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Audit of Canadian Armed Forces Minor Project Management

Canada

💬 Executive Summary

- Minor projects are defined as projects for the one-time acquisition of new equipment, materiel and/or services where the total project value inclusive of tax does not exceed $10 million.[1]
- The Project Approval Directive (PAD) outlines the governance mechanisms required for minor projects, which is applied at the Level One Organization's (L1) discretion. L1s must seek approval for minor projects over $1 million from the Assistant Deputy Minister (Materiel) (ADM(Mat)) or the Deputy Minister.
- L1s are required to present annual minor project plans to the Programme Management Board for information. Unlike major projects, minor projects are not overseen by the Defence Capability Board or the Investment and Resource Management Committee.
- The approval process is effective in delivering projects to end users but is not efficient due to approval bottlenecks.
- Each L1 has developed its own guidance on minor project governance, leading to inconsistencies in the information for decision making, prioritization and risk management.
- Though outside the scope of this audit, defining acquisitions of equipment, materiel and services as projects has led to management practices that may not be aligned with the risk of these purchases. Consideration will be given to future planned audits of other control mechanisms to support these acquisitions in a more efficient and transparent manner.

🔍 Key Findings and Risks	📋 Recommendations
Finding 1: Governance mechanisms are functioning as intended within L1s, but there is no departmental oversight of minor projects. Data requirements and reporting on minor projects could be improved to enable prioritization of resources and procurement activities.	**Recommendation 1:** Vice Chief of the Defence Staff (VCDS) has communicated departmental reporting requirements for minor projects in PAD to ensure data consistency. VCDS should consolidate L1 minor project data in the Defence Resource Management Information System (DRMIS) into a departmental report. **OPI:** VCDS **OCI:** ADM(Mat)
Finding 2: PAD and L1 documentation do not provide clear guidance for the minor project approval process. Minor projects are not approved in an efficient manner.	**Recommendation 2:** For greater agility and resource efficiency in minor projects, ADM(Mat) should create and share clear standard operating procedures and best practices for minor project approval.

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[1] As per PAD. Accessed June 2023.

	OPI: ADM(Mat)
Finding 3: The Defence Team has an opportunity to improve training and tools to support the management and delivery of minor projects.	This finding is addressed in the Management Response to Recommendation 2.

Table 1. Key findings and risks along with recommendations resulting from the engagement.

Background

Project management is the systematic planning, organization and control of resources to accomplish identified objectives and outcomes. Project management is critical to maintaining operational capability, managing vital equipment and supporting Defence priorities. Minor projects are defined as projects for the one-time acquisition of new equipment, materiel and/or services where the total project value inclusive of tax does not exceed $10 million.[2] Minor projects typically come from three sources: operational needs, business support community or capability-based planning. Minor projects are low in dollar value but provide an essential function in being an agile tool to support Defence Team needs and programs. These projects often serve critical equipment, safety or operational needs.

PAD provides departmental direction and guidance for project and program management within the Defence Team. PAD includes an overview of key defence project management principles, information and requirements as well as a section focused on minor projects. It outlines how they should be approved and monitored. PAD conforms to the recently published Treasury Board Policy on the Planning and Management of Investments, as well as the Directive on the Management of Projects and Programmes. Individual L1s may also establish appropriate governance, guidance and directives that direct staff through the minor project approval process.

Minor projects are not subject to the Project Complexity and Risk Assessment process as they are considered low in value and risk. Minor projects do not require the same governance mechanisms or oversight as major capital projects, such as the Defence Capability Board or Investment and Resource Management Committee. ADM(Mat) has the delegated project expenditure approval authority for minor projects between $1 million and $10 million, and the Canadian Armed Forces (CAF)—including the Canadian Army (CA), the Royal Canadian Air Force (RCAF) and the Royal Canadian Navy (RCN)—approves any project below $1 million.

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[2] As per PAD. Accessed June 2023.
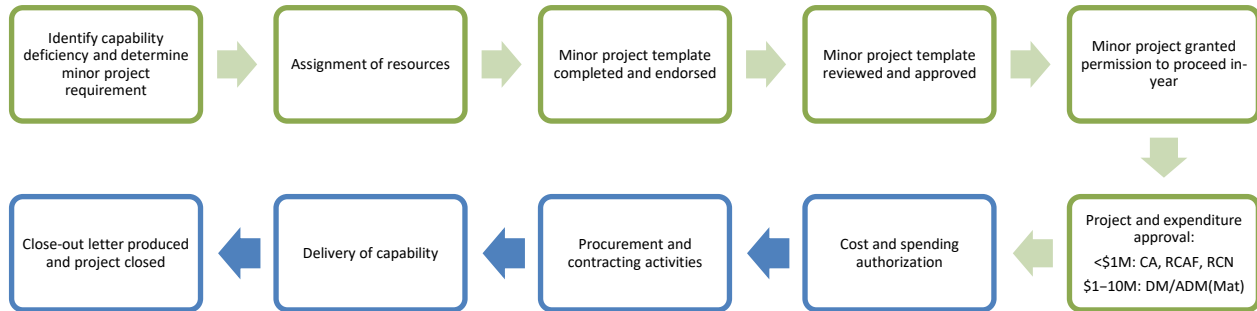
Green: Led by the project business owner and sponsor through the identification, options analysis and definition work phases (typically CAF).
Blue: Led by the project implementer (manager) through the implementation and closeout work phases (typically ADM(Mat)).

Figure 1: Minor Project Approval Process, as developed by audit team and minor project coordinators.

Key Findings and Risks

Governance mechanisms are functioning as intended within L1s, but there is no departmental oversight of minor projects. Data requirements and reporting on minor projects could be improved to enable prioritization of resources and procurement activities.

An effective oversight structure enables strategic decision making. This can ensure that minor projects receive adequate visibility, challenge and resourcing to meet the emerging demands of the CAF. In accordance with PAD, L1s must establish their own governance mechanisms for minor projects. A review of existing governance indicates that review boards and senior management briefings are established within each L1 to support decision making and the management of minor projects. These governance forums occur regularly and are well attended by senior management.

The CAF also leverages the Programme Management Board for high-level governance discussions. These discussions facilitate engagement on project performance, resourcing and risks while promoting collaboration between project stakeholders. There is no departmental oversight or reporting in place to track and manage minor projects across the Defence Team. This results in a lack of visibility and accessibility of information for decision making—including the ability to prioritize procurement efforts—when managing the minor project program across the Defence Team. Authorities, responsibilities and accountabilities for minor projects are clear, which ensures the proper management of projects while promoting workflow and collaboration.

Reporting and tracking of minor project progress, risks and costs occurs but is not consistent across L1s. There is no clear direction on where to enter minor project data or what information must be captured. As a result, data is infrequently updated and is not always available or stored in DRMIS, the

system of record. As of March 2023, PAD mandated that minor projects be tracked in DRMIS, although it does not provide clear direction on how to do so. The implementation of DEFENCEx[3] may address some of these reporting challenges in the future. There is an opportunity to improve the quality of the data in DRMIS and clarify reporting requirements until longer-term solutions are completed.

Recommendation 1
VCDS has communicated departmental reporting requirements for minor projects in PAD to ensure data consistency. VCDS should consolidate L1 minor project data in DRMIS into a departmental report. **OPI:** VCDS **OCI:** ADM(Mat)
Management Response VCDS will direct all L1s to report minor project data in DRMIS. VCDS will establish a minor project tracking report.

PAD and L1 documentation do not provide clear guidance for the minor project approval process. Minor projects are not approved in an efficient manner.

PAD has baseline information on the minor project approval process including a template to complete that enables ADM(Mat) to exercise approval authority. This guidance is transactional, outlining actions to take for individual projects. Supplemental L1 guidance is required to determine standard operating procedures for prioritization, monitoring and funding of minor projects. Each L1 has some form of guidance and key controls in place to support minor project delivery; however, following the principles of PAD may not be aligned with the lower level of risk associated with minor projects. Minor project staff would benefit from standard operating procedures on evolving requirements, such as how to efficiently navigate the approval process and how to support Indigenous procurement.

The minor project approval process is effective in terms of projects being delivered to the CAF as required, but there are opportunities to improve project approval efficiencies. For example, low delegation of authorities across L1s can result in long timelines for project approval (see Figure 1 process map, which indicates the current delegation of authorities). Gaps in minor project process

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[3] DEFENCEx was initiated in 2019 within the Digital Transformation Office and in collaboration with the Chief Information Officer to upgrade and modernize DRMIS by transforming business processes, data management and information technology (IT) infrastructure, though full implementation is not expected in the near term.

awareness can also cause subsequent delays of project delivery and non-optimized usage of resources.

CAF minor equipment projects between $1 million and $10 million are approved by ADM(Mat). Project documentation and requirements are prepared and determined by the CAF on a transactional basis. This documentation is then approved by ADM(Mat), which also delivers the capability. The absence of a consistent process across L1s impacts the length of the approval process. These challenges create an approval bottleneck, which can lead to a delay of several months for project progression approvals in a process that is intended to be agile. This can lead to project delays, cost increases, scope reductions and further challenges in delivering minor projects that are critical to meeting operational requirements. Streamlining the approval process through consistent standard operating procedures, aligned with the risks, would help reduce inefficiencies.

Recommendation 2

For greater agility and resource efficiency in minor projects, ADM(Mat) should create and share clear standard operating procedures and best practices for minor project approval.

OPI: ADM(Mat)

Management Response

ADM(Mat) will review and update Materiel Group Instruction (MGI) 7-10 by expanding on the document's "aim" to include any L1 seeking to acquire a minor capital project that requires neither IT- nor infrastructure-related documents such as:
- the Project Approval Documentation template;
- environmental screening questionnaires;
- briefing notes; or
- the Minor Project Close-out Checklist.

ADM(Mat) will also include a reference to MGI in its Functional Planning Guidance, which will formalize and communicate detailed guidance and best practices, thus potentially improving collaboration between Office of Primary Interest (OPI) and Office of Collateral Interest (OCI) stakeholders.

The Defence Team has an opportunity to improve training and tools to support the management and delivery of minor projects.

The Defence Team and L1s do not have the required resources to manage and deliver the increasing demand for minor projects following PAD requirements. Minor projects are often completed as secondary or tertiary duties since additional salary budgets are not allocated to minor projects as occurs with major capital projects. The requirement to meet PAD processes has caused a strain on

the workforce as a greater number of minor projects are initiated. These challenges are mitigated through prioritizing resources and an increased workload taken on by existing staff. Sufficient minor project resourcing is essential to support the delivery of operational capabilities and minimize minor project slippage. Resourcing minor project delivery must be align with the process requirements and activity risk. Knowledgeable project teams currently mitigate resourcing shortfalls and improve process efficiency.

Government-wide project management training and Defence Team courses provide knowledge and guidance for employees managing projects. This training is delivered and managed by VCDS and ADM(Mat). It includes courses, programs and seminars that provide a detailed overview of project management, specific roles and responsibilities or tasks. Available training is designed for major capital projects and is not always applicable to minor projects since processes and requirements can differ. Within these training offerings, there are sections that briefly touch on minor projects, but they are not comprehensive.

Minor project staff are informally trained through professional development seminars, job shadowing, document review and on-the-job learning. Knowledge preservation and transfer is difficult in the Defence Team because of shifting priorities, workforce mobility and rotating personnel in project management roles. Offboarding and knowledge transfer is often done informally. Training gaps and resourcing shortfalls could be mitigated through the development of clear and efficient standard operating procedures for staff, as provided for in Recommendation 2.

Conclusion

Minor projects are a key tool that address low dollar–value requirements. Balancing the agility of this process with the right level of risk tolerance is key. Timeliness of project approvals is critical in ensuring minor project delivery. Rising demand and volume for CAF minor projects emphasize the need for a robust and efficient minor project approval process. Ineffective project management could undermine the ability of the CAF and diminish Canada's reputation as a leader in the Defence community.

Improvements to the identified challenge areas for minor projects will help improve process efficiencies. Ensuring that processes put in place address the critical risks of minor projects and information needs for decision making would help determine the control framework required, enabling completion of minor projects in a timely manner.

Annex A: Management Action Plan

Recommendation 1: VCDS has communicated departmental reporting requirements for minor projects in PAD to ensure data consistency. VCDS should consolidate L1 minor project data in DRMIS into a departmental report. **OPI:** VCDS **OCI:** ADM(Mat)	**MAP 1** VCDS will direct all L1s to report minor project data in DRMIS. VCDS will establish a minor project tracking report.	
	Deliverable **1.1** Minor project data direction established: • PAD Minor Project direction, guide update and submission template; • DND/CAF Implementation Directive for the onboarding of minor capital projects onto the DRMIS Project System (PS); • Portfolio and Project Management Data Management Directive; and • DRMIS PS job aids, to include Qualiware process workflows with embedded minimum DRMIS PS data requirements.	**Timeline** December 2024
	1.2 Minor Project Tracking Report created: • Interim Operational Capability (IOC) Stage 1 – March 2025 – All capability exercise (CAPEX) minor project data of more than $2.5 million is onboarded onto DRMIS PS and is ready for use in corporate reporting with priority to the Treasury Board annual report on active and planned projects for 2025–2026. • IOC Stage 2 – March 2026 – All CAPEX minor project data of less than $2.5 million is onboarded onto DRMIS PS and ready for use in corporate reporting. • Final Operational Capability – Post S/4 Hana implementation via DEFENCEx (circa 2030) – All CAPEX and Operational Exercise (2) project data (3) is onboarded onto S/4 Hana and ready for corporate reporting.	IOC: March 2025 Final Operational Capability: March 2026

Recommendation 2: For greater agility and resource efficiency in minor projects, ADM(Mat) should create and share clear standard operating procedures and best practices for minor project approval.	**MAP 2** ADM(Mat) will review and update MGI 7-10 by expanding on the document's "aim" to include any L1 seeking to acquire a minor capital project that requires neither IT- nor infrastructure-related documents such as: - the Project Approval Documentation template; - environmental screening questionnaires; - briefing notes; or - the Minor Project Close-out Checklist. ADM(Mat) will also include a reference to the MGI in its Functional Planning Guidance, which will formalize and communicate detailed guidance and best practices, thus potentially improving collaboration between OPI and OCI stakeholders.	
OPI: ADM(Mat)		
	Deliverable **2.1** This MAP will be considered closed once MGI 7-10 has been updated and included in ADM(Mat)'s Functional Planning Guidance.	**Timeline** August 2024

Table A.1. Recommendations and Management Action Plans.

Annex B: About the Engagement

This engagement conforms with the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program.

Objective

The objective of this engagement was to provide assurance that governance and management activities are working effectively to support and ensure delivery of minor projects.

Scope and Approach

The scope of this audit included an examination of minor project management within the following L1s: ADM(Mat), the CA, the RCAF and the RCN. This included a review of the capacity, processes and controls implemented to support the delivery of equipment for minor projects sponsored and implemented by these L1s.

Scope exclusions of the audit include Infrastructure and Information Management/IT Projects; Procurement and Contracting; Canadian Special Operations Forces Command; Low Dollar–Value Contracting and Procurement; project maintenance; and in-service support and disposal.

Period Covered

The engagement covered the period from January 2019 to January 2023. This is the period to which the engagement conclusion applies. The audit work was conducted between November 2022 and April 2023.