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Report of the  
**Auditor General  
of Canada**  
to the House of Commons

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**Chapter 7**  
Strategies to Implement Modern Comptrollership

*The April 2002 Report of the Auditor General of Canada comprises eight chapters, a Foreword and Main Points.  
The main table of contents is found at the end of this publication.*

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Chapter

**7**

Strategies to Implement Modern  
Comptrollership

*The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies, and practices of the Office of the Auditor General of Canada. These policies and practices embrace the standards recommended by the Canadian Institute of Chartered Accountants.*

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# Strategies to Implement Modern Comptrollership

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## Main Points

**7.1** The Treasury Board Secretariat established the Comptrollership Modernization Initiative in 1997 to strengthen management capabilities in departments and agencies. The success of the initiative will enable departments and agencies to manage more effectively the resources entrusted to them and to account more fully to Parliament and taxpayers for the use of those resources.

**7.2** Establishing sound comptrollership capabilities throughout the government has two key prerequisites: a clear, structured approach; and strong commitment and support from senior management in departments and the Secretariat and from Parliament.

**7.3** We are concerned that the commitment and support need to be strengthened in key areas, such as ensuring that departments clearly understand comptrollership, providing direction and guidance, and monitoring progress.

**7.4** Only three of the seven departments we audited have comprehensive strategies for implementing modern comptrollership. We found that in general,

- departmental action plans either did not specify timelines or did not establish targets or milestones by which to measure progress,
- many managers did not understand the concept of modern comptrollership, and
- departmental plans did not include estimates of the cost to implement modern comptrollership.

**7.5** The Treasury Board Secretariat (TBS) has a clear role: to provide overall guidance and direction for the comptrollership initiative and to provide Parliament with information on progress across government in implementing modern comptrollership. We found that while the TBS is committed to the initiative, it needs to provide much clearer direction and guidance on how to put into practice key aspects of comptrollership. It needs to set clear expectations for departments and dates by which they are to be met.

**7.6** The information that departments and the Treasury Board Secretariat provide to Parliament does not show clearly how well or how poorly departments are doing at modernizing their comptrollership practices. Nor does it show the enormity and importance of the task and the risks the

government faces if departments and agencies fail to firmly entrench strong comptrollership capabilities in their culture and their day-to-day operations.

### **Background and other observations**

**7.7** The initiative to modernize comptrollership is a management reform involving changes in the management mindset and corporate culture of the public service. Modern comptrollership goes beyond traditional comptrollership, which focusses mainly on financial information. Modern comptrollership is about strengthening management practices and integrating financial information with other performance information. Stronger comptrollership across government is essential to managing risks and resources more effectively, making better decisions, and ultimately improving the effectiveness of the public service. Strong comptrollership capabilities will also strengthen departments' ability to account to Parliament and to taxpayers for what they have accomplished with the resources entrusted to them.

**7.8** As part of phase 1 of the Comptrollership Modernization Initiative, 15 pilot departments were required to carry out an initial self-assessment of their comptrollership capabilities. The self-assessments showed that departments had a number of deficiencies in such key areas as their ability to exercise effective stewardship over resources and to combine or integrate financial and non-financial performance information for decision making.

**The Treasury Board Secretariat has responded.** The Secretariat has indicated the actions it has planned or has under way that address the recommendations. Its detailed response follows each recommendation throughout the chapter.



## Introduction

**7.9** The Comptrollership Modernization Initiative began in 1997, with the creation of an Independent Review Panel. The Panel's mandate was to examine comptrollership in both the central agencies of the government and its operating departments.

**7.10** The work of the Panel resulted in the publication of the *Report of the Independent Panel on the Modernization of Comptrollership in the Government of Canada*. The report noted that modern comptrollership is a management reform focussed on the sound management of resources and effective decision making. Modern comptrollership requires managers and financial specialists to work in a co-ordinated way to prioritize, plan, and meet operational goals and to achieve desired results. Modern comptrollership involves bringing information from many sources into a meaningful whole and communicating that information to those who need it. Modern comptrollership involves not only financial officers in departments but all managers, and it goes beyond financial accountability.

**7.11** The Panel set out four key elements of modern comptrollership:

- integrated performance information (financial and non-financial, historical, and prospective);
- a sound approach to risk management;
- appropriate control systems; and
- a shared set of ethical practices and organizational values, beyond legal compliance.

**7.12** The Panel's report describes what is expected of executives and employees of the government, as summarized in Exhibit 7.1.

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### Exhibit 7.1 Expectations of executives and employees of the government

Purposeful—focussed on mission and objectives  
 Information-driven—using historical facts and solid projections  
 Proprietary in the use of resources—thinking like an owner or taxpayer  
 Risk-attuned—not only identifying but also managing risks  
 Action-oriented—doing analysis and providing advice that influences action  
 Integrators—bringing together information needed to support decision making  
 Ethical—acting with integrity and probity

*Source: Report of the Independent Review Panel on Modernization of Comptrollership in the Government of Canada*

**7.13** In response to the Panel's report, the Treasury Board Secretariat and departments carried out a number of activities designed to help achieve the objectives of the comptrollership initiative (Exhibit 7.2).

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**Exhibit 7.2 Key comptrollership events**


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**October 1997**—Report of the Independent Review Panel was made public.

**January 1998**—The Treasury Board accepted the recommendations of the Independent Review Panel and committed itself to making comptrollership a core responsibility of every manager in the public service.

**March 1998**—The deputy ministers of five departments agreed that their departments would spearhead comptrollership modernization and lead in the change process, and would monitor progress.

**April 1998**—The Secretary of the Treasury Board created the Comptrollership Modernization Directorate to implement the recommendations of the Independent Review Panel.

**March 2000**—The President of the Treasury Board tabled *Results for Canadians: A Management Framework for the Government of Canada*.

**April 2000**—The first five pilot departments completed their baseline assessments and published them on their Web sites.

**June 2001**—The President of the Treasury Board announced that after a three-year pilot phase, the modern comptrollership initiative was being extended to all departments and agencies.

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### Comptrollership capabilities are essential to many government initiatives

**7.14** The Treasury Board Secretariat established the Comptrollership Modernization Initiative (informally, the modern comptrollership initiative) to strengthen management capabilities in departments and agencies. The success of the initiative will enable departments and agencies to manage more effectively the resources entrusted to them and to better account to Parliament and to taxpayers for the use of those resources.

**7.15** Many of the government's initiatives that are designed to strengthen management capabilities—initiatives such as the Improved Reporting to Parliament Project and Program Integrity—depend on the success of the modern comptrollership initiative. For example, improved reporting to Parliament expects departments to clearly identify what they have accomplished with the resources entrusted to them and to report the costs of the services and programs they have provided to Canadians. To do this well, departments need to have strong comptrollership capabilities.

### Focus of the audit

**7.16** This Office has carried out a number of audits that monitor the government's progress toward achieving modern comptrollership. Our October 2000 Report, Chapter 13, assessed financial management capabilities in five departments. We have also reported on the implementation of the government's financial information strategy.

**7.17** The objective of the audit reported in this chapter was to assess the adequacy of the strategies and plans that departments have developed to achieve the objectives of the government's comptrollership initiative. The audit also considered the extent to which the government is addressing key

risks and challenges to the success of the initiative. We also looked for areas where departments and the Treasury Board Secretariat need to improve the actions they are taking to institute modern comptrollership across government.

**7.18** We recognize that departments may follow different approaches to achieving modern comptrollership, each reflecting the organization's particular circumstances. Nevertheless, we expected to find that the strategies and plans for improving comptrollership capability would share certain common attributes. For example, we expected that the strategies would provide an organized plan and structure for the timely resolution of the weaknesses departments had identified in their comptrollership capabilities.

**7.19** Our audit included the following departments:

- Agriculture and Agri-Food Canada
- Health Canada
- Human Resources Development Canada
- Indian and Northern Affairs Canada
- Royal Canadian Mounted Police
- Transport Canada
- Veterans Affairs Canada

**7.20** We also assessed the role of the Treasury Board Secretariat in providing overall direction and guidance to the comptrollership initiative. We looked at the nature and extent of its monitoring and reporting on progress by departments and agencies toward establishing modern comptrollership.

## Observations and Recommendations

### Prerequisites for modern comptrollership

**7.21** Modernizing comptrollership across government will depend on the efforts of senior management in departments and agencies, the Treasury Board Secretariat, and the Privy Council Office. It is also important to engage Parliament in the initiative and secure its support.

**7.22** The Independent Review Panel's report on modernizing comptrollership clearly set out what deputy ministers and the Secretary of the Treasury Board should do to weave principles of modern comptrollership into the fabric and culture of departments and agencies.

**7.23** The report said that deputy ministers have to be responsible for creating a culture and environment in their organizations that is conducive to instituting sound comptrollership. They also have to develop short-term and long-term plans for creating a comptrollership capability that suits their organizations' needs and circumstances.

**7.24** The report noted that the Secretariat's responsibilities include establishing government-wide standards for comptrollership that departments can tailor to fit their particular circumstances. It is responsible for establishing standards and frameworks for reporting financial information and other

information. The Panel also cited as key responsibilities of the Treasury Board Secretariat to lead and support the modernizing of comptrollership and to ensure that enough resources are available to accomplish the task.

**7.25** The fulfilment of these responsibilities can be considered a prerequisite to modernizing comptrollership across government.

### **Progress toward modern comptrollership**

**7.26** The modern comptrollership initiative began in 1998 with the participation initially of five pilot departments. Subsequently, phase 1 of the initiative expanded to include 15 departments. Effective June 2001, phase 2 includes all government departments and agencies.

**7.27** As part of the initiative, most participating departments carried out an initial self-assessment of their comptrollership capabilities. Departments assessed and rated themselves in seven key areas:

- strategic leadership;
- motivated people;
- values and ethics;
- the ability to develop and use a range of integrated performance information;
- risk management;
- stewardship of the resources entrusted to them; and
- clearly defined accountabilities.

**7.28** These are areas where a department must exhibit a basic level of strength or capacity before it can demonstrate its capabilities for modern comptrollership and strengthen its management. These seven areas are divided into 34 elements, or comptrollership capabilities, each assessed on a scale of one to five.

**7.29** The self-assessments enabled senior management in departments to assess their practices in these areas against the best practices of other leading organizations. As departments joined the comptrollership initiative, they completed a self-assessment to give management a basis on which to develop an improvement strategy.

**7.30** At the outset, we expected that progress toward modern comptrollership would vary among departments because they joined the initiative at different times.

**7.31** We recognize that strengthening comptrollership will entail making far-reaching changes. We know that making the changes and realizing the benefits will take time—perhaps several years. Given the results of the departments' self-assessments and the changes they need to make, we expected that senior management in most departments would have already begun some of the changes or at least have developed plans to do so.

## Departmental improvement strategies

### Assessments of comptrollership capabilities highlighted a number of significant weaknesses

**7.32** Each department compiled the results of the self-assessment to produce a baseline showing where it stood in all seven key areas. The assessment clearly indicated the department's strengths and weaknesses in these areas. Exhibit 7.3 summarizes the results of the self-assessments by 13 of the 15 departments that participated in phase 1 of the initiative (the two others used a different methodology to compile their results and were thus excluded from the summary).

**Exhibit 7.3 Results of the departmental self-assessments**

Key comptrollership areas	Average rating*	Range of ratings*
Strategic leadership	2.8	1.5 to 4
Motivated people	2.7	1 to 4.5
Shared values and ethics	2.1	1 to 3.5
Integrated performance information	2.4	1 to 4
Sound risk management	2.6	2 to 4
Rigorous stewardship	2.7	1.5 to 4
Improved accountability	2.7	2 to 4

\*The ratings show how the departments compare with the Treasury Board Secretariat norm of 3 on a scale of 1 to 5, which is based on the Secretariat's policy requirements. A department that rated itself at or above 3 in a given area is considered to have "good practices" in that area.

**7.33** The self-assessments showed departments that they had a number of deficiencies in such key areas as values and ethics, the ability to exercise effective stewardship over resources, and the ability to combine or integrate financial and other performance information for decision making. Integrating that information is critical to understanding the downstream financial implications of decisions and accounting to Parliament and the public for what departments have achieved with the tax dollars they have spent.

**7.34** We presented the results of our assessment of financial management capabilities in five departments in our October 2000 Report to Parliament, Chapter 13. In that audit, we found gaps or weaknesses that needed attention. The chapter noted that the departments' own self-assessments of their capabilities yielded results similar to our observations.

**7.35 Departments have taken action.** In our current audit, we noted that departments have taken some positive steps toward achieving modern comptrollership. Exhibit 7.4 gives some examples.

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**Exhibit 7.4 Some positive steps by departments toward modern comptrollership**


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Participation of stakeholders outside the department in completing the capacity self-assessment.

Development of university certificate programs to support the modern comptrollership initiative.

Development of financial management control frameworks.

Development and delivery of management awareness sessions to improve understanding of the modern comptrollership initiative.

Use of comptrollership advisory committees to provide oversight and direction to the initiatives.

Establishment of the desired comptrollership capability profile for the department.

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**Departmental action plans need improvement**

**7.36** The government is now in the fifth year of its modern comptrollership initiative. In our view, progress toward establishing sound comptrollership principles in departments continues to be slow. It took 10 of the 15 departments in phase 1 of the initiative more than a year to complete their self-assessments and develop improvement strategies.

**7.37** How the seven departments in our audit sample responded to the weaknesses they had identified varied widely (Exhibit 7.5). With few exceptions, their action plans for remedying the weaknesses were deficient in one or more key respects. For example, in only three of the seven departments did the action plans address *all* of the weaknesses identified by the assessments. The four others had developed plans for only certain projects and no broad plan for addressing all the gaps. This is cause for concern, given that their assessments showed comptrollership capabilities below the norm in many areas.

**7.38** Our assessment of departmental improvement strategies is summarized on pages 10 to 12. We highlight particular strengths we noted in departments' approaches and identify areas that, if addressed, could reduce the risks in implementing modern comptrollership.

**7.39** We note that with the exception of Veterans Affairs Canada, departments had not determined the level of comptrollership capabilities they should have to meet the needs of the organization.

**7.40** We noted that in general, departments' plans did not give enough attention to managing the proposed changes and creating a "comptrollership environment." The current government culture can be described as risk-averse, focussed on command and control, and rules-based. In a culture of modern comptrollership, risks are taken based on a knowledge of the department's business, on principles of risk management and on common values and ethics. This requires that departments take the following actions:

- design processes to support their operational needs;

- provide information for decisions to those who need it; and
- adopt more flexible procedures and approaches.

**7.41** Bringing about a cultural change of this magnitude requires a clear statement of the implications for individual line or operational managers. It requires training courses on risk management and on values and ethics. It requires changes in processes to make the most effective use of the new financial information systems across the government. Unnecessary activities need to be eliminated as new business processes are introduced, and those who need information to support their decision making need to receive it.

**7.42** We expected that departments would have estimated the full costs of implementing their action plans and achieving modern comptrollership. However, in our sample of departments this is not what we found. Making the needed changes will take significant resources. We are concerned that a failure to estimate the costs and to allocate appropriate resources increases the risk that the success of the initiative will be compromised across the government.

**7.43** Furthermore, departmental action plans either did not specify timelines or did not refer to targets or milestones by which departments could measure their progress in strengthening their comptrollership capabilities. It is apparent that the changes needed in culture and in processes to support modern comptrollership will take a number of years. It is difficult to maintain a momentum for changes that take a long time. Discrete projects carried out by small working groups and celebrations of success along the way can help. Recognition and rewards that encourage the desired behaviours are also extremely important.

**Exhibit 7.5** Status of departmental improvement strategies and plans

Department	Comprehensive action plan developed	Plan for specific projects	Action plan approved by senior management
Agriculture and Agri-Food Canada		√	√
Health Canada		√	√
Human Resources Development Canada	√		√
Indian and Northern Affairs Canada	√		√
Royal Canadian Mounted Police	√		√
Transport Canada		√	√
Veterans Affairs Canada		√	√

**Our assessment of the departmental action plans**

**Agriculture and Agri-Food Canada**

Agriculture and Agri-Food Canada's mandate is "to provide information, research and technology, and policies and programs to achieve security of the food system, health of the environment and innovation for growth."

Agriculture and Agri-Food Canada was one of the initial five pilot departments to join the Comptrollership Modernization Initiative in 1998. Its capability self-assessment was completed in fall 1999 and endorsed by departmental management in January 2000. The self-assessment identified 11 of the 34 comptrollership capabilities as below the norm. A strategy for correcting identified weaknesses was developed by March 2000.

Subsequently, the Department determined that it needed to adopt a new strategy and approach for delivering its programs and services. One of the first steps was to redesign its business lines. The Department decided that it would implement the principles of modern comptrollership and correct its comptrollership weaknesses as part of the redesign of its business lines and processes to support the achievement of the objectives of its new strategy and approach for program delivery.

Our review of the Department's strategy noted that plans are complete for some components of its redesign of business lines; other components remain to be finalized. The Department anticipates that its strategy and work plans will be completed by April 2002, and its overall redesign will be completed by April 2003.

**Health Canada**

Health Canada's mission is to help Canadians maintain and improve their health. Its mandate covers three broad areas: health care policy; health promotion and protection, including prevention of disease, illness, and

injury; and First Nations and Inuit health.

In our October 2000 report on financial management capabilities in departments, we noted that Health Canada had met the requirements of three of eight key process areas associated with the control level of our Financial Management Capability Model.

In response to our recommendations, Health Canada prepared a financial management improvement plan for resolving the weaknesses we had identified. The plan sets out the actions the Department will take, assigns responsibilities to specific directorates, and sets target dates for completion. We noted that the plan is directed primarily at Health Canada's headquarters but does not say how the Department will fully integrate financial management with the management of its operations. The Department has met the milestones established in the plan that relate to general accounting and resource management. Completion of other milestones, such as those for management information and reporting, was originally planned for March 2001 but was deferred to March 2002.

Health Canada joined the modern comptrollership initiative in March 2000. It completed a self-assessment of its comptrollership capabilities in 2001: senior management endorsed the self-assessment in October 2001. The assessment identified 25 of the 34 comptrollership capabilities as below the norm. The Department anticipates that by 31 March 2002 it will have a strategy and a plan that integrates its response to our October 2000 report and addresses the gaps in capabilities identified in its self-assessment.

**Department's response.** The Department has made considerable progress in implementing modern comptrollership as well as its plan for financial management improvement, including the integrating of financial management in departmental

operations. For example, in the new action plans on grants and contributions and on contracting, accountability goes hand-in-hand with financial responsibility. Furthermore, the milestone related to management information and reporting is now complete. These new action plans are monitored by senior management, including the Deputy Minister and Associate Deputy Minister. As recognized by the Auditor General, the Department will have a plan for modern comptrollership by 31 March 2002 that integrates its response to the October 2000 Report and addresses the key findings of the self-assessment.

**Human Resources Development Canada**

Human Resources Development Canada (HRDC) has a mandate to enable Canadians to participate fully in the workplace and the community. Its mandate includes four core activities: Employment Insurance, Human Resources Investment, Income Security Programs, and the Labour Program.

HRDC was one of the initial five pilot departments to join the modern comptrollership initiative in 1998. It conducted a capability self-assessment in 1999 that senior management endorsed in January 2000. The self-assessment identified 16 of the 34 comptrollership capabilities as below the norm. In April 2000, senior management approved a plan for correcting the identified weaknesses in the Department's management capabilities.

We reviewed the plan and found that it addresses all the capabilities rated below the norm. One of the plan's significant activities was to develop a two-day Modern Management Awareness Session designed to develop a common understanding of comptrollership among departmental managers. More than 90 percent of the Department's managers have attended the training session. We noted that



HRDC adopted a framework that program managers can use to integrate comptrollership practices in their day-to-day activities. We also noted that the Department developed certificate programs in Modern Comptrollership and Public Management, in conjunction with three Canadian universities.

Although the plan addresses all of the capabilities that need to be strengthened, it does not specify performance indicators and expected outcomes by which HRDC can measure its progress. We also noted that the Department has not estimated the full costs of its modern comptrollership initiatives.

**Department's response.** HRDC is pleased to note the positive comments of the Auditor General on the initiatives undertaken by this department to support modern comptrollership and fulfil its objective to become a leader in this field. HRDC is pleased that the Auditor General has recognized the steps the Department has taken to ensure that its managers receive training in modern comptrollership practices and are able to apply them in their day-to-day activities. The details of the Department's modern comptrollership plan can be located on the HRDC public Web site.

HRDC also agrees with the recommendations made by the Auditor General to strengthen the Department's plan and has already begun to take action on them. Specifically, the Department has initiated a process to identify and implement the appropriate performance indicators and expected outcomes that will allow us to measure our progress in this area. In addition, we will continue to work closely with the Treasury Board Secretariat to ensure that our actions reflect the core elements of modern comptrollership, including values and ethics and risk management, and that all of our actions are consistent with Treasury Board's Accountability and Reporting Framework for Modern Comptrollership.

### Indian and Northern Affairs Canada

Indian and Northern Affairs Canada (INAC) has a mandate that gives it primary but not exclusive responsibility for meeting the federal government's constitutional, treaty, political, and legal responsibilities to First Nations, Inuit, and Northerners. To fulfil this mandate, the Department must collaborate with First Nations, Inuit, and Northerners; other federal departments and agencies; and the provinces and territories.

INAC was one of the initial five pilot departments when the modern comptrollership initiative began in 1998. It conducted a capability self-assessment in 1999 that senior management endorsed in January 2000. The self-assessment identified 6 of the 34 comptrollership capabilities as below the norm. Senior management approved the departmental improvement plan in March 2000.

Our review of the improvement plan found that it covered all six of the capabilities rated below the norm. A significant activity in the Department's strategy for improvement was to develop advisory groups for each improvement initiative, who would provide ongoing strategic direction and advice. The Department also added the achievement of comptrollership objectives to its performance agreements with executives.

We noted that the awareness of comptrollership varied greatly among departmental managers. We also noted a wide range in the nature and extent of regional involvement in the modern comptrollership initiative.

Although the plan includes all of the capabilities that need to improve, it does not identify performance indicators and expected outcomes by which to measure progress. Nor has the Department estimated the full costs of the activities set out in the plan.

### Royal Canadian Mounted Police

The Royal Canadian Mounted Police (RCMP) is Canada's national police force and an agency of Solicitor General Canada. Its mandate is to enforce laws; prevent crime; and maintain peace, order, and security. Its primary objective is to contribute to the safety of communities across Canada.

The RCMP joined the modern comptrollership initiative in January 2000. In October 2000, senior management endorsed a self-assessment of management processes, systems, and practices; the self-assessment identified 32 of the 34 comptrollership capabilities as below the norm. An action plan was developed, and the Senior Executive Committee approved it in November 2000.

We found that the action plan addresses all the capabilities rated below the norm. In particular, we noted senior management's strong support of the modern comptrollership initiative. We also noted that the RCMP's strategy includes presenting a monthly Comptrollership Improvement Status Report to its executives.

The plan covers all the capabilities that need to be strengthened but does not specify performance indicators and expected outcomes for the RCMP to use in measuring its progress. We saw no estimate of the full costs of implementing the strategy and action plan.

### Transport Canada

Transport Canada is responsible for most of the transportation policies, programs, and goals set by the government to ensure the safety, efficiency, and accessibility of the national transportation system.

In our October 2000 report on financial management capabilities in departments, we noted that Transport Canada substantially met the requirements of seven of the eight key process areas associated with the control level of our Financial Management Capability Model. We said it needed to strengthen its internal audit capabilities and the monitoring of its control framework. We also noted that the department needed to develop specific capabilities as an integral part of comptrollership.

Our review of the Department's improvement strategies indicated that its plan responded to our October 2000 observations. Transport Canada selected three additional areas of effort: values and ethics, performance measurement, and risk management. The Department has put in place a formal action plan for improving performance measurement and has issued a draft policy on risk management. It has said it will develop a detailed action plan once the policy is finalized.

While the Department has carried out a number of activities in the area of values and ethics, it has not developed a formal action plan. It has said it intends to act in the other areas but has no plan that indicates how or when it will address the gaps.

We also noted that Transport Canada has not estimated the full costs of achieving its plans for modern comptrollership.

#### Veterans Affairs Canada

Veterans Affairs Canada's mandate is to provide veterans and qualified civilians, and their families, with the benefits and services to which they are entitled; to promote their well-being and self-sufficiency; and to keep the memory of their achievements and sacrifices alive for all Canadians.

Veterans Affairs joined the modern comptrollership initiative in August 1999; in September 2000 it completed a self-assessment of its management processes, systems and practices. The self-assessment identified 19 of the 34 comptrollership capabilities as below the norm. Senior management approved a departmental improvement strategy in December 2000.

As part of developing its improvement strategy, the Department conducted a gap analysis to determine the capabilities it needed and compared them with the capabilities identified in the self-assessment. Its improvement strategy focusses on three areas: strengthening its values and ethics framework; implementing an integrated risk management framework; and providing an awareness session for departmental managers to improve their understanding of modern comptrollership. For each of these three projects the Department established work plans, intended outcomes, and indicators of success. The plans included target dates for completion and attached resources to each project.

Although the Department has said that it intends to act in the other areas, we are concerned that it has not adopted an overall strategy and plan that identifies how and when it will resolve the identified gaps in its capabilities. The awareness session for departmental managers is an important first step in changing the culture of the Department, but it is important that managers and staff understand what the next steps will be. We also noted that the Department has not estimated the full costs of its plans for achieving modern comptrollership.

**Department's response.** The Department is developing a strategy to address all of the identified gaps in modern comptrollership capabilities. We have developed the action plans to improve on the three priority areas within which the greatest gaps existed. This strategy was relayed to Treasury Board Secretariat. We are in the process of implementing those action plans so that we will have a foundation on which to build the remaining elements.

We are also developing an action plan and results measurement framework to address the remaining issues. This document will include work plans, intended results, indicators of success, and costs. The framework will provide for ongoing monitoring of all our initiatives, both during the active phase (over the next few years) and as an ongoing mechanism to track continued maintenance of the desired levels of modern comptrollership competencies.

**7.44 Recommendation.** Departments should ensure that their action plans to strengthen comptrollership capabilities address all the gaps identified in the self-assessments of present capabilities. In their action plans they should estimate the cost of making the necessary changes, identify the resources they will need, and include targets or milestones by which they can measure progress.

**Treasury Board Secretariat's response.** The Secretariat agrees that time-bounded and (to the extent possible) costed action plans are essential to move the modern comptrollership initiative agenda forward. Indeed, it is a condition of participation in the initiative that participant departments and agencies produce such plans. The Secretariat is currently developing improved guidance for the development of action plans, based on an analysis

of action plans developed during the pilot phase and on good management practices. We are also encouraging departments and agencies to make their modern comptrollership action plans the foundation of more comprehensive management improvement agendas. Our perspective is that the modern comptrollership initiative is about changing management culture. As a result, a measure of flexibility in approach and timing is to be expected in departmental action plans. Also, the work of changing management practice is less amenable to costing than other more straightforward changes to management process.

**7.45 Recommendation.** Senior management in departments should monitor progress against their action plans and report on it in departmental performance reports.

**Treasury Board Secretariat's response.** The Secretariat agrees with the importance of monitoring and reporting on progress against action plans. The principal instrument for reporting to Parliament is the departmental performance report, and the current guidelines do require that departments report on the modern comptrollership initiative in their performance reports.

#### **Many departmental managers do not fully understand the modern comptrollership initiative**

**7.46** Creating a modern comptrollership culture in departments requires well-planned, targeted, and ongoing communications. Although most departments have invested time and effort in communications that explain the modern comptrollership initiative to managers, many managers still do not understand modern comptrollership concepts well enough to change their practices.

**7.47** We found that senior management in departments supported and understood the modern comptrollership initiative and the key areas (such as risk management, stewardship, and integrated performance information) that are central to its success. However, we noted in all seven departments we audited that this high-level understanding had not filtered down to others in the organization.

**7.48** In the interviews we conducted during the audit, we found that the finance and corporate services groups had a good understanding of modern comptrollership. We also noted that many operational managers in the departments we examined did not understand clearly how to translate modern comptrollership concepts into better management practices and accountability. They had generally little understanding of where modern comptrollership fits in the broader agenda of the government's management framework *Results for Canadians*, or with other government-wide initiatives of the Treasury Board Secretariat. Many viewed the comptrollership initiative as pertinent mainly to the finance function. In general, we found that departmental staff in the regions understood the initiative much less than staff at headquarters. The Secretariat's evaluation of phase 1 of the initiative raised similar concerns.

**7.49** We noted that the communication products or strategies of departments did not explain effectively how modern comptrollership would directly affect line or operational managers in headquarters or the regions on a day-to-day basis. In other words, communication efforts often did not translate the comptrollership concept well enough into operational terms. Communications need to explain how operational managers can identify performance measures, integrate financial and non-financial information for reporting and decision-making purposes, and identify and mitigate financial and operational risks. Departments need to identify for managers the specialists who can assist them when necessary.

**7.50** Ensuring that managers throughout the organization understand modern comptrollership and their role in “making it happen” is fundamental to creating buy-in and a culture that supports and embraces comptrollership principles. Buy-in can improve if managers understand that modern comptrollership is not simply another administrative burden but rather a different way of going about government business.

**7.51** We did note that Human Resources Development Canada (HRDC) had developed a series of orientation programs designed to convey to operational managers and staff, both at headquarters and in the regions, a common understanding of the modern comptrollership initiative. The two-day awareness session was targeted at all managers and senior functional specialists in the Department to raise their awareness of comptrollership and provide an opportunity to discuss and share good management practices with their colleagues. By January 2002, more than 90 percent of the Department’s managers had received this training. Such awareness training is an important first step in developing a common understanding of the changes the Department is trying to make.

**7.52** In some organizations, such as the RCMP, senior management has made speeches and presentations on comptrollership to managers at lower levels both at headquarters and in the regions. Senior management has emphasized the importance of adopting modern comptrollership principles to improve the management of the organization. These activities are also attempts to engage middle managers in the effort and to change the way they operate from day to day. It is essential that senior management’s commitment to the changes be visible.

**7.53** However, we found that even where departments had made a concerted effort to communicate with staff and explain modern comptrollership, sometimes the messages simply had not been received, or in some cases not understood. We are concerned that the lack of effective communication in departments signals a risk that modern comptrollership principles may not become well enough understood and embedded in the culture of departments or in the government as a whole.

**7.54 Recommendation.** Departments and agencies should ensure that communication plans are in place and that they are effective in improving managers’ understanding of modern comptrollership principles and practices.

Communication plans should translate the comptrollership concepts into operational terms and should anticipate the need to reinforce the message while modern comptrollership is implemented.

**Treasury Board Secretariat's response.** The Secretariat agrees that departments and agencies should develop and implement communications plans. As well, the Secretariat recognizes that its support is essential and that it has a leadership role in the development and communication of clear messages that are meaningful to managers. To that end, it is developing a communications program in support of government-wide implementation, targeted specifically at the management community. The Secretariat is rebuilding its Web site to serve as a better source of information on modern comptrollership for all managers. It is also developing, with departmental participation, a comprehensive learning program.

## The need for strong leadership

### The Secretariat has taken steps to support strengthened comptrollership

**7.55** The Treasury Board Secretariat's commitment to supporting the modern comptrollership initiative is no less important than the commitment required of senior management in departments. The Secretariat clearly is committed to the modern comptrollership agenda. For example, it has developed policies in such key areas as risk management and internal audit. As we have noted, it also helped the 15 pilot departments complete self-assessments to obtain baseline information on their capabilities for practising modern comptrollership principles.

**7.56** Another key initiative of the Secretariat is the development of an Information Kit of Resources to assist departments and agencies in implementing modern comptrollership. The toolkit includes the following:

- Modern Comptrollership: A Guide to Getting Started
- Suggested Steps for Modernizing Comptrollership
- Overall Desired Outcomes for Departments and Agencies
- Communicating Modern Comptrollership.

### Departments need clearer guidance and direction from the Secretariat

**7.57** As part of our audit, we reviewed the direction and guidance that the Treasury Board Secretariat has given to departments. We noted that when it expanded the initiative in June 2001 to include all government departments, the Secretariat established the outcomes it wants for the modern comptrollership initiative and some dates by which they are to be achieved (Exhibit 7.6).

**7.58** We are concerned that the desired outcomes are not stated clearly enough for the Secretariat to hold departments accountable for achieving them. For example, a phrase such as "a more advanced and fully integrated level of comptrollership" (Exhibit 7.6) does not convey a clear requirement or expectation that departments are to meet.

**Exhibit 7.6 Desired outcomes for the modernization of comptrollership**

By June 2002, or as determined in consultation with the Treasury Board Secretariat, departments will have completed a baseline assessment of their comptrollership capabilities and have an action plan approved by deputy heads.

Starting in fall 2002, departments will provide an annual report to the Secretariat on the state of comptrollership, through their performance reports.

By December 2002, departments will have implemented substantial components of their action plans and reached a minimum acceptable level of comptrollership as determined in consultation with the Secretariat.

By fall 2004, departments will achieve a more advanced and fully integrated level of comptrollership as determined in consultation with the Secretariat.

Departments will be able to demonstrate that an effective accountability framework is in place and being used.

Source: Treasury Board Secretariat, Information Kit of Resources

**7.59** We noted that the desired outcomes for the seven key areas of comptrollership are stated in only very general terms. At the time of our audit, the Secretariat had not developed criteria to serve as a basis for consultation and discussion with departments on the nature and extent of the comptrollership capabilities they will establish.

**7.60** Our audit also noted that the desired outcomes have target dates for only one aspect of the comptrollership initiative, control systems.

**7.61** Officials we interviewed in most of the departments in our audit said they were looking for specific guidance and tools for putting into practice key aspects of comptrollership, such as performance measurement and reporting and integrated risk management. Departmental managers are also looking to the Secretariat for guidance and assistance in identifying better practices.

**7.62 Recommendation.** The Treasury Board Secretariat should establish and communicate the criteria it intends to use to monitor and assess departmental progress toward achieving the desired outcomes and target dates for modern comptrollership. It should also communicate criteria for reporting progress in departmental performance reports.

**Treasury Board Secretariat's response.** As indicated in the strategic plan for phase 2, evaluation of government-wide implementation of the modern comptrollership initiative is a priority. The Secretariat is developing an accountability and reporting framework that will provide performance criteria for use by departments and agencies in monitoring and reporting on results achieved. It will also set out the criteria that the Secretariat will use to assess the government-wide implementation of the modern comptrollership initiative.

### The Secretariat needs to strengthen its monitoring of the comptrollership initiative

**7.63** In government-wide initiatives such as the modernization of comptrollership, ongoing monitoring across the government is critical. The Secretariat's Policy on Active Monitoring highlights the importance of monitoring. Exhibit 7.7 shows what the policy expects of the Secretariat.

**7.64** Fulfilling its monitoring responsibilities would provide the Secretariat with information for the following:

- strategic intervention to ensure that the initiative progresses or to respond as necessary for other reasons;
- reporting to Parliament on the state of the initiative government-wide; and
- sharing of good practices among departments.

**7.65** We reviewed the nature and extent of monitoring by the Secretariat and its use of the information it obtains by monitoring. We noted that the completion of the comptrollership self-assessments gave the Secretariat a broad picture of the state of comptrollership practices across government. However, we found that it monitored phase 1 of the initiative only informally. For example, we saw little evidence that it had reviewed the adequacy and completeness of departmental action plans for closing the identified gaps in their capabilities. We found little indication of a challenge review by the Secretariat of the priorities that departments had established in their plans or the dates by which they would establish comptrollership capabilities.

**7.66** We note that in its "management board" role, the Secretariat is responsible for keeping departments on track and on schedule in implementing the modern comptrollership initiative. As a management board, it needs to play a strong role in monitoring, co-ordinating, and facilitating departments' efforts. As the initiative expands to include all government departments, it is important that the Secretariat keep the support of other key central agencies such as the Privy Council Office.

**7.67** Stronger monitoring will be essential in phase 2 of the initiative, which will include all federal departments and agencies.

#### Exhibit 7.7 Treasury Board Secretariat's responsibilities for active monitoring

Working in partnership with departments, actively monitor management practices and controls to develop a current, accurate, and integrated understanding of their state across government and of significant management concerns in individual departments.

Support departments in developing tailored solutions to their specific management issues and concerns.

Lead and support, as appropriate, collaborative or government-wide approaches to improvement.

Assess on an ongoing basis the effectiveness of Treasury Board policies and recommend to the Treasury Board, as appropriate, needed changes in existing policies or new policies.

Source: Treasury Board Secretariat, Policy on Active Monitoring

**7.68 Recommendation.** The Treasury Board Secretariat should monitor the progress of departments and agencies toward achieving modern comptrollership and should give them periodic feedback, both individually and collectively. Its monitoring should include, for example, review of departments' improvement strategies and their progress in implementing the needed improvements and identification of areas where departmental plans can be strengthened.

**Treasury Board Secretariat's response.** The Secretariat agrees that it is responsible for monitoring and reporting on government-wide implementation of modern comptrollership. For their part, departments and agencies are responsible for monitoring progress against their own plans and targets. The Secretariat is planning to engage with departments and agencies on the development of their action plans as they complete their baseline assessments. A database of the commitments made by departments and agencies is also being developed and will be used to follow up with them. The accountability and reporting framework to be developed with departmental input in 2002–03 will describe the reporting requirements for modern comptrollership. The precise extent of the Secretariat monitoring and engagement activities, however, will depend on available resources.

#### **The Treasury Board Secretariat's plans for phase 2 of the initiative**

**7.69** On 1 June 2001, the President of the Treasury Board announced that after a three-year pilot phase, the modern comptrollership initiative was being extended to all Government of Canada departments and agencies. She noted that this initiative was essential to implementing the government's management framework *Results for Canadians* and continuing to improve management practices.

**7.70** To support the initiative's expansion, Treasury Board ministers approved funding of \$30 million for the new departments and agencies over the next three years. The approval indicates that no central funding will be available after three years, when the Comptrollership Modernization Directorate of the Treasury Board Secretariat is expected to close.

**7.71** The Secretariat set out its strategy for phase 2 of the modern comptrollership initiative in May 2001. The following are key aspects of the strategy:

- create conditions for long-term success of the initiative by building a better understanding of comptrollership, putting in place essential tools and guidance, and strengthening accountabilities for management improvement;
- develop a comprehensive learning strategy for comptrollership modernization; and
- provide ministers with a more integrated picture of the state of comptrollership.



**7.72** The Secretariat has identified some key aspects of its approach to implementing the next phase of the modern comptrollership initiative:

- government-wide implementation over the next three years;
- mandatory participation of all departments and agencies but with a flexible approach;
- emphasis on modern comptrollership as a foundation for modern management;
- clearer expectations of the results to be achieved and better performance reporting, including indicators of good management; and
- long-term commitment to modern comptrollership from all departments and agencies.

**7.73** At the time of our audit, the Secretariat had not yet developed this general strategy into specific work plans against which to track future progress. An important part of the strategy requires that the Secretariat develop an approach to measuring progress across the government toward achieving modern comptrollership. It may require that it develop an approach to continuing its support if the initiative is not completed by the end of phase 2. The Secretariat may also need to take an aggressive approach to managing the initiative if the desired outcomes are to be achieved by the time the Comptrollership Modernization Directorate is scheduled to close.

**7.74 Recommendation.** The Treasury Board Secretariat should develop detailed work plans and a project management structure for phase 2 of the modern comptrollership initiative.

**Treasury Board Secretariat's response.** Since the audit, the Secretariat has put in place detailed work plans and a project management structure for implementing modern comptrollership.

## Information for Parliament

**7.75** Sound performance information is essential to managing programs effectively. It enables an organization both to measure its progress toward an objective and to assess results and the longer-term outcomes of its programs and activities. Management can also use performance information to identify problems and correct them. Further, performance information is the key to accountability—demonstrating to Parliament and the public what has been produced or accomplished with the tax dollars spent.

### Performance information is long on process and short on results

**7.76** Information for Parliament on the performance of the modern comptrollership initiative has so far focussed mainly on process. It has concentrated on activities—departments' efforts to develop adequate comptrollership capabilities. Information has often been limited to facts such as the number of departments involved in pilot projects and the number of meetings between the Standards Advisory Board and the Comptrollership Council.

**7.77** Although the information provided may be relevant, by itself it does not meet the spirit of the government's *Results for Canadians* initiative, which stresses the importance of results-oriented information. *Results for Canadians*

calls for information that indicates clearly how well (or how poorly) a program has performed in key areas and how effectively taxpayers' dollars have been spent. Moreover, the information on the modern comptrollership initiative that Parliament has received from the TBS has not met the Secretariat's own standards for reporting on performance. Among other things, those standards call for performance information that clearly links resources spent to the results or outcomes achieved.

**7.78** Other, less process-oriented information would better serve the needs of Parliament. For example, a summary of the results of departments' self-assessments would have provided a "snapshot" of departments' current strengths and weaknesses in areas that are critical to modernizing comptrollership. These include control systems, risk management regimes, and the leadership and commitment of senior management. The snapshot would have provided a baseline for the future measurement of departments' progress in improving their comptrollership capabilities. However, our audit showed that the Treasury Board Secretariat has not routinely reported this type of results-oriented information to Parliament, even though it has been available.

**7.79** The government has spent and continues to spend substantial resources on the modern comptrollership initiative. Given the level of spending, Parliament deserves performance information that indicates clearly how management practices have improved as a result.

**7.80 Recommendation.** The Treasury Board Secretariat should provide an annual report to Parliament on government-wide progress toward achieving modern comptrollership. The report should set out the key benefits of successfully implementing modern comptrollership, the results achieved, and the actions planned to mitigate the risks that could compromise the success of the modern comptrollership initiative across government.

**Treasury Board Secretariat's response.** The principal instrument for reporting to Parliament is the departmental performance report, and current guidelines for reporting on the modern comptrollership initiative do require departments to report on their progress through their performance reports. The Secretariat will report on the progress of the initiative government-wide through its own departmental performance report.

#### **Information on risks and benefits is needed to engage Parliament**

**7.81** The ongoing support of parliamentarians will be an important part of establishing modern comptrollership in the federal government. In other jurisdictions, notably Australia and Alberta, political support has proved very important in similar efforts to introduce modern comptrollership practices.

**7.82** In our view, one way to generate this support is to provide more and better information on progress and on the benefits that modern comptrollership can yield. These benefits include more effective management and decision making in departments and the provision to Parliament of more reliable, objective information on the cost and quality of services to Canadians. Parliament can play an important role in supporting the

comptrollership initiative by critically reviewing and discussing the progress of this initiative as reported in departmental performance reports.

**7.83** We found that the Treasury Board Secretariat has not provided Parliament with other kinds of information on the initiative that could be useful. For example, it has not kept Parliament abreast of current or emerging risks that could compromise efforts to modernize comptrollership across the government and the actions it has taken to mitigate the risks. Risks could include a loss of commitment to the initiative over time and an inability to recruit properly trained people to staff the financial management and control function. Having adequate resources and enough staff with the appropriate skills for modern comptrollership will be central to making the initiative work in all government departments and agencies.

## Conclusion

**7.84** The Comptrollership Modernization Initiative of the federal government is an important initiative designed to strengthen management capabilities and improve the stewardship of public resources. The goals are to integrate financial information with other performance information for use by managers and to establish a sound approach to risk management, ensure that appropriate control systems are used, and establish a shared set of values and ethics that support departments in achieving their objectives.

**7.85** Modernizing and strengthening comptrollership capabilities is an integral part of many government initiatives now under way and is essential to their success.

**7.86** Our audit found that only three of seven departments we examined had established comprehensive strategies for implementing modern comptrollership. Departments need to establish clear target dates and indicators of success. They also need to do much more to improve managers' understanding of modern comptrollership. It is important that departments and the Treasury Board Secretariat estimate what it will cost to implement modern comptrollership and ensure that they allocate adequate resources to the task.

**7.87** As the government enters phase 2 of the modern comptrollership initiative, the Secretariat must provide strategic direction and clear guidance to departments. An essential component of phase 2 must be active monitoring by the Secretariat, together with clear reporting to Parliament on progress toward implementing modern comptrollership.

**7.88** A number of significant challenges remain. Departments and the Treasury Board Secretariat will have to sustain their efforts for as long as it takes to establish and institutionalize the capabilities needed for modern comptrollership. The strong support and commitment of Parliament, the Privy Council Office, the Treasury Board Secretariat, and senior management in departments is critical to establish and maintain the essential management capabilities and ensure the success of this initiative.

## About the Audit

### Objectives

The objective of this audit was to assess the adequacy of the strategies and plans that departments had developed to achieve the objectives of the government's comptrollership initiative. We also assessed the extent to which the Treasury Board Secretariat and departments were addressing the key risks and challenges that could prevent departments from achieving their comptrollership objectives. Further, we wanted to identify any areas where departments or the Secretariat needed to improve the actions they were taking.

Our audit included the following departments:

- Agriculture and Agri-Food Canada
- Health Canada
- Human Resources Development Canada
- Indian and Northern Affairs Canada
- Royal Canadian Mounted Police
- Transport Canada
- Veterans Affairs Canada

We chose these departments because they represent a cross-section of both large and medium-sized organizations. They also included a mixture of departments that used our Financial Management Capability Assessment as a baseline assessment and departments that used a management self-assessment process as a baseline assessment.

We also reviewed the role of the Treasury Board Secretariat in providing direction and guidance to the comptrollership initiative.

### Scope and approach

As part of our October 2000 assessment of five departments' financial management capabilities, we encouraged departments to develop strategies for both integrating financial management with other management practices and determining how financial management might better support the organization.

We developed the following criteria for the present audit:

- The Treasury Board Secretariat should monitor progress on a government-wide basis (that is, in critical business lines) at departments and agencies. It should use strategic intervention as appropriate.
- The Treasury Board Secretariat should co-ordinate and facilitate departmental efforts on common issues to expedite progress and maximize cost effectiveness. Where appropriate, the Secretariat should provide guidance to assist departments and agencies in their work.
- Parliament should be kept informed on significant matters arising from the modernization of comptrollership initiative and on the initiative's progress.
- The Treasury Board Secretariat and senior management at the department and agency levels should have a vision, a strategy, and an organized plan and structure to effect the needed changes in a timely manner. The vision and strategy should be consistent with overall objectives and goals and should be communicated to all levels in each organisation.
- Departments and agencies should assign appropriate resources to their comptrollership initiative to ensure that they meet the goals established in the departmental improvement plan.
- The Treasury Board Secretariat and departments and agencies should identify and manage the risks to the success of the Comptrollership Modernization Initiative.
- Senior management in departments and agencies should develop and nurture a climate or culture conducive to the achievement of its goals and objectives in modernizing comptrollership.

- Departments and agencies should provide clear, accurate, comprehensive, and timely information to senior management and the Treasury Board Secretariat on the progress of their efforts to modernize comptrollership.

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