

CANADIAN FORCES
PERSONNEL SUPPORT AGENCY



AGENCE DE SOUTIEN DU PERSONNEL
DES FORCES CANADIENNES

CFPSA/NPP Annual Report

2006-2007



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CHIEF EXECUTIVE OFFICER MESSAGE

The year 2006-2007 was one of growth for the Canadian Forces Personnel Support Agency (CFPSA) as reflected in the contributions it made to the Canadian Forces (CF) community. The CFPSA's fiscal year 2006-2007 was overseen by then CEO, Major General D.W. Langton, until his departure in December, and by Mr. Bob Smith as acting CEO until my arrival in March.

The success of the CFPSA's Non-Public Fund (NPF) operations, through the provision of products and services offered by CANEX and SISIP Financial Services (SISIP FS), and the financial contribution of the Canadian Forces Central Fund (CFCF), gave our organization the opportunity to distribute over \$11M to Bases, Wings and Units in Canada and abroad. In addition, CF members and their families benefited from a wide range of support programs provided at Bases, Wings and Units by the CFPSA's Personnel Support Programs (PSP) division.

The most significant increase in funds distributed to Bases, Wings and Units from NPF operations, \$1M, came from the sale of the CANEX's Support our Troops merchandise under the umbrella of the Support Our Troops campaign. This campaign, which gained considerable momentum during the past year, helped turn Canadians' pride into tangible contributions for the military community. As a result of its 2006-2007 operations, CANEX also provided an additional \$5.9M to Bases, Wings and Units and employed more than 300 military family members.

SISIP FS, through its Canadian Forces Personnel Assistance Fund (CFPAF), provided over \$10M in grants and loans to serving, former, and injured CF members and their families, as well as families of deceased CF members. SISIP FS successfully negotiated the renewal of the War Risk Coverage in order to guarantee the payment of life insurance claims for CF members and provided its financial professionals to brief an unprecedented number of 25,000 CF members at Bases, Wings and Units.

The PSP division supported nineteen CF missions around the world by providing amenities, radio and television programming and show tours in addition to training over 200 recruited candidates for employment and deployed operations. The population served by the Military Family Services Programs (MFSP) was expanded, as were the hours of operation of the Mission Information Line (MIL). Several Human Performance Research & Development (RD) projects were finalized, while PSP fitness and sports instructors were certified to meet higher standards. PSP also helped CF members stay fit by organizing thirteen national sports championships and supporting CF teams in their goal to attend fifteen Military World Championships.

CHIEF EXECUTIVE OFFICER MESSAGE

Finally, the Human Resources (HR), Finance and Informatics, and Internal Audit and Review (IA&R) divisions continued giving efficient support and advice throughout the year to the CFPSA's 5,800 NPF employees.

The role of CEO CFPSA as managing director of Non-Public Property (NPP) and in assisting the Chief of the Defence Staff (CDS) in his capacity as the governing authority for NPP remained unchanged, as did the administrative chain for day to day operations. The CEO reported to the Chief Military Personnel (CMP) in his capacity as either the Level One responsible for military personnel, or the Chair of the NPP Board for Non-Public issues.

In looking ahead, it is important we continue to be responsive to the changing environment driving the morale and welfare needs of the Canadian Forces and their families. First, in conjunction with other transformational initiatives by CMP, we need to transform the fundamental way personnel support and family services are provided. This will mean bringing now separate elements providing this support together under a single more effective organization, establishing a clearly defined Chain of Command, aligning effort by major lines of operation/ output and building in capacity to coordinate across the organization. The CFPSA will be central to this new capability, but the scope of responsibility will broaden into new areas. Within this there remains a need to communicate more clearly to DND/CF staff at all levels the purpose, legal basis, administrative requirements, and relationship of NPP to Public Property, and the role and status of NPF employees.

The future direction will require the CFPSA to update NPP Governance, streamline its committee structure, improve coordination with the Force Generators and implement a new model for NPP financial/administrative arrangements. Focus in the years to come will also be to complete and sustain the recapitalization of personnel support infrastructure.

The CFPSA is proud of its key role in supporting the CF and military families, and thereby contributing to the operational readiness and effectiveness of the CF. Our vision for the future is to provide seamless personnel support to Canadian soldiers, sailors, airmen and airwomen, and their families.

Sincerely,



Brigadier-General D.E. Martin
Chief Executive Officer

CFPSA AT A GLANCE

The CFPSA mandate is unique in that it has both a primary Non-Public Property (NPP) mandate, to which the Financial Administration Act does not apply and requires a separate business planning/funding approval process, and a Publicly-funded program mandate, primarily funded through CMP-administered corporate accounts – C108 (Military Family Services) and C109 (Personnel Support Programs).

The CFPSA is an administrative construct created by the Chief of the Defence Staff (CDS) to assist him in fulfilling his responsibilities for the administration of NPP as established in the National Defence Act (NDA). Sections 2, and 38 to 41 of the NDA set out the powers, functions and duties of the CDS with respect to NPP, including the collection, administration, and distribution of contributions received for the benefit of serving and former Canadian Forces (CF) members, their dependants, and other purposes approved by the CDS. Fulfillment of the NPP accountability framework, flowing from the NDA, is a public responsibility.

CFPSA's Role

- Deliver and oversee national support programs to CF members and their families
- Assist Bases, Wings and Units with the delivery of personnel support and family services programs
- Assist the CDS in oversight and management of the administration of NPP

The CFPSA serves clients through three operational divisions – CANEX, SISIP Financial Services (SISIP FS), and Personnel Support Programs (PSP). All divisions share a vision of leadership and excellence in supporting those who serve. Along with the operational divisions, the three support divisions – Human Resources, Finance and Informatics, and Internal Audit and Review – work together to ensure the CFPSA is meeting the unique needs of the military community.

Through a wide range of support programs and services, the CFPSA is committed to achieving its **Mission - To enhance the morale and welfare of the military community, thus contributing to the operational readiness and effectiveness of the CF.**

OUR DIVISIONS

CANEX/NATEX

"Support Our Troops" line of merchandise
Club XTra Customer Loyalty Program
Concessions
Convenience and Retail Stores
Food Services and Vending Programs
Group Home and Auto Insurance
Home Heating Oil Program
No Interest Credit Plan

SISIP Financial Services

Life and Disability Insurance
Financial Planning
Financial Counselling
Personal Financial Management
Education
CF Personnel Assistance Fund (CFPAF)
CF Group Retirement Savings Plan (CFGroupRSP)

Personnel Support Programs (PSP)

Canadian Forces Newspapers
Corporate Sponsorship and Donations
Deployed Operations
Human Performance and Health Promotion
Messes
Military Family Services
National and International Sports
Physical Fitness
R&D into Human Performance
Recreation
Youth Model

CONTRIBUTIONS TO THE CF COMMUNITY

In 2006-2007, CFPSA's NPF operations, through the provision of products and services offered by the CANEX and SISIP FS divisions, and the financial contributions of CFCF, have resulted in just over **\$11M** being reinvested into programs for the CF Community.

Serving members of both the Regular and Reserve Forces, and their families, represent the largest group of clients served by the CFPSA. Also, as "authorized patrons," former CF members continue to benefit from a range of CFPSA's activities, services, and programs available throughout Canada and abroad.

CANEX, SISIP FS AND CFCF* TOTAL CONTRIBUTIONS (\$) TO BASES, WINGS AND UNITS FY 2006-2007

* Canadian Forces Central Fund

Aldershot.....	9,890
Alert	11,116
Bagotville	250,742
Borden	653,340
CDLS(W)	43,267
CFSU (E).....	55,240
CFSU Ottawa.....	655,857
Calgary	32,052
Chilliwack	38,384
Cold Lake	392,031
Comox	196,297
Dundurn	35,752
Dwyer Hill	50,678
Edmonton	502,757
Esquimalt	597,568
Gagetown	568,330
Gander	66,927
Goose Bay	211,049
Greenwood	243,336
Halifax	676,857
Kingston	544,155
Leitrim.....	38,667
London	31,280
Meaford	144,101
Moncton.....	23,483
Montreal	541,325
Moose Jaw.....	127,651
North Bay.....	224,029
Petawawa	521,281
RMC	159,219
Shilo	522,262
St John's.....	76,251
Suffield.....	286,011
Toronto	88,797
Trenton	560,542
Valcartier	1,308,942
Wainwright.....	504,315
Winnipeg.....	234,133
Yellowknife.....	30,832
Total	11,258,746

“CANEX’s mission is to ensure the availability of competitively priced products and services which satisfy the needs of its customers, while generating revenue for Bases, Wings and Units”



Through the retail operations of the CANEX division – ExpressMarts, Grocery Stores, Retail Stores, Food Services, Concessions and Service Programs – the CFPFA provides goods and services tailored to clients’ needs and location.

Operations

In 2006-2007 from an organizational perspective, the overall CANEX performance validated the principles underlining restructuring initiatives in 2005-2006 – **to transform CANEX operations** and focus on oversight and responsibility by functional business lines; that is, retail, convenience, and services. These changes, with an emphasis on accountability and system-wide consistency in strategic direction and priorities, produced a five per cent sales growth, which in turn was reflected in substantial contributions to Base, Wing and Unit funds.

Development and implementation of new programs, coupled with expansion of existing programs, were prominent factors which contributed to strong performance. The most significant program was the **“Support Our Troops”** line of merchandise. Implementation and acceptance of this program produced an additional one million dollars in royalties distributed to Bases, Wings and Units and used for morale and welfare programs.

The **Personal Insurance Program** achieved a 98.6 per cent retention rate of current customers, a five per cent growth in new policies and a four per cent growth in new accounts. With this strong performance, the “CANEX Group” achieved the number one rating for all the Group Insurance administered by our partner, the Personal Insurance Company of Canada.

2006-2007 CANEX Highlights:

- Contributed 6.9 M to Bases, Wings and Units and to specific national support programs.
- Provided employment to over 300 CF family members
- Over 220 outlets and concessions

This year, strategic changes in food services and vending operations were implemented with the **roll-out of CANEX National Food Services and Vending Programs**. The objectives of these initiatives were to provide enhanced service and a more consistent and modern program in keeping with expectations of authorized patrons and industry changes.

Infrastructure revitalization remained a priority. Work continued on the development of a new standardized design for all new CANEX construction, to be reflected in new construction projects scheduled to start in 2007-2008 in Comox, Trenton and Winnipeg. This concept was also expanded to include renovations to existing retail stores and ExpressMarts. Major projects commenced and/or completed during the year included: a new look for ExpressMarts at Shearwater and Kingston, and responsibility for food services at the Louis St-Laurent Building in Ottawa. CANEX continues to emphasize branded offerings with plans to add Tim Hortons at both NDHQ and the Louis St-Laurent locations in Ottawa.

CANEX

Contribution to the CF Community

By being part of the CF community and ensuring the availability of competitively priced products, services and programs, **CANEX/NATEX distributed more than \$6.9M** in revenues for Base, Wing and Unit community recreation and morale and welfare activities; **including \$1M from the “Support Our Troops” program and a \$500K contribution to the Military Families Fund.** With the CF community as the prime focus, CANEX provided employment to over 300 CF family members and transferred over \$1.7M to offset HR, IT, and Accounting cost for CANEX operations.

- To ensure that policy obligations are met in order to facilitate stewardship of Non-Public resources.

In order to successfully face these challenges in the pursuit of its mission, CANEX has established the following strategic objectives:

- Implement an aggressive 5-year Capital Improvement Plan which will address ageing infrastructure, and support consistency in services offered;
- Focus on providing National Branding and National Programs which support development of progressive community services;

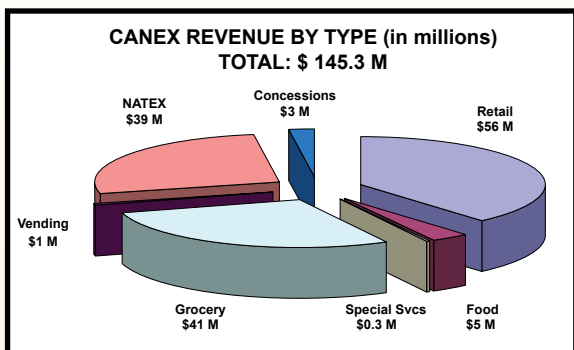


Chart 1

Retail revenues represent over 39% of total gross revenues followed closely by grocery and NATEX

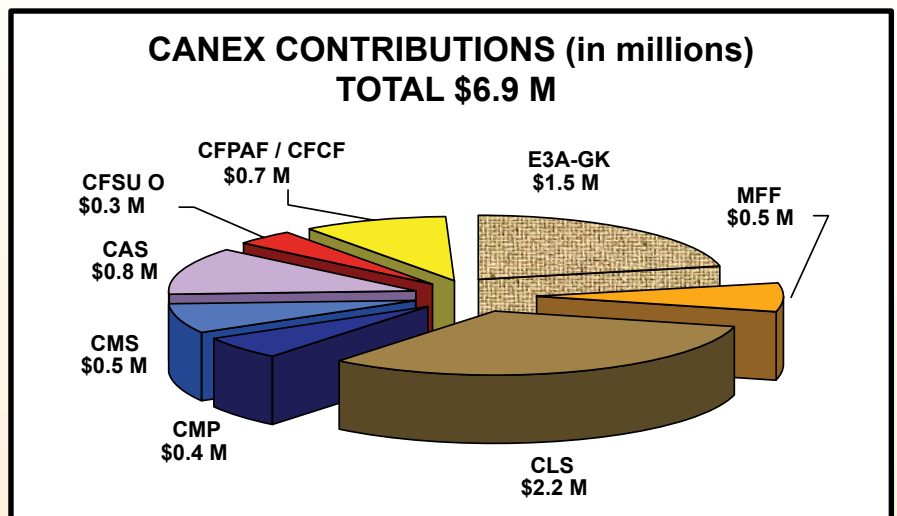


Chart 2

CANEX contributions include funds distributed to Bases, Wings and Units and to specific national support programs.

CANEX's Future

The most significant challenges facing CANEX in future years are:

- To ensure the operating model reflects the changing nature of our military communities as they become increasingly dispersed;
- To mitigate the impact of troop deployments on day-to-day operations (from sending locations);
- To provide timely, modern, right-sized infrastructure coupled with consistency in services, to meet community expectations;
- Integrate existing IT systems and associated work processes to enhance effectiveness and support centralized procurement, perpetual inventory, and an e-commerce presence;
- Educate and work with key stakeholders to ensure that in carrying out its mandate, CANEX is recognized as a relevant, responsive and respected component of our military community.

SISIP FINANCIAL SERVICES



Dedicated exclusively to the CF community since 1969, SISIP Financial Services (SISIP FS) strives to provide leadership and excellence in the provision of financial products and services. SISIP FS has a team of professionals accessible in 18 offices located on major Bases, Wings and Units across Canada.

2006-2007 SISIP FS Highlights:

- Provided over \$10M in grants and loans through CFPAF.
- Paid over \$40M in life insurance benefits.
- Provided advice to almost 9,500 CF members at Departure Assistance Groups (DAGs) and briefings to over 25,000.
- Successfully negotiated the War Risk coverage with reinsurers to guarantee payment of claims for CF members serving in a theatre of operations.

Operations

Various **life insurance** plans helped protect CF serving and former members and their families with over 124,000 policies in force and \$21.7B in coverage. Payments of over \$40M in life insurance benefits were made to beneficiaries.

Long Term Disability (LTD) coverage was provided to Regular Force and Primary

SISIP Financial Services is committed to providing quality financial products and services tailored to the unique lifestyle of the CF community. SISIP FS is dedicated to contributing to the operational readiness and effectiveness of the CF with the utmost professionalism and expertise

Reserve Force members with over \$50M in benefits received by almost 6,000 claimants.

Financial Planning provided advice on comprehensive financial planning matters, including investment products, to serving and former members of the CF. Five thousand clients entrusted SISIP FS with a record \$23M in new investments, increasing the money under management to over \$100M in assets. Supporting the SISIP FS philosophy in providing financial products and services, SISIP FS also endorses the **Canadian Forces Group Retirement Savings Plan (CFGroupRSP)**, a self-administered online investment service with a clientele of 5,800 and \$188M in invested assets. With both the Financial Planning service, and the CFGroupRSP, SISIP FS helps serving and former CF members and their families meet their financial needs now, and in the future. Also, this year the Financial Planning team received the CFPSPA – CEO Award of Exceptional Merit.

The **Financial Counselling** service offers a free and confidential service to help resolve financial problems. Financial Counsellors assisted over 5,000 CF members and their spouses by providing remedial and preventative financial management support. The **Personal Financial Management Education Program** is part of formal CF training program curriculum. Over 7,500 recruits, Officer Cadets, along with junior and senior non-commissioned members participated in the various courses offered to help prevent financial problems

Close to 4,000 loans and grants totaling just over \$10M for minor disbursements, financial distress, self-improvement and education

SISIP FINANCIAL SERVICES

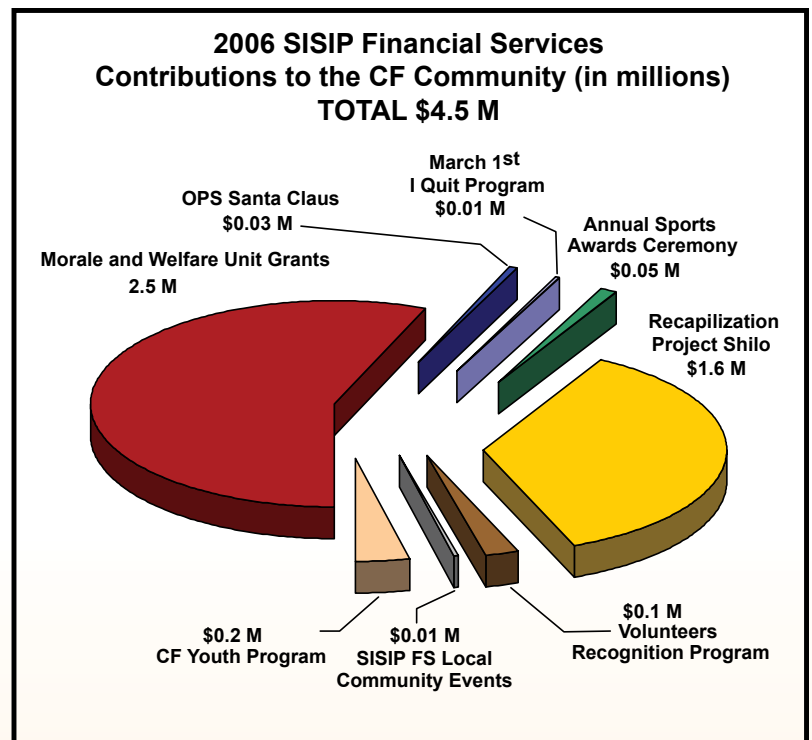


Chart 3

Contribution to the CF Community:

SISIP FS contributed **more than \$4.4M** to various support programs and funds. These contributions include funds distributed to Bases, Wings and Units, and to specific national support programs and local community events. Since SISIP FS fiscal year ends December 31st, 2006, numbers shown may differ from the CFPSA's 2006-2007 financial statements.

assistance were issued, by the **Canadian Forces Personnel Assistance Fund (CFPAF)** to serving, former, and injured CF members and their families, as well as for families of deceased CF members. The CFPAF is one of many funds available to Canadians who want to donate to support our troops.

SISIP FS' Future

SISIP FS initiated an internal reorganization in 2006-2007 aimed at enhancing their ability to find innovative solutions to address the following **challenges:**

- Attract and maintain qualified and talented employees;
- Manage financial market fluctuations;
- Respect financial planning governance and compliance;
- Maintain reinsurance risk coverage at a reasonable cost;
- Manage risks related to life and disability insurance claims that exceed underwriting expectations.

In order to continue providing quality financial solutions to the CF community, SISIP FS will pursue the following strategic **objectives:**

- Implement the final phase of the reorganization (2007);
- Deliver products and services adapted to the unique needs of CF members and their families (ongoing);
- Ensure continued growth of the financial planning services;
- Develop strategic relationships with key CF stakeholders and partners (ongoing);
- Increase awareness of key service lines with CF stakeholders and the military community (ongoing);
- Develop and implement a SISIP FS "Awareness Week" campaign (2008);
- Develop client database management systems for all service lines (2008);
- Promote the CFGroupRSP (ongoing).

PERSONNEL SUPPORT PROGRAMS



With a mandate to raise morale and promote physical fitness within the Canadian Forces community, the CFPSA's Personnel Support Programs (PSP) division is responsible for managing high quality morale and welfare programs including fitness, sports, recreation, messes, family services, and support to deployed operations.

2006-2007 PSP Highlights:

- Over \$1.4M sponsorship and donation revenues contributed to national and local programs;
- Distributed NPF allocations totaling \$671,443 to Bases, Wings and Units in support of enhanced youth programs and initiatives, and \$758,303 in public funds to support youth specific local staffing requirements;
- Opened a new Canada House and gymnasium at Joint Task Force(JTF)-Afghanistan;
- Supported 19 CF missions around the world in the areas of amenities, Canadian Forces Radio and Television (CFRT) programming and show tours;
- Recruited and trained over 200 candidates for deployment support;
- Expanded population served by Military Family Services Program (MFSP) to include parents and significant others of all single Regular Force members before, during and after deployment, and the families of deployed civilians;
- Extended hours of service for the Mission Information Line (MIL);
- Held 13 National Sports Championships at Bases and Wings across Canada;
- Supported CF teams in a record number of 15 Military World Championships.

PSP Construction

In anticipation of a follow-up program to the PSP Re-Capitalization Project of 1998-2002, initial steps have been taken with the Assistant Deputy Minister (Infrastructure and Environment), ADM(IE), staff to conduct a condition survey of present PSP facilities. Local units were consulted to determine the suitability of the present inventory to support their morale and welfare programs.

Canadian Forces Newspapers

There are 15 Canadian Forces Newspapers (CFNs), with a combined circulation of 80,000. CFNs, published under the Commanding Officer's authority, are NPF activities managed locally through PSP by staff of the NPF, CF. Two-thirds of the newspapers' revenue is generated from local and national advertising sales. Revenues for fiscal year 2006-2007 totaled \$2,979,712, including \$145,582 from national advertising. A national advertising media kit was developed to provide information to interested advertising parties.

PERSONNEL SUPPORT PROGRAMS

Corporate Sponsorship and Donations

CFPSA/HQ delivered two "Authorized Agent Certification Courses" to over 65 representatives from Bases, Wings and Units, including CF members and PSP staff. Over \$1.4M of sponsorship and donation revenues and products-in-kind were contributed locally and nationally.

Recreation and the Canadian Military Community National Youth Model

Community Recreation

A national Community Recreation Conference was held at 17 Wing Winnipeg in October 2006. The conference brought together more than 40 CF Community Recreation leaders from CF Bases, Wings and Units across Canada.

Canadian Military Community National Youth Model

NPF allocations totaling \$671,443 were distributed to Bases, Wings and Units in support of enhanced youth programs and initiatives. In addition, \$758,303 in public funds were disseminated to support youth specific staffing requirements at the local level.

A national youth conference was hosted at CFB Valcartier bringing together more than 100 youth and staff from CF locations in Canada and overseas.

Deployed Operations

In response to demands for increased morale and welfare programs and services, deployed operations staff with JTF-Afghanistan has increased to 73 individuals. Deployed Operations headquarters staff has grown from a team of 8 to a team of 12 people. Members of the CFPSA deployed operations team, along with NPF employees from several other divisions, received the "Leadership in Service

Innovation Award" from the Association of Professional Executives of the Public Service for partnering with Tim Hortons and CF organizations to establish a Tim Hortons outlet in Kandahar.

Six CF Show Tours took place this year and the CFRT contract was renewed to maintain service to Task Force Afghanistan (TFA), the Multi-national Force and Observers Organization (MFO), Her Majesty's Canadian Ships in the Persian Gulf region, and Canadian Forces Support Unit (Europe), CFSU/(E).

The CFPSA provides support to JTF-Afghanistan in the areas of retail and travel services, decompression recreation activities, sports, fitness and recreation, amenities services, satellite radio and television services (CFRT), and Show Tours. Retail sales in JTF-Afghanistan were steady, and a weekly reporting process continues to provide transparency for deployed operations programs. Employment in the JTF-Afghanistan morale and welfare program continued to attract large numbers of applicants resulting in the training and selection of outstanding candidates.

Health Promotion

Health Promotion (HP) core programs in Addiction Awareness and Prevention, Injury Prevention/Active Living, Nutritional Wellness, and Social Wellness continue to be rolled out to the CF. These programs are developed by the Director General Health Services (DGHS) staff, and are delivered by NPF employees working in the HP area at Bases, Wings and Units. Programs are available to Defence team members including:

- all components of the CF
- foreign military personnel on exchange posting or training with the CF
- immediate family members of Regular and Reserve Force and the above mentioned

PERSONNEL SUPPORT PROGRAMS

- foreign military personnel
- DND civilian employees
- NPF employees
- Cadets
- Junior Rangers

Research and Development

The human performance R&D team successfully completed a number of projects and delivered end products to the CF including a scientific review of the Army Fitness Manual and CrossFit training method, firefighter physical fitness selection standard pilot testing, divers physical fitness maintenance test for the CF diving community, and a minimum physical fitness standard for personnel 55 years and older called MPFS 55+.

The firefighter physical fitness 'Forcible Entry' study is in progress. Effects of exercise and thermal stress on cardiopulmonary responses in firefighters will be completed. The SAR TECH physical fitness selection standard research, and a scientific review of the trainability of women and the development of a program to assist them in their goal of maintaining the muscular strength and endurance to meet the physical demands of a CF member are also in progress.

Work continues on the Joint Nuclear, Biological and Chemical Defence Company (JNBCDC) physical fitness maintenance standard research project and the Close Personal Protection and Military Police physical fitness maintenance standard.

Customer Relationship Management (CRM) for Messes, Hospitality Services, Sports and Recreation

In January 2006, the NPP Board provided effective project approval (EPA) for \$1.6M during the 2006-2007 fiscal year. CRM is a joint PSP and Finance and Informatics project

to align and integrate morale and welfare programs and services on Bases, Wings and Units across Canada.

The Mess Back Office software continued to provide excellent support to CFB Borden and Petawawa, the initial trial locations for implementation of Microsoft Great Plains (MSGP). CFB Esquimalt, the initial trial location for implementation of the Community Recreation and Sport Management system - Book King continued to receive support. The Mess Back Office software, MSGP, was rolled-out at all CFB Kingston Messes and significant strides were made in the electronic integration (efile) with the CFPSA accounting system (ABACIS). Book King was deployed and sport and recreation users were trained at 28 Bases, Wings and Units. Point of Sale registers were implemented at all CFB Kingston Mess bars and NPP outlets; and will be integrated with ABACIS.

Military Family Services

In 2006, in response to emerging community needs, Director Military Family Services (DMFS) designated "deployment support" as its strategic priority and implemented several initiatives, including co-hosting a national deployment support symposium, and extending the hours of the MIL.

DMFS also expanded the "populations served" within the Military Family Services Program (MFSP) to include parents and significant others of single Regular Force members before, during, and after deployment; as well as families of civilian employees deployed with the CF on missions outside of Canada.

To introduce the expansion of the MFSP's populations served, a news conference was held in St. John's, Newfoundland on November 15th, 2006 with media coverage reaching coast to coast. Parents of deployed

PERSONNEL SUPPORT PROGRAMS

single Regular Force members in St. John's participated in the filming of public service announcements, produced by CFPSA's Communications Directorate, which aired on CFRT to all deployed troops.

National and International Sports

The CF National Sports program continues to play a prominent role in promoting fitness and good health within the military community. This year, 4 of the 13 National Championships were held at various CF bases across Canada, including CFB Suffield (Women's Hockey), CFB Esquimalt (Badminton and Squash), and Ottawa (Running). The CF National Sports Centre at CFB Borden hosted the other 9 CF National Championships. The 2006 CF Sports Awards Ceremony had a "Salute to Navy Sports" theme, which successfully showcased operational challenges and sporting highlights that are unique to the Navy environment.

As a member of the International Military Sports Council (CISM), CF teams continued to participate in the CISM program and attended a record number of Military World Championships. The CF CISM teams for 2006-2007 included Basketball, Fencing, Golf, Parachuting, Running, Sailing, Shooting, Soccer (Men's and Women's), Swimming, Taekwondo, Triathlon, Volleyball (Men's and Women's), and Wrestling. In addition, the CFPSA hosted the Americas' Continental/Invitational Running Championships in Ottawa in May 2006.

Fitness

PSP division oversees physical fitness programs, policies, and program development. Several fitness policy updates were approved this year including new DAODs on the Universality of Service, Minimum Operational Standards related to Universality of Service, and CF Physical Fitness Program. Another addition in 2006-2007 was the publication of the CDS Direction for Physical Fitness in the document CDS Guidance to Commanding Officers.

Two new fitness programs were launched in 2006: the Recruit Fitness Program, in September 2006, at the Canadian Forces Leadership and Recruit School in Saint-Jean; and, a Firefighters Pre-Selection Physical Fitness Program, designed to provide physical fitness screening for firefighter applicants.

The Canadian Society for Exercise Physiology (CSEP), Canada's scientific authority for exercise physiology, health, and fitness, recently added new certifications to its 2006-2007 Health and Fitness Program (H&FP). Currently, the CSEP H&FP has the highest standards in the Canadian fitness industry. With these new certifications, PSP Fitness and Sports Instructors are trained to deliver quality fitness programs, fitness evaluations and physical activity counselling services.

PERSONNEL SUPPORT PROGRAMS

PSP's Future

The PSP division plays an increasingly important role in supporting CF members and their families before, during and after deployments. The CF operational tempo is creating opportunities for PSP staff to Serve *Those Who Serve* in the critical areas of fitness, family services, and deployment support. With a professional and well qualified workforce, PSP is positioned to face these challenges.

Challenges:

- Implementation of new financial coding to enable national roll-ups of CFNs' advertising, and sponsorship and donation revenues across Canada;
- Implementation of Book King software for recreation activities;
- Implementation of Microsoft Great Plains software for messes;
- The provision of user-friendly tools and simple processes to assist local Authorized Agents in their sponsorship and donation activities;
- Obtaining suitable training venues and resources for the increased recruitment and training of candidates for deployed operations;
- Working to mitigate Network restrictions on the Defence Public Network for improved access and functionality of CMR software applications;
- Administration and distribution of public and non-public funding for youth programs within two different accounting framework – Military Family Resource Centres and PSP;
- Renewal in 2007-2008 of the non-public funding envelope in support of youth programs and services.

Objectives:

In accordance with the CMP activity list for 2007-2008, two of the objectives set for the PSP division are:

- To develop and implement a new CF Fitness Strategy in conjunction with Director General Personnel Generation Policy, Director General Health Services & other stakeholders;
- To review the Youth Program and present recommendations on the way ahead.

Other PSP objectives include the:

- Review of the requirement for mental health services for children and families;
- Canadianization of "Battlemind" and other deployment resources for families;
- Review and amend DAOD 5044-3 (Deployment Support Groups) in concert with the Chain of Command;
- Completion of the following human performance R&D projects:
 - Effects of exercise and thermal stress on cardiopulmonary responses in firefighters;
 - The scientific review of the trainability of women and the development of a program to assist them in their goal of maintaining the muscular strength and endurance to meet the physical demands of a CF member;
 - Completion of the firefighter physical fitness "Forcible Entry" and the SAR TECH physical fitness selection Standard research projects;
 - Continuation of the work undertaken by human performance R&D on the Joint Nuclear, Biological and Chemical Defence Company physical fitness maintenance standard research project;
 - Continuation of the work undertaken by human performance R&D on research for the Close Personal Protection and Military Police physical fitness maintenance standard.

HUMAN RESOURCES

The Human Resources division provides customer-oriented programs to meet the strategic goals of NPF and ensures compliance with applicable federal employment legislation, such as Human Rights, Official Languages, Employment Equity, and Occupational Health and Safety. Human Resources also provides programs and services in the following areas:



- Employment Opportunities
- Orientation
- Training and Development
- Pension and Benefits
- Labour Relations
- Rewards and Recognition

The Human Resources division provides a full range of services to staff and managers in over 75 locations across Canada and around the world. The focus this year has been to **increase the alignment between the HR policy and delivery infrastructure and the business needs of the 3 operational divisions (CANEX, SISIP FS and PSP).**

Compensation issues have dominated the HR agenda as follows: A revised framework for CAT III (Executive) compensation was approved by the NPP Board; Significant efforts were undertaken to respond effectively to the Alberta economy; 6 collective agreements were successfully negotiated across the country. The benefits contract was successfully renewed without premium increases. The pension governance was amended to reflect a more disciplined approach. High

risk travel/assignment benefits were analyzed and a more comprehensive coverage was negotiated with the service provider. The groundwork was laid to develop a more nationally balanced approach to the job evaluation and wage infrastructure.

HR's Future

In the coming years, the HR division will be facing the following **challenges**:

- Competing for an hourly-paid service workforce in hot labour economies;
- Modernizing the HR policy suite to reflect both the unique value of our legislative status and our position within the Defence family;
- Implementing a national approach to CAT II Compensation within a complex funding and accountability infrastructure;
- Determining the best approach to updating/upgrading the HRIS system in order for it to support the full range of HR services;
- Continuing to provide a CAT I compensation package that is affordable in the face of mounting labour pressure for higher wages and enhanced benefits.

HUMAN RESOURCES

Three long-term strategic **objectives** were developed in consultation with the executive management team:

- Examine and re-align compensation to ensure equity, viability and sustainability in the face of stakeholder expectations and increased competition for labour;
- Engage employees to enhance motivation and productivity and optimize value proposition of the CFPSA employment;
- Manage talent to ensure employees are qualified and prepared to meet emerging needs.

The HR division will continue to provide high quality programs and services that meet the emerging needs of NPF, while satisfying the legislative and policy imperatives of the government.

FINANCE AND INFORMATICS

In its continued pursuit of efficiency and effectiveness, the Finance and Informatics (F&I) division has:

- Revamped the NPP financial structure and reporting;
- Aligned the financial accounting and reporting periods with those of the public sector;
- Issued new travel directives that further streamline and align the processes and policies with those used in the Public Funds area.

The NPP Board approved the CRM project and authorized the Canadian Forces Central Fund (CFCF) to assume all outstanding accounts receivables and payables of Bases, Wings, and Units, as well as of CANEX in February 2007, thus **enhancing the revenue generating capability** of those entities and **permitting NPP to treat its clients more effectively**.

NPF/Public Components - Relative Size Total: \$411 M

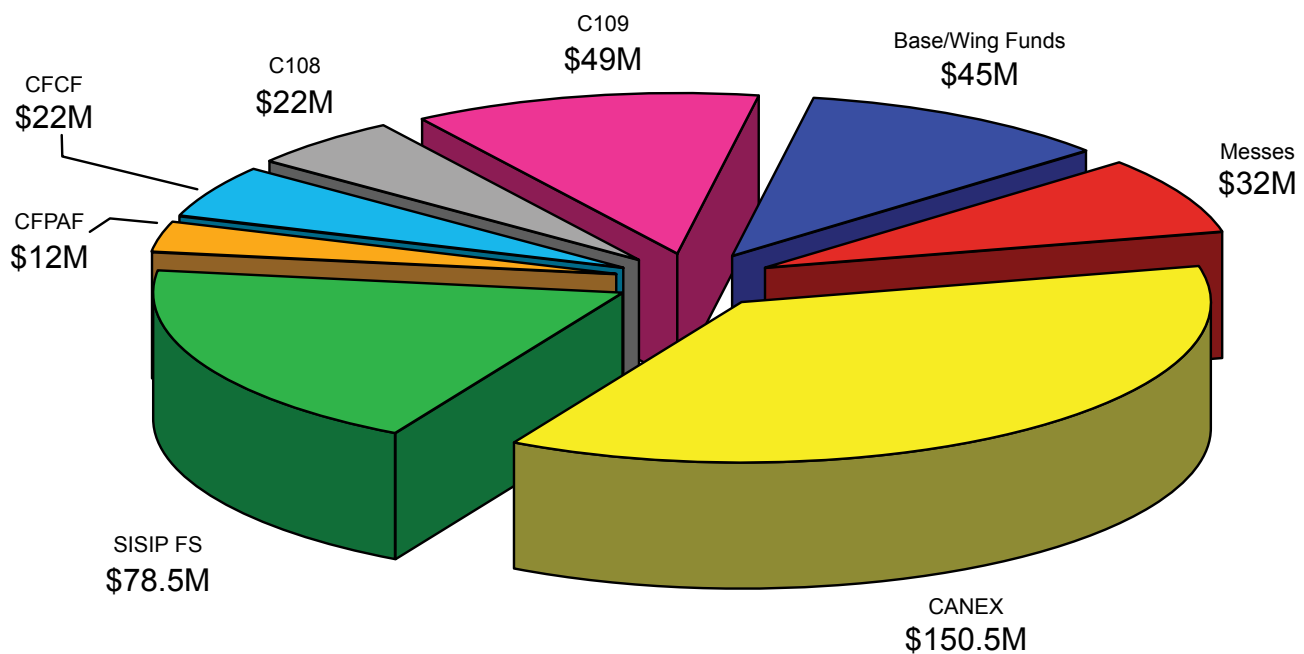


Chart 4

The CFPSA delivers a number of DND Public responsibility programs which are funded through two Public fund accounts – C108 for the Military Family Services Program, and C109 for Personnel Support Programs. As the accompanying chart displays, on a relative basis, these DND Public funded programs are about one quarter the size of the Non-Public Property business lines consisting of CANEX, SISIP FS, CFCF, Messes and Base/Wing Funds.

FINANCE AND INFORMATICS

Content and usage of the CFPSA internet and intranet sites continued to rapidly expand. The "Support Our Troops" online shopping feature was launched in May 2006. The Community Recreation and Sport Management system, Book King, was deployed at 28 Bases, Wings and Units.

With the reorganization of the division, and to provide greater customer service to both NPP operations and the CF, new positions were established to **promote the Canadian Defence Community Banking program for the CF**, to provide training on existing and new software packages, and to ensure the maintenance of the NPF accounting manual.

A new **document scanning project** is underway that will allow each NPF accounting office to scan all supporting documentation and provide electronic filing of documents, reducing document handling and the amount of storage and paper requirements. This project is in the trial stage and is anticipated to be rolled out to all NPF accounting offices in fiscal year 2007-2008.

The F&I's Future

The F&I division is anticipating facing the following **challenges** in the coming years:

- Comparability and relationship to Public accountability framework;
- Inclusion of Reserves, CF Museums, Regimental Funds and other NPP entities within the purview of the NPP Board;
- Implementation and implications of new NPP governance.

While addressing these challenges, the F&I division will focus its energy on the following main **objectives**:

- Manage the NPF Wide Area Network, including the NPP internet and intranet sites;
- Provide IM/IT support to CRM and other major projects and activities;
- Provide all required NPF financial, accounting and payroll services, including corporate budgets and business planning;
- Implement CDS Delegation of Authorities for Financial Administration of NPP;
- Maximize CFCF Investment Revenue within risk parameters.

INTERNAL AUDIT AND REVIEW

As a part of the CFPSA team, Internal Audit and Review (IA&R) provided independent appraisal and client-focused advice to management on NPP financial and operational issues. In that regard, IA&R **provides the expertise to reduce costs and streamline operations.**

Thirteen internal audit professionals work with management to strengthen corporate governance of NPP operations at the national and Bases, Wings and Units level. The CFPSA's auditors follow the Institute of Internal Auditors *Standards for the Professional Practice of Internal Auditing* and are guided by Treasury Board of Canada Secretariat policies for internal audit in federal departments.

IA&R is responsible for the provision of internal audits of CF and NPP morale and welfare operations. Internal audits are conducted in accordance with the CRS' CF & NPP Audit Plan, established in concert with the NPP Audit & Accountability Committee (AAC). IA&R provided internal audit service to all Base, Wing and Unit Commanders who requested IA&R audit assistance and/or consultancy on their NPP operations.

Twelve Internal Audit Reports have been issued in the past year and 28 projects remain at various stages of completion. Areas reported upon include: CANEX/NATEX; CF Fitness delivery; Health Promotion delivery; HR Information Systems; Health and Safety policies; Finance and Accounting; as well as a number of CF mess and club operations.

Management responses to solution-oriented recommendations have been largely accepted and implemented, resources permitting. Improvements in accountability, operations and overall governance have been noted. The division measures the quality of audit via client feedback questionnaires. Fiscal year 2006-2007 results are consistent with previous years; satisfaction level is well over 80 per cent.

Vice President IA&R, as NPP Ethics/Integrity Officer, assisted CEO in matters relating to **compliance with the NPP Ethics Policy**. IA&R reviewed/investigated all issues reported and responded appropriately.

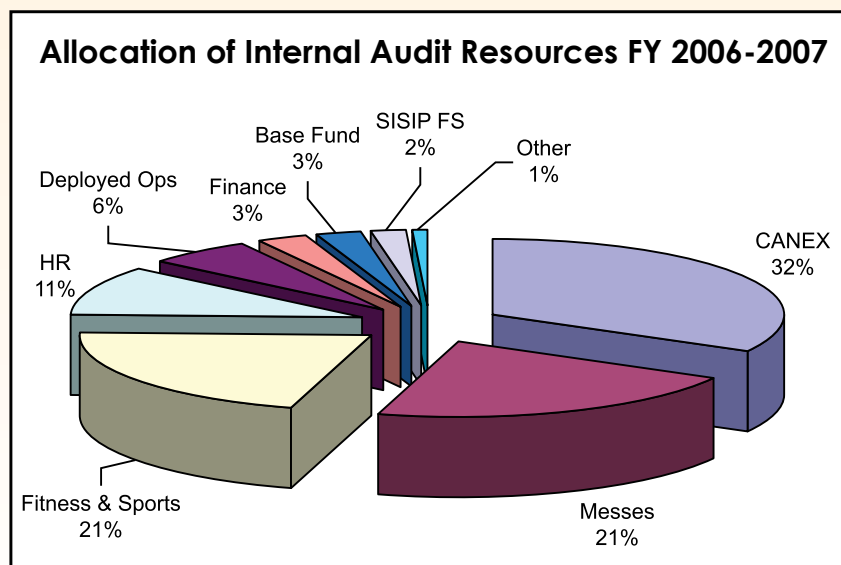


Chart 5

INTERNAL AUDIT AND REVIEW

Challenges:

- **Ensuring standards and practices are consistent with Public audit and CRS overall Audit responsibility for DND/CF.**
It is expected that CRS will become the functional authority for NPP audit in April 2008.
- **Attracting and retaining internal auditors** remains a challenge. Throughout the public and private sectors, professionally qualified and experienced internal auditors are in high demand. IA&R division attracts auditors with potential, significant training and familiarization with NPP ensues. Retention over the long run has been an issue that will continue to need appropriate management.

Objectives:

The IA&R division objectives include making a contribution to effective corporate governance by way of independent objective analyses, advice and consultancy on the NPP Accountability Framework and its application to operational and financial issues. In addition, IA&R assists in the ongoing development of the CFP SA Organization Risk Management program (ORM) thereby furthering the application of due diligence in the development of internal controls.

NPP BOARD

Chair:

Chief Military Personnel (CMP)
Rear-Admiral T.H.W. Pile

Members:

General (retired) J.M.B. Baril

Vice Chief of the Defence Staff (VCDS)
Lieutenant-General W.J. Natynczyk

Chief of the Maritime Staff (CMS)
Vice-Admiral D.W. Robertson

Chief of the Land Staff (CLS)
Lieutenant-General A.B. Leslie

Chief of the Air Staff (CAS)
Lieutenant-General J.S. Lucas

Acting/Assistant Deputy Minister (Finance and Corporate Services) [A/ADM(Fin CS)]
Rear-Admiral B.M. Weadon

Judge Advocate General (JAG)
Brigadier-General K.W. Watkin

DND/CF Legal Advisor (DND/CF LA)
Ms. L.S. Holland

Chief Reserves and Cadets (C Res & Cdts)
Major-General H. Petras

Chief Executive Officer, CFPSA (CEO CFPSA)
Major-General D.W. Langton

Canadian Forces Chief Warrant Officer (CFCWO)
Chief Warrant Officer J.L.D. Gilbert

CMP Command Chief Warrant Officer (CMP CCWO)
Chief Warrant Officer M. Nassif

VCDS Group Chief Warrant Officer (VCDS GCWO)
Chief Warrant Officer J.A.Y. Laforest

CMS Command Chief Petty Officer (CMS CCPO1)
Chief Petty Officer First Class K.E. Davis

CAS Command Chief Warrant Officer (CAS CCWO)
Chief Warrant Officer R. Bouchard

CLS Command Chief Warrant Officer (CLS CCWO)
Chief Warrant Officer G.R. Lacroix

Secretaries:

Colonel S.R. Fash, Director, NDHQ Sec, VCDS,

Lieutenant-Commander C.J. Learn,
Director NDHQ Sec 2-3 VCDS

NPP BOARD COMMITTEES

Audit and Accountability Committee

Chair:

Mr. K. Dye, former Auditor General of Canada

Members:

Mr. G.E. Jarvis, DND/CF Chief Review Services
CWO M. Nassif, CMP CCWO
MGen D.W. Langton, CEO CFPSA
Mr. T. Payan, VP Internal Audit & Review, CFPSA
Mr. D. Rattray, Consultant
Mr. P. Martin, Consultant

Secretary:

Internal Audit & Review Division of CFPSA

Human Resources and Compensation Committee

Chair:

RAAdm T.H.W. Pile, CMP

Members:

RAAdm D.W. Robertson, CMS
Ms. L.S. Holland, DND/CF LA
CWO J.L.D. Gilbert, CFCWO
CWO M. Nassif, CMP CCWO
MGen D.W. Langton, CEO CFPSA
Ms. S. Siegel, ADM(HR-Civ)
Col J.D. Gu erin, SA ADM(HR-Mil)
Mr. J. Millar, VP Strategic Planning,
Risk Management and
Communications, Canada Mortgage and
Housing Corporation (CMHC)
Mr. R. Verdon, External member
(retired senior executive)

Secretary:

Major L. Dickie, Staff Officer, CEO CFPSA

Investment Committee

Chair:

RAAdm B.M. Weadon, A/ADM(Fin CS)

Members:

LGen J.S. Lucas, CAS
CWO G.R. Lacroix, CLS CCWO
CWO R. Bouchard, CAS CCWO
MGen D.W. Langton, CEO CFPSA
Mr. C. Galigan, Acting Director General
Financial Management
Col A.J. Stephenson, VCDS Rep
Mr. J. Frank, retired Vice-President and Chief Economist
Conference Board of Canada
Mr. C. Otto, Chairman, Cordiant Capital Inc.

Secretary:

Mr. D. Dunn, ADM(Fin CS)

Audit and Accountability Committee Annual Report for 2006-2007

The Audit and Accountability Committee (A&AC) continues to provide oversight monitoring over the financial operations of the Canadian Forces Personnel Support Agency (CFPSA). The performance of the A&AC has been improving year to year as it continues to professionalize the internal audit oversight function and support the independence of internal audit. The chair of the A&AC, Major General Caron retired in June 2006, and the A&AC Chair was changed to a non-military person during the year and we established a vice chair position, currently filled by a retired Rear Admiral, Peter C. Martin. The change to a non-military chair was prompted by the push by the Committee to meet the latest professional standards for internal audit committees. There are two members of the committee who are non-military and that number is expected to rise over time. In addition to doing the usual review of agency audited financial statements and internal audit reports, the A&AC made a visit to CFB Petawawa to familiarize themselves with CFPSA base operations. During the year the A&AC reviewed and improved its charter and evaluated its activities in order to improve its performance. The A&AC has reported to the Board that all financial statements have been given a "clean" opinion by the independent external auditors.

On behalf of the Committee, Kenneth M. Dye FCA,
Chair