduce the concept of offering financial planning services to CAF Members. The *Revenue Project*, intended to address the underperformance of the financial planning service, included a very high-level market study, or rather an environmental scan. The absence of comprehensive client and market studies suggests that strategic and business planning documents may not contain all the requisite data needed for sound future planning and decision-making.

Other key enablers, including job descriptions that outline roles, responsibilities and authorities, also require updating. Documented organizational authorities, roles, and responsibilities do not reflect all the tasks performed by SISIP FS employees, nor are they aligned or integrated into the organizational structure. The process guiding development, management and dissemination of internal policies needs to be strengthened. This topic is discussed further under the heading “Management of Laws and Regulations.”

Recommendation

2. SISIP FS should review and refine its key governance documents, including policies, procedures and tools, in support of a robust framework. For example, job descriptions should be updated to reflect organization authorities, roles and responsibilities.

OPI: Senior VP Commercial Services

Strategic Direction

Strategic direction can be defined as the course of action that will lead to the achievement of stated goals and objectives of an organizational strategy, and is established throughout the strategic planning phase of the organization. Sound strategic direction contributes to written vision and mission statements, and in the creation of strategic plans, which differ from business plans in that they focus on high-level objectives, values, and performance indicators. A comprehensive business plan typically includes elements such as a market analysis, marketing strategy, operation plan, risks, and a financial analysis.

Strategic plans generally relate to an entire organization, in this instance SISIP FS, while business plans focus on a particular product or business line. In terms of business planning processes, SISIP FS has created an annual hybrid “business plan” which includes elements of a strategic plan such as: the organization’s mission, vision, strategic objectives, as well as, for all business lines, select key operational objectives normally found in a business plan. These elements are detailed in a score card format, and cover a three year period with measures and targets based on yearly timeframes.

SISIP FS financial planning service operational goals listed in these documents are mostly limited to number of clients and the amount of assets under management. Market capacity studies, risk assessments, in-depth strengths, weaknesses, opportunities and threats (SWOT) and other relevant information gathering tools are not utilized to support business planning. The VP Financial Services has an informal process in place whereby she conducts an annual teleconference call with all of the branch managers to discuss end-of-year results as well as next year’s goals, objectives, and priorities.

SISIP FS financial planning service has no formal and complete business planning process in place to ensure alignment with their strategic plan. The VP Financial Services provides the top three priorities of the financial planning service, based on a high-level environment scan.

Communication

The audit team assessed the degree to which accurate, formal, transparent financial results and performance information related to the financial planning service are presented to the NPP Board. It was expected that sufficient processes and controls were in place to ensure that SISIP FS executives and the NPP Board members were provided with adequate information to monitor progress against stated strategic priorities, objectives, and for decision-making. As noted under the heading “Governance,” prior to the issuance of the current NPP Board terms of reference, the Board at times concerned itself with operational versus strategic decision-making. On occasion, the quality of information provided to the Board may have contributed to the inappropriate interpretation or application of roles and responsibilities.

For example, in 2010, the NPP Board was presented with key information related to the financial planning service viability. At the time, various options were discussed with board members, to inform a decision about the service’s viability. Evidence collected through interviews with SISIP FS executives, and the review of the presentations format and content, revealed that the NPP Board members received insufficient information necessary to allow proper decision-making. The information included in the presentations was limited to client numbers and assets under management; market analysis, short and long-term financial projections, information related to losses or other strategic information, were not made available. No details about current and future accumulated losses, risks, strategies nor roles and responsibilities were discussed.

While SISIP FS financial planning service priorities, goals and objectives are established, a lack of a formal, standard and focused reporting approach was identified. This could increase the risk that senior management and NPP Board decisions are not being made based on accurate, consistent and transparent information, and that critical priorities are not given sufficient attention.

Recommendations

3. SISIP FS should establish and define accurate and realistic business objectives that are specific, measurable, attainable, relevant and timely, and these objectives should be established based on a rigorous planning process aligned to the strategic plan.

OPI: Senior VP Commercial Services

4. SISIP FS financial planning service should communicate its financial and non-financial performance information to key stakeholders through a formal process.

OPI: Senior VP Commercial Services

Risk Management

SISIP FS does not have a robust, formal risk management process in place to recognize, understand, quantify and properly manage the risks associated with their activities.

Risk management is an important aspect of sound governance, as it allows organizations to identify and understand the risks to which they are exposed. Organizations that strategically manage risks have a greater chance of achieving their objectives. The SISIP FS financial planning service has evolved within a highly regulated environment, thus in many aspects risk has been acknowledged and is managed. For example, financial and government authorities have put in place laws and regulations to support and oversee the financial planning service's market in order to protect client investments. In contrast, internally the SISIP FS financial planning service lacks an ongoing, formal and documented risk management process in place to address the risks of the entire scope of its operations.

Risk Management Process

Risk management consists of identifying the various threats, evaluating the vulnerability of operations to the identified risks, analyzing the probability and consequences of each risk, determining the mitigation measures for each risk, and prioritizing these risk mitigation measures according to a strategic framework. The output of this process, a risk management plan, is an effective tool for presenting the identified risks, their likelihood and, where appropriate, the strategies that will be established to mitigate, transfer or share the risks.

SISIP FS does not have a robust risk management process for its financial planning line of business, or even for the organization as a whole. Risk management is mostly limited to an informal risk identification exercise that records the various high-level risks that affect SISIP FS activities. This annual exercise involves a discussion of risk by the various SISIP FS managers, including a high-level analysis of SWOT. The resulting one-page document covers the SWOT analysis for all SISIP FS activities, although no evidence suggests that this document flows into an ongoing and systemic risk management process.

The lack of a detailed, complete and ongoing risk management process increases the risk that SISIP managers could not proactively manage the inherent and operational risks of the financial planning service. Specifically, in the absence of documented risk mitigation strategies, the associated resource requirements may not be identified or made available, if and when needed.

Recommendation

5. SISIP FS should extend its informal risk management process into a formal i.e., documented, on-going risk management strategy.

OPI: Senior VP Commercial Services

Performance Measurement

SISIP FS financial planning service performance measurement and reporting processes are not comprehensive or formalized.

Performance measurement can be beneficial for organizations and lead to greater efficiency, effectiveness and accountability. Adequate performance measurement is an ongoing process of determining strengths and weaknesses, or target areas for improvement of programs or services being provided.

SISIP FS assesses performance of the workload or output of its financial planning service. Output is considered one of the most common forms of performance reporting, the value for management purposes is limited. Compiling information on the total number of clients and assets under management does not address the quality and efficiency of the service being provided. With workload measures alone, SISIP FS financial planning service fulfills its mandate. However, with regards to providing efficient and quality services in the absence of capacity studies, SISIP FS financial planning service is not able to demonstrate resource maximization. To assess quality, a tool to measure client satisfaction needs to be developed and implemented.

SISIP FS financial planning service's main performance measurement tool is its online database called SAMWEB. This database is used as a tracking system that monitors client-related information. The system does not automatically generate performance reports, so the regional managers, using Excel spreadsheets, create monthly reports. These reports contain client information on, but not limited to, the total number of clients currently using the service, as well as new clients added throughout a period of time. These reports also include the total number of clients that ceased using the service during that same time period. Information about value of new assets under management, as well as about the total value of assets under management, is also included. Results are then compared to the current FY goals and objectives by SISIP FS executives.

Formula errors were identified in the report sample that was requested by the auditors. SISIP FS management acknowledged the presence of errors and explained that a formal request had been made to CFMWS information management/information technology group to assist in fixing this issue. Meanwhile manual corrections are being made to these reports to provide a more accurate picture.

In the absence of adequate performance measurement and reporting processes, there is a risk that SISIP FS financial planning service might not deliver on the desired outcomes, or may not be able to report and compare its performance against those outcomes.

Recommendation

6. SISIP FS financial planning service should implement performance measurement tools, including an automated system that assesses and measures a broad spectrum of key performance indicators, such as those measuring economy, efficiency and effectiveness.

OPI: Senior VP Commercial Services

Management of Laws and Regulations

SISIP FS has put in place reviews, policies and procedures to support its compliance with the laws and regulations governing financial planning services. However, improvements could be made to the management, communication and access to these tools.

The SISIP FS financial planning service has evolved within a highly regulated environment. Financial and government authorities have put into place laws, regulations and service standards to support and oversee the financial planning services market with the aim of protecting client investments, thus mitigating the inherent risks of this industry.

In order to ensure that quality services are provided and that employees comply with the policies and regulations governing the financial planning market, SISIP FS has hired financial planners accredited in “Certified Financial Planning,” and who generally have several years experience. In addition, to ensure compliance with the regulations in effect, the Practice Manager Financial Planning and Insurance carries out compliance reviews under the authority of the Vice-President of Operations and Support Services. A third party, FundEX, is also responsible for auditing the financial planning service’s compliance with the Mutual Fund Dealers Association standards, and the third party’s policies and procedures. It should be noted that this same third party also handles the investments made by SISIP FS clients.

Policies, Procedures and Service Standards

Policies, procedures and service standards applicable to the financial planning service delivery are developed at SISIP FS HQ. Communication of these requirements is done informally via email to the branch offices. All employees involved in service delivery are required to maintain a record (paper or electronic) of all policies, procedures and service standards. To ensure that employees maintain an up-to-date record, the Practice Manager reviews the policy suite during the compliance reviews in selected SISIP FS locations on a yearly basis.

In the highly regulated context in which the SISIP FS financial planning services have evolved, it is important for all financial planners to have up-to-date access to the most recent policies, procedures and service standards. The financial planners could face serious consequences if they use policies that are not up-to-date, as their various certifications and their rights to provide services could be revoked. Such a situation could damage SISIP FS’ corporate identity among its clients and the various organizations that regulate the market.

Recommendation

7. SISIP FS should develop a formal, documented process/tool to manage the internal policies and procedures that are applicable to their financial planning activities.

OPI: Senior VP Commercial Services



Annex A—Management Action Plan

Viability of Financial Planning Services

CRS Recommendation

1. To assess financial viability, SISIP FS financial planning services should undertake the following activities in support of the development of a sound, robust business model:
 - Re-assess their model of generating income from investments, as well as their fee structure.
 - Complete an assessment of their clients' needs, as well as determine and define their market niche and their current and future target clientele.
 - Conduct an assessment of their client capacity in order to determine whether there are sufficient resources available to support clientele and achieve business targets.

Management Action

Agreed.

Completed strategic planning process on December 12, 2013, and one of the key strategies adopted is to take a more holistic and integrated view with respect to the provision of our products and services through our delivery model. Our new strategic plan will ensure the long-term viability of the entire SISIP FS portfolio, which includes both insurance and financial services. Becoming the primary provider of financial advice to members of the CAF community is a key element of our plan.

- We are committed to a revenue strategy based on a more efficient gathering of assets. We will improve productivity so that our representatives can gather more assets by simplifying the process for taking on new clients, simplifying products, and tiering the level of advice and service offered to clients. We will also explore strategies to improve our revenue generated from funds under management.
- We will carry out a market survey to improve our client knowledge, which will aid us in the development of tiered service offerings for different market segments, ensuring that we have sufficient resources to meet demand for service. We will improve our capacity to analyze the research and data that we have available to us.
- We will increase our capacity to handle more clients and gather additional investment assets through a number of measures:
 - a. By requiring many of our licensed insurance advisors to obtain or re-activate their mutual fund licenses, permitting them to sell select investment products to clients. This will create a larger network of financial advisors capable of selling investment products.
 - b. We will create tiered service levels to better match clients' needs with our advisors' capacity. We will create a new role of licensed investment advisors below that of a Certified Financial Planner (CFP). Clients with "basic" financial needs—such as young members just beginning their



career with the CAF who wish to save money to buy their first car—would be well served by a licensed investment advisor and do not necessarily require access to a CFP. Having licensed investment advisors serve clients with more basic needs would free up time of our CFPs (and most expensive resource) to dedicate to clients with more complex financial needs. While improving our productivity, it would also increase our capacity to gather investment assets.

- c. We will stand up a new “virtual” client service centre. This centre will provide extended-hours 1-800 telephone access by clients to licensed investment professionals. This will create more opportunities for us to gather assets. This virtual service centre will also manage our online channels that will provide 24-hour access to financial information, investment product details and opportunities to enrol and invest online. This will increase our asset-gathering ability beyond our existing bricks and mortar infrastructure.
- d. We will add additional financial advisors in locations that have strong market potential or which are currently under-served. These locations include off-base markets where large numbers of released and retired members reside but that are not close to existing on-base SISIP offices, e.g., Toronto, Montreal, Lower Mainland British Columbia, Calgary, etc.

OPI: Senior VP Commercial Services

Target Date: June 2014

Governance and Strategic Direction

CRS Recommendation

2. SISIP FS should review and refine its key governance documents, including policies, procedures and tools, in support of a robust framework. For example, job descriptions should be updated to reflect organization authorities, roles and responsibilities.

Management Action

Agreed.

The new strategic plan includes a new vision, mission, statement of strategic intent, values and core strategies. We have also recently carried out a corporate restructuring to better reflect our organization's priorities and ensure that roles and responsibilities are aligned.

OPI: Senior VP Commercial Services

Target Date: March 2014

CRS Recommendation

3. SISIP FS should establish and define accurate and realistic business objectives that are specific, measurable, attainable, relevant and timely, and these objectives should be established based on a rigorous planning process aligned to the strategic plan.

Management Action

Agreed.

Our strategic plan will include three-year stretch targets.

A corporate dashboard monitoring key annual performance indicators and priority projects has been developed and is in use. This ensures timely monitoring of results and alignment of operations with the strategic plan.

OPI: Senior VP Commercial Services

Target Date: Completed

Annex A

CRS Recommendation

4. SISIP FS financial planning service should communicate its financial and non-financial performance information to key stakeholders through a formal process.

Management Action

Agreed.

Key financial and non-financial performance information is reported to the Director General Morale and Welfare Services and the Chief Financial Officer through quarterly updates of the corporate dashboard.

OPI: Senior VP Commercial Services

Target Date: Completed

Risk Management**CRS Recommendation**

5. SISIP FS should extend its informal risk management process into a formal, i.e., documented, ongoing risk management strategy.

Management Action

Agreed.

Formal risk management document will be developed as a part of the three-year strategic plan.

OPI: Senior VP Commercial Services

Target Date: June 2014

Performance Measurement

CRS Recommendation

6. SISIP FS financial planning service should implement performance measurement tools, including an automated system that assesses and measures a broad spectrum of key performance indicators, such as those measuring economy, efficiency and effectiveness.

Management Action

Agree on the objective but will be unlikely to be able to automate this entire process.

We already have tools which track our key performance indicators, some of which are automated and some which are manually tabulated. We will continue to look for opportunities to automate the tracking of performance indicators. However, due to competing priorities and the complexity of information technology systems involved, we do not think automating the entire process is achievable in the short term. We think our current system is acceptable for now.

OPI: Senior VP Commercial Services

Target Date: Not applicable

Management of Laws and Regulations

CRS Recommendation

7. SISIP FS should develop a formal, documented process/tool to manage the internal policies and procedures that are applicable to their financial planning activities.

Management Action

Agreed.

SISIP FS stores and maintains Financial Planning Standard Operating Procedures in Outlook public folders, which can be accessed by SISIP advisors. The Mutual Fund Dealers Association is the national regulatory body that specifies all requirements and procedures concerning the activities of SISIP financial planners. All of those requirements and procedures are accessed by financial advisors at <http://mfda.ca/regulation/policies.html>.

OPI: Senior VP Commercial Services

Target Date: Completed

Annex B—Audit Criteria

Objective

1. Determine whether a comprehensive and effective SISIP FS governance structure is in place to support its financial planning service.

Criteria

- SISIP FS financial planning service has achievable goals, objectives and priorities that support the overall SISIP FS and CFMWS goals, objectives and priorities.
 - SISIP FS organizational structure effectively supports its financial planning service goals and objectives.
 - SISIP FS resource management is adequate in regards to its financial planning service.
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Objective

2. Determine whether identifiable risks are recognized, understood, quantified and appropriately managed.

Criteria

- SISIP FS has determined whether identifiable risks are recognized and understood, and that appropriate responses have been developed.
 - SISIP FS has determined whether proper measures were taken with regard to physical protection of client information.
 - SISIP FS has determined whether a comprehensive Business Continuity Planning has been developed, is in place, and has been tested.
-

Objective

3. Ensure that SISIP FS has policies and procedures in place that are up-to-date, and follow regulations and best practices.

Criteria

- SISIP FS financial planning service operations are in compliance with regulations and best practices.
 - SISIP FS financial planning service policies and procedures are up-to-date, reasonable, and understood.
-

Annex B

Objective

4. Ensure that SISIP FS financial planning service has appropriate performance measurement tools and procedures in place to provide management with timely, accurate, and relevant information.

Criteria

- SISIP FS financial planning service's overall performance is measured.
 - SISIP FS financial planning service's performance is measured by position, and assesses the relevance and reasonableness of the measures.
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Objective

5. Determine if SISIP FS financial planning service provides appropriate customer services at a competitive cost.

Criteria

- SISIP FS financial planning service delivers on its mandate and assesses the quality of processes used to deliver its services.
- SISIP FS financial planning service fees cover costs and are competitive with the market.