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## CROSS-PURPOSES - THE VICE CHIEF OF THE DEFENCE STAFF AND CHIEF FINANCIAL OFFICER

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**JCSP 43**

***Exercise Solo Flight***

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## INTRODUCTION

The Defence Services Programme is the sum of services provided to Canadians by the Department of National Defence. It is formally defined as that, “which contains all departmentally approved activities and projects deemed to be essential to the delivery of affordable and effective defence services to the Government and Canadians”.<sup>1</sup> The “Programme” is delivered under the direction of appointed senior managers who work through a framework of executive committees that are supported by their own staff organizations to coordinate efforts towards desired outcomes. Some of these outcomes are static in that they have been pre-determined through statutory requirements or binding commitments, such as policy decisions and contractual obligations. These commitments leave a relatively small amount of available resources to actually effect changes to the status quo. Public attention to the Programme is rarely focused on the static aspects but it is clearly drawn towards future development of military capabilities including proposed changes and their associated costs. The responsibility for making the determination of how the Programme will be delivered lies, inevitably, with the Government of Canada but the coordination of resources and requirements is managed in detail by senior management in the Department of National Defence which includes both military and civilian executives. The intent of this paper is to examine the roles of two of these senior advisors: the Assistant Deputy Minister (Finance) and the Vice Chief of the Defence Staff. It will demonstrate that their roles, while necessarily intertwined, should be more clearly delineated between financial and military planning considerations.

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<sup>1</sup> Department of National Defence. “Project Approval Directive,” Last Accessed 5 April 2017, <http://intranet.mil.ca/en/deptl-mgmt/project-pad.page>.

## COMPLEXITY OF THE DEPARTMENT OF NATIONAL DEFENCE

The unique challenges confronting the senior management of the Department of National Defence are well known in government circles. The responsibility of the department and its minister is, on one hand, oversight of a military organization with its distinct roles, requirements and obligations. On the other hand, the challenge requires the administrative responsibilities that are mandatory for all government departments within the coherent framework of the Government of Canada. This was noted in the Spring 2009 report from the Office of the Auditor General that, under the heading of “National Defence operates in a challenging environment”<sup>2</sup>, described the organizational structure by observing that, “The National Defence Act establishes the Department of National Defence and the Canadian Forces as separate entities operating together under the authority of the Minister of National Defence”.<sup>3</sup> The Chief of the Defence Staff is responsible to the Minister for command and control of the Canadian Armed Forces and is the senior military advisor to the government. The Deputy Minister is, according to the Auditor General’s report, “responsible for, on the Minister’s behalf, the management of the Department”.<sup>4</sup> This responsibility also includes “primary responsibility for resources, policy and international defence relations”.<sup>5</sup>

Does this division of responsibilities have the potential to create problems? It seemed to have created disagreements in previous years. Phillipe Lagassé noted that

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<sup>2</sup> Office of the Auditor General of Canada. “2009 Spring Report of the Auditor General of Canada,” Last accessed 11 April 2017, [http://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_200905\\_05\\_e\\_32518.html](http://www.oag-bvg.gc.ca/internet/English/parl_oag_200905_05_e_32518.html)

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Canada. Chief of the Defence Staff. *Guidance for Members of the Canadian Forces and Employees of the Department of National Defence*. 2<sup>nd</sup> ed., September 1999, 4.

General Rick Hillier, while Chief of the Defence Staff, “echoed a view... that senior bureaucrats play an inappropriately large role in in helping to keep the military accountable to the minister of national defence, the cabinet and the prime minister”.<sup>6</sup> In his 2009 autobiography, Hillier stated, “in hindsight, separating the Canadian Forces from the government bureaucracy in Ottawa may be the only way to ensure that it remains effective”.<sup>7</sup> This wasn’t the first such observation. Over a decade earlier, “the Somalia Commission recommended that the authorities of the deputy minister and CDS be clarified in law and measures taken to prevent civilian officials from interfering in uniquely military matters”.<sup>8</sup>

The alternative point of view notes that serious disputes between the Deputy Minister and the Chief of the Defence Staff are uncommon. “For the most part, the deputy minister and the CDS work in close, cooperative collaboration, ensuring that all the components of the “defence team”, both civilian and military, are executing their responsibilities”.<sup>9</sup> There are also legally mandated responsibilities that are exclusively under the authority of the Deputy Minister through the Interpretation Act, the Financial Administration Act and the Federal Accountability Act. “It is the deputy minister’s authority that must prevail over matters of policy, procurement or financial administration”.<sup>10</sup> The “Guidance for Members of the Canadian Forces and Employees of the Department of National Defence”, published in September 1999 stated, “In practice, many issues affecting Canada’s defence activities are decided jointly by the

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<sup>6</sup> Phillipe Lagassé. “Accountability for National Defence.” *IRPP Study*, no. 4, (March 2010): 4.

<sup>7</sup> Rick Hillier. *A Soldier First*. (Toronto: HarperCollins, 2009), 427.

<sup>8</sup> Lagassé. “Accountability for National Defence.” *IRPP Study*, no. 4, (March 2010): 36.

<sup>9</sup> *Ibid*, 47.

<sup>10</sup> *Ibid*, 47-48.

Chief of the Defence Staff and the Deputy Minister”.<sup>11</sup> This seemed to be the intent from the inception of this governance structure. It was foreseeable that the Deputy Minister and Chief of the Defence Staff were not always going to agree with one another but Lagassé explains this as being productive. “The co-equal footing that critics decried allowed for the deputy minister and the CDS to exercise challenge functions against each other in the few cases when they could not reach a consensus”.<sup>12</sup> The bottom line is that, regardless of whatever difficulties have been encountered in the past, the current governance structure will be maintained under current legislation.

Notwithstanding the ideals and intentions, disagreements have occurred. The viewpoints expressed by the Somalia Commission and General Hillier suggest that the difficulties presented by the nature of the National Defence governance structure were supposed by some to be significant and this raises another question. If there are evident problems involved with managing authorities between two individual people, what are the implications for their subordinate staff organizations?

## **THE INTEGRATED NATIONAL DEFENCE HEADQUARTERS**

National Defence Headquarters was integrated through amendments to legislation in 1972. This action followed a report that was issued by the Government of Canada commissioned, “Management Review Group”, that recommended that the department and armed forces “be fused into a single entity, with the civilian department assuming responsibility for Defence administration and the armed forces focusing on military

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<sup>11</sup> Canada. Chief of the Defence Staff. *Guidance for Members of the Canadian Forces and Employees of the Department of National Defence*. 2<sup>nd</sup> ed., September 1999, 12.

<sup>12</sup> Lagassé. “Accountability for National Defence.” *IRPP Study*, no. 4, (March 2010): 35.

operations and readiness”.<sup>13</sup> The civilian and military staff members in National Defence Headquarters were to work side-by-side in reaching the goals of the Department and the Canadian Armed Forces. In general (contemporary) terms, “Guidance for Members of the Canadian Forces and Employees of the Department of National Defence”, published in 1999, described the working relationships. The top-down relationship was described as a “line of authority that flows downward from Parliament, Cabinet and the Minister of National Defence to the Deputy Minister and the Chief of the Defence Staff and through them to every member of the Department and the Canadian Forces.”<sup>14</sup> The bottom-up relationship was described as a “line of accountability that flows upward from the Department and the Canadian Forces to the Minister who, in turn, is accountable to the Prime Minister and to Parliament”.<sup>15</sup> The context is described as modern management that relies on “multi-disciplinary teams, broad policies, elimination of non-essential rules and more permissive guidelines to enable people to achieve organizational goals with fewer resources”.<sup>16</sup> As a result of these concepts, the “Guidance” states that “changing dynamics within NDHQ have resulted in an increased attention to teamwork, horizontal co-ordination and devolution”.<sup>17</sup> The mention of “horizontal co-ordination” is essential to note as it leads to the conclusion that there is a “need for accountability to be expressed as well in terms of “horizontal” relationships”.<sup>18</sup> The “Guidance” doesn’t suggest that the hierarchy doesn’t exist but it does indicate the assumption that cooperation will be also be pursued across the organizational chain. It clearly states that, “It is essential that

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<sup>13</sup> Ibid, 33.

<sup>14</sup> Canada. Chief of the Defence Staff. *Guidance for Members of the Canadian Forces and Employees of the Department of National Defence*. 2<sup>nd</sup> ed., September 1999, 17.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid, 18.

<sup>18</sup> Ibid.

every one of those responsible for a specific issue both consult and work with colleagues who should be involved”.<sup>19</sup> This is a highly principled concept that proposed harnessing efficiency from civilians and military personnel working across chains of authority or command. Consider that it has already been established that there have been significant differences between the Chief of the Defence Staff and the Deputy Minister of National Defence; at the highest advisory level to the Minister of National Defence. Some questions should be asked about this concept of horizontal accountability. Does this concept allow for or even recognize conflicts of interest? Are civilians and military personnel in National Defence Headquarters really enabled to communicate as envisioned by this concept? Is this concept realistic? The examination of one structural relationship, that is between the staff of the Vice Chief of the Defence Staff and the staff of the Assistant Deputy Minister (Finance), is presented to consider these issues. The context is restricted to financial planning.

## **THE VICE CHIEF OF THE DEFENCE STAFF**

The position of the Vice Chief of the Defence Staff is established by law under the National Defence Act and the individual filling that position is appointed by the Chief of the Defence Staff.<sup>20</sup> He or she manages the Defence Services Programme on behalf of the Deputy Minister. His or her “objective is to achieve the desired results and effective stewardship of Defence resources, supporting the accountabilities of both the Deputy Minister and the Chief of the Defence Staff”.<sup>21</sup> In reality, the Vice Chief of the Defence

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<sup>19</sup> Ibid.

<sup>20</sup> National Defence Act, R.S.C., c. N-5, s.18.1 (2015).

<sup>21</sup> Department of National Defence. “Project Approval Directive.” Last accessed 5 April 2017. <http://intranet.mil.ca/en/deptl-mgmt/project-pad.page>.



Staff acts as a “Chief of Staff” to both of his or her superiors in coordinating the activities of National Defence Headquarters staff. This point, in itself however, does not imply seniority over the Assistant Deputy Ministers, Environmental Chiefs of Staff or Operational Commanders at the “Level 1” of the administrative organization. The Spring 2009 Report of the Auditor General of Canada noted that many of functions required of the Chief Financial Officer had been previously carried out by the Vice Chief of the Defence Staff. The report stated that, “National Defence’s draft governance model does not address the overlap that exists between the Vice Chief of the Defence Staff’s current responsibilities and those set out for the new Chief Financial Officer”.<sup>22</sup>

#### **THE ASSISTANT DEPUTY MINISTER (FINANCE)**

The Assistant Deputy Minister (Finance) is responsible to provide financial support and services to the Department. “As Chief Financial Officer of the Department of National Defence, [he or she] is responsible for ensuring the integrity of financial management and comptrollership at the Department and in the Canadian Armed Forces”.<sup>23</sup> It should be noted that, in the government context, financial management includes “financial planning and budgetary controls”.<sup>24</sup> The Spring 2009 Report of the Office of the Auditor General of Canada observed “the Department’s draft governance framework does not mention the responsibilities and accountabilities of the Chief

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<sup>22</sup> Office of the Auditor General of Canada. “2009 Spring Report of the Auditor General of Canada,” Last accessed 11 April 2017. [http://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_200905\\_05\\_e\\_32518.html](http://www.oag-bvg.gc.ca/internet/English/parl_oag_200905_05_e_32518.html)

<sup>23</sup> Department of National Defence. “Assistant Deputy Minister (Finance),” Last accessed 6 May 2017. <http://www.forces.gc.ca/en/about-org-structure/assistant-deputy-minister-finance-corp-services.page>

<sup>24</sup> Office of the Auditor General of Canada. “2009 Spring Report of the Auditor General of Canada,” Last accessed 11 April 2017. [http://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_200905\\_05\\_e\\_32518.html](http://www.oag-bvg.gc.ca/internet/English/parl_oag_200905_05_e_32518.html)

Financial Officer”.<sup>25</sup> This was acknowledged by the Department and the solution was subsequently implemented as the “CFO Model”.

## **COMMITTEES**

Executive committees have been established as part of the National Defence governance structure. The senior committee with oversight of financial planning is the Investment and Resource Management Committee. This committee is chaired by the Deputy Minister and it considers matters related to the financial framework for the Investment Plan and funding changes, financial allocations and financial reallocations. The Programme Management Board is co-chaired by the Vice Chief of the Defence Staff and the Assistant Deputy Minister (Finance). It manages the approved Defence Services Programme and recommends changes to the Programme and the Investment Plan.<sup>26</sup> The committees are composed of senior advisors of Levels 0 and 1. They are staff enabled and the timing and quality of submissions made before them are dependent upon effective coordination of their respective staff organizations.

## **SPECIFIC ANALYSIS**

The Vice Chief of the Defence Staff and the Assistant Deputy Minister (Finance) are both assigned roles for financial planning and resource management. At the same time, they are differently accountable to superior authorities. The Vice Chief of the Defence Staff is equally accountable to both the Chief of the Defence Staff and the Deputy Minister. The Assistant Deputy Minister (Finance) is primarily accountable to

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<sup>25</sup> Ibid.

<sup>26</sup> Department of National Defence. “Project Approval Directive,” Last accessed 5 April 2017. <http://intranet.mil.ca/en/deptl-mgmt/project-pad.page>.

the Deputy Minister. This difference in accountability over the same concern (financial planning and resource management) creates the potential for disagreement.

While the Vice Chief of the Defence Staff, a military officer, is accountable to the Deputy Minister for resource management and planning, he or she is also responsible to the Chief of the Defence Staff for military development and readiness. This creates a very different perspective from that of the civilian Assistant Deputy Minister (Finance) who is more concerned with the viewpoint of the government bureaucracy and is not directly accountable to the Chief of the Defence Staff. While it is likely that the Vice Chief of the Defence Staff and the Assistant Deputy Minister (Finance) both consider themselves to have the best interests of the Minister in mind, they might not necessarily agree on all of the details. The overlap of responsibilities between the Vice Chief of the Defence Staff and the Assistant Deputy Minister (Finance), as noted by the Office of the Auditor General, combined with a divergence of accountabilities creates conflicting interests.

For example, a planned military milestone, like an equipment procurement project, might be considered extremely important by the Vice Chief of the Defence Staff, under the authoritative regime of both the Chief of the Defence Staff and the Deputy Minister, it might not be considered a priority by the Assistant Deputy Minister (Finance). Presumably, the Assistant Deputy Minister (Finance) would so advise the Deputy Minister but, in an institution as large and complex as the Department of National Defence, the Deputy Minister might not be in a position to resolve such a dispute given his or her own priorities and the position taken by the Chief of the Defence Staff. That being said, the effects of such a disagreement will likely be passed down the lines of

authority. In this situation, there are foreseeable effects that could undermine the “horizontal accountability” described in the 1999 “Guidance for Members of the Canadian Forces and Employees of the Department of National Defence”.

It should be readily assumed that the subordinate staff will adhere to their own bosses’ priorities. Using the example of the equipment procurement project, the Assistant Deputy Minister (Finance) staff may not share the same sense of urgency regarding what might be a very high priority of the Vice Chief of the Defence Staff. In this case, the input required by one staff organization may not be made available to the other. The necessary oversight involved in major capital procurement is provided by the executive committees before being presented to the Government of Canada (Minister of National Defence or the Treasury Board) for approval. The committees are staff enabled. Misalignment of staff efforts will delay, if not prevent the initiative from going forward. Another effect of overlapping responsibilities involves the control of information. Conflicting directions from higher levels tend to create a “silo effect” whereby information is withheld instead of being allowed pass seamlessly between organizational structures through “horizontal coordination” as specified in the 1999 “Guidance for Members of the Canadian Forces and Employees of the Department of National Defence”. Staff personnel that consider themselves to be responsible and accountable for a particular role are unlikely to be cooperative if they sense that they are being undermined by another organization that sees itself as being responsible and accountable in an overlapping role.

To preserve the spirit and practice of the principles envisioned in “Guidance for Members of the Canadian Forces and Employees of the Department of National

Defence”, the overlapping functions between the Assistant Deputy Minister (Finance) and the Vice Chief of the Defence Staff should be reduced or eliminated and their areas of responsibility more clearly defined. The nation’s top military advisor is the Chief of the Defence Staff and he or she exercises his authority over future planning considerations through the Vice Chief of the Defence Staff. The Assistant Deputy Minister (Finance) is the Department’s Chief Financial Officer, primarily responsible to the Deputy Minister, and he or she is specifically responsible for financial management as required by laws and regulations. The roles are not independent of one another but they should be, so far as possible, be distinct.

## **CONCLUSION**

The current governance construct that integrates the Department of National Defence with the Canadian Armed Forces is overly reliant on spirit of cooperation between potentially conflicting individual relationships. These conflicts can arise at a senior level and potentially stifle cooperation and coordination at lower staff levels. The harmony between “upward facing accountability” and “horizontal accountability” is not as clear as might be expected or desired. It is only realistic if there is a clear understanding of individual roles within the institution. The relationship between the Deputy Minister and the Chief of the Defence Staff, is established by legislation and is unlikely to be significantly altered because it is, generally speaking, successful. The relationship between the Assistant Deputy Minister (Finance) and the Vice Chief of the Defence Staff is complicated by overlapping roles in the area of financial planning and resource management and this has the potential to cause a breakdown in staff cooperation. An ideal solution would involve the Vice Chief of the Defence Staff setting

the military requirements and priorities while the Assistant Deputy Minister (Finance) would assign and regulate the resource envelope available. An arrangement of this type would minimize overlap, promote staff cooperation and increase efficiency.

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