



Accounting and Budgeting Challenges Faced by the Canadian Forces

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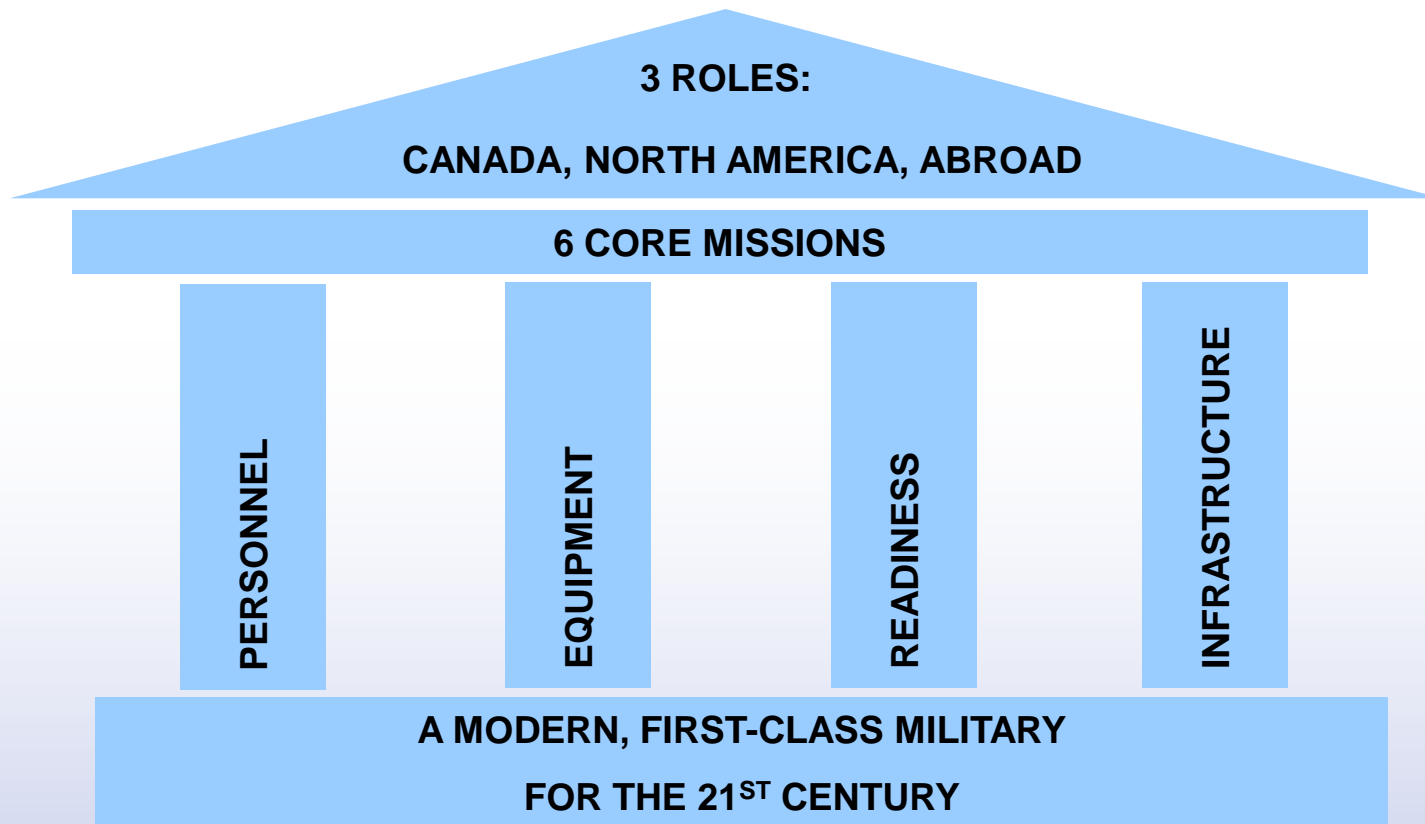
Outline

Department of National Defence (DND)

- Overview
- Budget
- Human Resources, Assets, Infrastructure and Information Systems
- Presence
- Broad Fiscal Context
- Financial Operations



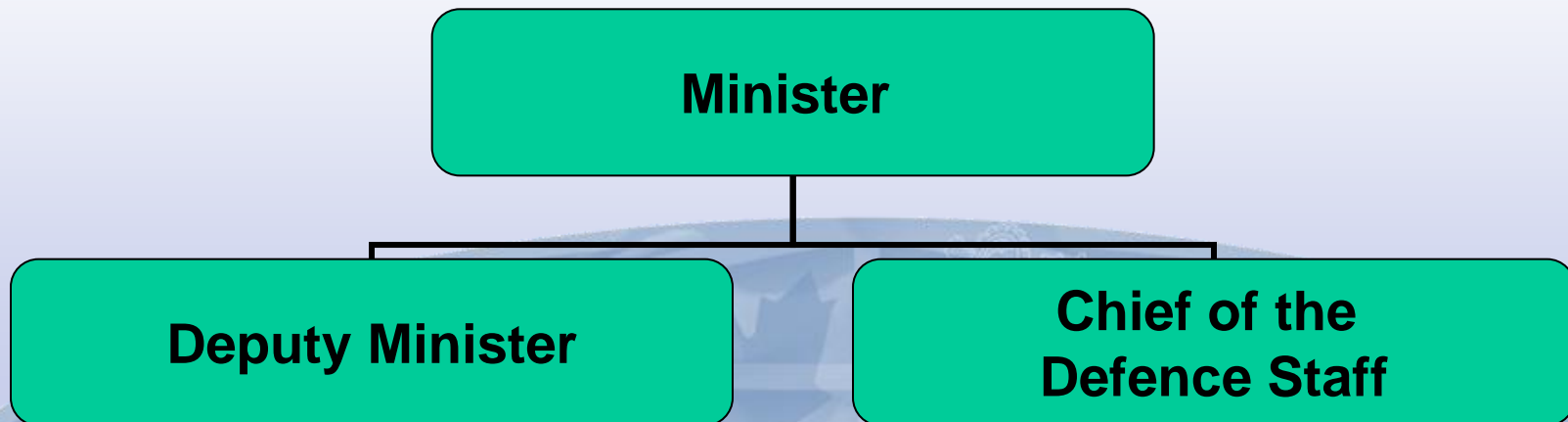
Canada First Defence Strategy





Scope and Scale

- Largest federal government department
- Global as well as North American presence
- Annual Budget approximately \$17B operating plus over \$4B in capital
- Complex organization
- Civilian and Military components and culture



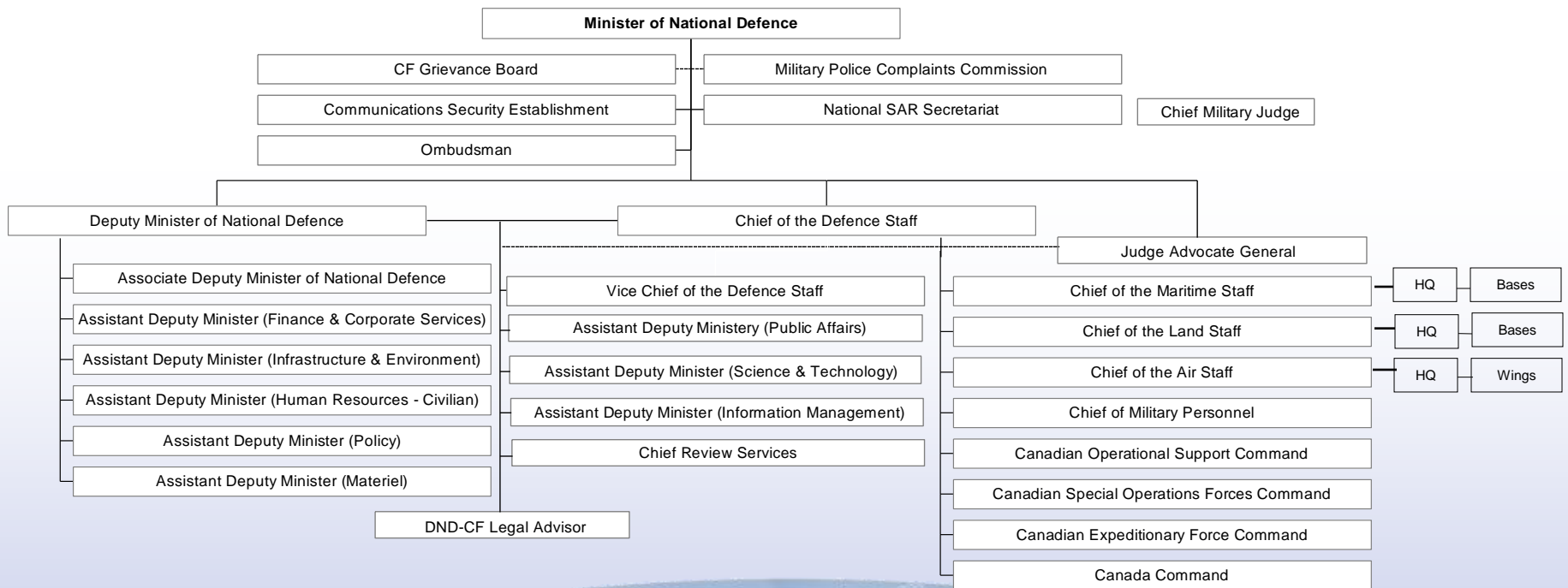


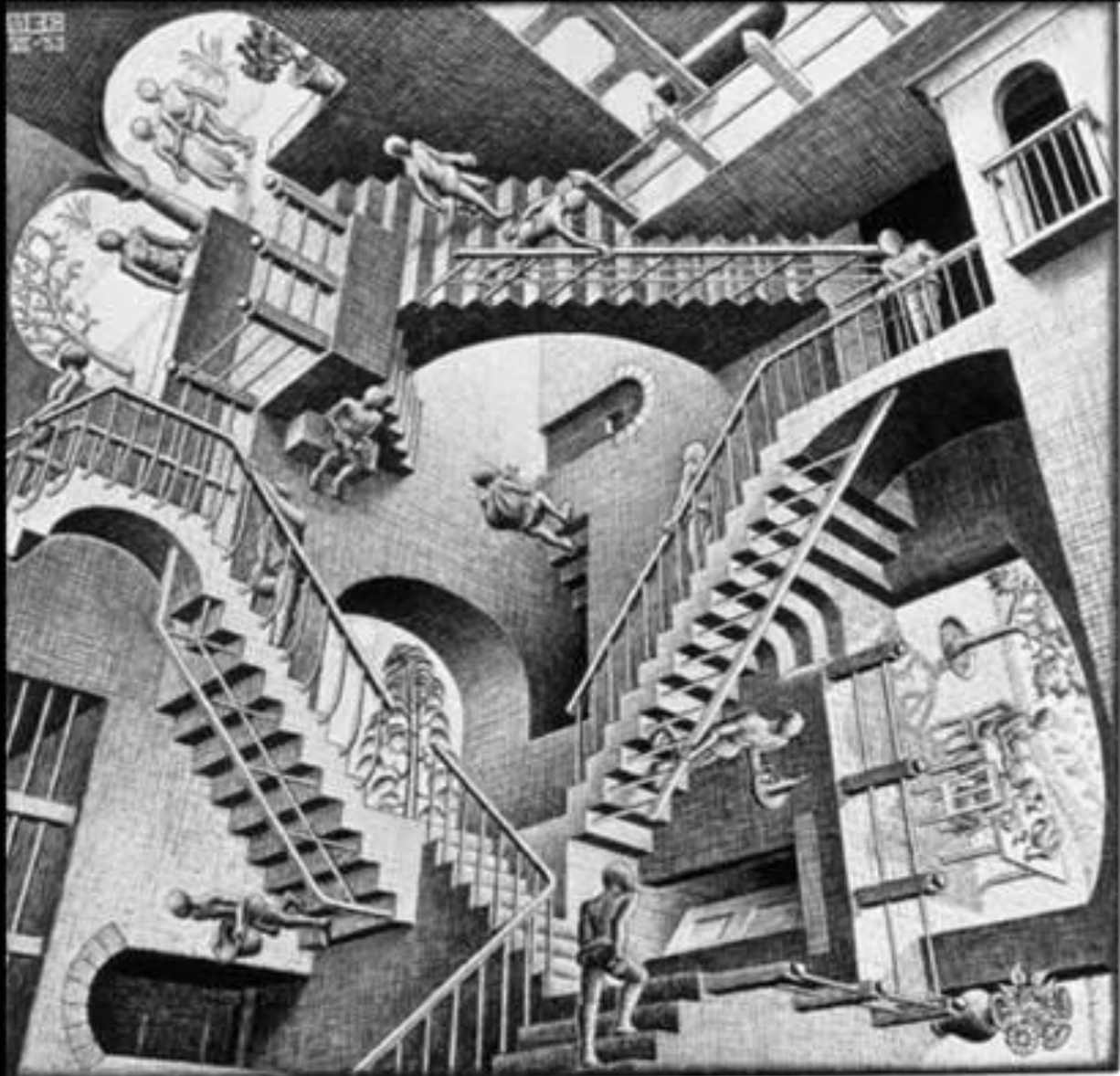
Scope and Scale

- Over 126,600 employees:
 - 68,000 Regular Force members;
 - 26,000 Reserve Force members
 - 4,600 Canadian Rangers; and
 - 28,000 civilians.
- Distinct Governance and Social Systems:
 - Health
 - Education
 - Legal Justice
 - Entertainment
 - Retail
- Total Assets of almost 38 billion dollars:
 - Machinery & Equipment,
 - Informatics
 - Arms and Weapons
 - Ships, Boats, Aircraft
 - Military and Non-Military vehicles
 - Roads and Real Estate



DND Organization







Vast Array of Non Military Activities

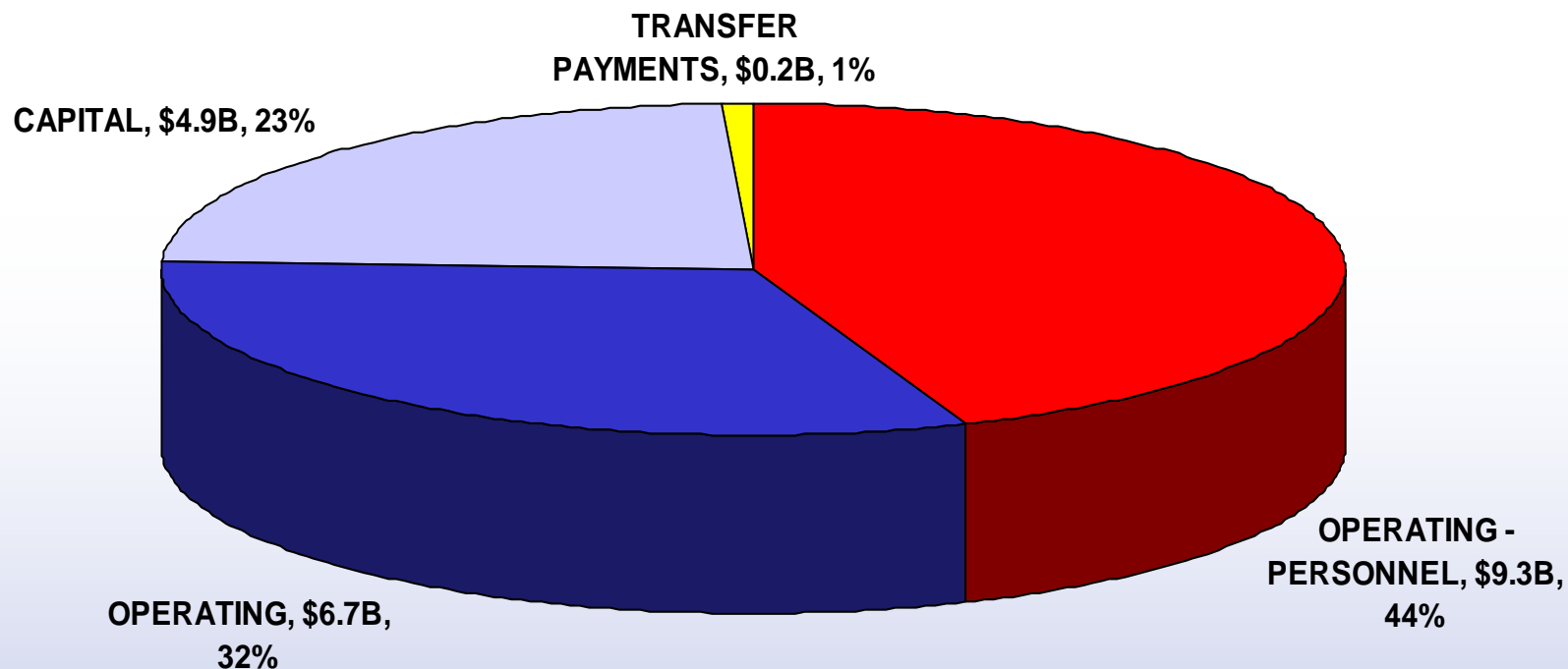
- Housing: 13,000+ rental housing units
- Municipal services: water, sewage, garbage, fire fighting, policing, road repair
- Distinct legal system: courts, jails and prison
- Community-based youth organizations (Cadets) in 900+ Canadian communities
- Entertainment: museums, radio and television broadcasting
- Distinct pay and pension systems
- Weather forecasting service
- Environmental clean-up
- Education: university and post-graduate school
- Health: hospitals and health and dental clinics
- Barracks and long term residential facilities
- Retail: department stores, restaurants, food and clothing



DND Financial Overview

Expenditure Breakdown by Category

FY 2010-2011 Main Estimates - \$21.1B

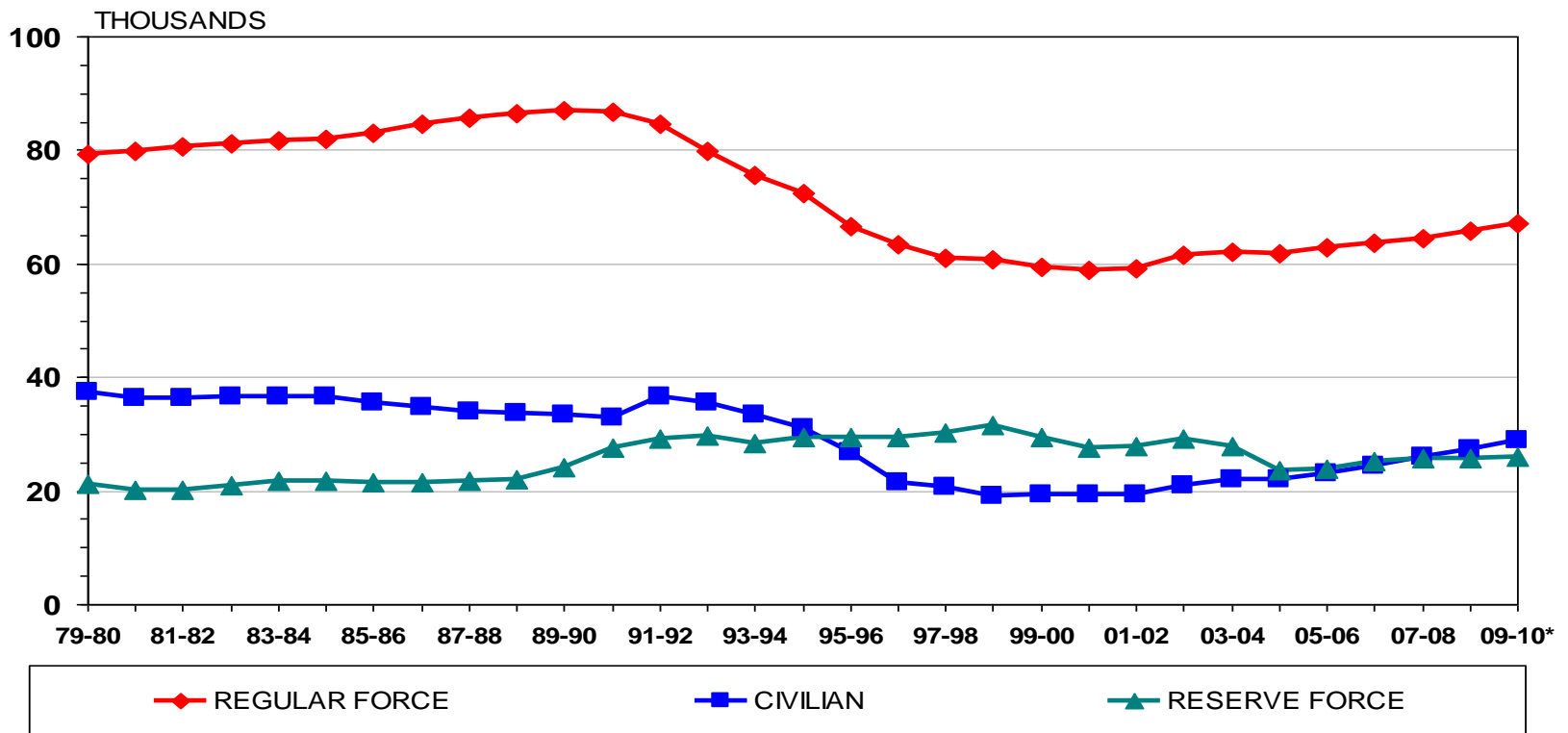


* NET OF REVENUES CREDITED TO THE VOTE



Human Resources

TREND IN CANADIAN FORCES (REGULAR AND RESERVE) AND DND CIVILIAN PERSONNEL STRENGTH



SOURCE: NATIONAL DEFENCE: 2008-09 DEPARTMENTAL PERFORMANCE REPORT AND 2009-10 REPORT ON PLANS AND PRIORITIES

* ESTIMATE / ESTIMATION



Selected Equipment Assets

Army / \$1.6B

100 Leopard II Tanks
125 Bison Armoured Vehicles
203 Coyote Armoured Vehicles
651 LAV III Light Armoured Vehicles
2,769 Medium Logistic Vehicle Wheeled (MLVW)

Navy / \$13.5B

3 Destroyers
12 Frigates
2 Supply Ships
4 Submarines
12 Coastal Defence Vessels

Air Force / \$14.7B

79 CF-18 Hornet
4 CC-177 Globemaster
23 CC-130 Hercules
18 CP-140 Aurora
85 CH-146 Griffon



Infrastructure/Realty Assets

- Significant footprint across Canada with 33 CF bases/installations.
- Realty assets totalling \$8.5B:
 - 21,000 buildings
 - 2.25 M hectares of land
 - 5,500 km of roads
 - 3,000 km of water, storm, and sewer pipes



Information Systems

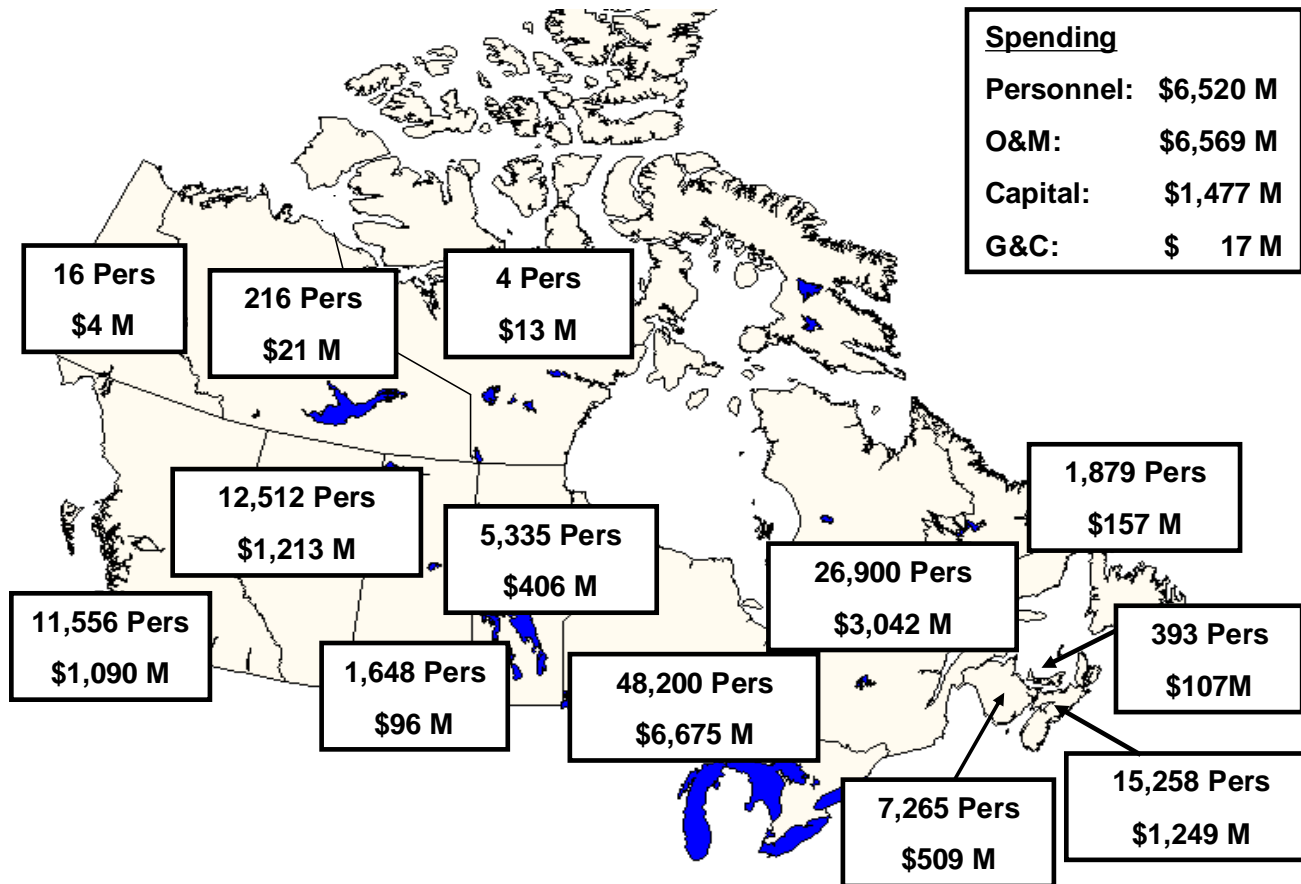
- Numerous, stand-alone information systems, including:
 - Financial and Managerial Accounting System
 - Material Acquisition & Support Information System
 - Central Computerized Pay System (Military Pay)
 - Military Pension
 - Canadian Forces Engineering Management System
 - Centralized Maintenance Management System
 - Canadian Forces Supply System

- Defence Resource Management Information System a first step in integrating systems



Domestic Presence

2008-2009



SOURCE: DND ESTIMATED EXPENDITURES BY ELECTORAL DISTRICT AND PROVINCE FOR FISCAL YEAR 2008-2009



International Presence



As of May 2010



International Environment

Global GDP growth is improving as economies are moving out of recession:

- Fiscal balance in many countries badly affected during recession and needs attention
- Interest rates projected to increase
- Volatile currencies
- International and political tension still present with risk of conflicts



Canadian Economic Environment

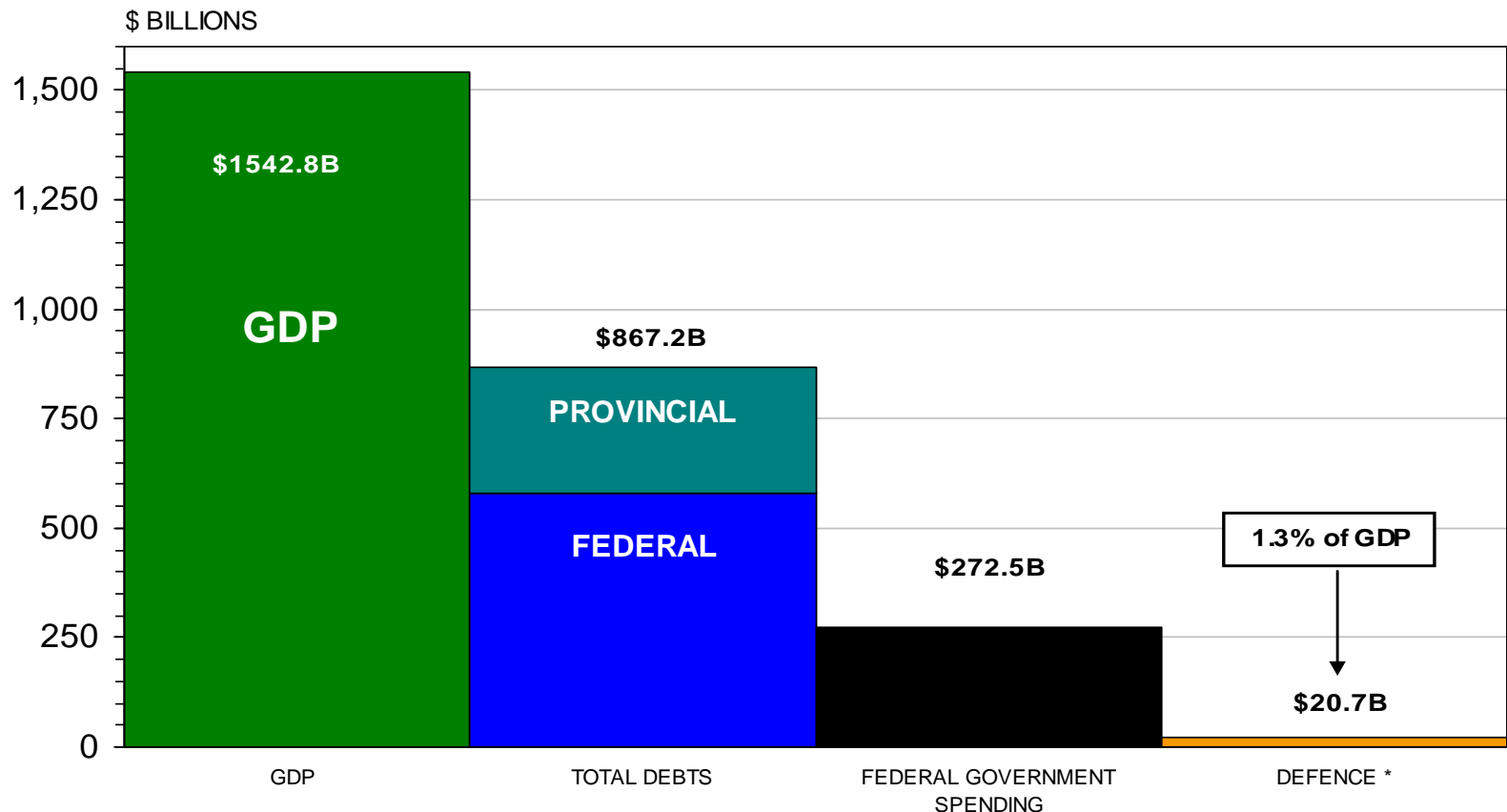
- Employment improving as unemployment rate decreases
- Canadian real GDP back to growth mode but exposed to fragility of global recovery
- Substantial monetary and fiscal stimulus
- Interest rates to increase with impact on government expenses.
- Canadian export market recovering as U.S. economy improves
- CA\$ fluctuations impacted by international events



Economic and Fiscal Climate

GDP, Public Debt, Federal Expenditures & Defence

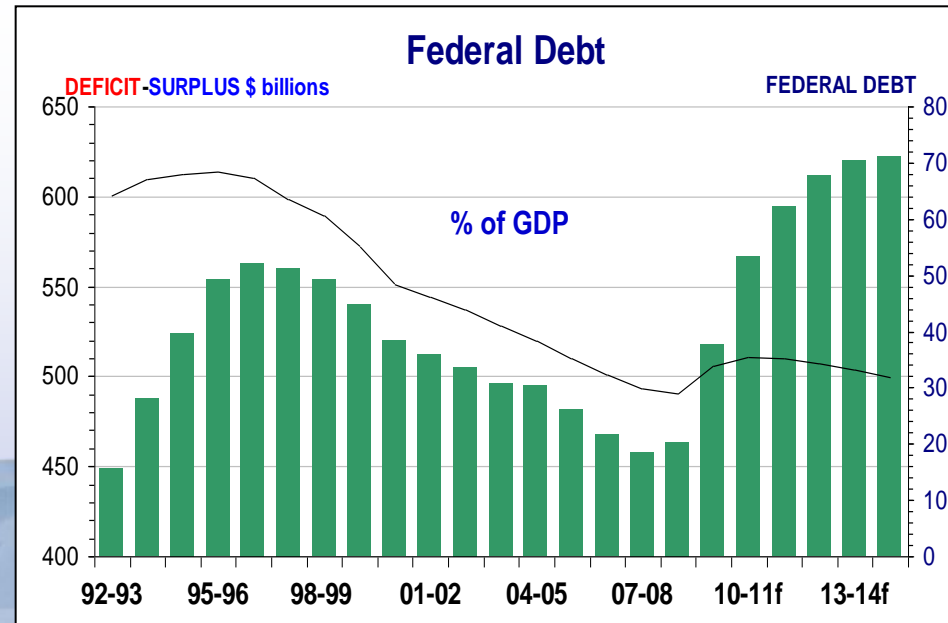
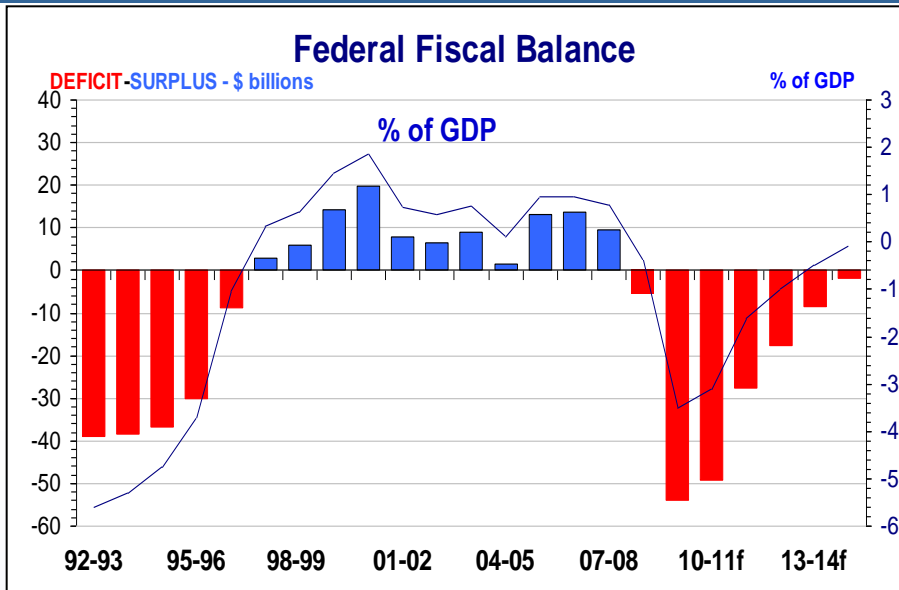
**GROSS DOMESTIC PRODUCT (GDP) IN PERSPECTIVE
2009-10 ESTIMATES**



SOURCE: FISCAL REFERENCE TABLES (SEPTEMBER 2008)



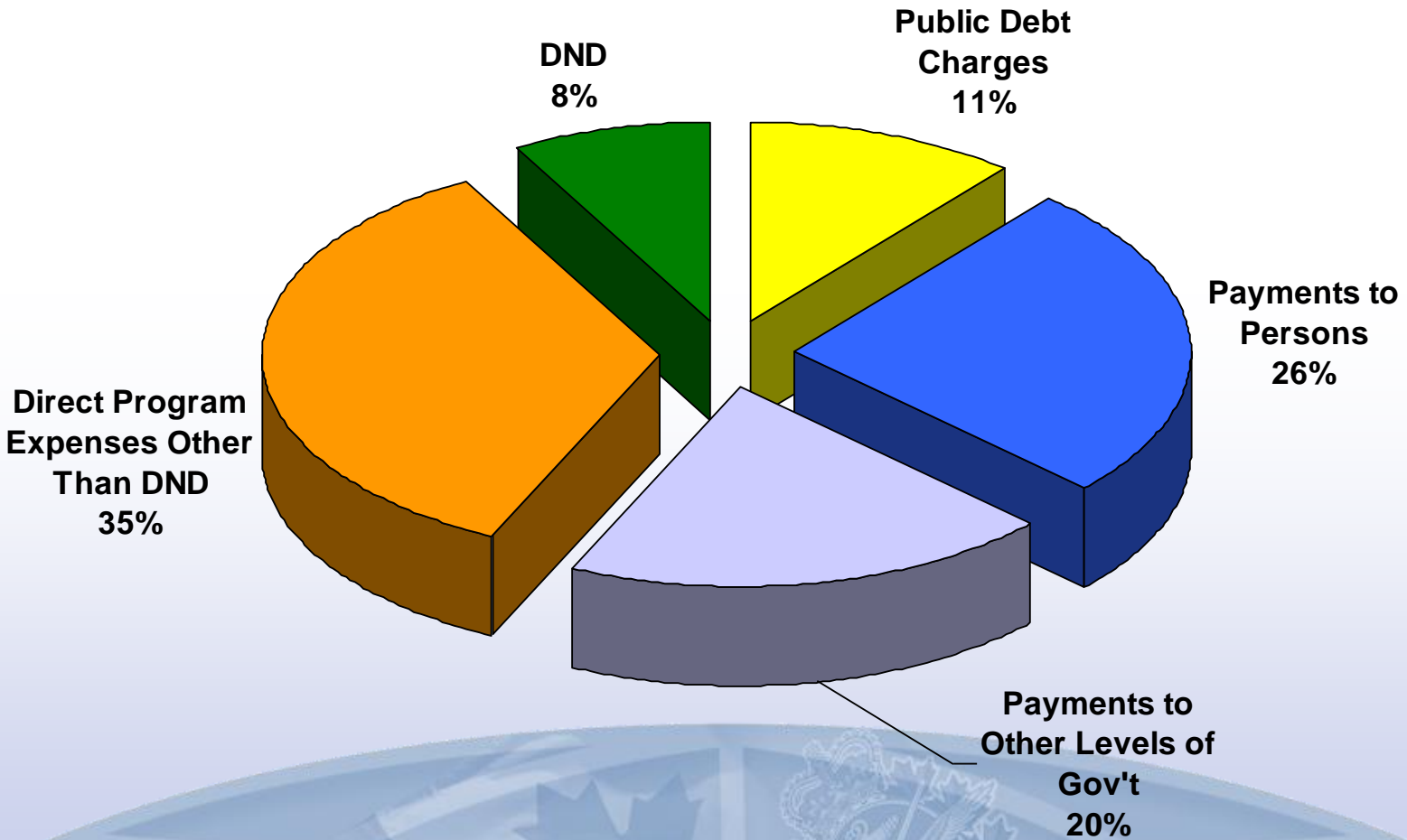
Canadian Fiscal Environment



Source – Budget 2010, Mar 2010 & Fiscal Reference Table



DND Relative Importance in Federal Expenditures (FY 2010-11)





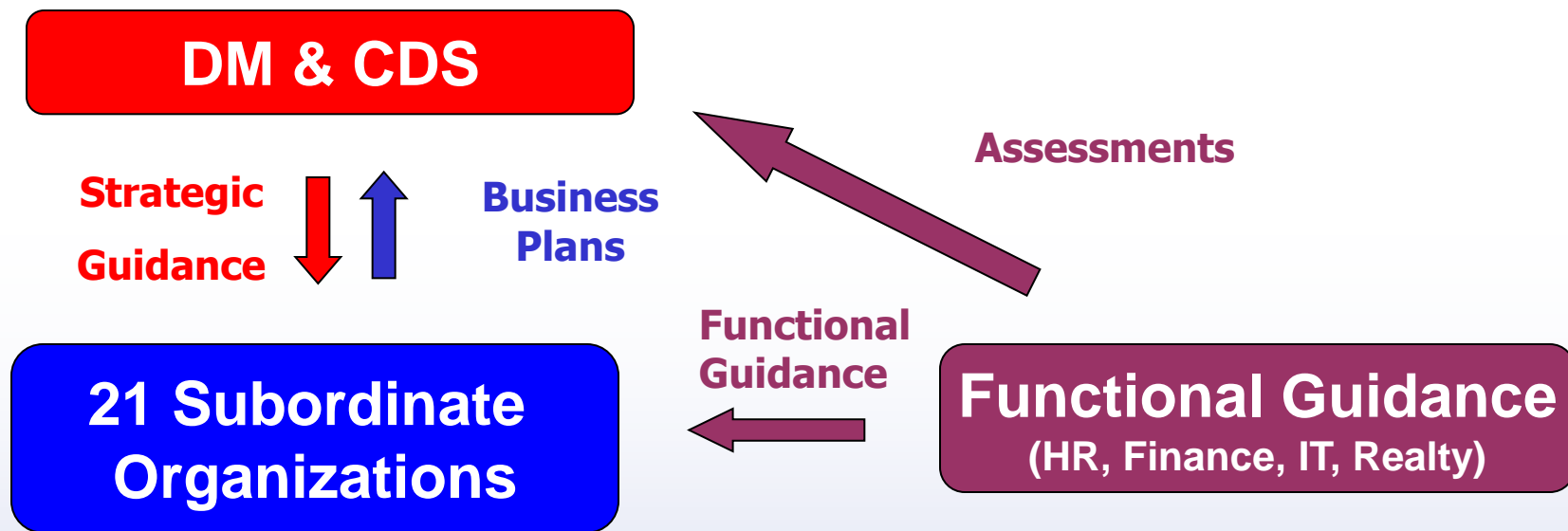
Resource Organization

- Incremental Operations
- Operating budgets (locally managed)
- Corporate Accounts (centrally managed)
 - Capital
 - Procurement
 - Inventory
 - Regular Force Pay



Resource Planning Process

Planning Horizon - Future year plus 3 years





Budget Cycle

- Initial allocations determined through Business Planning Process
- In-year requirements/pressures and re-allocations are addressed using a variety of tools
- Year end closely managed



Year-end Management

- Process begins in January
- Weekly meetings with all Level 1 Comptrollers
- Level 1 Comptrollers provide updates on changes to their financial position
- Departmental Financial situation monitored daily
- DM approves re-allocations on an as required basis



Conclusion

- Complex and comprehensive financial management framework
- Challenging environment
- Continuous improvement