

AUDIT
OF
THE CANADIAN EMBASSY

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Audit Division (SIV)

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EXECUTIVE SUMMARY

An audit of the General Relations (GR), the International Business Development (IBD), the Consular and Administration Programs was conducted in Budapest during the period June 5 to 11, 2001. A previous audit took place in August, 1994. The Mission is accredited to both Hungary and Slovenia and is the Hub to the Spoke Missions of Zagreb and Sarajevo providing support to their trade, investment and administrative activities.

MANAGEMENT OF THE MISSION

The Mission is experiencing management difficulties. The management team is not working together as a cohesive unit, the MCO position has been vacant since the fall of 2000, and there is a need for more communication at all levels. Recommendations are being raised regarding more regular CMMs, effective use of work plans and development of communication strategies.

GENERAL RELATIONS (GR) PROGRAM

The GR Program requires improved management. Staff require objectives and work plans that outline activities, expected results and due dates. Some staff are experiencing difficulties in carrying out their work, but the style in managing these difficulties needs to be improved if they are to be corrected. The Mission has a very active Public Affairs Program which is impressive.

INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM

The IBD staff are dedicated, experienced and hard-working officers. The Program Manager is a long serving professional Trade Commissioner who is held in high regard by his staff and local business contacts. The Program Manager is renewing the Program for the region. He has developed an ambitious plan that calls for an active out-call program to re-establish old and acquire new contacts. The success of the plan will draw heavily upon effective integration and communications between all parties in the region. The Trade Commissioner needs to communicate more frequently and effectively to the HOM.

CONSULAR PROGRAM

The Consular Program is operating effectively under the management of the DMCO and an experienced and dedicated Consular Officer. Assistance is provided to the Spoke Missions of Sarajevo and Zagreb as stipulated in the Memoranda of Understanding (MOUs) between the Spokes and the Hub (Budapest).

ADMINISTRATION PROGRAM

The Program was operating without a full-time MCO for eight months until the new MCO arrived in June, 2001. The absence of an MCO has placed considerable strain on the Administration Program which is reflected in the issues raised in this report. Program planning needs to be strengthened and roles and responsibilities need to be adjusted. Communications within the Program and with clients would benefit from regular Program meetings, the development of service standards and increased dialogue with other Programs.

Greater compliance with Departmental administrative policies is required relating to the employment status of certain LES, hospitality guidelines, the hiring of contractors and financial procedures concerning signing authorities and account verification.

RECOMMENDATIONS AND MANAGEMENT RESPONSES

A total of 55 audit recommendations are raised in the report, 54 are addressed to the Mission and one is addressed to HQ. Management has responded to each recommendation indicating action already taken or decisions made, as well as future action. Of the 55 recommendations, management has stated that 44 recommendations have been implemented. For each of the 11 remaining recommendations, management has indicated the initiatives in progress or the intended future action.

MANAGEMENT OF THE MISSION

1.1 Overview

1.1.1 The HOM and Mission staff have a heavy workload and have been effective in representing Canada and working towards Program objectives. The HOM, in particular, has been heavily involved with external events and activities both in Hungary and Slovenia. The Mission is, however, experiencing management difficulties at the Program and operational levels. Low morale and increased stress levels among staff are a consequence of this situation.

1.2 Management Team

1.2.1 The management team has not been working together as a cohesive unit. A significant factor contributing to this has been the absence of an MCO since the fall of 2000. This position has been filled by the DMCO, and two MCOs on temporary assignments. CMMs have not been held as frequently as required and are not being used effectively. Program Managers and the HOM have been away from the Mission travelling frequently within Hungary and to Ljubljana, Zagreb and Sarajevo. More effort is required by the management team to set priorities, agree to action and monitor and follow up on results.

Recommendation for the Mission

1.2.2 CMMs should be held on a regular basis, even in the absence of the HOM or Program Managers and, with the aid of formal minutes, be used as a forum for general management and decision-making.

Mission Response

1.2.2 CMMs are now being held weekly as a forum for reviewing priorities, information dissemination and decision-making. Minutes are now officially drafted, circulated and kept on record.

1.3 Work Plans

1.3.1 While goals and objectives have been developed for each Program, it would be useful to have specific work plans outlining proposed activities, identifying individuals responsible and specifying anticipated results. These tools can be used by management, not only to monitor operations, but to serve as a communication vehicle at the management level between Program Managers and the HOM and Program Managers and their staff.

Recommendation for the Mission

- 1.3.2 Detailed work plans should be developed for each Program and used as a management and communication tool during meetings between the HOM and individual Program Managers.**

Mission Response

- 1.3.2 Work plans for Management/Consular, Trade, CIDA and Defence have been completed. General Relations is in progress and is expected by the end of March 2002.**

1.4 Communications

1.4.1 There is insufficient communication by Management, between Programs and the Administration Section. This results, in part, from the lack of management cohesion, the separation of the Trade Program, CIDA and elements of the Administration Program located in the Annex and the absence of a MCO. There is also on-going tension between longer serving LES and newer employees. This situation is affecting morale and impacting on operations, particularly in Administration. The Mission needs to explore ways to improve communications at all levels. This can be accomplished through regular staff meetings at the Mission and Program levels, periodic retreats and through on-going operational meetings.

Recommendation for the Mission

- 1.4.2 A strategy should be developed to improve communications at all levels.**

Mission Response

- 1.4.2 With the arrival of an experienced and professional MCO in June 2001 and other staff changes, communications at all levels have improved. All Sections now have weekly staff meetings. Regular meetings are being held with all staff. The HOM meets weekly, when individual travel schedule allows, with all Program Managers. The Mission has scheduled a management retreat for February 12 and an all-staff retreat for March 6 to discuss, among other issues, improved communications. Regular all-staff meetings are being held to address some of the comments below and to discuss different Program priorities. For example one was held to discuss the draft audit report. Management will endeavour to be more consistent and transparent with the intent of balancing overall Mission interests with specific Program responsibilities. A key objective will be to ensure**

transparency and equal treatment of all employees and to ensure that all staff are aware of the parameters within which they have to operate.

1.5 Appraisals

1.5.1 The completion of LES appraisals was found to be uneven. While some staff had received appraisals recently, in preparation for the audit, others had not received an appraisal in the last year. Some employees had received one appraisal that covered multiple years. One LES Program Officer had not received an appraisal in over three years.

Recommendation for the Mission

1.5.2 Ensure that annual appraisals are completed for all staff.

Mission Response

1.5.2 The Mission recognizes the importance of appraisals and is in process of developing a process to ensure that these are completed on an annual basis and in a timely fashion.

GENERAL RELATIONS (GR) PROGRAM

2.1 Overview

2.1.1 The Counsellor and Consul (FS-02) is responsible for overall management of the GR Program. He is supported by a Political/Economic Analyst Officer (LE-09), a Public Affairs Culture Education Officer (LE-09), a Political/Economic Officer (initially an intern whose agreement expired May 31 and is now under contract until August 17, 2001), a Program Assistant (LE-07) and a Part-Time Assistant (LE-05). The Mission has a very active Public Affairs Program which is impressive. It has also made good use of an intern over the last few years. This is a low cost Program which pays a large dividend and should be continued by the Mission.

2.2 Management of the Program

2.2.1 The GR Program requires improved management. Service standards recently developed by the Section are an excellent initiative. However, staff require objectives and work plans that outline activities, expected results and due dates. Some staff are experiencing difficulties in carrying out their work, but management's response to these difficulties needs to be improved if they are to be corrected.

2.2.2 The GR Program has approximately \$88,400 of non-reference level funding. The source of these funds is the Post Initiative Fund, Discretionary Fund, Public Diplomacy Fund, and Grants from ACA and ACE. The audit found that applicable guidelines were followed for projects funded from these sources. The Section has reference level funding of approximately \$8,000 for travel and \$5,000 for hospitality.

Communications

2.2.3 Due to their travel commitments and a lack of a formal reporting mechanism, both the HOM and Program Manager believe there is a need for more structured Program briefings for the HOM. The GR Section has weekly meetings to discuss operational activities and items of importance are recorded in the minutes. It would be useful if the Program Manager could provide a copy of the minutes to the HOM to allow her to focus and follow up on items of interest. Sectional meetings are scheduled weekly and when the opportunity arises the HOM should attend. This would provide her with insight into the dynamics of the Section as well as visibly showing her support to the staff.

Recommendation for the Mission

- 2.2.4 The Manager of the General Relations Program should provide the HOM with a copy of his Sectional minutes.**

Mission Response

- 2.2.4 The GR Program is going through a period of transition. The regular bi-monthly meetings held over the last two years with the Program Manager have been converted to a weekly one. Section meetings will be held weekly and the minutes and/or decisions and work plans deriving from these meetings will be shared with the HOM at the weekly meeting.**

Web Site

- 2.2.5 The GR Program is responsible for the Mission's web site. The Audit Team noted that the web site does not have a maintenance program that would include procedures for input, ongoing maintenance and quality assurance. Three priority sector Market Overview Reports are listed on the site but cannot be accessed because of technical difficulties. The Commercial Section has nine more Market Overview Reports and one Regional Economic Indicator Report that are not on the web site.**

Recommendations for the Mission

- 2.2.6 The Mission should implement a web site maintenance program that includes procedures for input, ongoing maintenance and quality assurance.**
- 2.2.7 The technical problem with the web site should be resolved and all Market Overview and Economic Indicator Reports should be added to the web site.**

Mission Responses

- 2.2.6 This is being done in conjunction with the "common look" and feel initiative in Ottawa. The Mission does not have the resources nor the expertise to support the web site and its maintenance load must be reduced by transferring web-master responsibility to Ottawa or issuing a local contract for outside assistance. In the meantime, each Section has been asked to identify a person responsible for ensuring information for web site updates is passed to the appropriate coordinator.**

2.2.7 Implemented with respect to access to the three existing Market Overview Reports (Agrifood, Construction, Telecommunications). Other reports are to be provided by the Trade Section.

Human Resources

2.2.8 The GR Program has a very active Public Affairs, Cultural and Educational component. The Mission has been organizing a very successful Canadian Spring Festival for the last three years and has nine Canadian Study Centres. The LE Officer responsible for these Programs receives support from an LE Assistant. The LE Assistant also provides support to the Political/Economic Officer, is the web site master, Information Assistant, SA back-up, does some media analysis and arranging media interviews, backs-up the Receptionist, provides translations, provides occasional back-up to the HOM Secretary, and is the Personal Assistant to the Counsellor and Consul, completing his travel and hospitality claims.

2.2.9 The Audit Team believes that the current work package of the LE Assistant position is difficult for the incumbent and her supervisor to manage. Through no fault of her own she is unable to complete all her responsibilities. For instance, her web master responsibilities are not being adequately performed. She is not aware of the technical difficulties that prevent users from viewing priority sector Market Overview Reports that are listed as being on the site. The responsibilities of this employee should be reviewed and priorities established to ensure efforts are directed to the priority work. The Program Manager indicated that the Public Affairs Section had missed some deadlines. It is not clear if this is an incompetence problem or if inadequate assistance is being provided to the Section.

Recommendation for the Mission

2.2.10 The LE Assistant's work package should be reviewed and priorities established to ensure her efforts are directed to work of highest importance.

Mission Response

2.2.10 The LE Assistant's work package has already been indirectly reviewed with the return of the Political/Economic Officer in August 2001 from an extended LWOP. The web master and system management responsibilities as well as the support for the GR Program are not currently reflected in the latest job description. This will be updated to reflect these additional tasks and submitted to the classification committee.

INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM

3.1 Overview

3.1.1 The IBD Program in Budapest is responsible for trade promotion and investment activities in four countries: Hungary, Bosnia-Herzegovina, Croatia and Slovenia. The Commercial Section is headed by a Counsellor (Commercial), the Trade Commissioner, who is supported by three Commercial Officers (COs), one Commercial Assistant (CA) and one Program Assistant. The Trade Commissioner provides functional direction to the Missions in Zagreb and Sarajevo and the Honorary Consul in Ljubljana, Slovenia. Functional direction is provided through the IBD Strategic Plan for the region and periodic liaison visits by the Trade Commissioner and Commercial Officers to Zagreb, Sarajevo and Ljubljana.

3.2 Management of the IBD Program

3.2.1 Program planning is effective. All Commercial staff have an accountability statement containing objectives, work plans, associated activities and expected results. Objectives are clear and measurable with criteria for success identified. The Commercial Section is an open, employee-friendly working environment. Overall, the morale is high and team work is strong.

3.2.2 The IBD Program is working well in Slovenia and Croatia. Last February, the Commercial Section had an inter-Mission meeting in Zagreb, the purpose being to familiarize the COs from Budapest with the territory in Croatia. In addition, the CO from Zagreb was in Budapest in November 2000 to participate in the IBD planning exercise.

3.2.3 In Bosnia-Herzegovina, the IBD Program is managed by the General Relations Program supported by one CO who spends one-third of her time on IBD. The remaining two-thirds is divided among other Mission Programs. The Trade Commissioner believes that there are commercial opportunities in the region. However, the current situation does not allow the Mission to effectively pursue these opportunities. He recognizes that there is little, if any, funding available. As an alternative, he is planning to discuss with the CIDA Officer arriving in Sarajevo this summer, a joint strategy to increase the effectiveness of the Program in this region.

IBD Strategic Plan for the Region

3.2.4 The Mission has an IBD Strategic Plan for Hungary, Slovenia, Croatia and Bosnia-Herzegovina. Its primary objective is to have 60 new Canadian exporters active in the region and a more focussed delivery strategy for the region to ensure all resources are effectively used for Program delivery. Each officer in Budapest, Zagreb

and Sarajevo has stated objectives and planned activities required to achieve the overall strategy.

3.2.5 In February and March 2001, the Trade Commissioner made liaison visits to Slovenia, Croatia and Bosnia-Herzegovina. The conceptual framework for the IBD Strategic Plan was discussed at that time. In addition, the MINT visit to Slovenia in September 2000 and the Zagreb Commercial Officer visit to Budapest provided input for the Plan. The HOMs in both Zagreb and Sarajevo support the Plan. While the Budapest HOM supports the Plan, she believes that it may be too ambitious for the COs. Their previous role was directed towards more IBD policy, rather than IBD promotion, which requires more proactive work.

3.2.6 The Honorary Consul (HC) in Ljubljana, Slovenia, has not been given a copy of the Plan. Although the HC is not expected to implement the Plan, he should be provided a copy for information purposes. It would help him to identify trade opportunities in the area, through his business connections.

Recommendation for the Mission

3.2.7 The Honorary Consul should be provided a copy of the IBD Plan.

Mission Response

3.2.7 Done.

3.2.8 The Plan was finalized in January 2001. Since that time there has been no update by way of a formal review completed by the IBD Section. The Section is working with the Plan, reviewing its efforts and results and implementing corrective action as required. However, a more formal reporting mechanism is required to demonstrate and communicate these efforts.

Recommendation for the Mission

3.2.9 A quarterly review of the Strategic Plan should be conducted and copies provided to all concerned parties: HOMs, HC and relevant HQ Bureaux.

Mission Response

3.2.9 In progress. At the moment the review is done through weekly Program meetings, in Budapest, for which minutes are now prepared and distributed as recommended. There was one inter-post review and planning meeting in December 2001 in conjunction with a WIN training program in Budapest. Every effort will be made to

encourage Zagreb and Sarajevo to participate in a quarterly review by “virtual” communication - e-mail or teleconference.

3.2.10 Because the Plan requires the support and efforts of the three HOMs and the HC, the quarterly review could be discussed at an inter-Mission meeting. All parties could evaluate the Plan with respect to Program delivery effectiveness and results. These discussions should ideally follow the quarterly performance monitoring exercise. Each quarter may prove to be too costly and excessive, but a mid and final year discussion would seem appropriate. The inter-Mission meeting could include all Programs, providing an excellent vehicle to discuss both results and corrective action required.

Recommendation for the Mission

3.2.11 **Regular inter-Mission meetings between Budapest, Zagreb, Sarajevo and the Honorary Consul should be instituted as soon as possible to provide a forum to discuss objectives, results and strategic planning.**

Mission Response

3.2.11 **A three Mission CMM (HOMs from Zagreb, Sarajevo and all Program Managers and relevant staff in Budapest) was organized in April 2001, which, inter-alia, discussed the IBD Program. A decision was taken at that time to organize these every six months (April and September). Unfortunately the September 11 tragedy with its aftermath affected the ability to organize the proposed meeting for that month. Efforts are now underway to organize one for April/May 2002.**

The three-Mission CMM was complemented by the Trade Section’s annual meeting in December. Additional meetings are problematic in view of severe resource constraints such as the availability of travel funds as well as availability of personnel, including the Honorary Consul in Ljubljana.

HOMs inputs will be requested during the PIBD planning phase and before it is submitted to HQ and they will be informed regularly of progress.

Communications

3.2.12 There is a need for more regular interaction between the IBD Trade Commissioner and the HOM. Because of travel commitments of the HOM and the Trade Commissioner and the lack of a formal reporting mechanism, both believe there

is a need for more structured briefings. The IBD Section has weekly meetings to discuss operational activities. Items of importance that require action and follow up are recorded on a flip chart. The Trade Commissioner could provide an abbreviated version to the HOM in bullet format allowing the HOM to focus and follow-up on items of interest. Sectional meetings are scheduled weekly and, whenever the opportunity arises, the HOM should attend. This would provide her insight into the dynamics of the Section as well as visibly showing her support to the staff.

Recommendation for the Mission

3.2.13 The Trade Commissioner should communicate more frequently and effectively to the HOM.

Mission Response

3.2.13 Agreed. The STC and HOM meet weekly when travel schedule allows (previously monthly). Flow of communications has been increased through ensuring the HOM is copied on relevant e-mails and trade staff meeting minutes. The HOM attends meetings when appropriate.

3.3 Support to Canadian Businesses

Canada Trade Days (CTDs)

3.3.1 The primary vehicle for successful implementation of the IBD Strategic Plan for the region is the CTDs. It is a focussed Market Information/Intelligence (MI/I) effort to increase and validate contacts, identify market opportunities in all four countries and add 60 new Canadian exporters to the region. The first CTD will be in Budapest on September 10, followed by a second in Zagreb on September 17. The initial date for the first CTD was July 5. However, recruiting was problematic because of summer vacations. Slovenia is tentatively scheduled for November 2001. Bosnia-Herzegovina will not be scheduled until the Trade Commissioner has developed a more specific strategy. He is considering soliciting the support of the CIDA Officer arriving this summer in Sarajevo. He believes that the CO and the CIDA Officer may be able to work together to identify and assess commercial opportunities in the region.

3.3.2 The IBD Section is attempting to work within its budget. It has a PIBD budget of \$10,000, travel budget of \$16,000, hospitality budget of \$9,400 and has requested \$3,000 from the Trade Initiative Fund (TIF). In addition, it will leverage funding levels with contributions received from third parties participating in Mission sponsored activities as identified in the Plan. The Program Manager is actively involved in the Canadian Chamber of Commerce in Hungary with a membership exceeding 100 active partners for the Mission in promoting IBD.

3.3.3 The implementation of the Plan could have two impediments. Budapest is relying on the other Missions to provide funding. However, these Missions have limited funds to contribute to the Plan. In addition, the inability of the Trade Commissioner to work in the local language of the Spoke Missions presents a series of problems, the most important of which is the possibility that local clients may view the CO as an interpreter, instead of an Officer.

Recommendation for the Mission

3.3.4 The Mission, in consultation with Zagreb and Sarajevo, should monitor closely the resources and language concerns in order to minimize their impact on the plan.

Mission Response

3.3.4 Resources are an ongoing concern and future planning will have to take this into consideration. Efforts, however, have been successful in leveraging funds from the private sector.

Every effort is now being made to ensure that when the STC encounters language problems in the Spoke Missions, local interpreters are engaged when necessary. The LES in Zagreb has developed sufficient expertise to deal with local clients and business opportunities to allow the Hungarian Commercial Officers to significantly reduce their involvement in Croatia. This will relieve significant pressure on the CO in Zagreb (especially in providing logistics support and translation services). The Trade Section recognizes that the CO is not to be used for interpreting functions as that is not her primary function.

Web Site

3.3.5 The IBD portion of the Mission web site does not list the six core services. It lists the names of additional service providers, such as accounting, legal, relocation services, but no providers for logistical services. Although three priority sector Market Overview Reports are listed on the web site, they can not be accessed because of technical difficulties. The GR Program is responsible for the Mission web site and a recommendation concerning the technical difficulties is reported in the GR Program of this report.

Recommendation for the Mission

3.3.6 The Commercial Section should update its web site to include the six core services.

Mission Response

3.3.6 The Trade Section recognizes the importance of ensuring that the six core services are transmitted to its clients and efforts are being made, in cooperation with the GR Program, which has primary responsibility for the Mission web site, to ensure this occurs. Please see Response 2.2.6.

3.4 New Approach

3.4.1 All COs have received the New Approach training. One CA has yet to receive this training and the other CA has not received the Program Assistant training.

3.4.2 Since April 2000, travel outside the office has consisted of eight trips by the Program Manager (Hungary - 1, Croatia - 3, Slovenia - 4) and twenty-one trips by the COs (Hungary - 6, Croatia - 7, Slovenia - 8). In order to renew and re-evaluate the existing network of contacts, more emphasis by the COs should be placed on visits within Hungary. MI/I obtained from the outreach program can be greatly enhanced by a regular out-call program. Their action plans should articulate the number of contacts they plan to make on a weekly basis and results discussed at the weekly staff meetings.

3.4.3 The Section provides, from time-to-time, more than the six core services. It finds that in this part of Europe there is still a need to do some logistical and hospitality services for visiting Canadians. The Section, however, is aware of the new emphasis on additional service providers and believes it will be in step with other Missions in the near future.

Recommendations for the Mission

3.4.4 The CAs should receive the appropriate training.

3.4.5 The COs should develop an active out call program for Hungary.

Mission Responses

3.4.4 Agreed. The Commercial Assistant will receive training in February 2002 and the Trade Assistant is registered on the next Program Assistants course in June 2002. All other trade staff will have had at least one training session at a trade show and an outreach program in Canada during the fiscal year.

3.4.5 The Commercial Officers will focus on an increased corporate outcall program in Hungary. Progress will be reviewed in the weekly trade meetings. Objectives and targets will be incorporated in the annual

IBD Work Plan with a specific focus to ensure that every effort will be made to adhere to the six core services.

Chancery Annex

3.4.6 IBD staff complained about the location of the Annex in a residential area. Travel back and forth to the business area, where most clients and contacts are located, is difficult because of traffic congestion. An inordinate amount of time must be set aside for travel. In addition, the air conditioner regularly breaks down and, when working, staff complain of the air quality. The heating system is inadequate and must be supplemented with electrical plug-in heaters. The office furniture is old, carpets are worn, offices are not adequately sound-proofed, and are in need of painting. Although there is a plan to move into a new Chancery, there is an immediate need to improve the Annex environment.

Recommendation for the Mission

3.4.7 **The Mission, in consultation with SRD, should identify and undertake the high priority projects that will improve the health and safety of the employees working in the Annex.**

Mission Response

3.4.7 **Every effort has been made, in association with the Mission's Management Services and HQ to ensure that immediate health and safety as well as key esthetic concerns were addressed. At this point, the air-conditioner system has been significantly upgraded, the heating system improved, staff relocated (everyone now has a window), new carpets ordered, offices repainted and new furniture ordered.**

CONSULAR PROGRAM

4.1 Management of the Program

4.1.1 The Consular Program is managed by the DMCO, while the day-to-day operations are conducted by a full-time Consular Officer (LE-07). Back-up is provided by the Administrative Assistant and the Assistant Accountant. The Mission provides Consular services to both Hungary and Slovenia and supports the Consular Programs in Sarajevo and Zagreb. The Consular Officer advises and assists the two Spoke Missions and inputs their Consular workload statistics/hours into COSMOS.

4.1.2 The Mission provides timely and effective Consular services. Staff are experienced and knowledgeable. Appropriate systems and procedures are in place and the COSMOS is being used effectively.

4.2 Service to Canadians

4.2.1 The Consular Program is responsible for the provision of services to Canadian citizens which includes passport and citizenship services for Hungary and Slovenia. Efforts are made to update the ROCA and encourage registration. Contingency plans are in place. There has been a decline in the number of Canadians travelling in the area and, therefore, caseload has been decreasing.

4.3 Passport Services

4.3.1 Passport and citizenship services are effectively delivered by the Consular Program. The Mission issues approximately 30 passports per month. A reconciliation of passports was conducted and all assets were accounted for and records were in order.

4.3.2 Consular revenues being collected ***. The Financial Management Manual, Chapter 23, requires that all revenues be forwarded for deposit when they exceed \$500 or weekly for lessor amounts.

Recommendation for the Mission

4.3.3 Ensure that Consular revenues are deposited as per Government regulations.

Mission Response

4.3.3 Done.

4.4 Honorary Consul

4.4.1 There is a Honorary Consul in Ljubljana, Slovenia who provides support to the Mission in terms of trade, political and consular activities. The relationship is good and the Mission values the contribution of the Honorary Consul. The Honorary Consul provides reports on Consular activities and inventories each month. There are no written goals and objectives in place for the Honorary Consul. However, the Mission is in the process of developing a MOU. The Mission also intends to submit a request at mid-year to RBD proposing to open an office under the supervision of the Honorary Consul that would include an LEP and an LES. This initiative is intended to reduce the workload and responsibilities of the Honorary Consul.

Recommendation for the Mission

4.4.2 Establish written goals and objectives for the Honorary Consul in Ljubljana, Slovenia.

Mission Response

4.4.2 A Memorandum of Understanding, outlining objectives and parameters for the Honorary Consul and his Assistant will be completed by June of 2002.

ADMINISTRATION PROGRAM

5.1 Management of the Program

5.1.1 The HOM has been heavily involved in the management of the Administration Program due to the MCO Program Manager position remaining vacant from November 2000 until June 2001. The DMCO, a junior AS ***, was acting as the Program Manager during this period. To assist the Mission, two experienced MCOs were sent to the Mission on Temporary Duty (TD). While the DMCO performed well under the circumstances, and the MCOs on TD assisted the Program, the situation demanded greater attention from the HOM than normally expected. The vacancy of the MCO placed considerable stress on the Program function and the employees involved in delivering the Program. Many observations detailed in this report are, in part, a result of this situation. The arrival of the new MCO in June 2001, has had an immediate effect on morale and has increased Program effectiveness.

Program Planning

5.1.2 With the MCO position vacant, and a relatively inexperienced DMCO acting as Program Manager, Program planning is not fully developed. The HOM discussed Program requirements and activities with the DMCO, but the Program has been functioning in a reactive mode with little forward planning. The HOM did not provide the DMCO with detailed Program objectives and goals.

5.1.3 Planning has improved with the arrival of the new MCO. He came prepared with a twenty point planning template that covered all Administrative and Consular functions. After assessing Program requirements, he began planning according to this template and Program needs.

Roles of the MCO and DMCO

5.1.4 The roles of the MCO and the DMCO need to be better defined, not only because of the problems associated with the vacancy of the MCO, but because the DMCO position has changed over time. The DMCO position was, in the past, primarily a Consular position. It has evolved into a full DMCO position responsible for Consular and Administrative functions. The MCO has already circulated a document outlining the roles and responsibilities of the two positions with a view to optimizing Program activities.

Complying with Departmental Policies

5.1.5 A number of observations raised in this section require the Mission to pay closer attention to Departmental policies. Personnel policies are not fully respected

leading to confusion surrounding the employment status of certain LES. A review of hospitality records indicated that Hospitality Guidelines are not well understood or enforced. Contracting policies and best practices, such as ensuring that suppliers are selected annually through a competitive selection, are not followed. Financial signing authorities and verification procedures need to be reviewed. It is the responsibility of the MCO and ultimately the HOM, to ensure compliance with Departmental regulations and guidelines. With the arrival of the new MCO, procedures and controls are being implemented to address these issues.

5.2 Human Resources

Management of the Function

5.2.1 The Human Resources (HR) function is normally managed by the MCO, and supported by the LES Property/Personnel Assistant. In the absence of the MCO, the DMCO has been responsible for this function along with all other Administration and Consular functions. HR has not, therefore, received the attention required. A number of personnel decisions and practices require clarification for the LES affected and correction where decisions taken are contrary to regulations.

5.2.2 A workload analysis is already proceeding and the new MCO is redefining the roles of the MCO and DMCO. Other issues being raised concern team building, improving relations with the LES, and communications. These issues will require the management team to develop a longer term strategy and improve Program integration.

Roles of MCO and DMCO

5.2.3 The new MCO, who arrived at the Mission at the time of the audit, has begun to address many of the HR issues. He has formally delegated HR activities to the DMCO and transferred LES support for this function from the Property Assistant to the Administration Assistant. This has had the dual effect of allowing the DMCO and Administration Assistant to focus on HR, and the Property Assistant to focus primarily on the Physical Resources function.

5.2.4 The job packages of the two Management Consular positions are not well understood because their roles have not been previously defined and explained to all staff. The absence of an MCO, combined with a number of changes to the role of the DMCO position, has added to the confusion among Mission staff, in particular the LES, as to the roles of both the MCO and DMCO. The DMCO position, for instance, has developed from a Clerk or Office Manager to an Officer position primarily devoted to Consular Affairs and has now taken on full deputy responsibilities for both Management and Consular functions.

5.2.5 The new MCO has produced an Organization and Responsibilities document outlining changes. The basic job mix is now similar to other Missions of this size, with the MCO assuming overall Program Management with the lead role for Finance and Property. The DMCO will now focus on Consular and Human Resources. Management and Consular staff have been reorganized accordingly. This is an appropriate allocation of responsibilities and workload. This document clarifies for all staff the roles and responsibilities of the MCO and DMCO.

Job Descriptions

5.2.6 The LES job descriptions have not been updated in a number of years, except for relatively new positions. For the Administrative Program staff, in particular, out-dated job descriptions contribute to the confusion of roles among LES in the Section and the clients being served.

Recommendation for the Mission

5.2.7 The LES job descriptions should be updated to reflect the realignment of administrative duties.

Mission Response

5.2.7 Agreed. A consulting company will be hired to review the descriptions with the employees (estimated costs \$8000). Once the job descriptions are completed a classification review will be undertaken to ensure that appropriate levels are reflected. Estimation for completing this task is September 2002.

Contracts for Indeterminate Positions

5.2.8 The Mission has recently hired LES into indeterminate positions and, at the same time, required these employees to sign a written contract with fixed periods of employment. Although contracts are signed, the Mission completes an EXT 208 LES Employment and Pay certificate for each person and applies all the same pay and benefits as for other LES. These employees were given a copy of the LES Handbook, which makes no reference to this practice under Recruitment, but refers only to indeterminate positions. Despite the contract each has signed, these persons are occupying full-time indeterminate positions and, under the LES Terms and Conditions, are, in fact, considered full-time employees. They are not contractors.

5.2.9 This practice is primarily used by the GR Program. However, at least two staff hired originally for that Program have been moved to the Administration Section under new contracts. In the case of one employee, the contract for the GR Program expired and she was struck off strength. She was later given another contract to fill a

position vacant while the incumbent was on maternity leave. The result is that this person has lost employment in a position that should have been indeterminate. There is no longer a position for her continued employment in the GR Program because the Mission has since hired another person.

5.2.10 This practice has had an understandably negative effect on employee morale at the Mission. Employees are increasingly aware, however, that this is not regular procedure according to the LES Terms and Conditions. It has led to confusion among LES contract and indeterminate staff and has served to erode the trust between management and staff.

Recommendations for the Mission

5.2.11 Ensure that all indeterminate LES assigned full-time numbered positions have contracts cancelled. Include in their personnel files written confirmation of indeterminate employment.

5.2.12 Ensure EXT 208's reflect full-time employment from the date employees were taken on strength.

5.2.13 Inform all LES of the difference between indeterminate employees and contractors.

Mission Responses

5.2.11 All affected employees have been notified of their status. There are no contracts to cancel, but rather terms to be converted to indeterminate. This has now been done. The outstanding case of an employee released without cause was dealt with in consultation with HRL. This issue has been resolved through the assignment of this employee to the CIDA Developmental Assistance Program.

5.2.12 EXT 208's are being updated and reviewed. Expected completion date is April 2002.

5.2.13 Done.

Bonus Payments

5.2.14 The LES receive different bonus payments to supplement their salaries. These bonuses have been approved by Headquarters at various periods since 1990 and include: a 13th month salary payment; a Fringe Benefit equal to 25 percent of annual salary (paid monthly); a Language Allowance equal to between 2 and 15 percent of salary for each language spoken (paid monthly); a Load Allowance for heavy lifting

(handymen); and a daily Meal Allowance. Some employees also receive a Transportation Allowance. This bonus structure creates a number of concerns:

- The administration of such a complex bonus structure is very difficult. For instance, the Language Bonus is paid on the basis of language proficiency and employer requirement. Things like proficiency are difficult to determine without complex testing. Of the twenty-three LES at the Mission, all but seven receive a language bonus. At the same time, the Mission continues to employ staff, primarily drivers, who speak neither of Canada's official languages.
- All bonuses may not be marker supported. The justification for a 25% Fringe benefit is not clear to the Audit Team. This benefit alone increases overall salary costs by \$80,000 annually.
- Not all the bonuses are included in the calculation of Gross Pay and reported as income to the LES.

5.2.15 The Mission should review all bonuses paid to LES with a view to ensuring they are in line with the practices and local laws followed by local employers. If possible, the number of bonuses should be reduced and their application simplified. If certain bonuses are not supported by the market, consideration should be given to eliminating them. During this process, HRL must be consulted to provide advice as to the feasibility of simplifying bonus payments through inclusion in salary.

Recommendation for the Mission

5.2.16 In the next six months, under the direction of HRL, conduct a comprehensive market survey to examine these bonuses and their justification.

Mission Response

5.2.16 The Mission has contracted an outside agency to review the bonuses and expects to report back in May of 2002. The Mission feels the bonuses are justified and are a fundamental part of the local compensation package.

Recommendation for HRL

5.2.17 Consider ways to simplify the bonus payments, such as including them in salary remuneration.

HRL Response

- 5.2.17** HRL is aware of the complex allowance package in Hungary. We are prepared to do a comprehensive review of the benefits package and await the data that the Mission is currently compiling on which to base our review. Once this is received, we will proceed with the review and provide our feedback to the Mission.

LES Handbook

- 5.2.18 The Mission has not updated its LES handbook since 1997. It was not aware of the common Parts One and Two of the new LES Handbook provided by HR that is required to be completed by the Mission. This is another example of the impact of the MCO position being left vacant. To ensure continuity, this type of activity should be identified as part of annual work objectives.

Recommendation for the Mission

- 5.2.19** In conjunction with the market benefits survey, conduct a thorough review of the LES Handbook and complete a new draft based on the HRL common handbook and submit to HRL within six months.

Mission Response

- 5.2.19** The Mission had updated its LES Handbook in 1999 which was approved by HRL in 2000. The handbook will be submitted within six months and will include the common Parts One and Two.

Community Coordinator

- 5.2.20 The Mission has contracted a new Community Coordinator, but she has not received a clear indication of her role and has not been provided office space in the Chancery. While finding space in the present Chancery is difficult, it is not impossible. She has not had any contact with SERV and has not received any Community Coordinator training. This Community Coordinator is relatively new to the Mission, *** new to DFAIT. As such, it is reasonable that she would require more support from the Mission. Now that the new MCO has arrived, regular meetings should be held and a clear description of her role provided to her, to CBS and their spouses and to Administrative LES. More frequent dialogue between the Community Coordinator and the HOM could also increase the HOM's awareness of CBS concerns.

Recommendations for the Mission

- 5.2.21** Define and formalize the role of the Community Coordinator and increase dialogue between the Community Coordinator, the MCO and the HOM.
- 5.2.22** Consider configuring available space in the Chancery to provide the Community Coordinator with an office or work space.

Mission Responses

- 5.2.21** The role of the Community Coordinator was well defined in a written and signed contract in April 2001 which specified the objectives and requested deliverables. These remain in effect to this day. In addition, prior to signing the contract, the TD/MCO met with the Community Coordinator, after close consultations with the HOM, to discuss the job requirements. This was essential in view of her lack of overall overseas experience to determine whether she felt comfortable in assuming the role. The candidate assured that she wished to take on this role.
- 5.2.22** The current Chancery cannot be reconfigured to provide work space. This is particularly true after the addition of the Defence and now Immigration Programs. Furthermore, S-Branch rules do not allow for a space allowance for the Community Coordinator. This should be brought up with SRSR as a policy change. Nevertheless, the MCO's office now has a shelf for CC materials and a computer is provided within his office space. In addition, a SIGNET account has been requested to allow for better communication.

SIV Comment

- 5.2.21** Although the Community Coordinator did receive a written contract, the Audit Team felt that there was a need for closer contact with the HOM and the MCO.

LES Committee

- 5.2.23** The Audit Team met with the LES Committee, who voiced various concerns that were discussed with the MCO. The LES recently elected this Committee as they had no such Committee before. They are unsure of its mandate and how to proceed, but are eager and interested. The Committee indicated to the Audit Team a number of concerns relating to issues raised in this report:

- There is little interaction among staff, particularly between the Chancery and Annex;
- The LES feel they do not know what is happening and are not aware of the long-term direction of the Mission;
- Priorities change quickly, with no explanation; and,
- Communication is inadequate, often only by e-mail messages which can grow out of control, into what they called “an e-mail storm”.

5.2.24 The HOM and the MCO should increase interaction with the Committee. Regular meetings should be held, with minutes kept and circulated. Action plans can be developed from this dialogue to address issues of concern to both the LES and Mission Management.

Recommendation for the Mission

5.2.25 Hold regular meetings with the LES Committee, and develop the Committee into a vehicle for dialogue between the staff and Mission Management.

Mission Response

5.2.25 Agreed and efforts are in place to implement this recommendation. Since the arrival of the new MCO in June, an early meeting of the LES Committee was encouraged and finally took place in early December 2001. The recommendations were delivered to the CMM in February 2002 and Mission Management is now engaged in constructive dialogue with the Committee.

5.3 Physical Resources

Management of the Function

5.3.1 The Physical Resources function has, in the past, been managed by the MCO but, with this position vacant, the DMCO has performed this responsibility. The LES Property/Personnel Officer is the primary support for this function, supervising three drivers and a handyman. Without a full-time MCO, this function has lacked adequate oversight. Service standards, discussed in the Mission Management section of this report, are required to keep clients better informed and improve their level of satisfaction. The visit of the Audit Team was followed by a visit of the Regional Maintenance Officer from SRSF, who will assist the Mission to address many of the issues noted in our report.

5.3.2 The Mission leases the Chancery and has an Annex building on the property which houses the Commercial Program, the Development Program, and the Canadian Club. The Official Residence (OR) and four Staff Quarters (SQs) are also leased and the Mission has four Crown-Owned SQs, two of which were constructed in 1997.

Work Planning

5.3.3 The Audit Team found that work planning for this function is weak, particularly for regular maintenance. Again, this is an impact of having the MCO position vacant and a lack of continuity. The DMCO did not have the time nor the experience to prepare detailed medium and long-term plans or start new projects. The Property/Personnel Assistant has not been planning or budgeting for such activities but operates on a reactive basis to requests and direction from her supervisor. The Mission has, however, recently completed a Mission Property Management Plan (MPMP) which sets the basis of a broad property strategy and the Mission does use PRIME and the SRSF Work Plan to coordinate overall property activities.

5.3.4 Since his arrival, the new MCO has begun to address maintenance planning by developing a spreadsheet to track and plan annual maintenance, occupant requests, and new initiatives. He has budgeted up front specific amounts from Mission funds for regular maintenance, identified work priorities by PRID, and is proceeding with needed maintenance.

Housing Committee

5.3.5 The Mission Housing Committee has been active only for the past year. The Committee meets infrequently due to the heavy travel schedule of its members. In the past year, the Committee has only been tasked to review applications for Accommodation Deficiency Adjustments (ADA's). Two applications have been considered and one granted in the fall of 2000. The Committee is not involved in a property advisory role, such as allocation of SQs, leasing decisions, etc. For instance, the Mission has indicated a desire to dispose of one SQ. However, the Housing Committee had not been tasked to examine this or other possible solutions. Neither the Committee nor the Mission is aware of the SRD Mission Housing Committee Terms of Reference Guidelines which outline possible roles. It would benefit the Mission and Administration Services if the mandate of the Housing Committee was expanded to include development of short and medium-term plans for the Mission housing portfolio and review of, or input into, maintenance plans.

5.3.6 The one approved ADA is SQ473100 for a 20 percent rent reduction, and was approved at the time of the occupancy. The documentation for the ADA made no mention of a time limit for the reduction, or corrective action. At the time of the Audit Team's visit to this SQ, some deficiencies had been corrected, or were no longer valid. For example, the ADA application noted that the yard was not clean, was unsightly, and

contained chickens owned by other occupants. This appears no longer to be the case. Normally, rent reduction is approved for an ADA on a temporary basis until the deficiency is corrected. They should be reviewed by the Mission Housing Committee on a regular basis.

Recommendations for the Mission

5.3.7 Review the application for ADA at SQ473100 against present conditions.

5.3.8 Ensure all future ADA's are reviewed regularly, as corrective actions are taken or circumstances change.

Mission Responses

5.3.7 The ADA will be reviewed and re-assessed against current conditions.

5.3.8 Agreed.

5.3.9 The Mission has signalled to SRD the urgent need to consider relocating the Chancery. The present site which is leased from CD Hungary, the former Diplomatic Housing Bureau, is not a suitable office building and does not offer adequate space for present needs. Its location in Buda is a considerable distance from the downtown core and the Pest side of the city where Government and business offices are located. There are also expectations that the CIC will open operations in the Mission. SRD is moving ahead with plans to lease a new Chancery site to improve location and facilities. The Project Team from SRD visited the Mission at the same time as the Audit Team.

5.3.10 Despite plans to relocate the Chancery, there is work and maintenance still required for the present Chancery. With the MCO position vacant, there was very little maintenance planning for this facility. Concerns raised with the Audit Team regarding the present Chancery are:

- There is no central cooling in the main Chancery and split AC units are only installed in the Secure Zone;
- there are no screens on main Chancery windows;
- the HVAC system in the Annex is not used or is not functioning;
- lighting is very poor;

- the exterior fence is in need of repair; and,
- interior and exterior painting is required.

Recommendation for the Mission

5.3.11 In consultation with SRSF, identify priority short-term work and maintenance requirements for the Chancery.

Mission Response

5.3.11 The Mission has established a maintenance work plan for the Chancery and Annex and has identified several projects in the MPMP. We are keeping SRSF in the loop constantly on progress in terms of projects. Spending on Chancery maintenance has gone up significantly this fiscal year including insistence that the landlord live up to its obligations. For example, they completed major Chancery ground rehabilitation project, painting of exterior fences, exterior reconstruction of one of the Annex buildings and a significant heating/boiler project for the main Annex this last fall.

SRF provided funds to upgrade AC system in Trade/CIDA/ Immigration Annex as well as main Chancery building.

Maintenance

5.3.12 The Mission does not have a regular preventative maintenance program, nor a functional work order system. Work is requested either verbally or by e-mail to the Property/Personnel Assistant and assigned at her discretion to either the Mission handyman or ***. The Handyman is supervised by this employee directly and does not participate in Program meetings. The Chancery, OR, and four Crown-Owned SQs were visited by the Audit Team. Chancery and SQ occupants indicated a low level of satisfaction regarding maintenance, with the following complaints:

- *** are not effective and work is not completed or done correctly;
- workers do not speak English nor French, and often arrive at SQs unannounced or are unable to explain what they are doing;
- inadequate follow-up of requests by Administration;
- work often requires repeated requests; and,

- there is little communication from Administration on housing in general, maintenance operations, or how Mission maintenance services work.

5.3.13 The Mission's Handyman performs only general work or contractor supervision. The Mission uses *** for more complex maintenance in all buildings, including the Crown-Owned SQs. The Mission has not developed a contact list of other local contractors nor has it compared the cost of *** to similar services available on the market. The Mission has not renewed its contract with *** since 1992. When questioned by the Audit Team regarding ***, the Property/Personnel Assistant indicated that the Mission has always used them for general work, that their prices are considered to be the most economical and that invoices are paid as received. Given that the work performed by *** is often viewed as less than satisfactory and that more modern and effective private contractors are widely available, the Mission should consider alternative resourcing including competitive processes in order to obtain best value from contractors, as well as cost, ability, and effectiveness.

Recommendations for Mission

- 5.3.14 Implement a Work Order system to request, plan, and track work requests and services.**
- 5.3.15 Develop a contact list of local contractors for regular maintenance services based on competitive rates and service.**
- 5.3.16 Enter into new contracts for regular service, or standing offers, to ensure that work performed is properly priced and evaluated.**

Mission Responses

- 5.3.14 Done since late Summer. The Work Order system is part of an on-going refinement process to ensure client satisfaction.**
- 5.3.15 The Mission has almost doubled its list of contractors since the Summer and plans to have three for each type of service. This is an ongoing effort and will be maintained. Please see Mission Response 5.3.16 below.**
- 5.3.16 A standing offer matrix of 25 different types of routine services has been established and is in the process of being put into operation. The expected completion date is May 2002.**

Note: In addition to the above, the MCO is working closely with the Property Assistant, Maintenance Clerk and Technician to develop a systematic, long-term property maintenance program which will

ensure that Crown properties, whether owned or leased, are well-maintained and individual needs dealt with in a timely fashion.

SQ Leases

5.3.17 At the present time, all leases are with CD Hungary. In the past five years, the Mission has leased only two SQs from other owners. The Property/Personnel Assistant, who is responsible for identifying potential properties for lease and making first assessments prior to review by the Housing Committee and the MCO, indicated to the Audit Team that the Mission was able to rent from CD Hungary at the best price. Although the average cost of monthly leases with CD Hungary is reasonable according to the local market (\$3,000), the Mission should explore other leasing options to ensure best value.

Recommendation for the Mission

5.3.18 Research the local property rental market to ensure best value for Crown leases when selecting housing.

Mission Response

5.3.18 The Housing Committee has been, as is the norm during that period, very active during the Summer of 2001. The Mission retained a local real estate agent to identify properties that the Committee could review. The agent provided almost 50 locations which were reviewed by the property manager, who ultimately identified 20 to visit. A short list of 5 were then reviewed by the Committee who selected an apartment with a new landlord (not CD Hungary). The tenant is very satisfied with this SQ. We have also obtained off-the-shelf reports about the market from property management companies. The same approach has just been initiated for 2002 as there is a need for 3 new SQs.

SQ430081

5.3.19 The Mission Property and Maintenance Plan (MPMP) indicates that Crown-Owned SQ430081 should be considered for disposal. This SQ is an older house located a short distance from the Chancery on the same street, which is busy and therefore quite noisy. The previous occupants had not been satisfied with this SQ and had asked to move. Since the Mission has been considering disposing of this SQ, the Mission has not been conducting any renovations or improvements. The furniture in this SQ is visibly older, mismatched, and in worse condition than other SQs. All of these factors make SQ430081 less desirable. Although the MPMP indicated the Mission's decision to dispose of this SQ, the Audit Team found no detailed analysis to

support this decision. The Housing Committee has not been tasked to consider this decision. Before any decision to dispose is taken, the Mission and SRSK should closely evaluate the positives and negatives of this SQ, and consider the short and medium needs of the Mission. If it is not to be disposed of in the short term, necessary maintenance should be carried out and consideration given to minor improvements.

Recommendations for the Mission

- 5.3.20** **The Housing Committee should evaluate the decision to dispose of SQ430081 versus its potential to be improved and kept in the Mission profile.**

- 5.3.21** **Along with evaluating the potential disposal of SQ430081, develop short and medium-term strategic SQ needs.**

Mission Responses

- 5.3.20** **This SQ will be retained. It was listed as a disposal in the MPMP several years ago without a traceable review. Current market conditions warrant keeping this SQ. The current MPMP lists several significant projects to ensure long-term sustainability for this house.**

- 5.3.21** **The current year MPMP addresses this concern. The short and medium-term anticipated requirements are clearly outlined.**

Defence Relations Office

5.3.22 When the Canadian Forces Attache (CFA) and the Canadian Forces Attache Assistant (CFAA) positions were added to the Mission in the fall 2000, hasty renovations took place on the second floor of the Chancery, in the Secure Zone, to accommodate their offices. Filing cabinets containing secure records were removed from the Registry and stored elsewhere. The Registry was converted into a main office for the CFA and a small outer office for the CFAA. This arrangement involved a minimum amount of fit-up and while seen by all concerned at the Mission as satisfactory, it is not ideal. The CFAA's office is a hallway and the only access to the CFA's office is through his assistant's office.

5.3.23 The filing cabinets, where they are now located, may be creating a load concern for the floor. Additional filing cabinets, containing unclassified administration records, are located in the attic where, again, load capabilities are not known.

Recommendations for the Mission

- 5.3.24** Consult SRSF regarding the acceptable location and load impact of the filing cabinets in the attic and elsewhere.
- 5.3.25** Reduce paper storage, of both classified and unclassified records, with a view to alleviating the amount of space required.

Mission Responses

- 5.3.24** Done. We have reviewed the load impact with SRSF during their site visit and have taken appropriate action.
- 5.3.25** Files are currently being culled according to DFAIT standards under spousal contract. Over 800 kg have been shredded. The central registry file system will be operational by April 2002.

5.4 Finance

Management of the Function

5.4.1 The absence of a permanent MCO for the last 10 months is the most significant factor affecting the financial section of this Mission. With two different MCOs filling in on temporary duty and the DMCO also acting, it has been difficult for the Accountant and the Assistant Accountant to consistently apply financial procedures in an environment of constantly changing supervisors.

5.4.2 During the audit, financial procedures, controls and reporting requirements were examined as were a three-month sample of transactions processed. While overall the function is operating as intended, issues are being raised to strengthen controls regarding signing authorities, to improve adherence to procedural requirements and to increase efficiency.

Payment Processing

5.4.3 The Mission operates three bank accounts, a USD account, a HUF account and, as of April 2001, a CAD account. In Budapest, cheques are not a mode of payment. Bank transfers are used to pay LES salaries and to pay established companies. Cash disbursements consist of approximately 50 percent of payments to other companies and individuals.

5.4.4 A review of three months of accounts revealed cases where the expenditures payment vouchers were certified under Sections of the FAA by the recipient of the payment. This occurred during the period of the three different MCOs.

The EXT53 (specimen signature card) and the EXT1321 (signing authority for letter of credit and bank accounts) are not up-to-date. In many cases, individuals without proper signing authority were signing under Sections 33 and 34 of the FAA.

Recommendations for the Mission

5.4.5 Review and update all EXT53s and EXT1321s.

5.4.6 Ensure that all payments are certified under Sections 33 and 34 of the FAA by officers with appropriate signing authority.

Mission Responses

5.4.5 Done.

5.4.6 Done.

Account Verification

5.4.7 The following deficiencies were noted regarding the processing of payments. They relate to the adequacy of supporting documentation and to potential efficiency improvements:

- invoices are not always translated into English or French;
- evidence for exchange rates regarding expenses is not always submitted;
- the payee is not always identified when petty cash is used;
- LES salaries are paid a week in advance;
- for some employees salary payments are transferred to two different banks resulting in additional bank charges;
- official vehicle expenses, particularly fuel usage, are not adequately monitored;
- recoverable expenses such as telephone charges are not properly coded to ensure recovery; and,
- the petty cash funds in Administration and Consular are not verified monthly.

5.4.8 The following recommendations are intended to strengthen the financial control framework in the Mission, ensure compliance with Departmental policies and procedures, protect assets and ensure proper disbursement of funds.

Recommendations for the Mission

- 5.4.9 Translate all invoices into English or French.**
- 5.4.10 Ensure that proper supporting documentation is on file for exchange rates and petty cash reimbursements.**
- 5.4.11 Issue LES salary payments at the end of the month.**
- 5.4.12 Allow only one bank transfer per employee.**
- 5.4.13 Establish procedures to ensure that vehicle expenses can be verified.**
- 5.4.14 Ensure that recoverable expenses are properly coded.**
- 5.4.15 Reconcile the petty cash funds monthly.**

Mission Responses

- 5.4.9 It is not practical to translate all invoices. Third party verification will be sought when whoever is responsible for signing the authority is unclear about the context of the invoice or its validity.**
- 5.4.10 Done.**
- 5.4.11 Done.**
- 5.4.12 Done.**
- 5.4.13 Since the audit, the MCO instituted a vehicle log, fuel consumption and repair costs monitoring system. This identified an abuse of fuel on the part of three employees who were subsequently released. Systems are now in place and operational at the Hub. Spoke Missions are in the process of implementing.**
- 5.4.14 Done.**
- 5.4.15 Done.**

Value Added Tax (VAT) Refunds

5.4.16 The Mission has its VAT refunds processed by a private company at a cost of 25 percent of the amount refunded. Experiences in other missions suggest that the work involved in processing these refunds is not excessive and that the Mission could realize savings by performing this task with the resources in place.

Recommendation for the Mission

5.4.17 Consider the feasibility of processing VAT refunds with the resources available in the Administration Section.

Mission Response

5.4.17 The MCO has reviewed the situation and had meetings with the service provider. The central government rules governing VAT reimbursement are unclear and subject to change and interpretation. It is an issue which has been taken up by many Embassies and the Diplomatic Association (of which the HOM is currently Secretary/ Treasurer) with the Ministry of Finance without any clear guidelines established. Given the complexity, lack of clarity and ever-evolving procedural landscape we do not recommend doing this in-house. The personal and professional connections of our service provider is likely to pay off in fewer rejected VAT claims. The Mission, however, has negotiated a larger VAT refund on major projects.

Bank Run

5.4.18 The bank run is carried out by ***. A more formal arrangement regarding security services is needed to ensure that obligations and any potential liabilities on the part of individual hired and the Mission are known and agreed to. Consideration should be given to obtaining this service through contracting with a security company or through the Mission bank.

Recommendation for the Mission

5.4.19 Review security procedures for the bank run and formalize services required through a contract.

Mission Response

5.4.19 Done. A contract has been established and will be regularly tendered.

5.5 Information Management

5.5.1 Mission staff are satisfied with the resources provided by SIGNET and with the service received from the Systems Administrator (SA). All staff except the Drivers and Handyman have SIGNET access and have received sufficient training. New employees are also provided with informal training and coaching. Corporate systems such as IMS, COSMOS and WIN ONLINE are used and the staff involved with these systems have received appropriate training.

Registry

5.5.2 The Mission no longer maintains a Registry since the space devoted to it was renovated to provide offices for the Defence Relations Program. The Registry file cabinets were relocated to a less accessible area as a temporary measure. Program staff are therefore no longer using the Registry for central filing, but instead maintain records in their own offices. Without a central registry for deposit of files, records are not always available and there is no systematic disposal of Mission files. This is not unlike other missions. The ability to retrieve files and the handover of files on rotation of CBS are difficult without proper records management. For missions that do not have a CBS Clerk, records management has traditionally been tasked to the HOM's Assistant.

5.5.3 The attic was found to contain a large number of filing cabinets with unclassified Administrative files. Many of these files date back to 1991, are not regularly accessed by staff, and should be considered for disposal. In order to do this, file retention and disposal schedules need to be developed.

Recommendations for the Mission

- 5.5.4 **In consultation with SRSF, consider alternative locations for the classified Registry.**
- 5.5.5 **Consider how to best manage classified records and who should be responsible for maintaining the files and records.**
- 5.5.6 **In consultation with SXD, develop a records retention and disposal schedule.**

Mission Responses

Note: One of the many reasons for converting the registry to the military attache's office is the fact that no registry/filing had been maintained since 1997. At the same time the space to which the existing registry was moved had not been used in close to five years.

This resulted in the decision, under pressure to open a CFA office, to move the registry into its new location.

- 5.5.4 Done. No alternative location possible (until the move into a new Chancery location). Weight has been significantly reduced.**
- 5.5.5 A major culling process has been undertaken under a spousal contract. Once this is complete and a streamlined filing index is developed, the HOM Assistant will file documents which are properly classified. This may prove not to be sustainable and, wherever possible, a spousal contract will be offered.**
- 5.5.6 The Mission does not need to create its own schedule. We have adopted DFAIT standards from the manual and we simply need to review records on a yearly basis. This will be handled by spousal contract whenever possible. Records of historical interest are being sent to SXIS.**

Information Manager

5.5.7 Public Folders have been used in the past to share information and store electronic records. The function of Information Manager is the responsibility of the MCO. Since the MCO position has been vacant, there has not been a designated Information Manager to support the Public Folders and as a result their use has declined. The Mission would benefit from a review of its file sharing needs and, as required, the development of a structure to support the use of Public Folders.

Recommendation for the Mission

- 5.5.8 Develop a strategy to reinstate the use of Public Folders.**

Mission Response

- 5.5.8 The Mission questions this recommendation. At the Mission we have a common “I” drive which is more practical for the storage of documents and shared items of information, templates, etc. It meets the same objective.**

Nevertheless, additional staff training is planned to ensure full familiarity with Icon Desk and hopefully lead to increased usage of all elements of our information technology system including the calendar function.

MITNET Room

5.5.9 The MITNET Room is located on the third floor of the Chancery and is accessed only as required. An inspection revealed the room to be in dire need of painting, cleaning, and improved lighting. Water or humidity damage has also affected the walls. This room contains sensitive equipment that is essential to the operations of the Mission.

Recommendation for the Mission

5.5.10 Ensure that the MITNET Room receives required repairs and maintenance.

Mission Response

5.5.10 Careful planning on how to repair this room is required so as to not damage the sensitive equipment. Ideally, all equipment should be removed from the room for a complete overhaul to take place. This is not practical as the Mission would have to shut down for several weeks. We hope to have essential repairs done by June of 2002. Dust will be the critical issue and how to minimize its impact on operational systems.

SIV Comment

5.5.10 The Mission should contact SRSF for detailed work requirements regarding this room. While SIV cannot assess the total extent of the repairs needed, consultations with SRSF indicated that a number of days would be needed, not weeks. Such repair work could be scheduled over a weekend to reduce impact on Mission communications.

MISSION RESOURCES FACT SHEET

Human Resources (FTEs)

	CBS	LES	Total
HOM Office	2	4	6
General Relations	1	4	5
International Business Development	1	5	6
Administration	3	9	12
Consular		1	1
DND	2		2
Development		2	2
Total	9	25	34

Physical Resources

ASSETS	OWNED	LEASED
Chancery	-	1
OR	-	1
SQs	4	4
Vehicles	6	

Financial Information 2001-2002

LES Salaries N012	\$497,692
Operational N001	1,119,681
CB Overtime N011/0104	7,900
Capital N005	88,000
Total	\$1,713,273