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Audit of the Governance, Oversight, and Management of Local (Base/Wing/Unit) Non-Public Property

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Canada 

Caveat

Non-Public Property (NPP), including Non-Public Funds (NPF), 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 families or for any other purpose designated by the Chief of the Defence Staff (CDS). Each unit's NPP 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 has authority to make regulations with respect to liability and restitution for loss of or damages to NPP. The Minister also has authority to ensure good governance and to ensure that NPP is being used as intended.

Article 38(1) of the *National Defence Act* provides that the *Financial Administration Act* does not apply to NPP. Revenues from NPP operations are retained as NPF.



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Acronyms and Abbreviations

CAF	Canadian Armed Forces
CDS	Chief of the Defence Staff
CF	Canadian Forces
CFMWS	Canadian Forces Morale and Welfare Services
CFPSA	Canadian Forces Personnel Support Agency
CNA	Community Needs Assessment
CRS	Chief Review Services
DGMWS	Director General Morale and Welfare Services
MFRC	Military Family Resource Centre
NPF	Non-Public Funds
NPP	Non-Public Property
PSP	Personnel Support Program
SIA	Special Interest Activity
VP	Vice President



Results in Brief

An audit of the Governance, Oversight, and Management of Local (Base/Wing/Unit) Non-Public Property was conducted. This took place in accordance with the Chief Review Services (CRS) Audit Work Plan (NPP and Military and Family Support, and Staff of the NPP Employees) for fiscal years 2011/12 and 2012/13.

The purpose of this audit was to provide assurance to the CDS on several aspects of the effectiveness and adequacy of local base/wing/unit funds. These include their governance, oversight mechanisms, risk management strategies and practices, and the reporting relationships between local stakeholders and central policy holders.

In 2008, the Internal Audit and Review Division of the Canadian Forces Personnel Support Agency (CFPSA)¹ conducted a systemic review of base/wing funds—Governance and Internal Controls. At that time the broad range of governance structures and varying levels of oversight were both noted. It was expected that these resulted from the difference in size, location, and operations of each base/wing and individual management styles. A recurring theme is that the effectiveness of internal controls tends to depend on individuals rather than being embedded into oversight mechanisms. A strengthened control framework, including a revision of policies and directives for the governance of base/wing funds is still required.

Overall Assessment

Base/wing fund committees have been established at all locations. However, no standard governance framework is in place to ensure an appropriate baseline advisory and challenge function to govern and manage base/wing funds.

Findings and Recommendations

Governance. Adequate governance and stewardship cannot be assured due to the lack of a robust governance framework. Related policies and guidance documentation are outdated and insufficient, and compliance with policies was limited. The absence of a prescribed framework or minimum standard for base/wing fund governance increases the risk of inconsistent stewardship of base/wing funds (i.e., the risk of inappropriate business decisions and ineffective funding allocations). This could diminish the value of NPP programming for the military community.

It is recommended that CFMWS update the governing documents for base/wing funds. This should include updating the Canadian Forces (CF) Personnel Support Program (PSP) Policy Manual, communicating requirements to commanders, and taking follow-up action when standards are not met.

Understanding of NPP Roles and Responsibilities. The lack of NPP awareness at the CAF's senior management levels weakens the oversight function. NPP awareness and knowledge need to be improved through additions to the CAF and NPP training systems. This report focused on what the CFMWS organization can do at the tactical level. A

¹ CFPSA has been renamed Canadian Forces Morale and Welfare Services (CFMWS).

strategic CAF-wide view will be presented in the Follow-up Audit of NPP Governance, Strategic Management and Business Planning.² The NPP certification course provides the overarching NPP awareness, but needs to be revised and augmented to address multiple level needs.

This audit recommends that CFMWS facilitate the delivery by base/wing PSP and NPP finance personnel of orientation/education materials for NPP managers by developing the following items:

- a strengthened NPP certification course to raise the level of NPP awareness and knowledge;
- a reference guide or augmented aide-mémoire; and
- a standard training package.

NPP Accounting Manager Function. The lack of engagement of local and regional NPP accounting managers as analysts and advisors to the chain of command reduces the informed input and analysis into base/wing fund expenditures. This significantly increases the likelihood of inappropriate or unsound use of NPF and/or reductions or elimination of NPP programs and services.

It is recommended that Director General Morale and Welfare Services (DGMWS) ensure standardization of the level of support and services provided by NPP accounting managers and regional accounting managers. DGMWS should also ensure that NPP accounting managers are included in all significant NPP program or activity planning and oversight at the base/wing level.

Management Processes and Controls. The lack of consistent and cyclical business and strategic planning processes does not provide assurance that the needs of the CAF community are appropriately and accountably met, in both the short and long term. NPP business planning is not streamlined for effective upward and downward co-ordination of planning and reporting. There is also a lack of formalized risk management processes to identify, quantify, and appropriately manage the risks associated with PSP-managed operations at the base/wing level. These gaps could leave PSP operations vulnerable to financial, reputational, and physical risks.

It is recommended that CFMWS/Senior Vice President (VP) PSP ensure that stronger risk assessment, improved performance measurements, and a clarification of the approval process should be incorporated into the existing PSP business planning framework.

Community Needs Assessment (CNA). Base/wing PSP staff must administer CNAs for recreation annually and share the results with CFMWS Headquarters staff. However, national-level analyses and syntheses of data are not completed, so an overall understanding of the CAF community recreational needs—from a strategic perspective—is not developed. This lack of national-level data analysis and consolidation means that

² This audit, which is a follow-up to a CRS Audit report of September 2012, is due to be presented to the NPP Audit Committee in April 2015.

national PSP staff have no means of identifying, and, subsequently, addressing systemic issues, risks, and needs.

It is recommended that DGMWS direct a collaborative CNA be developed to do the following:

- ensure internal feedback;
- mitigate the risk of a misalignment of resources;
- eliminate the duplication of services; and
- ensure that unmet military community needs are addressed.³

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

³ After the end of the conduct phase for this audit, CFMWS started work in this area, and this will be reported in a subsequent Audit of NPP Recreation.

1.0 Introduction

A full audit, rather than a follow-up, was deemed appropriate for the 2008 CFPSA, Systemic Review of Base/Wing Funds—Governance and Internal Controls. This was so since CFMWS and the CAF had undergone considerable transformation in the past six years.

Commanding officers are entrusted by the CDS with NPP, including NPF, in support of morale and welfare programs. These programs are for CAF members, former members and their families, and the beneficiaries of NPP, as stated in the *National Defence Act*.⁴ As reported to the NPP Audit Committee by DGMWS in September 2013, combined local base/wing/unit funds total approximately \$81 million in net worth.

1.1 Background

Base, Wing, and Unit Funds

The policy and procedures for the establishment and operation of base funds was first prescribed by Canadian Forces Administrative Order 27–6 of February 1986. This has been superseded, first, by Defence Administrative Order and Directive 5045–0, and finally, by the CDS Governance of NPP dated December 2012 and the CF PSP Policy Manual of January 2014. Base/wing/unit fund committees have been established at every base/wing and unit, as part of the overall NPP accountability framework. These committees provide the oversight and structure for operating a wide variety of local NPP morale and welfare programs and activities. Administration of the base/wing/unit fund is the responsibility of the base/wing commander. A base/wing fund committee is established to advise and assist base/wing commanders with the management and supervision of the NPP assets and programs.

Income for base/wing funds is derived from various sources, including revenue from the NPP funding distribution; consolidated bank account interest, grants, and allowances; assessments against individuals participating in or attending base/wing/unit activities; and any other NPF revenue received by the base, wing, or unit. A base/wing commander may also direct the transfer of up to seven percent of gross bar sales to the base/wing fund from any mess or facility bar operation for which they are responsible.

Base and Wing Fund Committees and Sub-committees

Base/wing commanders exercise their NPP responsibilities through base/wing fund committees, including any existing sub-committees. The committees represent the basic building blocks of NPP governance at the local level and support base/wing commanders' fulfillment of their statutory duty for NPP. The committees are also considered an advisory body to the base/wing commander. There are no requirements for committees to vote on any issue—although many base/wing commanders call for a vote from their members on specific matters to measure actual levels of support.

⁴ CDS Guidance to Commanding Officers (undated).

The base/wing fund committee should, in accordance with the CF PSP Policy Manual, consist of a chairperson, a secretary, a member to represent the head of each branch, and the commanding officer of each unit (including lodger and assigned units). The base/wing commander may appoint other members to suit local requirements, and depending on the location, there may be up to thirty regular members. The PSP Manager, NPF Accounting Manager, the Canadian Forces Exchange Service (commonly known as CANEX) Manager and the Service Income Security Insurance Plan Financial Services Branch Manager should also serve on the committee in an ex-officio capacity. Although the frequency of meetings is not specified in the CDS Governance of NPP, December 2012, earlier guidance documents required committees to meet not less than quarterly and to be chaired by the base/wing commander or their representative.

Unit Funds

Many bases/wings have lodger, satellite, or integral units commanded by a unit commanding officer. The base/wing commander disburses a portion of the base/wing fund for these units' morale and welfare activities. The disbursement is usually made on a per capita basis, such as to allocate a specific number of dollars per military member annually. The amount is generally set during a base/wing fund meeting and included in the annual budget. The unit may receive other revenue, such as contributions from local kit shops, canteens, and messes, and public fund grants and allowances. The unit commanding officer is entrusted with NPF for his/her staff, and establishes a unit fund committee to advise and assist with managing and supervising those funds. The unit fund operates as a "mini" base/wing fund, with a committee following the general parameters of a base/wing fund. The main differences are that the budget is smaller and the number of personnel it serves is also smaller. Also, for the majority of the units observed during this audit, there was less experience in dealing with the NPF rules and regulations.

Base and Wing Fund Clubs and Activities

Most municipalities where CAF members and their families are located throughout Canada have pools, ice rinks, parks, and sports fields available for their community. Similarly, these facilities are usually available on bases/wings with programs, activities, and/or recreation clubs provided through PSP. Municipalities may also have other services, such as campgrounds, marinas, curling rinks, and golf courses—as do some bases/wings, where these are known as special interest activities (SIA) and are governed by the SIA Policy issued in June 2012.

Base/wing commanders may authorize the establishment of any club or SIA that will contribute to operational readiness and/or the morale and welfare of the military and their families, and be financially viable. These clubs and SIAs are established and administered according to policies prescribed by CFMWS and the CDS, and they operate under the authority of base/wing commanders who exercise control through the base/wing fund committees.

Constitution and By-Laws

Base/wing commanders must ensure that robust local NPP governance structures are established and supported with their respective policies and procedures, including in the constitutions and terms of reference. Base/wing fund activities may be administered by the local PSP manager and their staff, with input from the respective base/wing fund committee. However, base/wing fund clubs and SIAs shall each have their own constitution and by-laws, which are approved by the current base/wing commander.

1.2 Objectives

The intent of this audit is to provide assurance to the CDS on the robustness of local base/wing/unit fund governance, oversight mechanisms, risk management strategies and practices, and the reporting relationships between local stakeholders and central policy holders.

1.3 Scope

The audit spanned the period of August 2012 to March 2014⁵ and focused on a review of base/wing/unit fund governance frameworks. The audit included an assessment of the following:

- policies and procedures;
- oversight bodies' role, responsibilities, and mandates;
- strategic and business planning;
- risk and performance management;
- communication and reporting relationships; and
- training and knowledge management.

1.4 Methodology

The methodology for this audit study employed the following elements:

- undertook preliminary background research, including a review of publications on governance frameworks, applicable processes, legislation, policies, and procedures;
- undertook review and analysis of CAF and CFMWS policies and procedures on governance;
- undertook preliminary phase meetings with the key CFMWS stakeholders, including Chief PSP (now Senior VP PSP), Director PSP Operations and national PSP managers;
- reviewed and assessed past audits on base fund governance;
- reviewed and assessed documentation on local base/wing/unit funds governance;
- reviewed and assessed local base/wing/unit strategic and business planning processes, budget allocation, and risk and performance management;

⁵ During the conduct phase, this project was put on hold for an extended period of time, thereby lengthening the period under audit.

- conducted environmental scans of local base/wing/unit funds governance framework;
- conducted in-briefings and interviews with the key CFMWS stakeholders and local base/wing/unit stakeholders;
- conducted follow-up interviews, gathering additional information, performing analyses, and recording observations;
- prepared summary of observations and associated summary sheets; and
- debriefed CFMWS stakeholders.



2.0 Findings and Recommendations

2.1 Governance

Without a standard for base/wing fund governance, there is a risk of inappropriate business decisions and ineffective allocation of funding.

A two-tiered framework was in place to manage and oversee the base/wing fund at each of the locations visited. Although the names differed by location, essentially the first tier was a working group (sometimes called the management committee), and the second tier (often referred to as the Board) was the base/wing fund committee. Some frameworks were more developed and formal than others, although the committee fundamentals—i.e., the roles, leadership, composition, participation level for quorums, and numbers of meetings—varied significantly, with no two locations applying the same approach. Further, based on documentation collected during the preliminary phase of the audit, constitutions and other governing documents at many locations were not up to date and therefore were non-compliant with the CF PSP Policy Manual.

Key Risk

Governance and stewardship are challenged by the following:

- varied frameworks
- outdated constitutions
- infrequent meetings.

2.1.1 Framework

The absence of a prescribed framework or minimum standard for base/wing fund governance increases the risk of inconsistent stewardship of base/wing funds. Specifically, there is increased risk of inappropriate business decisions and ineffective allocation of funding diminishing the value of NPP programming for the military community.

The two-tiered governance framework that the audit team observed, while not consistent in format or design across the system, provides benefits. Of primary advantage is the opportunity, after the working group meeting, to clarify or request additional information required for the decision-making process at the Board-level base/wing fund committee meeting. Further, these working group meetings afford an atmosphere more conducive to open debate and discussion.

Conversely, under a two-tiered framework, ideas are brought forward at the working group meetings. Since some units do not have representation at both levels, there is a risk that some Board members would not be able to raise the needs and wants of those they represent. Further, as observed at two locations, decisions were made at the working group meeting, and the Board meeting was merely an information session. This structure denies Board members the opportunity for input and oversight.

2.1.2 Base/Wing Oversight of NPP Operation—Frequency of Meetings

None of the base/wing fund committees met four times per year, the minimum prescribed in the CF PSP Policy Manual. Senior PSP management has attributed this to time constraints caused by higher operational priorities. Furthermore, the varied levels of

completeness of the resultant meeting minutes or records of decision made it difficult, if not impossible, to comment on the quality of the meetings. We are, therefore, unable to provide assurance that when meetings do occur, they provide an effective oversight mechanism. For example, some minutes included or referenced documents to support sound financial or business decision-making, including business plans and budgets. Other meeting minutes, however, led the auditors to conclude that these meetings were information sessions, rather than opportunities for the members to exercise their governance function.

Base/wing fund meetings are the only formalized assembly of the committee members for oversight and management of objectives, strategies, and results of base/wing fund activities. These meetings are also responsible for budget approval, budget oversight and revisions, planning of base/wing activities, reacting to unexpected issues, and responding to community needs. Insufficient meetings may also represent a significant risk to base/wing service providers' ability to remain relevant and responsive to community needs, and ensure appropriate use of NPF. For some base/wing commanders, their base/wing fund represents a significant budget.

2.1.3 Constitutions—Governing Document

The constitution is the governing document for the base/wing fund, and, to be current, it should be reviewed, amended, and signed at each change of command. Otherwise, it may not represent the current reality of the base/wing fund structure and framework, or how business is or should be conducted. Constitutions from 24 base/wings were reviewed, and more than one third were not current.

Fundamentals should be consistent in all constitutions. The quorum requirement, as stated in the constitutions reviewed, varied from 20 to 66 percent of the members needing to be present. Less than half of the constitutions included terms of reference for the members of the base/wing fund committee. Although more than half of the constitutions stated that meetings would be held four times per year, in accordance with the policy manual, none of the base/wing fund committees met that often. Constitutions and the information and decisions resulting from meetings are generally not communicated to those affected—the beneficiaries.

CRS Recommendation

1. To strengthen base/wing governance practices and ensure that expected advisory and challenge functions are in place, minimum standards—including clear terms of reference and a communication of decisions—should be integrated into overarching policy documents, including the CF PSP Policy Manual. Standards should be communicated to staff and follow-up action taken when appropriate.

OPI: CFMWS/Senior VP PSP

2.2 Understanding of NPP Roles and Responsibilities

Chain of command education is lacking with regard to appropriate use of NPP. This includes an understanding of the NPP delegation of authorities matrix, NPP-specific accounting, events, and activity policies, thus reducing the effectiveness of these control elements.

2.2.1 Military Training and Reporting Relationships

During site visits, the audit study observed, at all levels of the chain of command, a lack of education and previous exposure to NPP concepts and its framework. This was particularly evident within the leadership and comptrollership functions, and was consistently identified as a major concern. Comptrollers are mandated to be the advisors to the Command with respect to all financial aspects of the base/wing, both in terms of public and non-public funds. Despite this, some comptrollers have been unable to provide informed guidance about NPP activities at the base/wing level. This results in a lack of independent specialist oversight of NPP activities and, often, divestment of comptrollership responsibility for that function.

Chain-of-command education is lacking with regard to appropriate use of NPP—i.e., the NPP accounting policies, the NPP delegation of authorities matrix, and a clear understanding of what public support can be provided to NPP programming.⁶ This knowledge gap elevates the potential for inappropriate use of NPP and may place base/wing and unit funds at significant risk of exposure to loss and, therefore, to reductions in or elimination of NPP programs or services due to the lack of said funds.

In 2011, the CDS tasked DGMWS to develop a broad training plan to ensure that commanders and staff are appropriately prepared to assume their NPP responsibilities. To date, as outlined in the NPP Education Strategy (June 2012), DGMWS has provided a number of resources. This includes the orientation for new base/wing commanders and base/wing chiefs; a CFMWS video for the non-commissioned members and officer recruit training; an NPP staff member to brief newly-recruited military members and answer questions; a presentation for the senior non-commissioned members' leadership course; and some NPP training for the CAF Logistics Training Centre. Since there is limited training time available for CAF members, and as it will take time for the present education to be useful, the interview responses from the military in the field indicate that more NPP training is required.

CFMWS has worked with the Canadian Defence Academy and the three environmental chiefs during the past Officer General Specifications and Non-Commissioned Members General Specifications Review Boards. For non-commissioned members, NPP training was only identified for their first developmental period. For officers, training was only identified for Developmental Periods 1 and 2 and not for Period 3, which is the critical

⁶ A-PS-110/AG-002 Volume 1: Public Support for Morale and Welfare and Non-Public Property Programs and Activities and A-FN-105-001/AG-001: Policy and Procedures for Non-Public Property Accounting.

period when majors and lieutenant colonels are appointed to command positions. It was determined that the remaining developmental periods would rely on NPP learning through experience. A strategic assessment of CAF-wide NPP awareness and training initiatives—that is, those beyond the authority and control of CFMWS—will be included in the CRS Follow-Up Audit of NPP Governance, Strategic Management, and Business Planning. The latter is currently ongoing.

2.2.2 NPP Certification Courses

DGMWS has provided two NPP certification courses (updated in 2013) that are required for all staff of the NPP and CAF personnel with delegated financial responsibility for NPP. The first, *The Fundamentals of Non-Public Property*, provides the overarching NPP awareness upon which delegated signing authority from the Managing Director NPP (DGMWS) will be granted to Base/Wing/Unit Commanders who have responsibility for NPP. The second certification course, *The NPP Financial Delegated Authorities and Contracting course*, is a direct extract of the *Fundamentals of Non-Public Property* course. It provides individuals with the essential knowledge to discharge their NPP signing authority without delving into the fundamentals that senior NPP decision makers require. Recertification is required after three years, which is a strong internal control, and is facilitated by automatic notice from the e-Course application. There is an aide-mémoire for NPP, but most of those interviewed were either unaware of it or dissatisfied with it as a reference. For financial signing authorities related to small social funds held as trust accounts or small operations, the requirement to complete this course may be waived by the CFMWS/Director of Accounting, based on a risk assessment.

While the certification concept is solid and consistent with public governance and management practices, it was repeatedly noted during site visits that the process adds limited value for those required to undergo the training. While this certification is positively received by base/wing commanders, it is not as well received by the rank and file. The current certifications are widely considered by those interviewed to be at too high a level (i.e., more theoretical and strategic than operational) for majors and lieutenant colonels appointed to their first command positions, for those managing small unit canteens or kit shops, or for recreational club volunteers. The certification is often the initial exposure to NPP governance for the chain of command (especially for first-time unit commanders). It has not resulted in the breadth and depth of knowledge and understanding required to provide the necessary oversight and management of NPP-for their respective delegations. All the unit commanders interviewed expressed the need for an updated aide-mémoire or a supplemental document to facilitate quick reference.

This broad lack of full understanding of the regulation of, and limitations on, the use for NPP represents a significant risk given the combined \$81 million net worth held by bases/wings/units across Canada. Inadequate training for all staff tasked with NPP responsibility will perpetuate the risk of NPP misuse and, potentially, severely jeopardize the delivery of base/wing/unit morale and welfare programs.

CRS Recommendation

2. To strengthen NPP awareness programs and initiatives under the authority of the CFMWS organization, it is recommended that the following actions:

a) Augment and revise the NPP certification course and the aide-mémoire/reference guide to strengthen the level of NPP awareness and knowledge and, in particular, to address multiple-level needs; and

b) Develop a standard training package to assist base/wing PSP and NPF finance personnel in delivering an orientation/education session to those involved with NPP.

OPI: DGMWS

2.3 NPP Accounting Manager Function

The lack of engagement of local and regional NPP accounting managers as analysts and advisors to the chain of command reduces the informed input and analysis into base/wing fund expenditures.

The Finance Division is a support division within CFMWS based out of Ottawa, with staff embedded at each base/wing to provide support and financial oversight to local NPP operations. When morale and welfare events and activities that use NPF are being planned, executed, or managed, personnel from the Finance Division should be engaged from the outset to permit them to exercise their financial oversight functions.

A significant variance was noted in the levels of support to base/wing funds from the local NPP accounting managers. Some NPP accounting managers, having both the capability and willingness, provided more analysis and support to the base/wing committee than at some other locations. Given an identified gap in knowledge within the chain of command and, specifically, in the comptrollership function, an opportunity exists for the local and regional accounting managers to take on a greater advisory role to the chain of command as NPF subject matter experts. Resource capabilities and availability may be contributing to the gap. Work is ongoing by the CFMWS Chief Financial Officer and staff to address both the qualifications of and responsibilities for NPP accounting managers. However, no strategy (or funding) is currently in place to address these issues. Collaboration with NPF Human Resources will ensure the NPP accounting manager positions have undergone a job evaluation and that job descriptions are up to date.

There was also considerable variance in the role given to the accounting managers for the base/wing funds. Although the CDS governance document of December 2012 states that the NPP accounting managers should be ex-officio members of the base/wing fund committee, some locations exclude them or minimize their participation and, therefore, do not benefit from their expertise, support, and guidance.

The lack of engagement of local and regional NPP accounting managers as analysts and advisors to the chain of command reduces the informed input and analysis into base/wing fund expenditures. This significantly increases the likelihood of inappropriate or unsound use of NPF and/or reductions or elimination of NPP programs and services.

CRS Recommendation

3. It is recommended that the following occur:

a) Action be taken to standardize the level of support and services provided by NPP accounting managers and regional accounting managers; and

b) The inclusion of NPP accounting managers in all significant NPP program or activity planning and oversight at base/wing level should be stipulated in the CF PSP Policy Manual.

OPI: DGMWS

2.4 Management Processes and Controls

Inconsistencies exist between bases/wings regarding strategic and business planning for base/wing funds activities, and there is a lack of risk management or performance measures in place.

2.4.1 Strategic and Business Planning Process

Throughout the course of the audit's data collection phase, the audit team noted significant inconsistencies with respect to NPP business and strategic planning practices employed by base/wing funds. All PSP managers are required to prepare and submit an annual business and strategic plan for their base/wing fund to the national PSP manager for review and approval. The quality and consistency of the submissions were wide ranging. CFMWS provided templates to be used, but most of the base/wing PSP managers interviewed felt these did not represent local realities or did not apply to their location, resulting in submissions of varying quality and consistency. Further challenging governance and oversight is the fact that only the base/wing fund is under the authority of the base/wing commander. Local PSP managers and their staff are responsive, i.e., they provide a service to the base/wing commander, although PSP managers are under the authority of the national PSP manager.

NPP business planning is not streamlined for effective upward and downward coordination of planning and reporting. Once the business and strategic planning were reviewed and approved by the national PSP manager, there was no amalgamation of the information to facilitate future planning and training of NPF employees. Further, in the absence of a formalized review process for base/wing-level NPP business plans, local changes could be made subsequent to the national PSP manager's review and approval without that office having visibility of the changes. Thus, national-level staff are unable



to plan at the national level or respond to emerging trends and issues identified in local base/wing submissions.

The lack of consistent and cyclical NPP business and strategic planning processes could result in a failure to appropriately and accountably meet the short- and long-term needs of the CAF community. There is an additional risk that resources will be misallocated due to a lack of rigorous planning.

CFMWS has issued an SIA Policy and a Morale and Welfare Event Guide to mitigate risks. However, no formalized risk management process currently identifies, quantifies and appropriately manages the risks associated with PSP-managed operations at the base/wing level, which leaves PSP operations vulnerable to financial, reputational, and physical risks. Performance measures have not been incorporated into the planning and reporting of programs and activities, which could lead to programs and services being offered that are severely underperforming.

CRS Recommendation

4. It is recommended that stronger risk assessment, improved performance measurements, and a clarification of the approval process be incorporated into the existing business PSP planning framework.

OPI: DGMWS

2.5 Internal and External Environment

Reliable and representational feedback is required by the base/wing fund committee in order to make informed decisions on local PSP programming and activities.

2.5.1 Internal Environment—CNA

Military Family Resource Centres (MFRC) are required, as a condition of their Military Family Services Program funding, to conduct a CNA every three years. Despite serving the same community, there is seldom collaboration between MFRCs and PSP.

Base/wing PSP staff are required to administer CNAs for recreation annually and share the results with CFMWS Headquarters staff; however, no national level analysis and synthesis of that data has been done. Therefore, the PSP national office has been unable to develop a clear overall perspective or understanding of CAF community recreational needs. Due to this lack of national level data consolidation and analysis, CFMWS PSP national staff had no means of identifying and, subsequently, addressing developing systemic issues, risks, and needs.

Significant inconsistencies were identified with respect to the conduct of CNAs at the base/wing level. CFMWS PSP program managers have developed and disseminated a

CNA template; however, no tool currently assists local-level PSP staff either in administering the survey or in completing the analysis of assessment data. Many local PSP staff do not possess the experience or expertise to analyze the data collected through a CNA. As a result, base/wing fund committees may rely on assumptions to make decisions rather than base them on analyzed data and demonstrated community needs. This raises the risk that base/wing funds may be expended on low-value initiatives that do not meet any community need.

A CNA for both MFRC and PSP is under collaborative development by both units, and remains a work in progress. Testing of the new format began at Canadian Forces Bases Kingston and Wainwright in November 2014. PSP and the Military Family Services have completed the revision of the existing CNA Toolkit to incorporate and coordinate PSP CNA requirements, activities, reporting, and analysis. The inventory of CNA questions has been expanded to include recreation/PSP-specific topics, collaborative (MFRC and PSP) data analysis, and community services planning and delivery.

2.5.2 External Environment

Although most of the PSP managers and recreation directors interviewed stated that they liaise with adjacent municipalities and community organizations for partnering activities, etc., no formal analysis of the external environment has been completed. Without assessing the external environment at each base/wing, there is a risk of duplicating services. Documentation of each base/wing assessment, liaison, and partnership activities may be beneficial for lessons learned, best practices, and national-level analysis. The opportunity for community partnerships, leveraging of local activities, and maximizing program offerings will be covered in more detail in the upcoming CRS Audit of Recreation Policies and Programming Framework.

CRS Recommendation

5. It is recommended that CFMWS do the following:

- a) Ensure that CNAs are developed collaboratively with national and local relevance and usefulness as a planning and reporting tool; and
- b) Ensure that all bases/wings are required to share the analyzed results and raw data collected through local CNAs with PSP national staff for national-level analysis and future program and policy development.

OPI: DGMWS

3.0 Conclusion

Assurance cannot be provided to the CDS that there is a system-wide, sufficiently robust framework for locally-controlled NPF funds. Governance and oversight mechanisms, risk management strategies and practices, and reporting mechanisms at the base/wing level need to be reviewed, strengthened, and regularized in policy. Doing so will ensure that a framework supports sound business decisions, thus ensuring the efficient, effective and appropriate use of NPF.

The audit team observed that no standard framework is in place to ensure an appropriate baseline advisory and challenge function to govern and manage the base/wing funds. There is a broad range of governance structures and varying levels of oversight. Internal controls were observed to be dependent on the individuals involved, rather than being built into the structure in place. A standard framework and a refinement of policies and directives for the governance of base/wing funds are still needed.

All of the bases/wings that were observed have established a base/wing fund committee. Although some of the committees were more effective than others, generally they perform their advisory function for their base/wing commander in the operations of their base/wing fund.

Many positive steps have been taken in the past few years to improve the knowledge and understanding of NPP. CFMWS has issued a number of policies and guides to facilitate base/wing funds' mitigating risks, including the Special Interest Policy, the Morale and Welfare Event Guide, and the Museum Guide. One of the most successful has been the Orientation for new base/wing commanders and the base/wing chiefs. Positive feedback from senior CAF leadership, who have stated that this training was essential, has reinforced the necessity of similar initiatives.

Annex A—Management Action Plan

Governance Framework

CRS Recommendation

1. To strengthen base/wing governance practices and ensure that expected advisory and challenge functions are in place, minimum standards—including clear terms of reference and a communication of decisions—should be integrated into overarching policy documents, including the CF PSP Policy Manual. Standards should be communicated to staff and follow-up action taken when appropriate.

Management Action

Agree. DGMWS will update the PSP Policy Manual to ensure it accords with the CDS Guidance on NPP.

OPI: DGMWS/Senior VP PSP

Target Date: March 2015

The NPP Certification Course

CRS Recommendation

2. To strengthen NPP awareness programs and initiatives under the authority of the CFMWS organization, it is recommended that the following actions be taken:

a) Augment and revise the NPP certification course and the aide-mémoire/reference guide to strengthen the level of NPP awareness and knowledge and, in particular, to address multiple-level needs; and

b) Develop a standard training package to assist base/wing PSP and NPF finance personnel in delivering an orientation/education session to those involved with NPP.

Management Action

Partially Agree. CFMWS will continue to revise and develop the NPP certification courses via annual reviews. As well, CFMWS will continue to provide education and training through various forums (e.g., the Base Commanders Forum and Command Team courses).

OPI: CFMWS

Target Date: March 2016

In addition, the PSP Policy Manual will be updated to require that all base/wing fund committee members have access to the Fundamentals of NPP course material prior to participation. Efforts will also continue to be dedicated to developing orientation/education sessions and guides that reflect available resources.

OPI: CFMWS/Senior VP PSP

Target Date: March 2016

NPP Accounting Manager Oversight

CRS Recommendation

3. It is recommended that the following occur:

a) Action be taken to standardize the level of support and services provided by NPP accounting managers and regional accounting managers; and

b) The inclusion of NPP accounting managers in all significant NPP program or activity planning and oversight at base/wing level should be stipulated in the CF PSP Policy Manual.

Management Action

a) Agree. CFMWS will dedicate efforts and resources to developing standardized reports with appropriate commentary to support decision making.

OPI: CFMWS/Chief Financial Officer

Target Date: September 2015

b) Agree. CFMWS will update the PSP Policy Manual with language that reinforces the areas of inclusion for NPP accounting managers in program and activity planning.

OPI: CFMWS/Senior VP PSP

Target Date: March 2015

Strategic and Business Planning

CRS Recommendation

4. It is recommended that stronger risk assessment, improved performance measurements, and a clarification of the approval process be incorporated into the existing business planning framework.

Management Action

Agree. The business planning framework will be expanded as outlined. The national PSP manager and the national business manager review the base/wing NPP business plan submissions, and the local base/wing commander approves them. This process has been communicated throughout the PSP chain of command.

OPI: CFMWS/Senior VP PSP

Target Date: March 2016

Internal Environment

CRS Recommendation

5. It is recommended that CFMWS do the following:
 - a) Ensure that CNAs are developed collaboratively with national and local relevance and usefulness as a planning and reporting tool; and
 - b) Ensure that all bases/wings are required to share the analyzed results and raw data collected through local CNAs with PSP national staff for national-level analysis and future program and policy development.

Management Action

- a) Agree. Completed.
- b) Agree. CFMWS will roll out the coordinated PSP/MFRC CNAs (and distribute the revised CNA Toolkit).

OPI: CFMWS/Senior VP PSP

Target Date: March 2016



Annex B—Audit Criteria

Objective

1. Identify and determine if effective oversight bodies have been established.

Criteria

- Local base/wing/unit funds have been established.
 - Local base/wing/unit members possess sufficient knowledge, experience, and time to exercise a meaningful oversight function.
 - Local base/wing/unit oversight bodies meet regularly and receive key information to allow for effective monitoring of objectives, strategies, and results.
-

Objective

2. Validate and verify if the oversight bodies have a clearly communicated mandate that includes roles with respect to governance, risk management, and control.

Criteria

Local base/wing/unit mandates exist and are documented and clearly communicate the following for each oversight body:

- purpose and composition;
 - frequency of meetings and core agenda items;
 - roles and responsibilities, including their roles related to the following:
 - management and financial reporting;
 - compliance with policies and regulations; and
 - oversight of the risk management and internal control frameworks
 - authority.
-

Objective

3. Determine if local base/wing/unit has clearly defined and communicated strategic directions and strategic objectives that are aligned with their mandate.

Criteria

- Local base/wing/unit strategic direction and objectives are established and revisited through formal strategic planning activities.
 - CFMWS (National PSP) and local base/wing/unit key functions have all been involved in establishing local base/wing/unit strategic objectives.
-

Objective

4. Determine if local base/wing/unit has in place operational plans and objectives aimed at achieving its strategic objectives.

Criteria

- Local base/wing/unit operating objectives and priorities exist for all key activities and are documented and linked to strategic objectives and priorities.
 - Local base/wing/unit objectives are effectively communicated.
 - Local base/wing/unit operating objectives are reviewed from time to time for continued relevance.
-

Objective

5. Validate and verify if external and internal environments are monitored to obtain information that may signal a need to re-evaluate CFMWS (National PSP) and local base/wing/unit objectives, policies, and/or control environment.

Criteria

- Periodic environmental scans (i.e., surveys, opinion polls, demographic research, and analyses) are conducted internally and externally on local base/wing/unit.
 - Local base/wing/unit environmental scan results are formally monitored and considered by management for changes to objectives, policies, or controls.
 - Local base/wing/unit monitors actual performance against planned results and course is adjusted as needed.
-

Objective

6. Determine if the oversight body (or bodies) request and receive sufficient, complete, timely, and accurate information.

Criteria

- Ongoing, transparent, and open communication between the oversight body (or bodies), local base/wing/unit management, and CFMWS (National PSP).
 - CFMWS (National PSP) and local base/wing/unit strategic direction and objectives are established and revisited through formal strategic planning activities.
 - CFMWS and local base/wing/unit have established a process to inform them and the oversight body (or bodies) of significant issues, including litigation, investigations, misuse of assets, illegal payments, fraud, significant control weaknesses, etc.
-

- Local base/wing/unit financial and non-financial information is provided to members of the oversight body (or bodies) in advance of scheduled meetings to permit sufficient time to review and arrive prepared for meetings, including the following:
 - financial statements and other periodic reporting;
 - major initiatives; and
 - significant contracts or negotiations.
 - Local base/wing/unit information that is presented is accurate and has been the subject of quality assurance.
-

Objective

7. Identify and determine if effective risk management controls and processes are established.

Criteria

- Feedback from local base/wing/unit users and other stakeholders drives strategic and operational planning.
 - CMFWS (National PSP) and local base/wing/unit management appropriately communicate their risks and risk management strategies to key stakeholders.
 - Local base/wing/unit planning and resource allocations consider risk information.
 - Independent oversight exists to monitor and provide assurance on the quality of risk management and due diligence in risk decision making.
-

Objective

8. Identify and determine if effective monitoring and reporting controls and processes (e.g., financial) are established.

Criteria

- Local base/wing/unit reviews, analyzes, compares, and explains financial variances between the budgeted and actual expenses.
- Local base/wing/unit financial and non-financial reporting is appropriately communicated internally and externally in a timely manner.
- CFMWS (National PSP) and local base/wing/unit chain of command have a formalized and documented role in oversight of base/wing/unit funds.