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The Claxton Papers

The Queen's University Defence Management Studies Program (DMSP), established with the support of the Canadian Department of National Defence (DND), is intended to engage the interest and support of scholars, members of the Canadian Armed Forces, public servants, and participants in the defence industry in the examination and teaching of the management of national defence. It has been carefully designed to focus on the development of theories, concepts, and skills required to manage and make decisions within the Canadian defence establishment.

The Chair of the Defence Management Studies Program is located within the School of Policy Studies and is built on Queen's University's strengths in the fields of public policy and administration, strategic studies, management, and law. Among other aspects, the DMSP offers an integrated package of teaching, research, and conferences, all of which are designed to build expertise in the field and to contribute to wider debates within the defence community. An important part of this initiative is to build strong links to DND, the Canadian Armed Forces, other universities, industry, and non-governmental organizations in Canada and other countries.

This series of studies, reports, and opinions on defence management in Canada is named for Brooke Claxton, Minister of National Defence from 1946 to 1954. Claxton was the first postwar defence minister and was largely responsible for founding the structure, procedures, and strategies that built Canada's modern armed forces. As minister, Claxton unified the separate service ministries into the Department of National Defence; revamped the *National Defence Act*; established the office of Chairman, Chiefs of Staff Committee, the first step toward a single Chief of Defence Staff; organized the Defence Research Board; and led defence policy through the great defence rebuilding program of the 1950s, the Korean War, the formation of NATO, and the deployment of forces overseas in

less control, the doings of officers and public servants. In many instances, the overseer is inevitably dependent on the advice and information of the very experts he or she is asked to manage, leaving the actuality of parliamentary control suspect if not incredible.

The Office of the Auditor General of Canada was established in the main to assist members of Parliament in their duty to oversee the exercise of power and discretion by governments. The Office of the Auditor General conducts investigations of most departments and agencies of the government of Canada and reports its findings, independent of the government of the day, directly to Parliament. At one time the reports dealt mostly with the expenditure of funds allocated to government programs, but today the concept of comprehensive policy audits has become a principal aspect of most audits.

This paper examines in particular the legislative audit of the Department of National Defence, the Canadian Armed Forces and defence policy generally as conducted by the Auditor General of Canada. It is, in some respects, a highly personal report of the work conducted by the Office of the Auditor General during the author's long experience with the defence audit branch of the Office. Yet, it is also the story of the evolution of this function, its successes and difficulties and of contests and cooperation between the auditors and members of the armed forces and the bureaucracy.

Although this examination centres mainly on the Canadian experience, the story of the continuing evolution of legislative audits of the armed forces and of governments in control of armed forces is undoubtedly of interest to citizens in liberal democracies everywhere. The language and legislative histories of these states may be different, but their citizens have a common interest in their parliaments' central responsibility to maintain civil control over soldiers and officials. It is a duty subordinate only to the founding concept of parliament itself, which is to ensure the government's conformity to publicly sanctioned standards of action by holding governments to account for their exercise of power and discretionary authority. Legislative auditors, servants of parliament, are a key component in the mechanism created to discharge these responsibilities.

Douglas Bland
Chair, Defence Management Studies Program
January 2003

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Foreword

This paper was written with the encouragement of Douglas Bland, Chair of the Defence Management Studies Program at the School of Policy Studies, Queen's University. It tries to capture whatever I have learned about reporting to Parliament on defence management issues over 14 years at the Office of the Auditor General of Canada. I was, however, rather disappointed that everything I learned in 14 years could be reported in about 70 pages. I thought I should have learned more. (On the other hand, there are probably some Defence officials who are surprised that I learned anything at all and some that believe I still don't know much.)

The paper is not a comprehensive examination of defence management. There are some striking gaps such as logistic support and financial management. I can only say that these subjects, as important as they are, did not receive substantial audit examination during my time with the file.

The paper is also not a textbook on audit techniques. Rather, it attempts to lay out the issues that I found to be the important ones. Actual audit techniques are discussed (albeit briefly) in the audit reports themselves.

I must also acknowledge the support of the defence audit team at the Office of the Auditor General. Legislative audit is very much a group

major service contracts; Paul Morse and Rob Anderson, for work on infrastructure and peacekeeping operations; Frank Barrett's and Richard Quesnel's insight into management and information systems; Sheila Klein's work on productivity and culture; Chantal Michaud, for work on aircraft availability; and Anne Hardy on human resource management. Finally, Darwyn Kerwin, Mohamed Alkadry, Lori Buck, Kari Swarbrick, and Julie Erb all made major contributions. Audit reports would have been much duller and of far less use without them.

Opinions expressed, however, are mine. They may not be those of the Office of the Auditor General of Canada.

Peter Kasurak

CHAPTER ONE

Civilian Control of the Military and Legislative Audit

The title of this chapter would strike most Canadians as strange: control of the military is not an issue that most Canadians spend a great deal of time thinking about. According to one poll, Canadians place defence dead last on their list of priorities, just after spending on arts and culture.³ That there is "democratic" control of the defence budget is simply assumed, although it is unlikely that more than a tiny minority could say just how this was achieved.

Nevertheless, control of the military is an important matter. The military, after all, are armed and dangerous. The use of force is the ultimate

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- ¥ the structures that are used to ensure democratic control of Canada's military and the defence budget;
- ¥ the effectiveness and efficiency of the system and structure for control;
- ¥ and finally, one needs to understand the role of legislative audit and

LEGISLATIVE AUDIT

In the Canadian federal government, legislative audit is used to provide information for use by the House of Commons in its scrutiny of government programs, financial activities, and environmental and sustainable development matters. The Auditor General of Canada provides Parliament and Canadians with the answers to the following questions regarding the Department of National Defence and other departments:

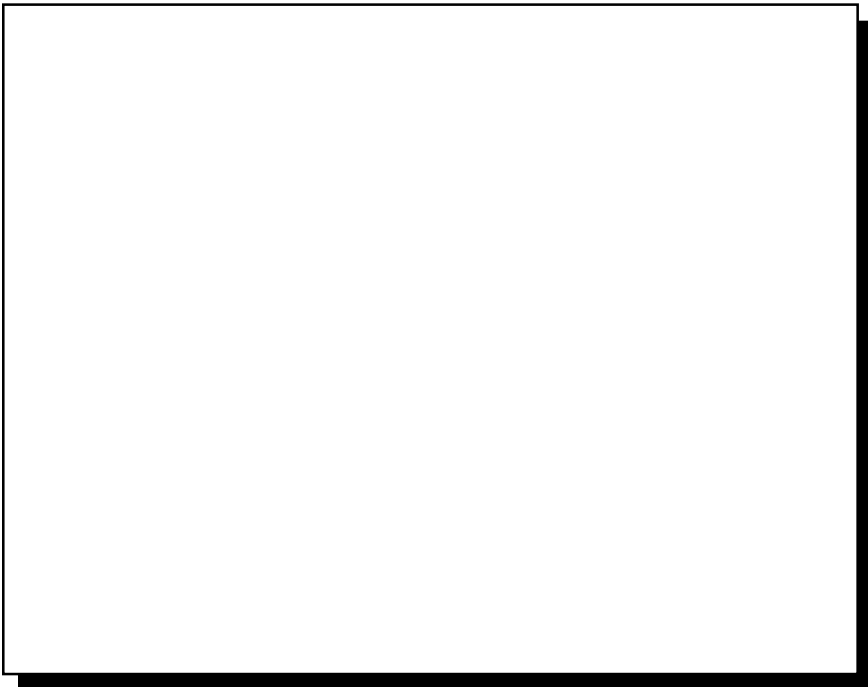
Table 1
Components of Legislative Auditing

<i>Audits</i>	<i>Questions</i>
	<ul style="list-style-type: none"> ¥ Are department and agency programs run economically and efficiently and with due regard to their environmental effects? ¥ Does the government have the means to measure the effectiveness of its programs? ¥ Is legislation complied with and the public purse protected?
	<ul style="list-style-type: none"> ¥ Are agencies presenting their performance information fairly and in a reliable way?
	<ul style="list-style-type: none"> ¥ Is the government presenting fairly its overall financial situation in accordance with applicable policies?
	<ul style="list-style-type: none"> ¥ To what extent did departments and agencies meet the objectives and implement the plans set out in their sustainable development strategies?

THE ROLE OF THE AUDITOR GENERAL

The auditor general aids accountability by conducting independent audits of federal government operations. These audits provide members of Parliament with objective information to help them examine the government's activities and hold it to account.

Figure 1
Relationship of Auditor General to Parliament



as outlined in the *Auditor General Act*. Moreover, the auditor general submits her reports directly to the House of Commons, through the Speaker. The 1977 *Auditor General Act* directs the auditor general to address three main questions:

- ¥ *Is the government keeping proper accounts and records and presenting its financial information accurately?*
This is called "attest" auditing. The auditor attests to, or verifies, the accuracy of financial statements.
- ¥ *Did the government collect or spend the authorized amount of money and for the purposes intended by Parliament?*
This is called "compliance" auditing. The auditor asks if the government has complied with Parliament's wishes.
- ¥ *Were programs run economically and efficiently? And does the government have the means to measure their effectiveness?*
This is called "value-for-money" or performance auditing. The auditor asks whether or not taxpayers got value for their tax dollars.

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the scope of the audit. It is up to OAG to determine whether departmental comments will be accepted and the plan changed.

The examination involves the collection of data according to the audit plan and the basic analyses required by the audit. Depending on the audit tests involved, this can include downloads from data systems, examination of paper records, employee surveys, and interviews. Usually, important observations are discussed with departmental staff as they are discovered and explanations sought.

The beginning of the reporting phase is another major milestone for an audit project. A "principal" draft is prepared, reviewed by the OAG executive and their external advisors and, once revised, sent to the department for comment. It is the policy of the Office to "clear" audit reports with the auditee. This means that the auditee is asked to agree with the facts presented in the report. However, it gives the auditee an occasion to contest matters of context and tone as well as facts. Clearance can be quite adversarial and frequently presents trying moments for both sides of the table. Once discussions are complete a "transmission draft" is sent to the deputy minister for an official departmental response. The response includes whether the department accepts the recommendations and a reply to each recommendation.

The final version of an audit report is included as a chapter in one of three periodic *Auditor General Reports* tabled in the House of Commons (a fourth periodic report delivers the report of the Commissioner of the Environment and Sustainable Development). The Public Accounts Committee will hold hearings on many of the chapters, but other House and Senate committees may also hold hearings on particular audit reports or call the auditor general or the staff to testify before them. They will also call departmental officials to explain their actions. Committees may issue reports and make additional recommendations to which the government must publicly respond.

AUDIT AND THE GOVERNMENT EXPENDITURE MANAGEMENT SYSTEM

The two key elements of the government's expenditure management system are the budget and the Estimates. Every February the minister of finance presents the budget to Parliament. The budget sets out the government's fiscal and economic targets, policy priorities, and significant

new initiatives. It indicates how spending will fit within an overall fiscal plan and the level of debt or surplus forecast by the government.

The Estimates are tabled in Parliament by 1 March by the president of the Treasury Board; they elaborate the expenditure plans of departments and agencies for the upcoming year and set out expenditure details by program and organization as well as performance objectives. In the fall of each year, each department or agency tables a performance report on what was achieved the previous year.

all the power of the Cabinet is actually controlled by the prime minister. Power resides in the executive because members of Parliament are rarely elected as individuals, but as representatives of a political party. This means that members are beholden to the leaders of the party if they wish to gain position and privileges within the government and the party. It has often been commented that party discipline in Canada is stronger than that of any other Westminster-type government.

To understand how this situation plays out, we might consider the review of DND Estimates, the annual budget proposal, which come before the Standing Committee on National Defence and Veterans Affairs.

rarely requests that specific audits be done, although the OAG work program overall is discussed with them. The committee has advantages over other standing committees in that OAG personnel become, in effect, an extended research staff and provide independent testimony at hearings. The *Access to Information Act* also gives OAG staff unrestricted access to defence information and requires DND personnel to provide assistance.

Nevertheless, one can question the extent of accountability the Public Accounts Committee can extract. Certainly military witnesses who have to explain a serious performance shortfall can be dealt with harshly. Yet the department only implements about 60 percent of audit recommendations. Unpalatable ones can be ignored. At a personal level, accountability remains weak.

Departmental witnesses can also stonewall the committee by reverting to a "line" rather than responding to the committee's question. The audit of the \$2.8 billion NATO Flying Training in Canada program reported that competitive tendering policy had been broken. When questioned about compliance issues, departmental representatives repeatedly stated that the contract had complied with the Agreement on Internal Trade. This misdirection had nothing to do with the Government Contracting Regulations that had been broken. While this tactic did not convince the committee of their case, it ran the clock and did not provide the committee with any real answers to its questions.

An important accountability device is the *Access to Information Act* which entitles citizens to request documents from the government for a

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The following sections point out what can happen when accountability links are broken: the budget is overstretched, marginal equipment is purchased and performance falls. Strengthening the role of Parliament is a key step in ensuring that the armed forces match the goals of Canadians and can carry out their task. Each section will present opportunities and approaches to the legislative audit of specific areas of defence management: policy, capital acquisitions, contracted services, infrastructure management, human resource management, ethics, and operational readiness. The concluding section will offer an evaluation of the impact of legislative audit on the defence program.

CHAPTER TWO

Policy

WHY POLICY MATTERS TO MANAGEMENT

Policy is the cornerstone of all defence management decisions. From the defence policy of a state flows what sort of armed forces it maintains, how they will be equipped and how numerous they will be. If defence policy is coherent and sound, a basis for sound management exists. Where policy is faulty, management is unlikely to be successful. 'Faulty policy' from the perspective of the audit office does not necessarily mean that policy is strategically or politically mistaken. Sound policy is marked by well-articulated and coherent goals and consistent priorities; is based on a rational process; and can be explained to those not involved in making it. As well, the resource implications of implementation have been taken into account.

If policymakers have ignored these factors, then it is unlikely that the defence establishment will, or can be, well-managed. Without well-defined goals and priorities, the defence establishment quickly degenerates into a snake pit of brokerage politics as each service and branch competes for what they conceive to be a fair share of resources. It becomes less important as to what a particular part of the service can contribute than to where it is placed in the defence power structure: what positions in the national headquarters it occupies, what interest groups support it externally, and whether it has the minister of the day's ear. If there has not been a rational process used to develop policy, high-level planners are unlikely to find that lower-level decisions translate their policy into effective structures and plans. Indeed, strategists and military planners can find themselves unable to communicate and left complaining that the other camp 'just doesn't get it.' Finally, if the resource demands of policy have not been reckoned, then management will be left trying to

periodically re-locate shortages. Management itself may end up being weakened as modern systems are not installed and specialist staffs not created or maintained as being unaffordable overhead expenses.

THE CONTROVERSY OVER THE AUDIT OF POLICY

While policy is a critical element of sound defence management, dealing with policy is a matter of extreme sensitivity to the audit office. Canada's *Value for Money Audit Manual* says that:

Special care is required when audit findings touch on government policy. As officers of Parliament, we do not want to be seen to be second-guessing the intentions of Parliament when it approves legislation, or of Cabinet when it selects a certain policy direction. On the other hand, auditors must understand pertinent policies to audit effectively, and results-oriented auditing inevitably brings us closer to policy matters.

The debate of the legislation that established the Office of the Auditor General in its present form also addressed the issue of policy. Some officials were concerned that if the auditor general were allowed to comment on matters beyond the financial statements of the government, then he or she would become involved in politics. For example, Gordon Osbaldeston, then Secretary of the Treasury Board, commented that if the auditor general were to comment on the effectiveness of programs, then a political battle would rage around the Office of the Auditor General, and its independence would be compromised beyond belief.

Such concerns have been long-lasting. Critics of the audit office have focused their concerns on the extent to which the auditor general has become political. In a recent article, Sharon Sutherland wrote,

The OAG's audit revolution started out as a hyper-rationalistic ambition to come to absolute determinations in regard to the economy and efficiency of government operations, and the soundness of procedures to measure effectiveness. The implementation has been sub-rational and small political on any judgment ... the OAG has been transferred coercive and controlling powers that belong to the House of Commons.

A WAY OF DEALING WITH POLICY

The legislative auditor is therefore caught on the horns of a dilemma: if he or she deals with policy directly he or she will be accused (probably with some justification) of having exceeded the mandate; if policy is ignored, audits may never get to the root of an array of serious management problems. The Canadian experience in this regard offers a fairly useful example of how the problem can be addressed.

First, the audit office has never commented on the content of policy. The office has never said what the Canadian Forces should exist to do,

that the benefits called for by the policy were not being received, it did not comment on whether the goal itself was appropriate or attainable by other means.

In response to the 1992 findings, the department merely noted that it did not control the process whereby policy was set, that responsibility lay with the minister and government.

The 1994 and 1998 audits took a more global approach and attempted to assess the quality of policy planning within the department. In 1994 we looked at the existing *Defence Policy Statement* to determine if it provided clearly stated capability objectives for the military. We found that there were no formal studies supporting the policy and that force development planners found that the statement was too vague for them to determine what types of conflict the Canadian Forces should prepare for. Readiness and sustainment targets had not been set. The audit also questioned whether the policy as a whole was affordable. We found that the department had only costed activities and projects it had already approved, rather than all those necessary to implement the policy statement. Budget cuts had imposed a further shortfall on the allocation of resources made to the defence program.

We returned to this theme in our 1998 audit of the capital program. Following our 1994 management systems audit the government released a new fundamental policy document, the *1994 Defence White Paper*. The White Paper did elaborate on the capability requirement to a certain extent, but it appeared to us that the problem of affordability of the required force structure was unresolved. During the planning phase of our 1998 capital program audit we found that many major procurement programs had been substantially degraded because of a lack of funds: 12 mine countermeasures vessels were purchased, but only partial combat suites for four vessels were acquired; a tactical utility helicopter was purchased that lacked adequate lift and mission suites; and the Leopard C1 tanks owned by the army were only partially upgraded even though army studies termed a total upgrade as the minimum viable operational requirement. We therefore decided that we should report on the overall size of the budget shortfall.

Our audit determined that the force structure being maintained by the department would require almost doubling the amount available for capital in the five year plan from \$6.5 billion to \$11 billion. This level of shortfall indicated that the status quo was not viable and that it would

be necessary to either identify more funds for equipment modernization or to re-think the structure of the Canadian Forces. Once again, the audit did not conclude that the policy itself was mistaken, only that the means available to implement it were inadequate.

The audit led to a Cabinet review of the defence budget and to modest funding increases spread out over several years. It is important to recognize that the OAG did not recommend a budget increase. The OAG only pointed to the shortage of funds and to the loss of value for money this was causing throughout the defence program. The issue is far from resolved. A recent Senate Committee on National Security and Defence report recommended that DND be allocated an additional \$4 billion a year (a 25-percent increase) to solve its budget problems and to meet new security needs.³

DOES THE UNITED STATES OFFER A BETTER ALTERNATIVE?

Our audits raise the question of whether any other state has implemented a sound defence policy planning process. While it is doubtful that any country has a completely satisfactory system, the United States developed a clearly superior approach and sustained it throughout the 1990s. This planning approach originated in the 1993 "bottom-up" review conducted by Secretary of Defense Les Aspin. The bottom-up review addressed the United States' defence strategy, its force structure, modernization plans, and infrastructure requirements. It included:

- ¥ a range of "threat scenarios" defining the types of opponents or situations United States armed forces were expected to face;
- ¥ determination of forces required to meet the threat;
- ¥ explicit consideration of force options, including varying the levels of sea, land, and air forces to be maintained;
- ¥ explicit consideration of costs;

The bottom-up review approach was institutionalized and repeated throughout the 1990s as part of Congress's *Quadrennial Defense Review* (QDR) process. The QDR was subject to a number of failings (most of which were identified by Congress's legislative auditor, the General Accounting Office²⁵). Some of these were technical, such as the limitations of the operational modelling used to estimate force requirements. Others were strategic, including the apparent inability of the planning process to break out of a status quo armed service model and be "transformational." The department both underestimated costs and overestimated savings from reforms. According to the Congressional Budget Office, plans were at least \$27 billion underfunded for capital expenditure alone. Finally, the QDR could not solve political disagreements between the branches of the US government. The executive called for additional base closures to make up the difference, but Congress did not agree and a budget overhang persisted throughout much of the decade.

With all its failings the QDR nevertheless was one of the most rational and transparent defence planning approaches ever implemented. It was possible for outsiders to understand the strategic goals of the government, assess how well the forces being maintained met those goals and determine whether the budget would support the forces being raised. Those looking to improve defence planning and budgeting would do well to begin by looking at the QDR.

CHAPTER THREE

The Capital Program

The capital program is the most visible part of a defence budget. In modern industrial states, capital acquisitions consume about 20 to 25 percent of the entire defence budget. Weapons systems are the physical embodiment of force structure decisions and are therefore fundamental to the shape of the armed forces. Moreover, weapons systems tend to stay in the inventory for a long time – more than 30 years is no longer exceptional for aircraft and ships, and land vehicles like the venerable M113 APC have been around for almost 40 years. Mistakes therefore can be extremely costly and persistent.

The legislative auditor needs to look at the capital program from at least two perspectives: the overall management of the capital budget and the management of individual acquisition projects.

MANAGING THE CAPITAL BUDGET IN VARIOUS COUNTRIES

There is constant pressure to overextend the defence budget. As already noted, policy can itself be unaffordable, diffusing funds across too many capabilities and projects. But even if policy itself is sound, the urge to buy more than the budget can support is powerful. The reasons for this are many: costs are inevitably underestimated, every branch and service works hard to ensure that it will be re-equipped and modernized, and every state's industrial sector lobbies for its production to be purchased by the defence establishment. In times of change, legacy capabilities and facilities persist because of the need to buy peace within the family or support the electoral goals of the government. The US, UK, and Canadian legislative audit offices have all evaluated how well the overall capital budget is managed, each from a slightly different perspective.

The British National Audit Office (NAO) produces an annual report on the Ministry of Defence's capital program, commenting specifically as to whether projects are progressing on time and on budget. The audit

for allied weapons whenever possible. In the 1960s one famed Canadian weapon system – the Avro Arrow jet interceptor – threatened to consume a significant portion of the defence budget through an enormous cost overrun. When a project office was finally set up, five years into the project, the project manager compiled the first estimate of total cost: about \$1 billion in 1957 dollars! The prime minister of the day not only cancelled the project, he had all the prototype aircraft cut into scrap to prevent any possibility of its revival.

While Tolstoi remarked that while all happy families are the same, each unhappy family is unhappy in its own way, failed weapons projects tend to have quite a bit in common. Generations of legislative auditors have identified most (though likely not all) of the high risk areas.

Development Risk

Probably the highest level of risk is experienced in developmental projects. Military services place great emphasis on having modern equipment. Strong arguments can be made that in at least some military sectors, such as air-to-air combat, technology can be decisive no matter what level of training or doctrine is selected. Large military organizations can possibly afford to write off a certain portion of their budget on technology mistakes. Small militaries rarely can. They will be given only a single chance to equip a capability element. If the system does not perform well, they may have to live with the mistake for a long time.

Small militaries, nevertheless, often accept a high level of development risk precisely for the same reason. They have only one chance every 20 or 30 years to re-equip a capability element. They therefore do not

The Office of the Auditor General has therefore had little recent opportunity to develop an approach to the audit of developmental projects.

Perhaps the most advanced approach to the audit of developmental military projects has been created by the US General Accounting Office. Faced with the world's largest military development program and often indifferent results, the GAO undertook a large analytical project to understand why things go wrong. It found there were major differences between civilian and defence projects that had gone unrecognized.

The GAO concluded that military projects had a developmental incentive structure that was completely different from those of commercial projects. The GAO found that private sector managers insisted on a high level of technical knowledge before starting. For a commercial project, not having knowledge regarding the match between requirements and technology, the ability of the design to perform as expected and the ability to produce the product on time and at the right price constituted unacceptable risk. Defence projects were quite different. The GAO found that the armed services committed themselves to large-scale production before all technological problems had been solved. The motivation for this was the desire to secure and maintain congressional funding which, in the United States, is given on a project-by-project basis rather than for the capital budget as a whole. Defence bureaucrats believed that once in production, a project was safer from budget cuts than if it was still developmental. The game, therefore, was to get projects into production as fast as possible rather than aim to solve technology problems first.

Military Requirements

It matters little, however, if technology problems are solved but the resulting equipment purchase is inappropriate to the requirement. Failing to match equipment to the requirement was the leading cause of failing to get value for money for the Canadian Forces during the 1990s. There were a number of reasons for this. The first is that the Canadian Forces did not (and still do not) have a well-functioning doctrine development system. Well thought-out doctrine is essential so that all the pieces of a combat system, like a brigade group function together. An example of a mature doctrinal system is found in the United States Army. Faced with the threat of Soviet Operational Manoeuvre Groups during the 1970s, the US Army refined its combat development institutions and created what

became known as AirLand Battle. This concept was formalized in fundamental documents such as FM100-5 and drove the development of an integrated and balanced set of equipment: the Abrams tank, the Bradley infantry fighting vehicle and the Apache attack helicopter as well as a network of supporting systems. These systems were built around a well-understood concept of warfare and ultimately worked well together.

Lack of a strong doctrinal concept has been the main element that has inhibited developing a coherent set of equipment for the Canadian Forces. The Army has, therefore, ended up with:

- ¥ a utility helicopter that cannot lift a complete infantry section or transport a field gun a tactically usable distance;
- ¥ a very good light armoured vehicle;
- ¥ a tank, but one that has been only partially upgraded and which would not survive on a high-intensity battlefield;
- ¥ an excellent reconnaissance vehicle, but one that cannot easily distribute the information it collects because it overwhelms communication systems;
- ¥ no aerial

Canada and the purchase of *Upholder* class submarines from Great Britain where fisheries patrol (!) was stated as a key part of the requirement.

POOR RISK ASSESSMENT AND RISK MANAGEMENT

Risk management is a systematic approach to identifying, analyzing, and controlling areas or events that have a potential for causing unwanted change. It includes planning for risks, assessing risk areas, developing options for handling risk, monitoring risks to determine how they have changed, and documenting the overall program of risk management.

Reviewing a risk-management program is often a good means of identifying problems before they happen and perhaps even avoiding them. A case in point is the Electronic Support and Training Systems (EST) project, intended to outfit several executive jets as EW/ECM training aircraft. Although the project office had assessed technical risk as high, the department told Treasury Board that the risk of exceeding the cost and schedule was low and the risk of failing to meet project performance objectives was low to medium. Shortly after the OAG completed the audit of this project it was cancelled, resulting in a nearly \$200 million loss to the department. An earlier audit would have come to the same determination and might have been beneficial.

INADEQUATE TEST AND EVALUATION

That test and evaluation of a developmental system is required goes without saying. The main problem here is ensuring rigor, realism, and honesty of the test and evaluation in process.

In Canada, where few developmental systems have been purchased in the last ten years, a problem has arisen from the belief (or hope) among officials that because a system is purchased *Off-the-shelf* that no, or only minimal, testing is required. Unfortunately, this has not proved to be the case. The utility helicopter once again offers an example of this. On the assumption that the aircraft was in commercial service and military service elsewhere, little testing was done prior to purchase. In the event, the aircraft has proven problematic, suffering from engine over-torque and electrostatic shock to personnel who ground the aircraft while rappelling out of it.

CONCLUSION

Auditing the defence capital program is one of the central tasks for a legislative auditor. Capital is where politics, the military profession, laws and regulations, and business management meet. Problems that must be faced are very often caused by the failure of major institutional systems, rather than a lack of competence of a single manager or project office. To perform well, auditors need to keep their eyes open for these higher level problems.

CHAPTER FOUR

RELATED AUDITS AND AUDIT FINDINGS

Availability of Cost and Performance Data

The most rudimentary information needed to be able to decide whether one should purchase a service or do it oneself is how much is being made now at what price. This is the information that invariably can never be found in the course of a defence audit.

Most of the support service audits conducted prior to 1996 found that production costs were not being measured. Training and education have already been mentioned. Other examples were Forces' hospitals whose costs were 86 percent higher than civilian hospitals of a similar size and construction engineering trades people whose productivity was 33 percent lower than those in the private sector. Lack of cost consciousness appears to have been a consequence of the centralization of management of support services in the 1970s. This was efficient in its day as computing technology relied on mainframes that filled good sized buildings. But the effect was to create an organization with visibility of neither costs nor outputs at the working level. While local managers could readily identify inefficiencies at their sites, they were taught to believe that overall, the system as a whole was efficient and they should not worry about minor local concerns.

Audits repeatedly recommended the development of cost and performance management information, but little had been accomplished by the end of the 1990s. Government accounting systems have historically

Contract risk is unusually high in long-term defence service contracts because of the overall complexity of this type of contract, the limited nature of competition (which decreases as the contract size increases), and the general lack of contract-management skills in the sectors of the defence establishment that are responsible for services. Audits in Canada have found that business cases were poorly done and that obvious errors were made in terms of agreement.

“Lockbox” Strategies

At least one observer has suggested that contracting-out is a “lockbox” strategy. By this he means that they remove programs from normal budgeting processes and create a structure in which funding is locked up. This protects the program from future program cuts, provides a continuing and perhaps even increasing revenue stream while allowing the agency to claim that savings are occurring because the new agency management is more efficient than a traditional government department.

The NATO Flying Training in Canada Program (NFTC) is an example of this model. Through it the Department of National Defence committed itself to a 20-year, \$2.8 billion program. At this point in time it is not clear how well the program is working. While it guarantees that pilot training will be well-funded for the duration of the program, the Air Force has thereby committed a considerable portion of its operations and maintenance budget. Should the Air Force be reduced in size or experience training pipeline problems it must continue to make payments.

The risk of budget inflexibility needs to be carefully considered, even if the services are still valuable and required as defence priorities can easily shift over the long term.

CHAPTER FIVE

Infrastructure Management

The usual problem with defence infrastructure is that there is too much of it. Defence organizations acquire buildings and bases during wars and build-ups. Often constructed in remote or low population areas, they become major employers and a significant part of the local economy. Moreover, government jobs are often highly desirable. Bases offer steady

the subsequent log-rolling in Congress. In the American system, the armed services are required to match their infrastructure holdings to their force structure. A base closures commission holds public hearings on the military proposals and suggests a package to Congress. Congress and the president must approve the recommendations as a package, within a limited timeframe. Communities have generally perceived this process to be fair and have organized to mitigate the impact early.

This is not to say that the US process has worked perfectly, far from it. The administration can claim savings of only \$6 to \$7 billion a year (still not exactly chump change), and estimates that it is still carrying 20 to 25 percent excess infrastructure. There have been complaints that the process is still too political. The current administration is proposing new legislation in the form of the Efficient Facilities Initiative. The initiative would put specific base retention criteria in place, centring on military value and would require both houses of Congress to pass a joint resolution to override an omnibus closure decision once endorsed by the president.⁴⁵

Infrastructure Management

The most obvious problems with the management of facilities have already been mentioned: overstaffing, lack of cost and performance management of support functions, poorly-conceived support contracts, and weak business case assessment of capital construction. There are two more problems worthy of mention. The first is the deferral of maintenance and the 'rust-out' of facilities. Defence managers understand that timeliness of maintenance is important to reducing operating costs. Nevertheless, in 1994 we estimated the backlog to be \$1.7 billion or 13 percent of the plant-replacement value. This represented an almost ten-year backlog of maintenance.⁴⁶ Deferral of maintenance not only increases costs overall, it can result in a bow-wave of funding requirements that can arrive in an unexpected manner and significantly affect other budgets.

Deferral of maintenance is the result of general budget overstretch and the failure to get rid of bases and facilities no longer required.

Environmental Management

In Canada, every federal government department is required to have a sustainable development plan that details how its operations are to be conducted to protect the environment. The Office of the Auditor General

also contains the Commissioner of the Environment who is charged with reporting to Parliament on the government's environmental stewardship.

We have carried out several environmental audits at the Department of National Defence. We have reviewed the department's sustainable development plans, we have examined its clean-up of contaminated sites, and we have audited its use of hazardous materials in its operations. We are currently reviewing its stewardship of training and test areas.

Sustainable Development Plans. DND is one of only four departments that can provide evidence that it has well-functioning management systems to implement the commitments in its environmental strategy.

The department identified environmental and sustainable development aspects well; developed objectives and targets, programs, monitoring and tracking systems, and reporting procedures; and actively involved senior management in reviewing performance. There was evidence that specific commitments were managed from initial identification to management review of progress and accomplishments.

Contaminated Sites. Military activity, like its industrial counterparts, can result in contamination. The largest problems are fuel storage tanks and PCBs (polychlorinated biphenyls) at abandoned radar sites. The department regularly reports on its clean-up efforts which are audited by the Commissioner of the Environment.

Management of Hazardous Materials. In 1999 we examined how DND managed hazardous materials such as flammable substances, corrosive products, and ammunition. The department used over 6,000 hazardous products and estimated that at least a quarter of its 80,700 full-time employees came into frequent contact with hazardous chemicals.

Although departmental policies, plans, and procedures at the national level indicated an awareness of the legal framework and best practices for hazardous materials management, implementation at the base and unit levels was inconsistent. We found shortcomings in compliance with laws and regulations, in application of audit protocols and methodologies, and in application of compliance-management systems aimed at promoting continual improvement.

When we tabled the report, the department responded positively to our recommendations and indicated it would take action to address the concerns raised. However, the department has carried out few recommendations fully and has revised and extended many of the completion dates for its action plans. There are three major areas of concern:

Improving safety for employees. The 1999 audit found that the Workplace Hazardous Materials Information System (WHMIS) – a national system that identifies hazardous materials through labels and signs, makes safety data available in the workplace, and ensures that workers receive appropriate training – was not fully in place in the ten bases and wings that we audited. We found continuing problems with labelling, a lack of material safety data sheets, and 45 percent of staff handling hazardous materials lacked appropriate training.

The 2001 follow-up found that the department had begun development of a Web-based system to inform all staff of current material safety data sheets. However, DND has told us that this project will not be complete until 2003-04.

Preventing damage to the environment. The ten bases in our original audit did not periodically monitor their air or liquid effluent emissions for all hazardous material contaminants on which limits were set by federal laws or guidelines. While the federal government is not bound by provincial or municipal laws, the department's policy was that it would follow these standards – where applicable. What this meant, however, had never been defined.

In 2001 we reported that the department had committed itself to issuing national guidance on liquid effluent monitoring, developing and carrying out an effluent monitoring plan for storm sewers and periodically testing discharges to municipal sewers. Monitoring was funded through a corporate account which was due to run out this year. This could put this program at risk.

The department does not expect to have a national air emissions strategy until March 2003. Although it has received a legal opinion on defining when it should apply provincial and municipal regulations and standards it does not expect to issue its own policy until sometime this year.

Continuous improvement. The 1999 audit found many gaps in compliance with existing regulations for the management of hazardous materials. Our perspective was and is that compliance monitoring is an essential part of a continuous feedback and improvement system. Bases should have objectives for compliance and should know how well they are doing. They should monitor shortfalls and try to improve. DND has taken some steps in this regard, but progress is slow.

Overall, environmental management practices have been slow to improve. As with infrastructure renewal, apparent low priority and overall budget overstretch have limited efforts.

CHAPTER SIX

Human Resources

MILITARY HUMAN RESOURCE MANAGEMENT HAS SPECIAL FACTORS

Examining the management of human resources goes to the heart of the military profession. Who is recruited, how they are trained, how they are treated while in uniform, and who gets promoted are all questions of professional and institutional values. In addition, the military does not perform its job in isolation. The defence establishment also employs civilians at every level. Military jobs must be integrated with civilian ones in order for work to get done. Different terms and conditions of service and separate career structures must be maintained for both sides of the organization.

Western militaries have also developed a fairly standard approach to what is a "normal" career which is radically different from civilian employment. Civilians are generally responsible for their base-level training and compete for jobs in their organization's labour market and in the wider economy. There is no standard career progression and they may stay in their jobs for a long time or move about at will if their segment of the labour market is in demand. Organizations can take people in at any level — from blue collar worker to president of the company.

Western military organizations work differently. They recruit essentially at the entry level only. They provide nearly all training and education required, both basic and advanced. Officers may spend over 25 percent of their careers in schools. Career ladders are extremely well-defined and require a fairly strict succession of job experiences which are centrally planned and managed. This has two immediate consequences: a huge bureaucracy of "career managers" or "posters" is required to match "faces" to "spaces," and rotational posting of staff is required to provide the required experiences to each individual.

Rotational posting has severe consequences. It is very costly. The Canadian Forces, for example, spends about \$250 million annually on removal expenses (i.e., moving expenses) alone for a force of less than 60,000. Of course, the geography of Canada exaggerates this problem — moving a sailor from the east coast fleet to the west coast fleet involves a move of 8,000 kms. Individuals generally lack background for specific jobs and officers are frequently posted to management specialist jobs (including human resource management) for which they lack professional education, experience, and aptitude. Huge bureaucratic procedural systems are necessary to compensate for deficiencies in knowledge, imposing another cost on the organization as a whole. Finally, breakdowns in accountability occur as individuals move off to new jobs before the effects of decisions become apparent. These impacts are apparent enough for a wealth of folk sayings to have evolved. The navy, for instance has “Didn’t happen on my watch” and “Not my part ship.” The Canadian Forces as a whole identifies individuals as “Having gone FIGMO” during the last months of a posting (FIGMO: F--- It, I’ve Got My Orders).

And this is only the structural dimension of the problem. There are also philosophical and ideological factors. The military has been struggling with its self-concept for over half a century. The two poles of the debate are perhaps best represented by Samuel Huntington and Morris Janowitz. Huntington presents the military as a vocation, not a job. To Huntington, the professional officer not only has a high level of technical expertise, he emphasizes the importance of the group over that of the individual. According to Huntington, the military man must submerge his personal interests and desires to what is necessary for the good of the service. The military officer is also politically neutral.

Janowitz is more empirical and a greater realist than Huntington, who seems to be posing an ideal type. His vision is more technocratic and far less heroic than Huntington’s and he sees the professional military as an institution in crisis as it attempts to reconcile its heroic self-image with the administrative and technological content of military work, which makes the military less and less distinct from civilian professions.

The struggle between the soldier as someone with a calling and a technocrat is also described by Charles Moskos’ Institutional/Occupational model. Moskos has posed a model in which a vocational orientation is labelled “institutional.” Individuals with institutional values have “work to serve” ideals, are not motivated by money, and consider them-

selves on duty at all times. People with an occupational mindset see the military as just a job, are working for money, and consider taskings out-

Auditors would therefore do well to look at the capacity of armed services for their ability to monitor and forecast attrition and to model

organizational climate and morale, workload, conditions of service, perceptions of the external job market and perceptions of the effectiveness of senior leadership contribute as well to decisions to leave.

The policy and management implications are obvious. An organization cannot have cost-effective programs to retain personnel unless it

warned as early as 1996 that an aging military would face a staff shortage, but remedial action was not started until 2003.

The department has increased advertising and has begun offering recruiting bonuses and rapid advancement in rank for qualifications in occupations that are facing critical shortages. Previously, there had been considerable resistance to bringing people in above the entry level due to the emphasis on values already discussed. It is not clear how well these initiatives will work. At the time of the OAG audit in 2001, there were still shortfalls in recruiting overall and over-recruiting in some occupations. This not only created a surplus, but used up a slot for an occupation already short.⁶⁸

Our audit also found that in spite of being given priority for staffing, recruiting centres were short of recruiters. We also noted that the surge in recruits could not be accommodated by trade schools and that more members were under-employed while waiting for a school to take them.

Diversity continues to be a problem. Designated groups make up less than 17 percent of the forces (women alone make up more than 50 percent of the overall Canadian population). Young, white males have been the traditional source of recruits and our audit indicated that this continues to the present time.⁶⁹

Training

Military organizations spend most of their time training. Training roughly divides into four categories:

- ¥ education, including primary and advanced degrees and professional military education at staff college and war college levels;
- ¥ technical trades training, much of which is analogous to civilian training at the technical college level;
- ¥ military trades training for combat arms for which there is no civilian equivalent; and
- ¥ collective military training that takes the form of field and command post exercises.

Audits of military education in Canada, conducted in the early 1990s, indicated that undergraduate education was extremely expensive – over double the cost of civilian universities.⁷⁰ Most of the extra cost was attributed to surplus capacity in the military college system and the fact

that its student-staff ratio was two and one-half times higher than the Canadian average. The military college system has since been consoli-

generally want to have the highest skill standards possible and also (as already mentioned) to maintain a training system exclusively under their control. This means that some training may take too long for reservists to actually perform, while "civilian" skills are not recognized.

The reverse view of the problem is that reservists are awarded rank with only a fraction of the experience that same-rank counterparts in the regular force attain. For example, we found that it would take 20 years for a reservist to acquire the combat arms field experience of a regular

CHAPTER SEVEN

Ethics and Proper Conduct

THE CONCEPT OF PROPER CONDUCT

The proper conduct of public business has been a long-standing concern of the federal public service, including the armed services. "Proper conduct" means not only that management acts in compliance with laws and policies but also that resources are used to benefit the public, not the individual public servants to whom public funds are entrusted. Management policies and practices must pass the test of stewardship: guarding and using public funds and resources as if they were one's own. Lapses in proper conduct can therefore range from criminal acts to merely poor business judgement. The exhibit below (Table 2) depicts the types of lapses that can occur.

In order to reduce the risk that improper conduct will occur, management must control risk. First, management must ensure that appropriate values are communicated to staff and accepted by them. In Canada, the Defence Ethics Program is the main vehicle for communicating ethical values to the department and the Canadian Forces.

Second, reducing risk requires effective internal controls and internal audit. Internal controls are the traditional methods and measures put in place by management to prevent and detect both error and misconduct. Internal audit provides management with an independent evaluation of how well those controls are working.

Third, appropriate corrective action must be taken when employee misconduct is suspected. It is important that such behaviour be investigated and discipline applied. Feedback from the monitoring and analysis of incidents of misconduct can be used by the responsible managers to improve controls and encourage conformance with corporate values.

Table 2
Types of Lapses in the Proper Conduct of Public Business

<i>Type</i>	<i>Definition</i>	<i>Example</i>
Dishonesty	Laws or policies are intentionally broken, resulting in benefit to the individual committing the act.	Officials claimed and received allowances by making false statements.
Abuse	Public resources are used in a way that benefits the individual making the decision, but where there is little or no increase in public well-being. Regulations or policies may not actually be broken.	Extravagant improvements to official residences.
Claimed misunderstanding	Individuals claim or accept benefits that are outside the intent of policy, but can plausibly claim that they misunderstood what the policy was.	Officials used a loophole in regulations to make a claim for reimbursement for expenses already paid for by a vendor corporation. The intent of travel policy is to reimburse employees for legitimate expenses.
Waste	A departmental program benefits employees, but does not have demonstrable value to departmental objectives.	An official residence maintained for representational purposes, but where few representational events take place.

Source: Auditor General of Canada, *Report of the Auditor General of Canada, 1999* (Ottawa: Supply and Services Canada, 1999), ch. 26, "National Defence – The Proper Conduct of Public Business," exhibit 26.1.

involved both senior officials and personnel at lower ranks. In response,

Canadian Forces. The Ombudsman also reviews internal processes to ensure that individuals are treated fairly and equitably. The mandate provides the Ombudsman with the authority to conduct investigations where necessary.

The Office of the Auditor General has long taken an active interest in issues of ethical conduct in the public service. The report, *Chapter 1, Ethics and Fraud Awareness in Government* (May 1995), proposed an ethical framework for government. The chapter identified the need for a continuous process that highlights ethics in decision-making, a multi-faceted approach to strengthening the government's ethical climate and a heightened awareness among senior managers.

RELATED AUDITS AND AUDIT FINDINGS

The crisis in the Canadian Forces caused an extraordinary number of complaints to be made to the OAG over perceived abuses. It became apparent that attempting to deal with complaints on a one-by-one basis did not result in getting to fundamental problems. We therefore decided to undertake a more comprehensive project addressing all three elements of the management of proper conduct: communication of values, internal controls, and corrective action when misconduct is suspected.

Communication of Values

The main strategy selected by DND to improve conduct within the department was to adopt a "values-based" approach. This places priority on core values and principles of ethical culture as guides to professional conduct. It is distinct from a compliance-oriented strategy that relies on detailed regulations and enforcement. The department's values-based approach depended on its *Statement of Defence Ethics*, a network of ethics coordinators throughout the department, and integration of its ethics statement into training and employee appraisal processes.

Our audit found that although the program was well conceived, implementation had been weak. Senior military officials told us they did not believe they had ever been ordered to implement the ethics program in spite of a decision to that effect by the senior mana

values (including a sense of humour). Training was targeted at new recruits, but most of the problems had involved senior officer and non-

SUBSEQUENT ACTION BY THE DEPARTMENT

It should be noted that DND took quicker than usual action on our recommendations and that nearly all of them have been completely implemented, although the implementation of the ethics program is still proceeding slowly. The number of complaints received regarding abuse has subsided to a low level.

CHAPTER EIGHT

Operational Readiness

The ultimate test of a military force is its performance in combat. Unfortunately, if performance is poor it may well be too late to do anything about it. In order to avoid any unpleasant surprises, modern military forces usually have formal systems in place to measure *Operational Readiness* or the ability of a military unit to deliver the output for which it was designed. This depends on four factors:

¥ *People*

Commander's judgement. How all the pieces come together and how enablers such as the command team are functioning is difficult to assess in quantitative terms. A good system should allow for the use of the commander's judgement to adjust a unit rating. This should be visible to users of the system. It also should be able to be overridden by headquarters, but not at the expense of erasing the original record of the commander's opinion.

Validated. The readiness reports should be periodically compared to field experience, either from operations or from field exercises.

Auditable. All management data should be auditable; otherwise the user cannot completely trust the source.

Operational Exercises

The conduct of operational exercises is not only essential for the maintenance of readiness; it is also an extremely useful tool for measuring it. This is especially true if field exercises are highly realistic and conducted with free play on an instrumented range. The US Army discovered during the Gulf War that its readiness-reporting system was providing optimistic results when National Guard units, reported as "ready," failed when tested at the National Training Center.

Our audits of exercise analysis and reporting have consistently found that the Canadian Forces do not have an adequate system in place. Most recently, a 2001 audit could locate only about 40 percent of the post-exercise reports that should have been pre-

definition of operational availability and told us that one should evaluate the performance of maintenance units by their ability to meet the number of sorties required by the operators. While this made intuitive sense, we found that operational units did not ask for an aircraft if they knew that one was not likely to be serviceable. Maintenance performance was therefore systematically overstated.

CHAPTER NINE

Does Legislative Audit Make a

of CommonsÓ including whether money has been spent for other than what Parliament appropriated it for, whether money has been expended without due regard to economy or efficiency and whether there are procedures in place (where appropriate) to measure and report on program effectiveness!.

The Office of the Auditor General of Canada conducts independent audits and examinations that provide objective information, advice and assurance to Parliament. We promote accountability and best practices in government operations. The OAG has elaborated on this in its mission statement by saying that:

We want to make a difference by promoting:

- ¥ a fair and frank accounting of governmentÓs stewardship of financial and other resources,
- ¥ efficiency and productivity in the public service,
- ¥ cost effectiveness of government activities, and
- ¥ collection of revenues owed to the Crown.

Other effects we want to produce through our work are:

- ¥ objective assurance on matters found to be satisfactory and unsatisfactory,
- ¥ compliance with authority, and
- ¥ deterrence of fraud and dishonesty.

The stress therefore is on reporting to Parliament and on accountability. Focusing on areas suffering from lack of economy or inefficiency encourages management to change its priorities and to address the issues raised. Audit works by advocacy of the principles of transparency and good management; it does not have the power to do anything of its own accord. Numerous DND officials are therefore actually responsible for any progress (or lack thereof) that resulted from audit reports. After the Tabling Day media event and the sparring between the auditors and senior officials at PAC, someone had to roll up their sleeves and get things done.

Overall, the department has satisfactorily implemented about two-thirds of our recommendations Ñ a figure that is about average for government departments. Progress, however, has not been uniform. Some files have progressed, while others have languished. In my opinion, a departmental report card would look like this:

- ¥ *Strategic Planning. A-*
The department has integrated its planning systems, has defensible spending priorities, and has made a good start at trying to live within its means. But unless budget overstretch is solved in the next year or so, this mark could fall.
- ¥ *Major Capital Projects. A-*
Significant management deficiencies have been addressed. There is better front-end analysis and better management review than in 1998.
- ¥ *Proper Conduct. B+*
Complaints are being followed up more vigorously, but the implementation of the ethics program has lagged.
- ¥ *Support Productivity. C.*
The department made aggressive attempts to improve support cost-effectiveness by contracting out, but the payback was far less than anticipated. Measurement systems with which to monitor productivity are largely not in place.
- ¥ *Infrastructure Management. D.*
Still too many bases and facilities.
- ¥ *Environmental Management. D.*
Has good plans in place, but implementation of hazardous materials findings is taking too long.
- ¥ *Reserve Forces. F.*
There has been little visible improvement to the army reserve a decade after our audit report.
- ¥ *Operational Readiness Management and Reporting* gely nt y doparen TwStor p

Notes

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⁵Quoted in Desmond Morton *Ministers and Generals: Politics and the Canadian Militia, 1868-1904* (Toronto: University of Toronto Press, 1970), p.18.

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¹²Denis Desautels, *Reflections on a Decade of Serving Parliament* (Ottawa: Auditor General of Canada, 2001), p. 70.

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¹⁴*Ibid.*, p. 40.

¹⁵Canada, National Defence, *2001-2002 Report on Plans and Priorities* (Ottawa: Public Works and Government Services Canada, 2001), p. 12

¹⁶Auditor General of Canada, *FM Audit Manual* (Ottawa: Supply and Services Canada, 2002), para 1.6.

¹⁷Quoted in Sonja Sinclair, *Cordial but not Cosy: A History of the Office of the Auditor General* (Toronto: McClelland & Stewart, 1979), p.120.

¹⁸S.L. Sutherland, "Bossing Democracy: The Value-for-Money Audit and the Electorate's Loss of Political Power to the Auditor General," *Ottawa Tax Paper*, No. 104, 1999, p.138. As an insider to the OAG, my observation is that

²⁶United States. General Accounting Office. *Future Years Defense Program: Risks in Operation and Maintenance Procurement Programs*, GAO-01-33, 5 October 2001, pp. 4-5, 19.

²⁷James Dowd. *The Arrow* (Toronto: James Lorimer, 1979), pp. 109-11. The total defence budget that year was about \$1.8 billion.

²⁸United States, General Accounting Office. *Best Practices: Successful Application to Weapons Acquisitions Requires Changes in DOD's Environment*, GAO/NSIAD-98-56 (Washington, DC: GPO, 1998), pp.72-73.

²⁹Organisation for Economic Co-operation and Development (OECD), *Governance in Transition* (Paris: OECD, 1995).

³⁰Auditor General of Canada. *Report of the Auditor General of Canada, 1999* (Ottawa: Supply and Services Canada, 1999), ch. 27, "National Defence – Alternative Service Delivery," paras. 27.25-29.

³¹Auditor General of Canada. *Report of the Auditor General of Canada, 1996* (Ottawa: Supply and Services Canada, 1996), ch. 34, "National Defence – Support Productivity," para. 34.10.

³²Auditor General of Canada. *Report of the Auditor General of Canada, 2000* (Ottawa: Supply and Services Canada, 2000), ch. 32, "National Defence – Defence Support Productivity: A Progress Report," paras. 32.23-25.

³³Auditor General of Canada. *Report of the Auditor General of Canada, 2001* (Ottawa: Supply and Services Canada, 2001), ch. 10, "National Defence – In-Service Equipment," para 10.2.

³⁴Auditor General of Canada. *Report of the Auditor General of Canada, 1999*, ch. 27, "National Defence – Alternative Service Delivery," para. 27.80.

³⁵*ibid.*, para. 27.16.

³⁶United Kingdom. National Audit Office. *Examining the Value for Money of Deals Under the Private Finance Initiative*, HC 739, Session 1998-99 (London: HMSO, 1999) para. 2.32-36.

³⁷See, for instance, Douglas Barrie, "British Boost French Giant to Create Domestic Rivalry,"

⁴⁰Alasdair Roberts, "Lockbox Government: Segregating Funding Strategies and the Decline of Governmental Flexibility," *Governance: An International Journal of Policy, Administration and Institutions* 15, 2 (2002):241-70.

⁴¹Auditor General of Canada, *Report of the Auditor General of Canada, 1999*, ch. 27, "National Defence – Alternative Service Delivery," pp. 27-15 & 27-17.

⁴²Auditor General of Canada, *Report of the Auditor General of Canada, 1994*, ch. 26, "National Defence – Infrastructure Reductions," para. 26.26; Gerald Porter, *In Retreat: The Canadian Forces in the Trudeau Years* (n.p.: Deneau and Greenberg, n.d.), p.17.

⁴³Auditor General of Canada, *Report of the Auditor General of Canada, 1994*, ch. 26, "National Defence – Infrastructure Reductions," para 26.47.

⁴⁴*Ibid.*, para 26.32.

⁴⁵United States. Department of Defense, News Transcript, "Under Secretary Aldridge Briefing on Base Closure Process," 2 August 2001. At <<http://www.defenselink.mil/news/Aug2001>>; Department of Defense, "Speech, Testimony Before the Senate Armed Services Committee: Fiscal Year 2002 National Defense Authorization Budget Request, Secretary of Defense Donald H. Rumsfeld," 28 June 2001. At <<http://www.defenselink.mil/speeches/2001/>>.

⁴⁶Auditor General of Canada, *Report of the Auditor General of Canada, 1994*, ch. 27, "National Defence – Infrastructure Management," para. 27.43.

⁴⁷Commissioner of the Environment, *2001 Report* (Ottawa: Supply and Services Canada, 2001), ch. 2, "Sustainable Development Management Systems," paras. 2.25-27.

⁴⁸Canada. Department of National Defence, *Performance Report for the Period Ending March 31* (Ottawa: Supply and Services Canada, 2001), pp. 28-29.

⁴⁹Samuel P. Huntington, *The Soldier and the State* (Cambridge, MA: Harvard University Press, 1957), pp. 62-64, 70-73.

⁵⁰Morris Janowitz, *The Professional Soldier* (New York: The Free Press, 1960 and 1971), p. 424.

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⁵²Office of the Auditor General, *Report of the Auditor General to the House of Commons, 2002* (Ottawa: Supply and Services Canada, 2002), ch. 5, "National Defence – Recruitment and Retention of Military Personnel," para. 5.13.

⁵³*Ibid.*, exhibit 5.4.

⁵⁴*Ibid.*, para. 5.63.

⁵⁵Auditor General of Canada, *Report of the Auditor General of Canada, 1996*, ch. 7, "Peacekeeping & National Defence," paras. 7.39-56.

⁵⁶Auditor General of Canada, *Report of the Auditor General of Canada, 2002*, ch. 5, "Recruitment and Retention of Military Personnel," exhibit 5.2.

⁵⁷*Ibid.*, para. 5.8.

⁵⁸*Ibid.*, paras. 5.47-50.

⁵⁹*Ibid.*, para. 5.51.

⁶⁰Auditor General of Canada, *Report of the Auditor General of Canada, 1992*, ch. 22, "DND & Human Resource Management & Training and Education," para. 22.61.

⁶¹*Ibid.*, para. 22.24.

⁶²*Ibid.*, para. 22.20.

⁶³Auditor General of Canada, *Report of the Auditor General of Canada, 1992*, ch. 18, "The Canadian Forces Reserves," exhibit 18.7.

⁶⁴*Ibid.*, para. 18.66.

⁶⁵*Ibid.*, para. 18.77.

⁶⁶*Ibid.*, paras. 18.85-96.

⁶⁷This section is taken largely from Auditor General of Canada, *Report of the Auditor General of Canada, 1999*, ch. 26, "National Defence & The Proper Conduct of Public Business," paras 26.9-22.

⁶⁸*Ibid.*, quoted in para. 26.14.

⁶⁹*Defence Policy Review*, 17 June 2002, p. 13. *The PR* publishes an editorial note on the back page of each issue noting how long the Ombudsman has gone without a finalized mandate.

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⁷¹*Auditor General Act, 1976* D77, c.34, s.1, sec. 7.

⁷²Office of the Auditor General Web site.

