



# Audit of the Defence Team Response to COVID-19



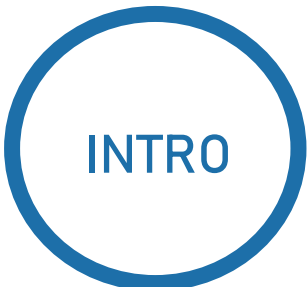
Reviewed by ADM(RS) in accordance with the *Access to Information Act*. Information UNCLASSIFIED.

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This document, if printed, should be done so in colour to maintain the integrity and intent of the graphical components.



This icon indicates a recommendation made by ADM(RS), for which the Management Action Plans can be found in Annex A.



# ACRONYMS

|             |  |
|-------------|--|
| ADM(DIA)    | Assistant Deputy Minister (Data, Innovation and Analytics) |
| ADM(Fin)    | Assistant Deputy Minister (Finance)                        |
| ADM(HR-Civ) | Assistant Deputy Minister (Human Resources-Civilian)       |
| ADM(IE)     | Assistant Deputy Minister (Infrastructure & Environment)   |
| ADM(IM)     | Assistant Deputy Minister (Information Management)         |
| ADM(Mat)    | Assistant Deputy Minister (Materiel)                       |
| ADM(RS)     | Assistant Deputy Minister (Review Services)                |
| BCM         | Business Continuity Management                             |
| BCP         | Business Continuity Plan                                   |
| CA          | Canadian Army  |
| CAF         | Canadian Armed Forces                                      |
| CDMS        | Contract Data Management System                            |
| CDS         | Chief of the Defence Staff                                 |
| CFB         | Canadian Forces Base                                       |
| CFHS        | Canadian Forces Health Services                            |
| CFO         | Chief Financial Officer                                    |
| CJOC        | Canadian Joint Operations Command                          |
| CMP         | Chief of Military Personnel                                |
| COVID-19    | Coronavirus Disease 2019 (SARS-CoV-2)                      |
| DM          | Deputy Minister  |
| DND         | Department of National Defence                             |
| DOA         | Delegation of Authority                                    |
| DRBM        | Defence Resource Business Modernization                    |
| DRMIS       | Defence Resource Management Information System             |
| FY          | Fiscal Year  |
| GAC         | Global Affairs Canada                                      |
| GBA+        | Gender-based Analysis Plus                                 |
| GC          | Government of Canada                                       |
| GHG         | Greenhouse Gas   |
| HRMS        | Human Resources Management System                          |
| I/O         | Internal Order   |
| IT          | Information Technology                                     |
| JIT         | Just in time   |
| L1          | Level One Organization                                     |
| LTCF        | Long-term Care Facility                                    |

|            |   |
|------------|---|
| MAP        | Management Action Plan                      |
| MILPERSCOM | Military Personnel Command                  |
| NETE       | Naval Engineering Test Establishment        |
| NMM        | Non-Medical Masks                           |
| OCG        | Office of the Comptroller General           |
| OCHRO      | Office of the Chief Human Resources Office  |
| OCI        | Office of Collateral Interest               |
| Op         | Operation                                   |
| OPI        | Office of Primary Interest                  |
| PHAC       | Public Health Agency of Canada              |
| PPE        | Personal Protective Equipment               |
| PSPC       | Procurement Services and Procurement Canada |
| RCAF       | Royal Canadian Air Force                    |
| RCN        | Royal Canadian Navy                         |
| RFA        | Request for Assistance                      |
| SJS        | Strategic Joint Staff                       |
| TBS        | Treasury Board Secretariat                  |
| VCDS       | Vice Chief of the Defence Staff             |
| WHO        | World Health Organization                   |



Military personnel form up outside an LTCF as part of Operation LASER in Montreal, Quebec, on May 24, 2020





# EXECUTIVE SUMMARY

## Background

On March 11, 2020, the World Health Organization (WHO) assessed the Coronavirus Disease 2019 (COVID-19) as a pandemic. Since then, governments at all levels, institutions and industry have undertaken unprecedented necessary actions to flatten the curve and manage pandemic impacts with the finite resources available.

The Canadian Armed Forces (CAF) with its unique mandate, organization and skills, and with the support of the Department of National Defence (DND), are relied upon to complete missions of critical importance. More than a year into the pandemic, DND/CAF, as the Defence Team, continues to take unparalleled measures to protect the health and well-being of its members, prevent the spread of this disease, and continue essential military operations to protect Canadians.

Throughout the pandemic, the CAF maintained critical operations, while responding to Requests for Assistance (RFA) ranging from repatriating Canadians abroad at the beginning of the pandemic, to providing support to numerous Long-term Care Facilities (LTCF) and remote communities. The Department has partnered with Public Health Agency of Canada (PHAC) to aid in the planning, procurement, testing, warehousing, coordination and distribution of medical supplies, critical personal protective equipment (PPE), test equipment and associated support materials as required by the Government of Canada (GC).

The Defence Team's response to COVID-19 spurred the implementation of many on-going initiatives under Canada's Defence Policy: *Strong, Secure, Engaged* and GC priorities. Opportunities to equip the Defence Team and modernize business processes by introducing new technologies and leveraging existing programs were noted in several areas including:

- Within months, tens of thousands of employees were provided with the necessary equipment and network access to enable work from home;
- Flexible Work Arrangements to allow Defence Team members, where operationally feasible, to adapt their work schedule to meet personal and professional commitments, as well as their organizational unit's objectives while working remotely; and,
- Changes to business processes to improve and modernize operations, management practices and leverage data for decision making.



CAF Support to Op LASER



# EXECUTIVE SUMMARY

## About the Audit

Given the unique mandate of the CAF, the Defence Team must be equipped and ready to respond to any crisis, while safeguarding its people and assets and maintaining the public trust.

As such, and as per its mandate to provide timely and objective advice to senior management, Assistant Deputy Minister (Review Services) (ADM(RS)) was requested to perform assurance engagements related to the Defence Team's response to COVID-19 in the following areas: (1) Advisory on Documenting Decisions; (2) Audit of Temporary Emergency Delegation of Authority (DOA); (3) Audit of Supply Chain; (4) Audit of COVID-19 Costing; and (5) Review of Working Remotely.

## Key Findings

The findings of this report were informed by multiple lines of evidence collected throughout the engagements.

- Key decisions are documented to demonstrate accountability and transparency.
- Internal controls, including oversight mechanisms and risk management practices, are in place and are functioning as intended, emergency expenditures are COVID-19 related, and authorities are exercised in compliance with the temporary DOAs.
- While reports are produced in accordance with the Office of the Comptroller General (OCG) and Operations (Op) Orders as required, opportunities exist to clarify guidance to ensure comprehensive COVID-19-related costs are captured.

- While existing data limitations and reporting processes resulted in inefficiencies in providing senior management with timely and reliable information to support decision making, through collaboration, mitigation and the use of existing processes and resources, the Defence Supply Chain responded to the reduced needs of the Department during COVID-19.
- Recognizing that the Defence Team was generally enabled to work remotely, as operationally feasible, there is limited quantifiable data available to assess productivity and efficiency.

Moving forward, the Defence Team should leverage lessons learned, with a focus on enhancing business processes, tools and data analytics, to inform organizational responses and to mitigate risks during and post-pandemic. Activities to support continued modernization should include a needs analysis of a hybrid workforce, Gender-based Analysis Plus (GBA+) implications, and the establishment of performance indicators to support efficient performance management. These lessons learned and activities should be consolidated to enable a collaborative Defence Team approach.

## Overall Conclusion

Throughout the COVID-19 pandemic, the Defence Team responded to the needs of its members, employees, other government departments, and delivered on its mandate to protect Canadians. Opportunities exist to modernize business processes and improve reporting information to support strategic, data-driven decision making.



# EXECUTIVE SUMMARY – FINDINGS AND RECOMMENDATIONS

## FINDINGS

### **Advisory on Documenting Decisions**

1. Key decisions were documented to demonstrate accountability and transparency.

### **Audit of Temporary Emergency Delegation of Authority**

1. Internal controls, including oversight mechanisms and risk management practices, are in place and are functioning as intended; expenditures are COVID-19 related, and authorities are exercised in compliance with the temporary DOAs.

### **Audit of Supply Chain**

1. Through collaboration and leveraging of existing processes and resources, the Defence Supply Chain responded to the reduced needs of the Department during COVID-19.
2. Critical activities within the CAF and Defence Supply Chain were identified and managed during the COVID-19 pandemic to ensure the continuation and prioritization of work within the Defence Team.
3. Existing data limitations and reporting processes resulted in inefficiencies in providing senior management with timely and reliable information to support strategic decision making.

### **Audit of Costing**

1. While reports were produced in accordance with the OCG and Op Orders as required, opportunities exist to ensure comprehensive COVID-19-related costs are captured.

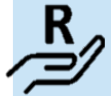
### **Review of Remote Work**

1. The Defence Team demonstrated effective change management practices to support employees working remotely during the pandemic.
2. The ability to make strategic use of data is limited due to inconsistent collection and reporting processes.
3. Indicators suggest both positive and negative impacts to productivity and efficiency, which point to a hybrid approach to remote work post-pandemic.



# EXECUTIVE SUMMARY – RECOMMENDATIONS

## RECOMMENDATIONS



1. Critical contracts and materiel within the supply chain should be analyzed to ensure long-term resiliency of the Defence Supply Chain. This analysis should be made available to senior management to support supply chain management, strategic planning and decision making.

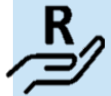
**OPI:** ADM(Mat)

**OCI:** SJS, CJOC, CMP, ADM(IM), ADM(DIA), VCDS,

2. To ensure accurate and complete COVID-19 costing information, including 699 leave, is available to support strategic decision making and is reported as required:

a) Guidance to record costs should be clarified to include all related expenses; and

b) Costing processes should be reviewed under current business modernization initiatives to clarify requirements, enhance data reliability and ensure greater consolidation across reporting systems.



**OPI:** ADM(Fin)

**OCI:** CJOC, ADM(HR-Civ)



# EXECUTIVE SUMMARY – RECOMMENDATIONS

## RECOMMENDATIONS



3. To promote continued productivity and enhanced efficiency of the Defence Team post-pandemic, the following on-going work should continue to be developed and implemented, as it applies to public servant employees and military managers of public servant employees within DND/CAF:

- a) Guidance being prepared to support and develop the workforce of the future;
- b) GBA+ and trend analysis of leave and other relevant longitudinal and intersectional analytics to provide senior management with accurate, complete and timely information to support strategic decision making; and
- c) Current work processes and people management practices undergoing modernization.

**OPI:** ADM(HR-Civ)

**OCI:** CMP



4. To identify operational efficiencies and opportunities for continued innovation that support the low-carbon government targets outlined in the Federal Sustainable Development Strategy, the following should be conducted:

- a) A needs analysis of a hybrid workforce that takes into consideration pre- and post-COVID-19 workspace utilization rates, Flexible Work Arrangements and opportunities to enable further decentralization across the Defence Team; and
- b) An assessment to identify opportunities to accelerate the reduction of greenhouse gas emissions, including increased use of alternate work arrangements precipitated by the pandemic.

**OPI:** ADM(IE)

**OCI:** All L1s



5. The Defence Team should leverage lessons learned, with a focus on enhancing business processes, tools and data analytics to further inform organizational responses to mitigate risks during and post-pandemic, and to ensure readiness for the next crisis. These lessons learned and activities should be conducted within the respective Level Ones (L1), and be consolidated to enable a collaborative Defence Team vision and approach.

**OPI:** VCDS

**OCI:** All L1s





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# 1 – DOCUMENTATION OF DECISIONS RELATED TO COVID-19 ADVISORY

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# DOCUMENTATION OF DECISIONS RELATED TO COVID-19

## Background

In January 2020, many federal organizations, including PHAC, as well as DND were tracking the COVID-19 situation and its impact on both the national and international fronts. In February, given the rapidly evolving situation and the risk to Canada, the Treasury Board Secretariat (TBS), the Defence Team and other GC organizations, were reviewing their Business Continuity Plans (BCP) to ensure readiness. The objective of the advisory was to provide senior management with a situational assessment on how the Defence Team is documenting decisions during the COVID-19 pandemic.

In March the Defence Team BCP was deployed and included varied components to ensure readiness, from an organizational and a mandate to protect Canadians perspective, such as:

- Repatriation of CAF members and diplomats, including consular staff from Global Affairs Canada (GAC) offices abroad, who were deployed around the world and their subsequent quarantine at the Canadian Forces Base (CFB) Trenton;
- Directive for CAF members and civilians to stay home (new place of duty);
- Cancellation of CAF Training and transportation of students to their homes;
- Coordination for the warehousing and distribution of medical supplies (critical PPE) within Canada or globally;
- Deployment and employment of the Canadian Rangers and of part-time Reservists to full-time Reservists.

In the following months, as Canadians were living with the effects of the pandemic, the Defence Team continued to evolve and adapt its response to ensure readiness of operations for the protection of Canadians, including the provision of infrastructure and associated logistics to support the RFA from PHAC, deployment and employment of the necessary CAF elements required to support LTCFs, RFA support to provinces, territories and communities, and research into antiviral medications and sanitary products to counter COVID-19.

**Op LASER** – domestic operation of CAF for response to worldwide pandemic situation, such as support in remote communities and bulk distribution of PPE.

**Op GLOBE** – part of CAF's commitment to active engagement abroad, such as CAF's contribution to the GC's effort in the repatriation of Canadian citizens, including post-arrival screening and accommodations for returnees to CFB Trenton.



# DOCUMENTATION OF DECISIONS RELATED TO COVID-19

## Why it Matters

Key decisions often have to be made very quickly in response to operational changes due to emergencies, such as COVID-19. Documentation is the strongest source of evidence for accountability, which can sometimes be difficult to locate especially after a significant event. At the outset of the pandemic, TBS encouraged deputy heads to ensure that the circumstances, rationale and process for key decision making were well-documented within their organization. Ensuring that the Defence Team can account for decisions made during COVID-19 is key to demonstrating accountability, stewardship and transparency.

## What We Found

The majority of decisions contained information to support risk identification and mitigation, identified stakeholder consultations, including accountabilities as required, and were recorded in an official DND/CAF system of record. Twenty-six (26) decisions were reviewed. For further information about the advisory approach, refer to slide 13. The types of decisions reviewed were related to:

- **Federal Response Plan** – CAF operations to support the GC response to COVID-19 (e.g., testing, movement, warehousing and distribution of medical supplies (critical PPE) within Canada or globally);
- **Protecting Canadians** – RFAs to ensure the health and well-being of Canadians during the COVID-19 pandemic (e.g., RFA support to provinces, territories and communities — including Indigenous, First Nations, northern and remote communities);
- **Health and Safety** – ensure the health and safety of both CAF and civilian personnel (e.g., Repatriation of CAF personnel and their families, and isolation in Trenton); and
- **Operational Decisions** – support the Defence Team continuity of operations (e.g., Allocation of remote access to essential/critical services and other distribution to L1s).



# DOCUMENTATION OF DECISIONS RELATED TO COVID-19

 **FINDING:** Key decisions were well-documented to demonstrate accountability and transparency.

## What We Found

Overall, there was documentation to support sound decision making in all the decisions reviewed. There were some opportunities for improvement noted including ensuring all relevant decision-making documentation is transferred from transient systems (i.e., email) to an official system of record, and identifying which party will be responsible for documenting the decisions where there are shared accountabilities.

Given the importance of maintaining operational capacity for the Defence Team to protect Canadians, some information was initially unavailable. Since the original documentation review, many key organizations such as Strategic Joint Staff (SJS), Canadian Joint Operations Command (CJOC) and Assistant Deputy Minister (Materiel) (ADM(Mat)) have demonstrated improved documentation processes. For example, accountabilities for RFA, which are a shared accountability, are clearly defined and documented within SJS. With respect to document accessibility and storage within a system of record, decisions can now be readily traced and recalled if and as needed.

Given the Defence Team response in implementing the early considerations to improving documentation practices, no recommendations are required.

As of January 2021, over 900 Canadian Rangers have provided support to more than 70 Indigenous, First Nation and northern communities across Canada under Op LASER.

## Documentation of Decisions Conclusion

There was documentation to support sound decision making in all decisions reviewed with some opportunities for improvement. No recommendation issued.



# ABOUT THE ADVISORY – DOCUMENTATION OF DECISIONS

## Objective:

- To provide senior management with a situational assessment on how the Defence Team is documenting decisions during the COVID-19 pandemic.

## Methodology:



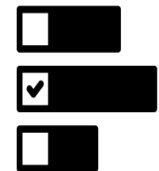
### Document Review:

The team reviewed internal/governmental directives, OCG guidelines on Documenting Decisions, Deputy Minister (DM)/Chief of the Defence Staff (CDS) briefing notes to and from L1s, and meeting minutes where a departmental decision may have occurred. The team reviewed the Records of Decision from the crisis management model headed by Vice Chief of the Defence Staff (VCDS), SJS and supported by multiple Integrated Operations Planning Group weekly meetings. The team also analyzed other key decisions taken by the Defence Team, including the Surgeon General.



### Interviews:

The team conducted interviews with organizations internal to DND/CAF, including SJS, CJOC, Assistant Deputy Minister (Information Management) (ADM(IM)), and ADM(Mat). These responses were used to improve the team's understanding of background and responsibilities, existing controls, risks and management communication procedures in place to support documentation of decision making during COVID-19.



### File Review:

The team selected 26 decisions for review with varying levels of risk and different impacts on the Defence Team mandate. Decisions were selected based on materiality, risk to operational readiness and public interest. The sampled decisions focused on four major themes: Health and Safety, Federal Response Plan, Protecting Canadians and Operational Decisions. Documents were reviewed to test completeness of decision-making documentation against the OCG Tracker for Documenting Key Decisions on Operational Changes Due to COVID-19.

### Review Criteria:

- Decisions are recorded, documented and signed by the approving authority.
- Committee decisions are recorded, documented and signed by the approving authority.

### Project Scope and Timeframe:

**Scope:** The scope included decisions taken by the Defence Team, across all L1s during the following timeframe. Real-time follow-up work was conducted to confirm that action to implement improvements had been taken.

**Period covered by the audit:** January 1, 2020 to July 31, 2020. Subsequent follow-up activity included actions up to December 31, 2020.

Work was initiated on May 12, 2020 and concluded in October 2020. Subsequent follow-up completed in January 2021.

### Statement of Conformance

The advisory findings and conclusions contained in this report are based on sufficient and appropriate evidence gathered in accordance with procedures that meet the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The advisory thus conforms to the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* as supported by the results of the quality assurance and improvement program. The opinions expressed in this report are based on conditions as they existed at the time of the advisory and apply only to the entity examined.





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## 2 – EMERGENCY DELEGATION OF AUTHORITIES

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# EMERGENCY DELEGATION OF AUTHORITIES

## Background

On March 23, 2020, Treasury Board issued a policy notification to all Functional Heads of all departments and agencies regarding amendments to the Contracting Policy to Support the GC's Response to COVID-19, increasing DND/CAF's Emergency Contracting Authority to \$3 million.

On April 6, 2020, the Minister of National Defence received \$10 million temporary emergency contracting authority from Treasury Board to address the COVID-19 pandemic (Op LASER) and potential natural disaster requirements in a timely manner. This increased authority is valid until June 30, 2021 in response to the ongoing pandemic.

The objective of the audit was to provide assurance that delegated authorities for emergency contracting related to COVID-19 are exercised in accordance with applicable legislation and policies. For further information about the audit, refer to slide 20.

As per Treasury Board Contracting Policy, emergency contracting authorities exist if the Minister invokes the National Security or Extreme Urgency provisions of the applicable trade agreements. Under such provisions, if the requirement cannot be satisfied by normal contracting procedures due to the urgency of the situation, where a delay in taking action would be injurious to the public interest, the departmental Minister can approve the use of these special authorities.



Aeromedical Single Isolation Bio-Containment Unit



# Examples of Emergency Contracts

| Purchases  | Total Overall Potential Value |
|--|-------------------------------|
| <b>Contracts that made usage of Increased Emergency Contracting authority</b>  |                               |
| Aeromedical Single Isolation Bio-containment Unit                              | \$2,655,639                   |
| Disposable Isolation Single Bio-containment Unit                               | \$1,992,048                   |
| <b>Other examples of contracts awarded in support of COVID-19 requirements</b> |                               |
| Tactical Headlamp  | \$185,191                     |
| Portable Oxygen Concentrator Systems   | \$376,867                     |
| Plexi-Glass  | \$5,157                       |
| Toilet and Chemical Sink   | \$1,879                       |



# EMERGENCY DELEGATION OF AUTHORITIES

**FINDING:** Internal controls, including oversight mechanisms and risk management practices, are in place and are functioning as intended; expenditures are COVID-19 related, and authorities are exercised in compliance with the temporary DOAs.

## Why It Matters

In exceptional circumstances, such as the response to COVID-19, delegated authorities, including new temporary delegated authorities, need to be well-understood and exercised as intended. Flexibility is needed to allow departments to enter into non-competitive contracts for emergency conditions requiring immediate action due to its impact on both safety and security.

Given the importance and volume of contracting under these exceptional circumstances, monitoring is key to ensuring the proper stewardship and transparency of decisions.

## What We Found

The Defence Team has internal controls, oversight mechanisms and risk management strategies in place to support the consistent and compliant exercise of emergency delegated contracting authorities.

Within ADM(Mat) and CJOC, comprehensive guidance was put in place at the outset of the pandemic to provide clear direction to support Op LASER procurements. As well, segregation of duties for contracting and technical authorities exists to support compliant contracting practices. A SharePoint site was established to help monitor and track Op LASER contracts.

COVID-19 expenditures are compliant with the temporary increased DOAs for emergency contracting. This emergency DOA was exercised for two contracts, and both purchases were COVID-19 related (two Aeromedical Single Isolation and Disposable Isolation Single Bio-containment Units). Additionally, the Minister of National Defence was made aware of the purchases, as required by the authority.



# EMERGENCY DELEGATION OF AUTHORITIES

**FINDING:** Internal controls, including oversight mechanisms and risk management practices, are in place and are functioning as intended; expenditures are COVID-19 related, and authorities are exercised in compliance with the temporary DOAs.

## What We Found

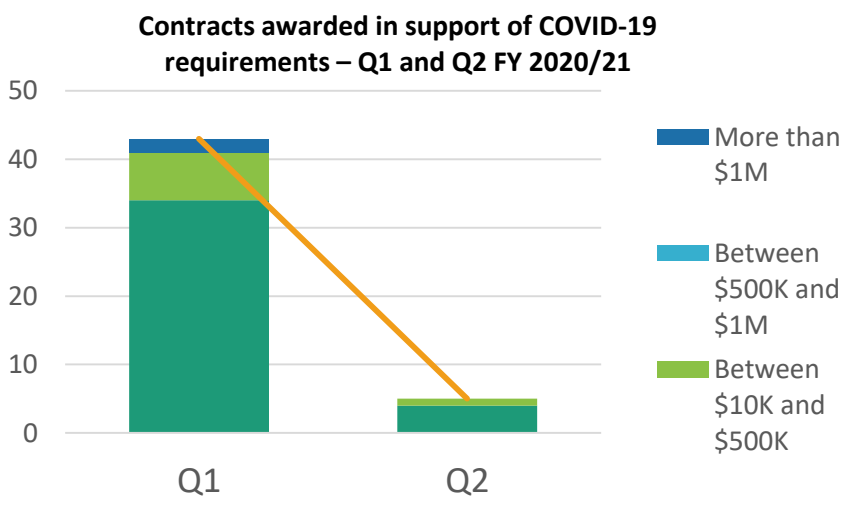
An analysis of emergency contracting activity for the first two quarters of Fiscal Year (FY) 2020/21 was conducted, from which a non-statistical, non-representative sample of 15 contracts was selected for examination. Overall, the results showed that contracting authorities were exercised in compliance with applicable policies, and there was no evidence of contract splitting. The contracts and spending were directly related to COVID-19 purchases, more particularly for goods and services related to Op LASER. Further, the contracts were within ADM(Mat)'s DOA and emergency contracting reports are provided to Treasury Board as required.

While authorities for examined contracts were exercised appropriately, issues with information management were identified, which could impact the relevance of information used for decision making. Specifically:

- Data is not always entered into the Contract Data Management System (CDMS) in a timely manner (i.e., within 30 days of contract award in accordance with ADM(Mat) guidance);
- Emergency contracts are not easily identifiable in CDMS;
- CDMS and the Defence Resource Management Information System (DRMIS) do not speak to each other, which requires extensive manual intervention to cross reference contracts; and
- Contracts were not always coded with an Op LASER Internal Order (I/O). This finding is further discussed in the Section on COVID-19 Costing.

Given the nature of the findings and on-going modernization initiatives, no recommendations are required.

| Analysis of Contracts awarded in support of COVID-19 requirements – Q1 and Q2 FY 2020/21 | Q1           | Q2          |
|--|--------------|-------------|
| # of Contracts under "Extreme Urgency"   | 43           | 5           |
| Total Overall Potential Value (Estimate) of Extreme Urgency Contracts                    | \$5,027,439  | \$385,193   |
| Total # of COVID-19 Contracts Across DND   | 613          | 300         |
| Total Overall Potential Value of COVID-19 Contracts Across DND                           | \$18,840,542 | \$1,675,840 |







# EMERGENCY DELEGATION OF AUTHORITIES

## **Emergency Delegation of Authorities Conclusion**

DOAs for emergency contracting related to COVID-19 were exercised in accordance with applicable legislation and policies. The temporary increase in delegated authority was exercised twice, in conformance with policy, to purchase necessary bio-containment equipment as part of the Defence Team's response to COVID-19. The emergency contracts reviewed were also conducted in accordance with applicable policies, and were directly related to COVID-19 needs.

Opportunities to improve contracting data such as missing fields, untimely reporting and manual interventions to validate information across systems of records were identified. Ongoing Defence Team initiatives, such as the Defence Resource Business Modernization (DRBM) Programme should be leveraged to address these process issues.

## **Defence Resource Business Modernization**

The DRBM Programme is a complex large-scale business transformation that will oversee the multi-year update and transition of the Department's current Enterprise Resource Planning to digitalize and modernize the Defence resource management business, impacting functions which include Finance, Real Property, the Defence Supply Chain, Materiel Management, Equipment Engineering and Maintenance, and consolidated Reporting and Predictive Analytics.



# ABOUT THE AUDIT – EMERGENCY DELEGATION OF AUTHORITIES

## Objective:

- To provide audit assurance that delegated authorities for emergency contracting related to COVID-19 are exercised in accordance with applicable legislation and policies.

## Methodology:



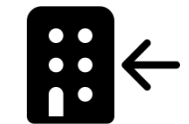
### Document Review:

The audit team reviewed internal/governmental directives, policies, guidelines, briefing notes, meeting minutes and standard operating procedures related to emergency contracting during COVID-19. The information management tools in place to coordinate were reviewed online to facilitate emergency contracting. Documents were maintained for evidence, as required, and were substantiated with other methods of evidence collection.



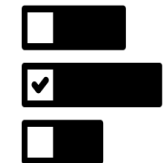
### Interviews:

The audit team conducted interviews with organizations internal to DND/CAF, including Assistant Deputy Minister (Finance) (ADM(Fin)), ADM(Mat), CJOC, and the Royal Canadian Air Force (RCAF). These responses were to improve the team’s understanding of background, existing controls, risks and management communication procedures in place to support emergency contracting during COVID-19.



### Data Analysis:

The audit team reviewed and compared FY 2020/21 Q1/Q2 CDMS COVID-19-related data to complete a population trend analysis of DND-issued COVID-19-related contracts.



### File Review:

The audit team selected a judgemental, non-representative, sample of 15 CDMS COVID-19-related contract files across all L1s. These files were reviewed for compliance with signing authorities and to test accuracy and completeness of contract documents against the data contained within the two systems of record (DRMIS and CDMS).

### Audit Criteria:

- DND COVID-19 expenditures are compliant with temporary DOAs for emergency contracting which includes Minister of National Defence awareness of usage.
- Oversight mechanisms and risk management strategies are in place for emergency contracting.
- Internal controls exist to ensure the temporary DOAs for emergency contracts are applied properly to contracts addressing operational requirements.
- Delegation of emergency contracting authorities are used as intended, for contracts and spending directly related to COVID-19.

### Project Scope and Timeframe:

**Scope:** The audit focussed on Defence Team contracting related to COVID-19 response efforts. The scope included only Op LASER.

**Period covered by the audit:** March 13, 2020 to September 30, 2020.

Work was initiated June 29, 2020 and concluded February 19, 2021.

### Statement of Conformance:

The audit findings and conclusions contained in this report are based on sufficient and appropriate evidence gathered in accordance with procedures that meet the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. The audit thus conforms to the Internal Auditing Standards for the GC as supported by the results of the quality assurance and improvement program. The opinions expressed in this report are based on conditions as they existed at the time of the audit and apply only to the entity examined.



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## 3 – DEFENCE SUPPLY CHAIN DURING PANDEMIC

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# DEFENCE SUPPLY CHAIN DURING PANDEMIC

## Background

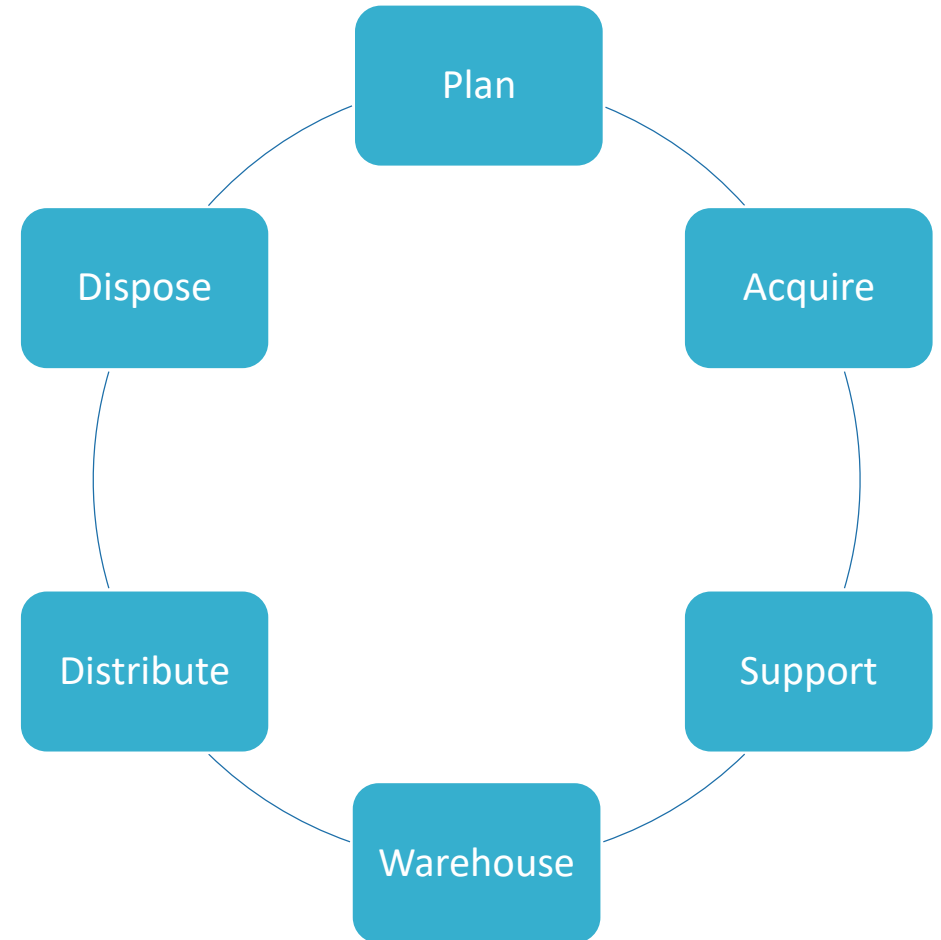
The mission of the Defence Supply Chain is “to deliver the right materiel, at the right time and place, in the right condition, as required by the CAF, while respecting the materiality and stewardship demands of the Government of Canada, in as cost effective manner as possible.” The objective of the audit is to provide insight and analysis on the efficiency and effectiveness of the supply chain to respond to the Department’s requirements during COVID-19. For further information about the audit approach, refer to slide 33.

The Defence Supply Chain is an end-to-end system of interdependent activities that function horizontally across Defence Team organizations, other government departments and industry to deliver materiel requirements to the CAF both domestically and overseas.

The Defence Supply Chain is jointly governed by the Director of SJS and ADM(Mat). The Defence Supply Chain is not a single entity. There are many distinct supply chains within the overall Defence Supply Chain, which involve numerous organizations, information systems, structures, processes, sources and resources. One example is the medical supply chain, which is managed by Canadian Forces Health Services (CFHS).

Materiel follows a similar process to get to its respective end users, across the supply chain systems within the Defence Team. Goods and services are acquired from the defence industry, with requests coming from depots, bases/wings and units, CAF operations, as well as from ADM(Mat) directly.

Activities within the Defence Supply Chain





# DEFENCE SUPPLY CHAIN DURING PANDEMIC

## Background:

There are multiple internal and external stakeholders that contribute to the Defence Supply Chain. Their roles and responsibilities are outlined in the following table:

|   |  |
|---|--|
| <b>ADM(Mat)</b>   | <ul style="list-style-type: none"> <li>Serves DND and the CAF as a central service and functional authority for Materiel Management and Procurement</li> <li>Authorizes materiel requirement forecasts to meet DND and CAF mandates</li> <li>Responsible for materiel requirements and the management of the Defence Supply Chain process</li> </ul> |
| <b>SJS</b>  | <ul style="list-style-type: none"> <li>Has joint accountability with ADM(Mat) for the overall functioning of the Defence Supply Chain</li> <li>Functional authority for Transportation Management</li> <li>Provides strategic guidance to the Defence Supply Chain</li> </ul>  |
| <b>L1s</b>  | <ul style="list-style-type: none"> <li>Establishes their operational readiness requirements</li> <li>Warehouses and unit-level processes fall under L1 responsibilities</li> </ul>   |
| <b>CJOC</b>   | <ul style="list-style-type: none"> <li>Ensures materiel, equipment and supporting elements are made available to end users in a timely manner to conduct operations and deliver defence services</li> <li>Establishing materiel requirement forecast for current and upcoming operations at home and abroad</li> </ul>                               |
| <b>Chief of Military Personnel (CMP)/CFHS</b>             | <ul style="list-style-type: none"> <li>Military Personnel Command (MILPERSCOM) is accountable for the medical supply chain, as determined early in the pandemic response planning</li> </ul>   |
| <b>CAF Environments</b>                                   | <ul style="list-style-type: none"> <li>Manage warehouses on bases and units to house materiel</li> <li>Allow staff to use the supply chain to obtain additional materiel</li> <li>Maintain and repair equipment</li> <li>Provide transportation to deliver goods</li> </ul>  |
| <b>Canadian Defence Industry</b>                          | <ul style="list-style-type: none"> <li>The Defense Industry is the industrial complex (e.g., suppliers, contractors) that enables research and development, as well as design, expertise, production, delivery, and maintenance of Defence equipment, supplies and materiel</li> </ul>   |
| <b>Procurement Services and Procurement Canada (PSPC)</b> | <ul style="list-style-type: none"> <li>Key provider of services for federal departments and agencies. Supports them in the achievement of their mandated objectives as their central purchasing agent, linguistic authority, real property manager, treasurer, accountant and integrity adviser</li> </ul>   |
| <b>PHAC</b>   | <ul style="list-style-type: none"> <li>Federal agency tasked with coordinating the country's response to the COVID-19 pandemic and distribution of essential goods</li> <li>Defence Supply Chain provided strategic planning, contracting and logistics support to PHAC during the COVID-19 response</li> </ul>                                      |





# DEFENCE SUPPLY CHAIN DURING PANDEMIC – RESILIENCY

**FINDING:** Through collaboration and leveraging of existing processes and resources, the Defence Supply Chain responded to the needs of the Department during COVID-19.

## Why It Matters

DND/CAF is one of few departments within the federal government that has the strategic expertise and capability to conduct national and international operations. The Defence Team has the ability to plan, coordinate and execute tasks in support of DND/CAF supply chain needs and other government departments. As resiliency is the foundation of a strong supply chain, the Defence Supply Chain must be able to respond during times of crisis to maintain Defence Team operational readiness, and to support the delivery of necessary materiel and resources to execute its mission. For this reason, critical activities and risks must be identified and mitigated within and across the Defence Supply Chain.

## What We Found

Defence Supply Chain risks were identified at the onset of COVID-19, which included the Department's ability to maintain operations while responding to the pandemic, and other potential threats related to natural disasters, such as seasonal flooding. At the onset of the pandemic, the Defence Team posture was reduced to critical operations and natural disaster response, which did not materialize. Therefore, the limits of the defence supply chain were not over-extended during this time. That said, Defence Team personnel and their skill sets were leveraged, as a strategic capability, to mitigate risks, identify solutions and respond to the prioritized needs of the GC. For example, critical activities were supported by tiger teams that were established across various L1s and the realignment of resources to respond to urgent COVID-19-specific procurements and high-volume requests, such as hotel accommodations and PPE. CMP managed the medical supply chain to ensure that established roles and responsibilities of the medical community were not overlooked. CFHS established working groups to determine how to best respond to RFAs and identify equipment needs, which helped establish procurement requirements. CFHS also enacted an ad hoc medical allocation and ordering system to control the flow of PPE in LTCFs and established Forward Medical Depots, the main supplier for CFHS equipment such as pharmaceuticals, medical supplies and equipment maintenance, to coordinate suppliers closer to operations.



# DEFENCE SUPPLY CHAIN DURING PANDEMIC – RESILIENCY

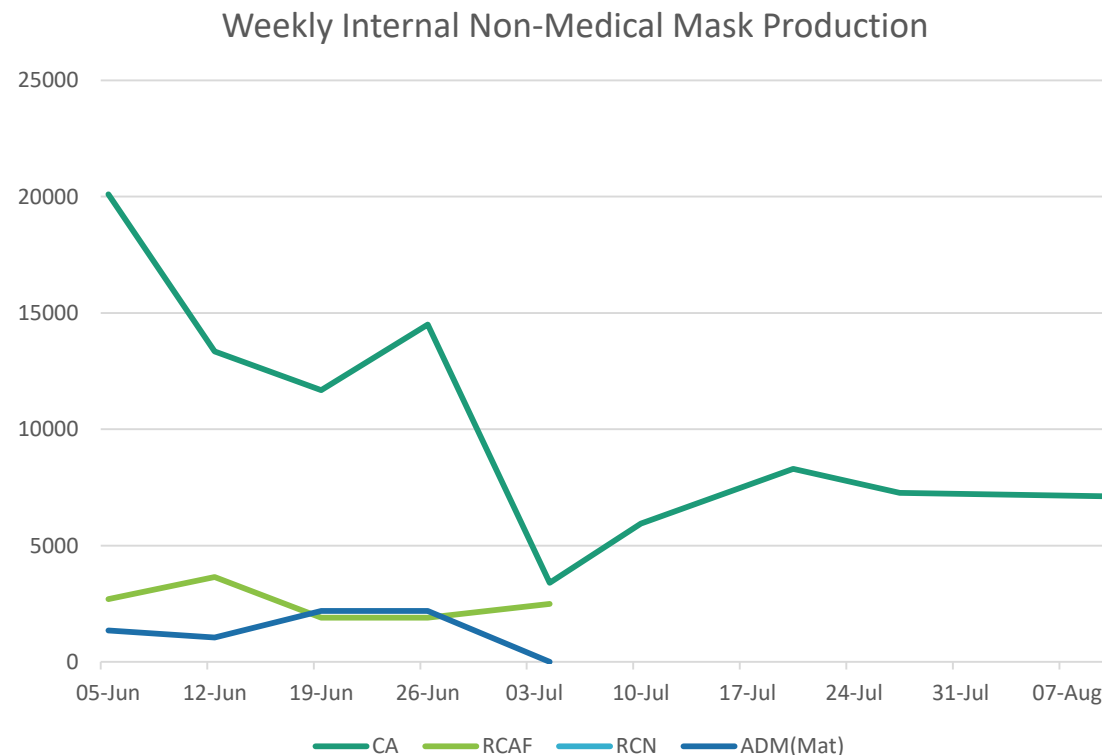
**FINDING:** Through collaboration and leveraging of existing processes and resources, the Defence Supply Chain responded to the needs of the Department during COVID-19.

## What We Found

For consumable goods, the Defence Supply Chain uses the common and standardized inventory management system of Just In Time (JIT) delivery, focusing on partnerships with industry and using the benefits of a global supply chain. While JIT delivery reduces the need to store excess levels of materiel, therefore reducing costs, this management system placed a burden on the Defence Supply Chain during the COVID-19 pandemic as the Defence Team was suddenly restricted from procuring goods internationally, and faced instances where global demand exceeded supply.

To compensate for the global shortage of PPE and non-medical masks (NMM), the Defence Team demonstrated autonomy and pivoted procurement strategies to produce NMM at bases and wings across the country. Internal production created over 199,000 NMM that represented 61 percent of the Defence Team’s inventory by July 2020. Internal mask production allowed the CAF to continue operations to support LTCFs and to ensure proper inventory levels for continued operations.

Going forward, opportunities to implement strategies such as stockpiling critical materiel within the supply chains should continue to be considered to ensure long-term resiliency and the Defence Team’s ability to respond to future crises.





# DEFENCE SUPPLY CHAIN DURING PANDEMIC – RESILIENCY

**FINDING:** Through collaboration and leveraging of existing processes and resources, the Defence Supply Chain responded to the needs of the Department during COVID-19.

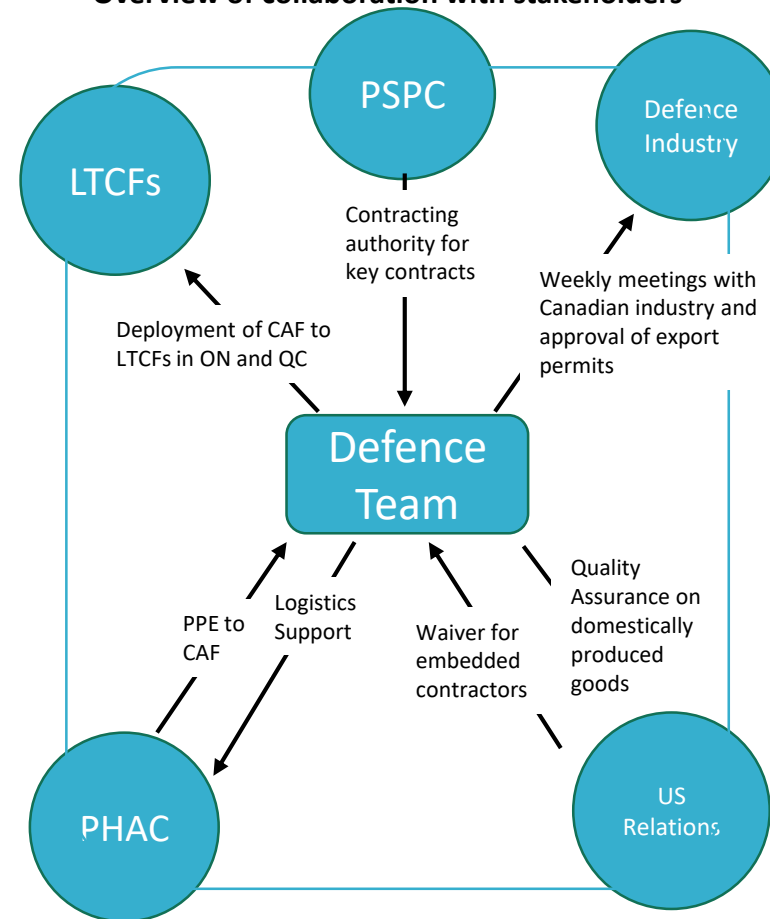
## What We Found

The Defence Team assisted and collaborated with a variety of stakeholders to respond to COVID-19:

- **PHAC:** helped order, receive, warehouse and distribute PPE and other medical supplies equipment. This assistance and expertise allowed PHAC to implement new warehousing and logistics strategies and strengthened the working relationship by establishing a foundation for future crises responses.
- **Canadian Defence Industry:** engaged with stakeholders through weekly Defence Industry Advisory Group meetings.
- **GAC and Innovation, Science and Economic Development Canada:** worked collaboratively to process export permits for Canadian companies to support the needs of industry during the COVID-19 pandemic. This export permit application process, led by GAC, requires the utilization and coordination of different systems and security requirements, which was further challenged during the pandemic resulting in reduced communication between departments and industry. To mitigate this, work was prioritized (i.e., files identified as protected were completed from home; and files identified as classified were completed once a return to the office was possible).

This collaboration was essential and included both assistance provided by the Defence Team to stakeholders as well as the support received from stakeholders, throughout the COVID-19 pandemic.

Overview of collaboration with stakeholders





# DEFENCE SUPPLY CHAIN DURING PANDEMIC – CRITICAL ACTIVITY IDENTIFICATION

**FINDING:** Critical activities and contracts within the CAF and Defence Supply Chain were identified and managed during the COVID-19 pandemic to ensure the continuation and prioritization of work within the Defence Team.

## What We Found

ADM(Mat) in conjunction with other L1s, identified 138 critical activities within the Defence Supply Chain early in the pandemic through its BCP and Materiel Assurance Impact Sharepoint reporting process. Examples of critical activities and contracts included:

- the CF-188 Hornet;
- Search and Rescue;
- Government Quality Assurance for US Department of Defense contracts with Canadian contractors; and
- Export Controls and national security reviews.

These critical activities were potentially at risk with some requiring mitigation efforts as a result of the pandemic. For example, delays in the procurement process required contract extensions to ensure in-service support remained available for some fleet vehicles. In other instances, associated resources were prioritized to enable continued operations throughout the pandemic with other procurements being delayed. This was observed within the Naval Engineering Test Establishment (NETE), when a project to replace obsolete environmental and vibration tests cells was delayed as the equipment, albeit degraded, was still functional.

***Notable practice: The NETE is DND/CAF's principal naval test and evaluation centre, which has a unique structure – government owned and contractor operated. During the pandemic, the government owned and contractor operated concept allowed the NETE to procure more quickly and utilize equipment to ensure continued operations within the supply chain.***



Photo: Search and Rescue, one of the identified critical activities within the CAF



# DEFENCE SUPPLY CHAIN DURING PANDEMIC – CRITICAL ACTIVITY IDENTIFICATION

**FINDING:** Critical activities and contracts within the CAF and Defence Supply Chain were identified and managed during the COVID-19 pandemic to ensure the continuation and prioritization of work within the Defence Team.

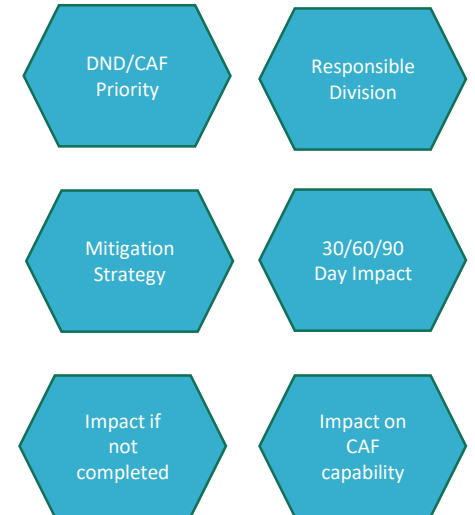
## What We Found

Monitoring and oversight of fleet risk within the Defence Supply Chain is led by ADM(Mat), in coordination with the CAF environments and technical authorities, to ensure that equipment and materiel is safe, fit-for-purpose, available and serviceable, and compliant.

The Materiel Assurance Impact report is used to track equipment risks and identify and respond in an efficient manner. During the COVID-19 pandemic, reporting frequency increased to a weekly basis, and the scope of reported information was expanded to include information on alternative support options. This tool enabled ADM(Mat) to mitigate equipment risks, and provide timely information to senior management to support effective and informed decisions. This process is both proactive and reactive to potential and observed risks.

The Materiel Assurance Impact reporting establishes a 30, 60 and 90-day outlook of at-risk critical activities, with a risk rating of minor, moderate or severe. This tool provides visibility of supply chains across the Defence Team and allows ADM(Mat) to address and prioritize areas of concern to ensure capability to continue operations, as necessary.

### Information Areas from Materiel Assurance Impact Reporting





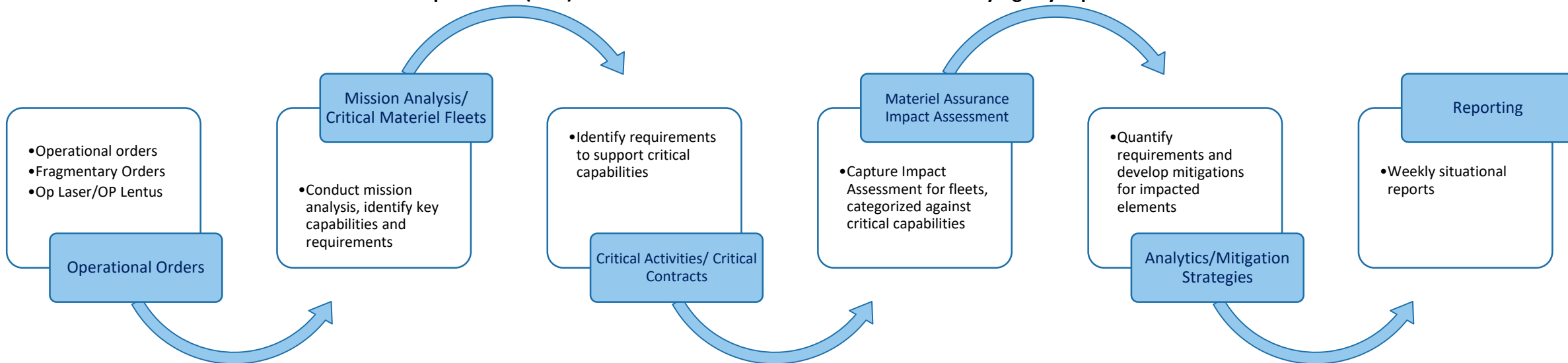
# DEFENCE SUPPLY CHAIN DURING PANDEMIC – CRITICAL ACTIVITY IDENTIFICATION

**FINDING:** Critical activities and contracts within the CAF and Defence Supply Chain were identified and managed during the COVID-19 pandemic to ensure the continuation and prioritization of work within the Defence Team.

## What We Found

Interviews indicated that flexibility between activities, contractors and timelines was a key enabler of the supply chain, allowing activities to change schedule and be reprioritized to focus on critical activities. Many of the 138 critical activities involve the work of contractors who are integrated into teams and processes. In these instances, some non-critical supply activities were postponed as required, such as contractor site maintenance visits, due to restricted access and local health measures. Given that the Defence Team is still in the midst of the COVID-19 pandemic response, the impact of this rescheduling is unknown.

Process Map for ADM(Mat) BCP of Critical Activities and dashboard identifying key capabilities of the Defence Team







# DEFENCE SUPPLY CHAIN DURING PANDEMIC – INFORMATION FOR DECISION MAKING

**FINDING:** Existing data limitations and reporting processes resulted in inefficiencies in providing senior management with timely and reliable information to support decision making.

## What We Found

Information management issues were identified, as Defence Supply Chain processes and systems are not digitalized or integrated to give on demand reporting for selected areas of the Defence Supply Chain, such as consumable goods at the beginning of the COVID-19 pandemic. Different L1s manage various supply chains, and inventory monitoring is completed with dissimilar methodologies across the Defence Team. As such, the ability to integrate, coordinate and streamline information for analysis and reporting purposes is limited. For example, the CMP medical materiel tracking system is a commercial, off the shelf system that does not meet the health service's needs, requiring CFHS to use a system which does not communicate with DRMIS, lacks automation and requires labour intensive efforts to pull and report on data.

Ad hoc reporting tools were used to support decision making. Senior management received real-time updates via manual Excel reports on consumable goods, to deliver on the Defence Team mandate to protect and serve Canadians. While information was provided, it was reported that extensive manual intervention was required. Although the additional time and resources required to complete this tracking and reporting could not be quantified, manual intervention increases the risk of error, which can reduce overall confidence in the data, and impacts the information being reported. The automation and integration of reporting and tracking systems would provide greater validity and visibility on key materiel in times of crises, as well as supporting post-pandemic day-to-day operations.

During the COVID-19 pandemic, key materials such as PPE and NMM were identified and tracked in greater detail and reported more frequently. CJOC issued a fragmentary order to manage the flow and distribution of strategic supplies during the pandemic. For example, the PPE and NMM Restocking and Holding Status was a weekly report from August 31, 2020, which outlined to senior management the levels of key materials the CAF and DND had on-hand. This aided senior management in making decisions on which items to procure to ensure CAF member safety on operations.



# DEFENCE SUPPLY CHAIN DURING PANDEMIC – INFORMATION FOR DECISION MAKING

**FINDING:** Existing data limitations and reporting processes resulted in inefficiencies in providing senior management with timely and reliable information to support decision making.

## What We Found

Existing tools, such as controlled stores, were also leveraged to prioritize materiel and implement controls to protect CAF members. Ad hoc tools, such as weekly counts of PPE, dashboards and reporting/analytics, were created to track and communicate critical information to make effective decisions. Opportunities for greater supply chain integration should continue to be sought to ensure user needs are identified and integrated within ongoing DRBM initiatives.

**R** 1. Critical contracts and materiel within the supply chain should be analysed to ensure long-term resiliency of the Defence Supply Chain. This analysis should be made available to senior management to support supply chain management, strategic planning and decision making.

**OPI:** ADM(Mat)  
**OCI:** SJS, CJOC, CMP, ADM(IM), ADM(DIA), VCDS

Inventory reporting during the COVID-19 crisis

| PPE/PHM Types        | PPE/PHM Items | RESTOCKING<br>(CMED, ADM(Mat), PHAC, etc.) |           |             | CURRENT HOLDINGS<br>(CMED/3 CSU) | PROJECTED HOLDINGS<br>(L1 and below)  |
|----------------------|---------------|--|-----------|-------------|----------------------------------|---|
|                      |               | Ordered                                    | Received  | Outstanding |                                  |   |
| Medical Grade PPE    | Gloves (pair) | 5,216,000                                  | 591,000   | 4,625,000   | 1,798,000                        | Ongoing stocktaking through clinics (data to follow)  |
|                      | Surgical Mask | 703,000                                    | 2,000     | 701,000     | 1,596,000                        |   |
|                      | Gowns         | 911,000                                    | 231,000   | 680,000     | 459,000                          |   |
|                      | N95 Mask      | 266,000                                    | 1,000     | 265,000     | 91,000                           |   |
|                      | Face shields  | 72,000                                     | 38,000    | 34,000      | 100,000                          |   |
| Industrial Grade PPE | Gloves (pair) | 1,272,000                                  | 1,299,000 | 0           | 1,299,000                        | 0   |
|                      | N95 Masks     | 972,000                                    | 0         | 972,000     | 0                                | 0   |
| PHM NMMs             | Procurement   | 630,000                                    | 227,000   | 403,000     | 0                                | RCN: 68,000<br>CA: 225,000<br>RCAF: 60,000<br>MPC: 25,000<br>VCDS: 40,000<br>CANSOF: 12,000<br>CJOC: 34,000 |
|                      | Produced      | 226,000                                    | 226,000   | 0           | 0                                |   |



# DEFENCE SUPPLY CHAIN DURING PANDEMIC

## Defence Supply Chain Conclusion

While the Defence Supply Chain was able to meet the reduced needs of the Defence Team during the COVID-19 pandemic, areas for improvement were identified regarding preparedness and information management, which would support increased resiliency. To overcome these continuing challenges, identification and support of key capabilities must continue through strategies such as balancing stockpiles with JIT inventory management, and capturing integrated lessons learned. This would increase the ability of the Defence Supply Chain to rapidly respond to changing situations.

The Defence Team and Defence Supply Chain must ensure the identification of key capabilities to support CAF operational readiness. Despite the cumbersome and non-digitized requirements of tracking and reporting of consumable goods within the Defence Supply Chain, the Defence Supply Chain was able to provide information to senior management to support decision making, through a variety of exercises, including the materiel assurance impact assessments. The digitalization and integrated management across supply chains is required to increase visibility across the Defence Supply Chain. The DRBM Programme, and its underlying initiatives and projects, are expected to enable the delivery of an optimized and integrated supply chain.



# ABOUT THE AUDIT – DEFENCE SUPPLY CHAIN DURING PANDEMIC

## Objective:

- To provide audit assurance, insight and analysis on the efficiency and effectiveness of the supply chain to respond to the Department’s requirements during COVID-19.

## Methodology:

### Document Review:



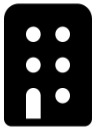
The team, comprised of auditors and evaluators, reviewed internal and governmental policies, directives, guidelines, briefing notes, meeting minutes, Op Orders and Task Orders. Documents were maintained for evidence, as required, and were substantiated with other methods of evidence collection.

### Interviews:



The team conducted 39 interviews with organizations internal to DND/CAF, including ADM(Mat), CMP, CJOC, SJS, RCAF, Canadian Army (CA), Royal Canadian Navy (RCN), and ADM(IM). These responses were to improve the team’s understanding of background, existing controls, risks and reporting procedures in place to support the Defence Supply Chain during COVID-19.

### Data Analytics:



The team reviewed and utilized data provided by CJOC and CMP to the CDS on inventories and projected production/procurement of PPE and NMM. This data was used as supporting evidence and analyzed but was not independently verified.

### DND Report Reconciliation and Questionnaire:



Management reports, internal tracking and reporting, TBS, PSPC and PHAC documentation/policy and external supply chain reporting were reviewed. The Questionnaire on Supply Chain developed by the team was distributed to the Defence Team’s Managers’ Network on December 4, 2020 and closed on January 12, 2021.

### Audit Criteria:

- The Defence Team Supply Chain is able to deliver COVID-19-related supplies and equipment in a timely manner, to support the needs of the CAF and the country during the COVID-19 pandemic.
- Controls are in place for Defence Team Contracts to ensure delivery of contracts in times of crisis.
- The Defence Team Supply Chain is able to support the needs of internal and external stakeholders during times of crisis.

### Project Scope and Timeframe:

**Scope:** The scope of the audit procedures covers the COVID-19 impact to the Defence Supply Chain and supply chain operations.

**Period covered by the audit:** March 13, 2020 up to September 30, 2020.

Work was initiated September 29, 2020 and concluded February 26, 2021.

### Statement of Conformance:

The audit findings and conclusions contained in this report are based on sufficient and appropriate evidence gathered in accordance with procedures that meet the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. The audit thus conforms to the Internal Auditing Standards for the GC as supported by the results of the quality assurance and improvement program. The opinions expressed in this report are based on conditions as they existed at the time of the audit and apply only to the entity examined.



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## 4 – COVID-19 COSTING

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# COVID-19 COSTING

## Background

On March 19, 2020 the OCG asked all departments and agencies to report their COVID-19-related expenditures, on a monthly basis, to TBS. OCG reporting requirements are rolled into Treasury Board tracking of the total COVID-19 costs for all federal departments. The objective of the audit is to provide assurance that COVID-19 costing information is accurate, complete and reported as required. Further information about the audit approach is on slide 39.

In response, DND/CAF issued Op Orders to define roles and responsibilities related to COVID-19, including costing instructions. Defence Team operational expenditures are captured utilizing financial structures under the I/O framework:

- An I/O is a cost identifier collector used to plan, forecast, monitor and/or manage expenditures of a specific operation or task;
- I/Os are created at the unit level, are linked to the relevant operations and state that all expenditures are to be coded using the applicable I/O;
- I/O tracking is completed within DND's DRMIS; and
- L1 Comptrollers and Financial Staff record expenses in DRMIS against specific I/Os used for reporting.

## Why It Matters

Accurate and complete costing information ensures senior management has reliable information for analysis, reporting and to support insightful decision making. DND-reported amounts need to be complete and accurate to demonstrate transparency and good stewardship to the Canadian public on the expenditures associated with the pandemic.

## Examples of COVID-19 Costs

### Incremental Costs

- Civilian employee overtime
- Hand sanitizer and additional cleaning
- Additional equipment or Information Technology (IT) services for remote work directly related to DND COVID-19 response

### Direct Costs

- Employee identified as critical in BCP and directly supporting the response
- Regular Civilian Salary for individuals assigned to COVID-19-related tasks
- Reservists salary to full time





# COVID-19 COSTING

**FINDING:** While reports were generally produced in accordance with the OCG and Op Orders as required, opportunities exist to ensure comprehensive COVID-19-related costs are captured.

## What We Found

Rapid escalation of the COVID-19 pandemic resulted in unforeseen adaptations for reporting COVID-19 costs. The Defence Team established clear roles and responsibilities and communicated internal guidance to Comptrollers to support the reporting of COVID-19 costs. ADM(Fin), as the functional authority, communicated reporting instructions to L1s and as a result of these tasking orders, CJOC monitors OFA-related expenses, such as Op LASER and Op GLOBE. Additionally, ADM(Fin) provides cost estimates for validation and Chief Financial Officer (CFO) approval. The COVID-19 costs being incurred and tracked throughout the department are generally consistent with the orders communicated, with the exception of some non-incremental costs.

Discrepancies were noted between the costs being tracked and reported, and what the OCG had requested including non-incremental costs. Although OCG provided examples of incremental costs, Defence Team guidance provided did not meet OCG requirements. Costs reported are incomplete as not all costs directly or indirectly related to COVID-19, including non-incremental costs, were being tracked.

Processes and controls are in place to track and report COVID-19 costs. Except for overtime, costs are tracked and reported in accordance with Op Orders. Because overtime is tracked in two distinct systems – Human Resources Management System (HRMS) for compensatory leave, or Phoenix for cash-in-lieu of leave – there is a risk to the completeness of reported information for overtime incurred as a result of the pandemic (e.g., increase in IM/IT support in early months of COVID-19).



# COVID-19 COSTING

**FINDING:** While reports were generally produced in accordance with the OCG and Op Orders as required, opportunities exist to ensure comprehensive COVID-19-related costs are captured.

## What We Found

While essential for reporting against a specific operation or task, I/Os are not a mandatory field when users input financial information into DRMIS, which can affect the quality of data. To mitigate this risk, ad hoc periodic monitoring reviews and comptroller quality assurance have been implemented to improve the reliability of data and ensure all COVID-19 costs are coded appropriately.

The Defence Team tracks COVID-19 costs using its existing processes and control environment through I/Os. In examining a sample of emergency contracts for the DOAs engagement, many contracts in DRMIS were not coded to the appropriate I/O related to COVID-19. Of the 15 contracts examined, two were coded to a COVID-19-related I/O, four were coded to an I/O that was not associated to COVID-19, and nine were blank (i.e., not coded to an I/O). While the Department has implemented controls for reporting completeness, I/Os are not mandatory. There remains a risk that not all COVID-19-related transactions are captured and reported.

Further, Defence Team guidance lacks clear direction with regard to reporting requirements, such as overtime and leave. Specifically, leave with pay “for other reasons” (699 leave) reporting is manual and due to financial data access limitations, there was no evidence whether monitoring or reconciliation of the reported cost is occurring. Additional issues related to 699 leave data are further discussed in the Working Remotely section.

**COVID-19 costs reported to OCG**

\*Cumulative up to September 30, 2020.

| Types of Expenditure   | Incremental          | Non-Incremental     | Total*               |
|------------------------|----------------------|---------------------|----------------------|
| Salary                 | \$213,223,720        | \$69,471,114        | \$282,694,834        |
| Operations             | \$42,374,396         | \$29,657,116        | \$72,031,512         |
| Grants & Contributions | \$9,793              | \$230,999           | \$240,792            |
| <b>Total</b>           | <b>\$255,607,909</b> | <b>\$99,359,229</b> | <b>\$354,967,138</b> |



# COVID-19 COSTING

**FINDING:** While reports were generally produced in accordance with the OCG and Op Orders as required, opportunities exist to ensure comprehensive COVID-19-related costs are captured.

## What We Found

COVID-19 costs reported to the OCG amounted to \$355 million. In reporting COVID-19 costs, management identified an error of double counting of expenses which occurred due to an I/O being moved from an Op LASER I/O group to another local funding (GEN039) I/O group, without informing ADM(Fin), as the organization responsible for the preparation of the weekly management report. ADM(Fin) is now leveraging ambiguity reports to identify issues of this nature and help mitigate the overall risk.



2. To ensure accurate and complete COVID-19 costing information, including 699 leave, is available to support strategic decision making and is reported as required:
  - a) Guidance to record costs should be clarified to include all related expenses; and
  - b) Costing processes should be reviewed under current business modernization initiatives to clarify requirements, enhance data reliability and ensure greater consolidation across reporting systems.

**OPI:** ADM(Fin)

**OCI:** CJOC, ADM(HR-Civ)

### COVID-19 Costing Conclusion

COVID-19 costs being tracked are generally consistent with the orders communicated. Whereas Op Orders are clear that incremental costs are to be tracked, there are concerns that not all costs directly or indirectly related to COVID-19, including non-incremental costs, were being tracked. As a result of these concerns, as well as known issues with the I/O field in DRMIS, reported financial information of COVID-19 costs is likely underreported. Given that the OCG has not set a materiality threshold, internal guidance has also not established the materiality level for the capturing and reporting of COVID-19-related costs. As such, the impact of possible over/under reporting cannot be determined.



# ABOUT THE AUDIT – COVID-19 COSTING

## Objective:

- To provide audit assurance that COVID-19 costing information is accurate, complete and reported as required.

## Methodology:



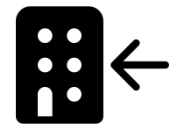
### Document Review:

The audit team completed a review of both internal/governmental directives, policies, guidelines, briefing notes, meeting minutes, Op Orders and Task Orders. Documents were maintained for evidence, as required, and were substantiated with other methods of evidence collection.



### Interviews:

The audit team conducted interviews with organizations internal to DND/CAF, including ADM(Fin), and comptrollers from L1s including CMP, CJOC, RCAF, CA, Canadian Special Operations Forces Command, VCDS and ADM(IE). These responses were to improve the team’s understanding of background, existing controls, risks and management communication procedures in place during COVID-19.



### Data Analysis:

A DRMIS extract of transactions tagged to COVID-19 I/Os for the period under review was used to: determine if costs were correctly coded to COVID-19; and accurately reported. This extract was also used to identify fund centres and organizations with the most COVID-19-related expenses.



### DND Report Reconciliation:

Management Reports and the Monthly OCG reports were examined to determine that costs were correctly recorded as incremental versus non-incremental; and were related to Canada’s response to COVID-19.

### Audit Criteria:

- COVID-19 costing information is accurate and complete.
- COVID-19 costs are tracked, monitored and reported as required.

### Project Scope and Timeframe:

**Scope:** The scope of audit procedures covers the COVID-19-related costs included in the reports to OCG and Defence Team senior management.

**Period covered by the audit:** March 13, 2020 to September 30, 2020.

Work was initiated September 29, 2020 and concluded February 26, 2021.

### Statement of Conformance:

The audit findings and conclusions contained in this report are based on sufficient and appropriate evidence gathered in accordance with procedures that meet the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. The audit thus conforms to the Internal Auditing Standards for the GC as supported by the results of the quality assurance and improvement program. The opinions expressed in this report are based on conditions as they existed at the time of the audit and apply only to the entity examined.



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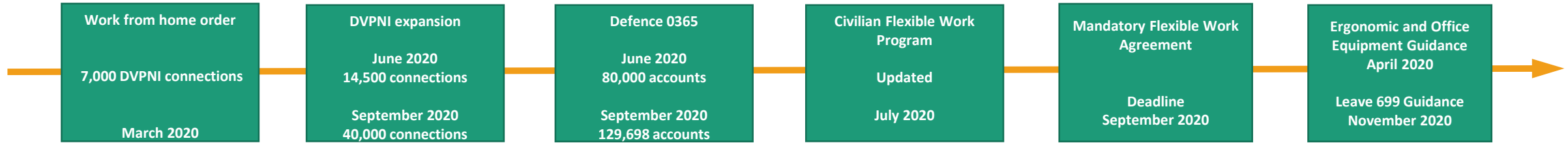
## 5 – REVIEW OF WORKING REMOTELY DURING A PANDEMIC

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# WORKING REMOTELY DURING A PANDEMIC

## Background



The COVID-19 pandemic has been a catalyst for unprecedented change for federal departments and their employees across the country. The government was required to adapt quickly, to embrace and enable flexible work arrangements, making more progress in a mere matter of days and months in areas where the vision for the federal government and industry has been working towards for years. Talent was mobilized and technologies leveraged for more modern solutions for the provision of internal and external services. The objective of the review is to determine the impact of working remotely on the efficiency of Defence Team operations. Further information about the review approach is on slide 54.

The Defence Team is largely decentralized across a multitude of geographical locations and operations, encompassing a diverse range of civilian and military occupations (e.g., operator, artillery, diver, pilot, support, logistics, medical, intelligence occupations) with not all occupations being suitable for remote work and requiring an on-site presence. As such, the Work from Home order had different impacts across the Defence Team.

The Defence Team Response to COVID-19 necessitated an accelerated and adapted approach to equipping and supporting DND/CAF to continue working productively in a highly dispersed and large-scale remote work posture. Some members of the Defence Team were already leveraging remote work and other flexibilities. While the Defence Team adapted to working remotely, like all Canadians, the COVID-19 pandemic created a unique environment in which Defence Team members had to meet work-related obligations, manage differing family care responsibilities, and cope with pandemic health considerations and overall uncertainty. Many military members and their families faced additional challenges associated with travel and relocation during the Active Posting Season.





# WORKING REMOTELY DURING A PANDEMIC

## Background

As per the WHO, the pandemic is triggering many mental health conditions. The Defence Team recognizes that the isolation, bereavement and various concerns related to the pandemic impact not only the mental health, morale and well-being of staff but also their ability to maintain work-life balance, to meet the requirements and manage job stress, leading to an overall sense of fatigue. Various studies suggest that hybrid work arrangements should be considered going forward to acknowledge the importance of both in-person collaboration and work-life balance to improve the productivity and effectiveness of teams, and support the mental health of all employees.

## Why It Matters

Both civilians and CAF members are expected to uphold the public trust by working with integrity to efficiently deliver on the Defence Team mandate. During times of rapid change and uncertainty, effective change and information management are imperative to support decision making and ensure that communication and messaging are clear, consistent, timely and accessible for employees.

Given the impact of COVID-19 including many stressors, sense of isolation and uncertainty, and make-shift remote working conditions, effective people management is critical to managing risks and maximizing opportunities to support the achievement of operational objectives and the safeguarding of people and assets.



# WORKING REMOTELY DURING A PANDEMIC

## Key Stakeholders

|   |   |
|---|---|
| <b>Office of the Chief Human Resources Office (OCHRO)</b> | Supports the Treasury Board in its role as the employer by driving excellence in people management and ensuring the appropriate degree of consistency across the public service. It provides guidance to ensure departments and agencies can effectively manage human resources, acting as the people management business owner.  |
| <b>ADM(HR-Civ)</b>  | Provides functional direction and guidance, tools and ensuring sound stewardship for DND civilian human resources management. Informs strategic decision making and develops civilian human resource strategies to foster a modern, healthy and productive workforce.   |
| <b>CMP/MILPERSCOM</b>                                     | Provides functional direction and guidance to the CAF on matters pertaining to the management of military personnel, including recruitment, training and education, benefits, health services, honours and personnel support.   |
| <b>Manager/Supervisor</b>                                 | Responsible for effective people management; applying the appropriate performance management policy for the different types of employees; and ensuring employees are assessed and are provided with ongoing feedback, support, learning activities and tools to achieve their work assignments and objectives.  |
| <b>Employee</b>   | Responsible for understanding performance management policies and participating in the process; knowing what is expected of them and the measurement criteria used for their evaluation; and monitoring their performance against the work assignments and objectives and discussing the progress made towards achieving work assignments and objectives with their manager/supervisor. |



# WORKING REMOTELY DURING A PANDEMIC – CHANGE MANAGEMENT

**FINDING:** The Defence Team demonstrated effective change management practices to support employees working remotely during the pandemic.

## What We Found

The Defence Team generally established a responsive approach to communications, providing training, support, guidance, digital tools and flexible arrangements. For example:

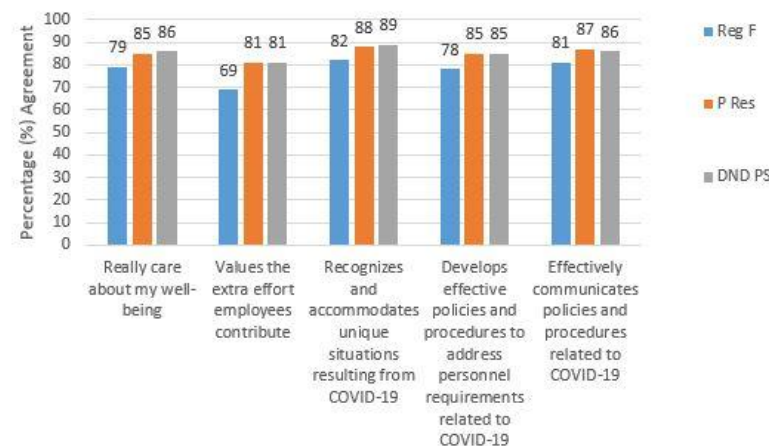
- The DM and CDS provided regular and ongoing communications through Defence Team Messages.
- Information and links to resources were provided online through the intranet, HR Connect, HR GO RH App, Facebook, Twitter, The Maple Leaf, as well as a COVID-19 information telephone line and CANFORGEN for CAF members.
- At key intervals throughout the pandemic, surveys, polls and Frequently Asked Questions were used to solicit and address employee feedback, on topics related to training; postings; compensation and leave and business resumption.

A number of tools to support supervision were leveraged, such as a manager’s toolkit and the Canada School of Public Service mandatory course for managing virtual teams. DND also updated the mandatory Civilian Flexible Work Program to revise departmental guidelines and streamline the process to support a “flexible, varied and remote workforce”, within a few months of the onset of the pandemic.

**Notable practice: Assistant Deputy Minister (Human Resources-Civilian) (ADM(HR-Civ)) developed and shared a COVID-19 Flexible Work and Decision Tree with OCHRO and the Treasury Board Secretariat, that supported ongoing central agency coordination of government-wide alignment of guidance.**

This said, the Defence Team COVID-19 survey results indicated that the information challenge for Defence Team members was related to the numerous sources of information. The survey also found that overall, the majority of personnel indicated that the organization was supportive and properly addressing and communicating on issues related to COVID-19.

Agreement (somewhat to strongly agree) organizational support statements



Source: Defence Team COVID-19 Survey May 2020



# WORKING REMOTELY DURING A PANDEMIC – INFORMATION FOR DECISION MAKING

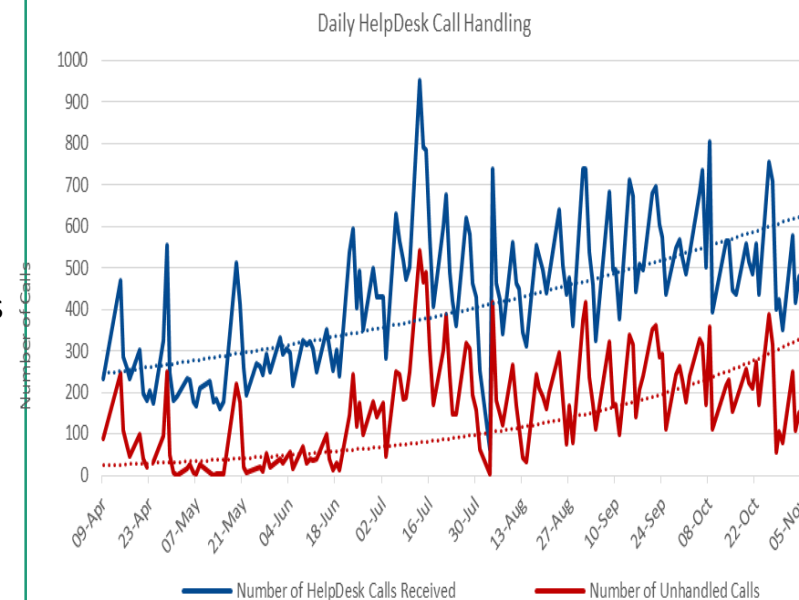
**FINDING:** The ability to make strategic use of data is limited due to inconsistent collection and reporting processes.

## What We Found

Information and data are not always collected and reported in a consistent way across the Defence Team. There is limited reconciliation or validation of information, which impacts its relevance and usefulness for decision making. For example, while the mandatory Civilian Flexible Work Agreement lists the equipment that employees have taken home and is reported to ADM(HR-Civ), the information is not shared or reconciled against IT inventory tracking mechanisms.

Workforce availability data, which is key to planning and reporting, is tracked using Sharepoint, Civilian Workforce Tracking and Monitor Mass, to identify each L1's workforce availability (i.e., the number of employees available/not available to work). While data is captured against standardized categories, data issues were identified, such as missing dates and empty fields for L2 and L3 organizations. As well, parade data for military members and leave data for civilians is collected in a comment section making analysis difficult and time consuming. Further, 699 leave may be underreported for several reasons, including HRMS system/data limitations, as has been noted by the Parliamentary Budget Officer across other federal organizations. Prior to the pandemic, there was no operational need to track 699 leave specifically, due to its limited and sporadic use. As well, initial direction to postpone the entering of 699 leave in the HRMS system, such that offline methods of tracking were relied upon, increased the risk of inconsistent and incomplete data. ADM(HR-Civ) has indicated that they are working in collaboration with TBS to acknowledge and address data issues related to 699 reporting.

Weekly reports are prepared on the level of IT support services for the National Capital Region. While Regional Service Management Centres track similar types of information, it is not captured consistently across the country. As such, it is not possible to quantify the impact of the pandemic on IT support services, and the Defence Team may not currently have the ability to identify trends for technical support going forward.



Source: Director General Information Management Operations  
National Capital Region Atmospheric reports, April 09, 2020 to Nov 05, 2020.



# WORKING REMOTELY DURING A PANDEMIC – PRODUCTIVITY & EFFICIENCY

**FINDING:** Indicators suggest both positive and negative impacts to productivity & efficiency, which point to a hybrid approach to remote work post-pandemic.

## What We Found

Full-time remote work has historically been less common in the public sector: 33% as compared to 50% in the private sector.<sup>1</sup> Over 83% of Defence Team managers acknowledged the need to shift their approach to managing their remote working employees by: increasing communications to stay in touch, regularly communicating priorities and checking in to keep teams on track. As previously indicated, tools were developed to support this rapid transition including updated guidelines and a managers' toolkit.

In the early days of the pandemic, the focus was on ensuring continuity of essential/critical services. Staff were sent home, many without equipment or network access, and facing limited options for childcare during school and daycare closures. Priorities that had been established in the business plan for FY 2020/21 had to shift. While work has been focused on priorities identified in the COVID-19 environment, concerns have been raised about the potential downstream repercussions for the months and even years to come on training, recruitment and other non-critical duties that were postponed.

As of December 2020 there were 141,212 Defence O365 accounts provisioned, 56,970 users on-boarded and 19,060 users making daily use of O365. The expansion of DVPNI connections can now accommodate 40,000 remote access connections, further enabling those working remotely.

While a majority of managers surveyed (54.2%) reported no impact on the quality of work produced, 12.5% of managers had concerns related to decreased productivity. Time saved and improvements in work-life balance, as a result of not needing to commute, were also attributed to increased productivity in questionnaire results and comments, as was the ability to maximize flexible work hours. Going forward, there is an opportunity to adapt and enrich key performance indicators to improve the Defence Team's ability to assess productivity as part of the performance management cycle.

<sup>1</sup>Flexible Work Arrangements – Report May 2018, The Conference Board of Canada.



# WORKING REMOTELY DURING A PANDEMIC – PRODUCTIVITY & EFFICIENCY

**FINDING:** Indicators suggest both positive and negative impacts to productivity & efficiency, which point to a hybrid approach to remote work post-pandemic.

## What We Found

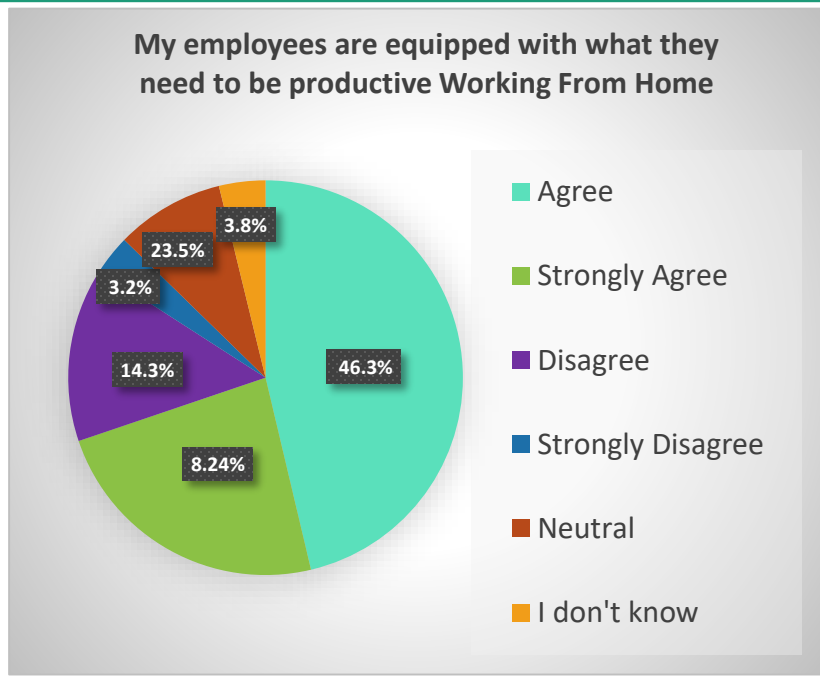
Civilian and CAF managers needed to take into consideration the circumstances of their employees on a case-by-case basis. While many CAF members have Family Care Plans to address emergency childcare scenarios, these plans often rely on daycares and extended families, options that were not always available given the COVID-19 environment. Defence Team survey responses noted particular challenges for CAF members including:

- family care responsibilities;
- ineligibility for leave for other reasons;
- stigma related to requesting flexible work arrangements; and
- managing workloads for teams comprised of civilian and CAF members.

Early in the pandemic, civilian staff were able to request leave with pay “for other reasons” (699 leave) due to certain COVID-19-related circumstances beyond their control that prevented their ability to work.

As per a Message from Chief Human Resources Officer, April 6, 2020, “Other leave with pay” 699: type of leave provided to employees at the discretion of management for situations that are not already covered by other types of leave and normally where employees are unable to report to work for reasons beyond their control.

Source: ADM(RS) -DGA analysis of leave data provided by ADM(HR-Civ)



Source: ADM(RS) Questionnaire on Supervision and Remote Work for the Audit of the Defence Team Response to COVID-19 (2020)





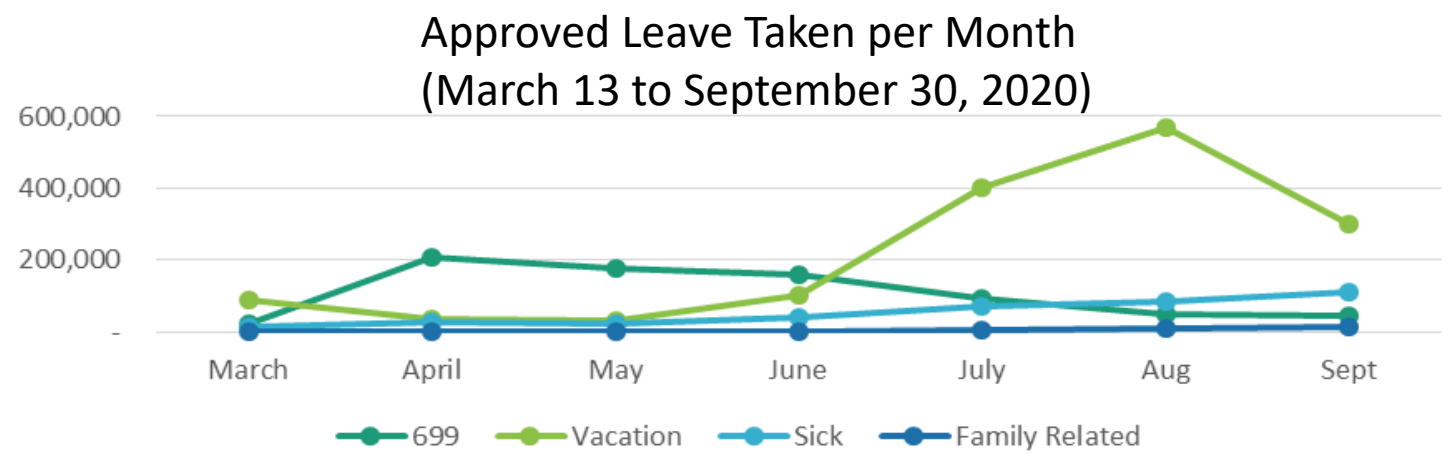
# WORKING REMOTELY DURING A PANDEMIC – PRODUCTIVITY & EFFICIENCY

**FINDING:** Indicators suggest both positive and negative impacts to productivity & efficiency, which point to a hybrid approach to remote work post-pandemic.

## What We Found

As measures were put in place in response to the pandemic (e.g., provision of technology to enable more employees to work remotely), the use of 699 leave also decreased from peak usage in the early months of the pandemic. Further, the latest guidance issued in November 2020 from OCHRO clarified that other options (e.g., flexible work hours) and other relevant paid leave was to be considered before using 699 leave. Between March and September 2020, approximately 15% of the Defence Team civilian workforce requested approximately 760,000 hours of “699 leave.” A total of 3,971 employees submitted requests for 699 leave of which:

- 59% of these were women, 41% were men and less than 1% were unspecified gender;
- While the total hours claimed by men and women were equal, the average number of hours claimed by women was 30% less than the average number of hours claimed by men. While data limitations prevented additional analysis from being conducted, possible factors could include differences in occupational groups and regional locations.



Source: ADM(RS) -DGA analysis of leave data provided by ADM(HR-Civ)



# WORKING REMOTELY DURING A PANDEMIC – PRODUCTIVITY & EFFICIENCY

**FINDING:** Indicators suggest both positive and negative impacts to productivity & efficiency, which point to a hybrid approach to remote work post-pandemic.

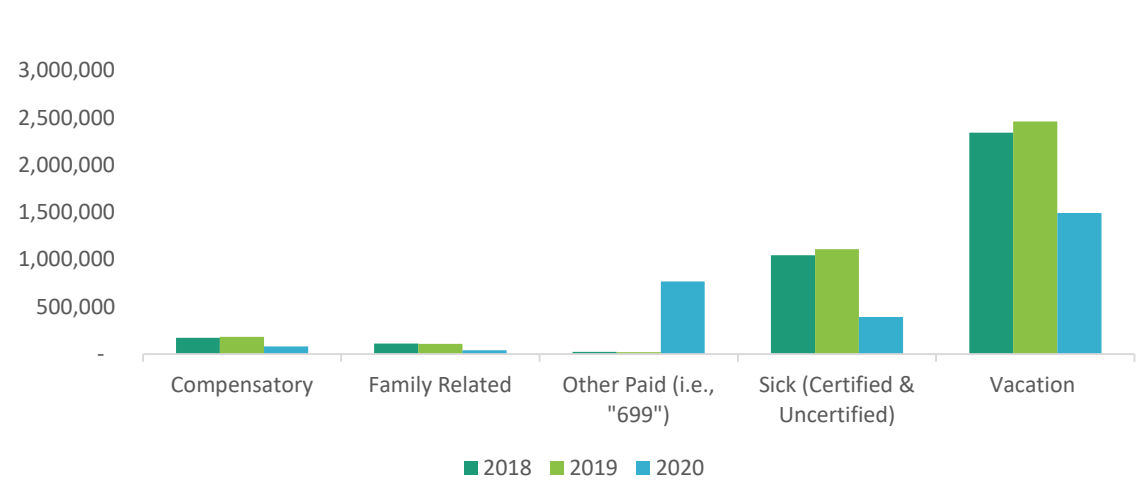
## What We Found

An analysis of military and civilian leave data from March 13 to September 30 was conducted for the years 2018 to 2020. Compared to previous years for the same period of time, the amount of vacation, sick leave, and family related leave taken have decreased significantly.

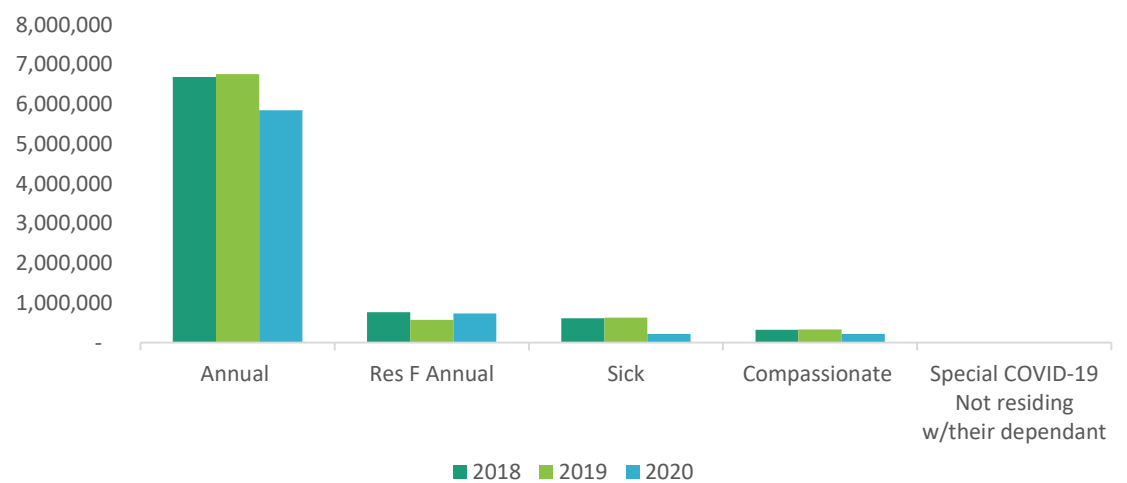
- Civilian vacation leave decreased in 2020 by nearly 1 million hours (or 39%) over the same period in 2019, and sick leave by over 700,000 hours (or 64%).
- Military annual leave decreased in 2020 by over 900,000 hours (almost 14%) over the same period in 2019, and sick leave by 65%. While data limitations prevented additional analysis from being conducted, possible factors could include reduced access and delivery of military medical services.

This significant decrease in leave taken may have broad and long-term implications to employee well-being (e.g., risk of burnout) and may create a financial liability on the department (e.g., pay-out of accrued vacation leave), which will need to be addressed.

Civilian Leave Hours Used (period of March 13 to Sept 30)



Military Leave Hours Used (period of March 13 to Sept 30)



Source: ADM(RS) -DGA analysis of leave data provided by ADM(HR-Civ)



# WORKING REMOTELY DURING A PANDEMIC – PRODUCTIVITY & EFFICIENCY

**FINDING:** Indicators suggest both positive and negative impacts to productivity & efficiency, which point to a hybrid approach to remote work post-pandemic.

## What We Found

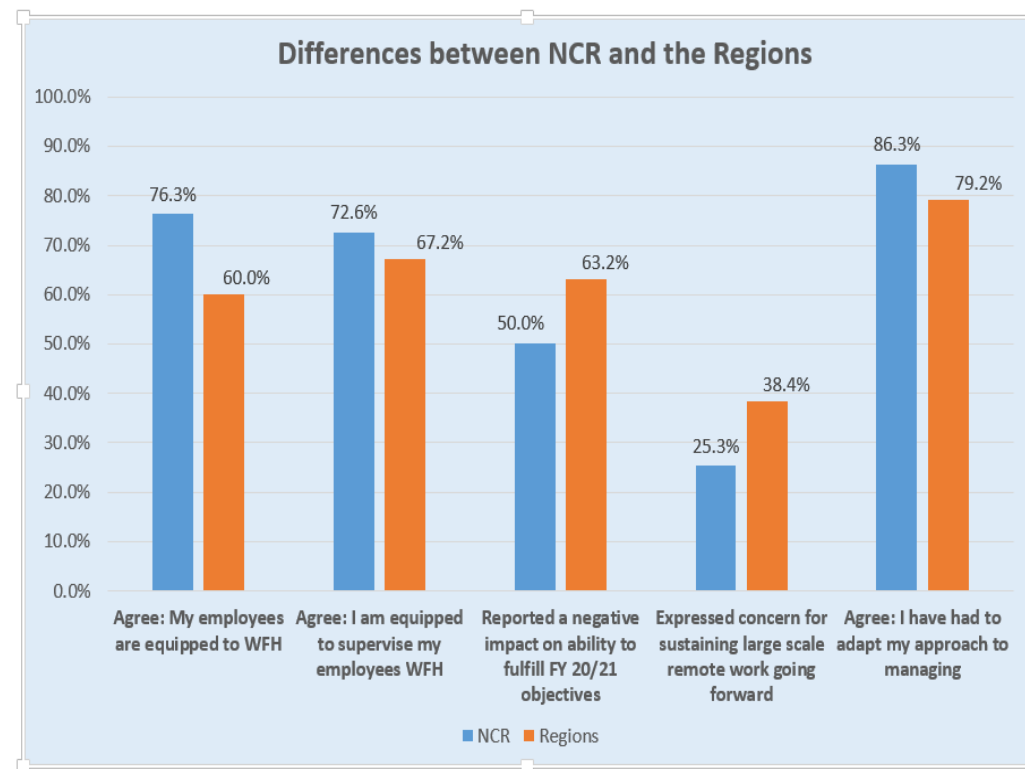
Additional differences were noted between DND and the CAF, the National Capital Region and other parts of the country, including the ability to work from home versus on-site (e.g., nature of work, operational requirements), access to equipment, training, as well as the availability of resources and support.

Interviewees noted that, amongst others, onboarding and in-person training were impacted. In relation to training, efforts were made to adapt course content to virtual platforms where possible, class sizes were reduced due to COVID-19 restrictions and mandatory courses were prioritized.

Managers also reported using a more flexible approach to managing, with 82% indicating that their employees could adapt their work hours as long as they fulfilled their work obligations. Several groups within the Defence Team reported they were able to adapt to emerging priorities and re-direct work to respond to departmental needs, such as making use of personnel assignments or reassigning staff to areas of higher priority.

***“We have to move away from our current approach to performance management and create an environment where we are communicating and confirming expectations on as regular a basis as possible so employees are aware and can deliver.”***

Source: Defence Team interview



Source: ADM(RS) Questionnaire on Supervision and Remote Work for the Audit of the Defence Team Response to COVID-19 (2020).

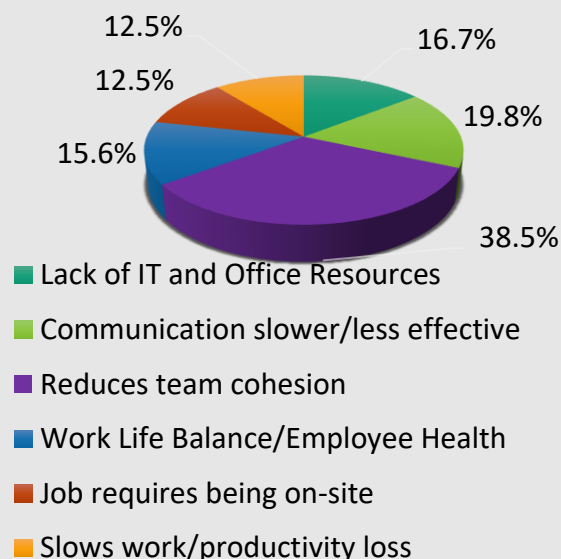


# WORKING REMOTELY DURING A PANDEMIC – PRODUCTIVITY & EFFICIENCY

**FINDING:** There are indicators to suggest both positive and negative impacts to productivity & efficiency, which point to a hybrid approach to remote work post-pandemic.

## What We Found

### Top reasons for concern with remote work going forward



Source: ADM(RS) Questionnaire on Supervision and Remote Work for the Audit of the Defence Team Response to COVID-19 (2020).

Questionnaire respondents were largely supportive of flexible/remote work going forward. This said, concerns were noted with regard to team cohesion, which will need to be a key consideration in the development of any solution for the 'new normal' work environment post-pandemic. ADM(HR-Civ) is planning the development of Post-Pandemic Direction and Guidance for managers and employees to support the transition to a modern, flexible and varied workforce, post-pandemic.

Inefficiencies related to communications and information management were also raised. Although collaborative tools and connectivity have improved, some challenges were identified:

- Communications overload due to less opportunity for quick impromptu conversations;
- Technical glitches including connectivity issues for those competing for bandwidth with household members or in remote areas with poor internet infrastructure;
- Information management issues such as managing emails across multiple platforms;
- Security of information on collaborative platforms/use of personal devices to access platforms; and
- Not all systems were accessible for remote work (e.g., DRMIS, secure systems).

ADM(IM) is exploring ways to address some of the issues identified and has recently implemented a solution to use the Defence Office 365 for communications up to Protected B. Further, an incident management process and cloud security monitoring controls exist to help prevent/detect downloading protected information.



# WORKING REMOTELY DURING A PANDEMIC – PRODUCTIVITY & EFFICIENCY



3. To promote continued productivity and enhanced efficiency of the Defence Team post-pandemic, the following on-going work should continue to be developed and implemented, as it applies to public servant employees and military managers of public servant employees within DND/CAF:

- a) Guidance being prepared to support and develop the workforce of the future;
- b) GBA+ and trend analysis of leave and other relevant longitudinal and intersectional analytics to provide senior management with accurate, complete and timely information to support strategic decision making; and
- c) Current work processes and people management practices undergoing modernization.

**OPI:** ADM(HR-Civ)

**OCI:** CMP



4. To identify operational efficiencies and opportunities for continued innovation that support the low-carbon government targets outlined in the Federal Sustainable Development Strategy, the following should be conducted:

- a) A needs analysis of a hybrid workforce that takes into consideration pre- and post-COVID-19 workspace utilization rates, Flexible Work Arrangements and opportunities to enable further decentralization across the Defence Team; and
- b) An assessment to identify opportunities to accelerate the reduction of greenhouse gas emissions, including increased use of alternate work arrangements precipitated by the pandemic.

**OPI:** ADM(IE)

**OCI:** All L1s



5. The Defence Team should leverage lessons learned, with a focus on enhancing business processes, tools and data analytic to further inform organizational responses to mitigate risks during and post-pandemic, and to ensure readiness for the next crisis. These lessons learned and activities should be conducted within the respective L1s, and be consolidated to enable a collaborative Defence Team vision and approach.

**OPI:** VCDS

**OCI:** All L1s



# WORKING REMOTELY DURING A PANDEMIC – PRODUCTIVITY & EFFICIENCY

## Working Remotely Conclusion

In response to COVID-19, the Defence Team generally established a responsive approach to change management including communications, providing training, support, guidance, modernized tools and flexible arrangements. The Defence Team encompasses a diverse range of occupations, where not all are suitable for remote work and require an on-site presence. As such, the Work from Home order had different impacts across the Defence Team due to operational differences and work locations.

While efficiencies and productivity were difficult to assess due to data limitations, the Department has many potential sources of data that could be mined to quantify productivity. That said, the Defence Team was able to adapt and equip a large contingent of employees to work from home enabling productivity and efficiency of personnel working remotely, while also recognizing that the workforce was facing a variety of challenges stemming from the pandemic. Going forward, there is an opportunity to adapt or enrich key performance indicators to improve the ability to assess productivity as part of the performance management cycle.

While future impacts are also anticipated, such as backlogs in recruitment and training, they have yet to be determined. Further, the significant decrease in leave may have broad and long-term implications to employee well-being, including an increased risk of burnout, and may create an important financial liability on the department (e.g., pay-out of accrued vacation leave).

There are also opportunities to explore potential benefits of hybrid work solutions that consider work-life balance, the importance of team cohesion and in-person collaboration, the potential for cost savings such as reduced real estate costs, greening considerations, increased opportunities to recruit Canadians regardless of geographical location and GBA+ implications, to name but a few. With a shift to working remotely due to the pandemic, the Defence Team has made headway on several GC priorities and initiatives including broader use/acceptance of digital signatures, move to a paperless work environment, cloud computing, enhanced collaboration tools, and greater acceptance and leveraging of flexible work arrangements.



# ABOUT THE REVIEW – WORKING REMOTELY IN A PANDEMIC

## Objective:

- To provide review-level assurance on the impact of working remotely on the efficiency of Defence Team operations.

## Methodology



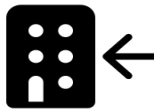
### Document Review:

The team, comprised of auditors and evaluators, completed a review of both internal/governmental policies, directives, communications, procedures, guidelines, Defence Team COVID-19 Survey results, FAQs, Op LASER , ADM(Mat) BCP lessons learned and business resumption plans. Documents were maintained for evidence, as required, and were substantiated with other methods of evidence collection.



### Interviews:

The team conducted interviews with organizations internal to DND/CAF, including ADM(IM), ADM(HR-Civ) and CMP/MILPERSCOM. These responses were to improve the team’s understanding of areas of concern, existing controls, risks and management communication procedures in place to support working remotely during COVID-19.



### Data Analysis:

An HRMS extract of all leave transactions for the period of March 13 to Sept 30 for 2018, 2019 and 2020 was reviewed to determine if/how COVID-19 impacted leave usage. Based on this analysis, fluctuations were identified in different types of leave (e.g., sick leave, 699). Data obtained on the available workforce, IT atmospherics and IT requests were reviewed to assess the impact on productivity.



### Questionnaire:

The Questionnaire on Supervising Remote Work developed by the team was distributed to the Defence Team’s Managers’ Network on December 4, 2020 and closed on January 12, 2021. A total of 299 managers responded with the majority working in ADM(HR-Civ), ADM(Mat) and CMP. The survey yielded a response rate of 46%, with a confidence level of 95% and a 4% margin of error.

## Review Criteria:

- Employees have access to the materials and equipment they require to work remotely and remain productive during COVID-19.
- Employees are adequately supervised and managed to ensure productivity during COVID-19.
- Defence Team key deliverables and work responsibilities are being met within schedule during COVID-19.
- The Defence Team has adopted change management practices to remote working, during and beyond COVID-19.

## Project Scope and Timeframe:

**Scope:** All Defence Team members (CAF members, civilians, employees and management); ADM(HR-Civ) and CMP guidance and direction. The scope was forward-looking to best add value and provide assurance on sustainability of the policies, processes and infrastructure in place to support working remotely.

**Period covered by the review:** March 13, 2020 to September 30, 2020.

Work was initiated June 4, 2020 and concluded March 31, 2021.

## Statement of Conformance

The advisory findings and conclusions contained in this report are based on sufficient and appropriate evidence gathered in accordance with procedures that meet the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. The advisory thus conforms to the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing* as supported by the results of the quality assurance and improvement program. The opinions expressed in this report are based on conditions as they existed at the time of the advisory and apply only to the entity examined.





# OVERALL CONCLUSION – DEFENCE TEAM RESPONSE TO COVID-19

On March 11, 2020, the WHO declared the novel coronavirus disease, COVID-19, a pandemic. Within days, the Defence Team was instructed to continue only core essential activities, including international and domestic operations and their supporting functions, identified by each L1 BCP. COVID-19 has fundamentally impacted government at all levels. Institutions and industry have struggled to undertake the measures necessary to flatten the curve and manage pandemic impacts with the finite resources available. To respond to these impacts on the Defence Team, the DM and the CDS issued guidelines with expected activities from each L1.

Overall, throughout the COVID-19 pandemic, the Defence Team has been able to respond to the needs of its members, employees, other government departments and Canadians in the examined areas to deliver on its mandate to protect Canadians. Key decisions were well-documented to demonstrate accountability, stewardship and transparency. There was documentation to support sound decision making in all decisions reviewed with some opportunities for improvement.

Internal controls, including oversight mechanisms and risk management practices, are in place and are functioning as intended, expenditures are COVID-19 related, and authorities are exercised in compliance with the temporary DOAs. Opportunities to improve contracting data such as missing fields, untimely reporting and manual interventions to validate information across systems of records were identified.

The Defence Supply Chain must ensure the identification of key capabilities to support CAF operational readiness. Through collaboration and leveraging of existing processes and resources, the Defence Supply Chain responded to the reduced needs of the Department during COVID-19. Critical activities within the CAF and Defence Supply Chain were identified and managed during the pandemic, to ensure the continuation and prioritization of work within the Defence Team. Existing data limitations and reporting processes resulted in inefficiencies in providing senior management with timely and reliable information to support decision making.



# OVERALL CONCLUSION– DEFENCE TEAM RESPONSE TO COVID-19

While reports were produced in accordance with the OCG and Op Orders as required, opportunities exist to ensure comprehensive COVID-19-related costs are captured. As a result, reported financial information of COVID-19 costs is likely underreported.

The Defence Team demonstrated effective change management practices to support employees working remotely during the pandemic. The ability to make strategic use of data is limited due to inconsistent collection and reporting processes. Indicators suggest both positive and negative impacts to productivity and efficiency, which point to a hybrid approach to work post-pandemic. There are also opportunities to explore potential benefits of hybrid work solutions that consider work-life balance, the importance of team cohesion and in-person collaboration, GBA+ implications, the potential for cost savings such as reduced real estate costs, greening considerations and increased opportunities to recruit Canadians regardless of geographical location, to name but a few.



# ANNEX A – MANAGEMENT ACTION PLAN

## ADM(RS) Recommendation



1. Critical contracts and materiel within the supply chain should be analysed to ensure long-term resiliency of the Defence Supply Chain. This analysis should be made available to senior management to support supply chain management, strategic planning and decision making.

## Management Action

ADM(Mat) agrees with the recommendation.

The Materiel Group will establish a Risk Assessment services contract, to be used by the various Level 1s and is expected to be established by March 2022.

This Risk Assessment services contract will enable the Level 1s to:

- get their critical contracts and supply chains fully illuminated;
- get their key suppliers and supply chain risks identified; and
- enable the development of risk mitigation options.

The Risk Assessment analysis will:

- be provided by the supplier to the organization that leveraged the services of the contract (technical authority);
- be made available to management teams in DND; and
- provide timely and reliable information to senior management to support their strategic planning and decision making.

**Closure:** This Management Action Plan (MAP) will be closed when a Supply Chain Risk Assessment services contract is awarded.

**OPI:** ADM(Mat)/L2 – Director General Materiel Systems and Supply Chain

**OCI:** All L1s

**Target Date:** March 30, 2022



# ANNEX A – MANAGEMENT ACTION PLAN

## ADM(RS) Recommendation



2. To ensure accurate and complete COVID-19 costing information, including 699 leave, is available to support strategic decision making and is reported as required:

- a) Guidance to record costs should be clarified to include all related expenses; and
- b) Costing processes should be reviewed under current business modernization initiatives to clarify requirements, enhance data reliability and ensure greater consolidation across reporting systems.

## Management Action

ADM(Fin) agrees with the recommendation. ADM(Fin) will liaise with ADM(HR-Civ) to identify sunk costs related to use of 699 leave, on a quarterly basis commencing at Q2. These indirect costs will then be incorporated within the OCG reports. In addition, via the CFO Initial Allocation and In-Year Management letter to all L1 organizations, reporting of COVID-19 costs will be reiterated including the necessity for L1s to track and report overtime directly attributable to COVID-19 tasks. Direct financial costs (e.g., cash-out of OT) will be tracked via the required IO groups. Overtime taken as compensatory time will have to be reported separately, and costs attributed based on individual classifications and pay levels. Finally, using lessons learned from last FY regarding employment of ambiguity reports, ADM(Fin) will continue to exert oversight on L1 COVID-19 expense reporting in order to ensure transparent information is communicated within the OCG reports.

### Planned action

- a) Current cost capturing mechanisms for COVID-19 expenses are likely understated as not all Indirect costs are being captured. This is specific to loss of productivity related to use of 699 leave.
  - Milestone #1 - ADM(Fin) will engage directly with HR(Civ), on a quarterly basis commencing at Q2 this FY, to ascertain information related to use of Departmental 699 leave. A methodology to attribute a financial cost to this lost productivity will be identified noting it may not be feasible to determine exact costs given differing pay levels and classifications and how data is tracked in current HR systems. This will then be reported to OCG as an incremental sunk cost.
- b) Current cost capturing mechanisms for COVID-19 expenses are likely understated as not all Indirect costs are being captured. This is specific to payout of Civilian overtime directly attributable to COVID-19 actions and capturing of lost productivity for employees who opt to use compensatory time.
  - Milestone #1 - ADM(Fin) will reiterate in the CFO's Initial Allocation and In-Year Management Direction letter the requirement for capturing all COVID-19 expenses including definitions and examples. This will include additional direction for Dept'l organizations to track civilian overtime directly attributable to COVID-19 actions. Organizations will need to differentiate between cash-pay out of the overtime or if the employee opts for compensatory time. Compensatory time will not have a direct financial impact and will have to be reported as an indirect cost.

**Closure:** This MAP will be considered closed once the above-noted milestones have been reached.

**OPI:** ADM(Fin)

**OCI:** CJOC, ADM(HR-Civ)

**Target Date:** March 31, 2022



# ANNEX A – MANAGEMENT ACTION PLAN

## ADM(RS) Recommendation



3. To promote continued productivity and enhanced efficiency of the Defence Team post-pandemic, the following on-going work should continue to be developed and implemented, as it applies to public servant employees and military managers of public servant employees within DND/CAF:

- a) Guidance being prepared to support and develop the workforce of the future;
- b) GBA+ and trend analysis of leave and other relevant longitudinal and intersectional analytics to provide senior management with accurate, complete and timely information to support strategic decision making; and
- c) Current work processes and people management practices undergoing modernization.

## Management Action

- a) ADM(HR-Civ) will develop and communicate future-informed guidance to support the Defence Team’s Public Service workforce.
- b) ADM(HR-Civ) will continue to leverage longitudinal and GBA+ analytical approaches to complement other analytical reports of leave and other files, in support of strategic decision making.
- c) Post-pandemic direction and guidance will be developed for managers and employees, to support the Defence Team’s transition to a modern, flexible and varied posture.

**Closure:** This MAP will be considered closed once:

- a) ADM(HR-Civ) develops and communicates future-informed guidance to support the Defence Team’s Public Service workforce.
- b) ADM(HR-Civ) integrates longitudinal or GBA+ analytical approaches to existing workforce tracking mechanisms inform strategic decision making.
- c) ADM(HR-Civ) develops and communicates post-pandemic direction and guidance to support the Defence Team’s transition to a modern, flexible and varied posture.

**OPI:** ADM(HR-Civ)

**OCI:** CMP

**Target Date:** March 31, 2022



# ANNEX A – MANAGEMENT ACTION PLAN

## ADM(RS) Recommendation

4. To identify operational efficiencies and opportunities for continued innovation that support the low-carbon government targets outlined in the Federal Sustainable Development Strategy, the following should be conducted:

- a) A needs analysis of a hybrid workforce that takes into consideration pre-and post-COVID-19 workspace utilization rates, Flexible Work Arrangements and opportunities to enable further decentralization across the Defence Team; and
- b) An assessment to identify opportunities to accelerate the reduction of greenhouse gas emissions, including increased use of alternate work arrangements precipitated by the pandemic.

## Management Action

Given that workforce and workspace impacts from COVID-19 were GC-wide and that TBS and PSPC set policy direction for people and workplace management, a DND-specific analysis may depend on the outcome of a broader effort. Assistant Deputy Minister (Infrastructure & Environment) (ADM(IE)), in concert with ADM(HR-Civ) and MILPERSCOM), will leverage historic accommodations data and post-COVID-19 workplace management policies to assess opportunities to reduce Greenhouse Gas (GHG) emissions and influence potential accommodations efficiencies or Real Property divestiture. As per the Defence Energy and Environment Strategy, Defence monitors GHG emissions from Defence custodial real property as part of its commitment to reduce emissions by 40% of the 2005 baseline by 2025. Most real property GHG emissions are from heating buildings to meet *Canada Labour Code* requirements.

As identified in report recommendation #3, Human Resources and National Accommodations leads will provide data to assess whether changes in workforce and workplace policies (precipitated by the pandemic) resulted in carbon reductions. This includes use of alternate work arrangements and the use of a hybrid workforce when feasible. L1s will provide ADM(IE) their post-COVID-19 accommodations requirements, in accordance with established and relevant GC and DND/CAF Human Resource policies and directives for a hybrid workforce.

ADM(IE) will update Defence's workplace accommodations plans to reflect the resulting occupancy footprint. ADM(IE) will then calculate an estimate of the future GHG emissions reductions attributable to a post-COVID-19 workplace environment.

**Closure:** This MAP will be considered closed once an analysis of GHG reductions and the potential for accommodations efficiencies, in a post-COVID-19 workplace occupancy footprint, is complete and when the considerations of the impacts on DND/CAF GHG reductions have been communicated to senior management.

**OPI:** ADM(IE)

**OCI:** All L1s

**Target Date:** March 31, 2023



# ANNEX A – MANAGEMENT ACTION PLAN

## ADM(RS) Recommendation



5. The Defence Team should leverage lessons learned, with a focus on enhancing business processes, tools and data analytics, to further inform organizational responses to mitigate risks during and post-pandemic, and to ensure readiness for the next crisis. These lessons learned and activities should be conducted within the respective L1s, and be consolidated to enable a collaborative Defence Team vision and approach.

## Management Action

Renew the DND/CAF BCM program, to include conducting a L0 Threat Assessment, updating the DND Critical Services list, and providing L0-level guidance that will instruct L1s and below on Business Continuity processes, planning and activities. The BCM program will be renewed and implemented through the Senior Security Advisory Committee.

All DND/CAF L1s will adopt the Defence Lessons Learned System, in order to enable an integrated approach to lessons learned across DND/CAF and leverage lessons learned to inform our response to future crises.

**Closure:** This MAP will be considered closed once the BCM program has been renewed including a L0 Threat Assessment, updated Critical Services List and provision of L0-level guidance.

**OPI:** VCDS and CJOC/DG Readiness

**OCI:** All L1s

**Target Date:** June 2023