



## **Department of National Defence**

**Presentation to:**

**2007 Banking Colloquium**

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## VITAL STATISTICS

- Canadian Forces (Navy, Army and Air Force)
  - 63,750 Full-time Military and a further 25,000 Part-time Reservists (with anticipated growth)
  - Supported by 25,000 Civilian Personnel
- Annual Budget of \$17 Billion (Cdn)
- 21 Major Locations across Canada
- 3,000 Deployed Military Forces operating in 12 countries around the World



## PURCHASING ACTIVITY

- \$7 Billion acquired in goods and services from over 25K vendors
- Processed approximately one million invoices – 93% were for under \$5K (80% of these were under \$500)
- Current Acquisition card spend - \$150 Million from 380K transactions



## INITIAL DND EXPERIENCE

- Introduced in conjunction with decentralized procurement authority
- Perceived as:
  - Purchasing tool versus a payment tool
  - High risk of fraud and misuse
  - More difficult to control and track purchasing activity
- Did not fit with traditional culture



## VALUE REALIZATION PROGRAMME

- First detailed central analysis of procurement activity:
  - Results matched accounts payable and acquisition card activity
  - Confirmed monthly procurement patterns by major organization
- Watchlist results showed no significant misuse
- Acquisition card myths started to be dispelled
- Action plan developed



## **BENEFITS CONFIRMED**

- Faster and easier than creating a purchase order
- Reconciliation process worked well and was not cumbersome
- Increased speed of delivery for goods and services
- Faster settlement of outstanding amounts to vendors
- Access to level three data possible
- Potential for increased rebates



## KEY STEPS TO PROGRAM SUCCESS

- Senior Management support
- Implement controls at the card level
- Enhance training for users and managers
- Share best practices and vendor data
- Create a reference sheet for cardholders
- Develop an annual report card and monthly performance dashboard



## RESULTS TO DATE

- 30% growth in spend, however, only 15% increase in card transactions
- Low dollar value invoices reduced by 7%
- Objective has been included in performance management agreements
- Topic included in all major financial presentations
- Revised card hierarchy implemented
- Detailed vendor opportunity reports developed for each major purchasing organization





## OBJECTIVE

- Reduce the number of eligible accounts payable that are under \$5K
- Potential to eliminate 600K invoices and shift \$250M in spend from invoices to accounts payable
- Examine the option of mandating use of an acquisition card for low value transactions



**Questions?**