



AUDIT

OF

THE CANADIAN CONSULATE GENERAL

SHANGHAI

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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 the Administration Programs was conducted in Shanghai during the period January 31 to February 8, 2002. The audit was conducted concurrently with the audit of the other four Missions in China. The previous audit of the Consulate General was conducted in September, 1997.

MANAGEMENT OF THE MISSION

The Mission has strong management and very capable leadership from the Head of Mission (HOM). Planning and related management structures are in place including the appropriate Mission committees. Communications are good and there is excellent teamwork and coordination among Programs and among staff within each Program. Morale at the Mission is very positive. The Mission is in the process of expanding its office accommodation and will continue to face the challenges of adapting to increasing workload and growth pressures. Minor observations and recommendations are raised in this report that will improve an already well managed operation.

GENERAL RELATIONS PROGRAM

The General Relations Program has only recently had the benefit of full time resources. Growing demands and increased opportunities have generated a full agenda for the Program whose response in relation to the resources available has been impressive. Consideration of assigning a Canada- Based Officer needs to be analyzed by the Mission and by Headquarters.

INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM

The Trade Program is well managed, properly organized and resourced with qualified, capable and enthusiastic staff. This is a Program that has grown and will continue to have more demands placed on it than it can meet. Given the responsibilities involved, it is suggested that the level of the Program Manager be reviewed. More effort in evaluating Program outputs and results would enhance planning and program delivery. The New Approach has been thoroughly incorporated into the Program's activities. However, several minor points are being raised in the report regarding awareness of certain aspects of the New Approach and the consistency of its application.

CONSULAR PROGRAM

The Consular Program is operating effectively. Service standards have been established and the Program has a work plan which includes objectives and time frames. A warden system is in place and the Consular Emergency Plan is up-to-date. Bandwidth limitations are affecting the use of COSMOS. The planned acquisition of additional space will alleviate cramped working conditions. The Program needs to complete Mission logs for the COMIP statistics and to verify a discrepancy with passport inventory figures.

ADMINISTRATION PROGRAM

The Administration Program is well managed having provided strong support during a period of considerable growth within the Program and the Mission. The size of the Mission and increased responsibilities accrued to the Management/Consular Officer (MCO) suggest that the classification level of this position needs to be upgraded. The current Chancery expansion is progressing as per the plan and the staff quarters portfolio has been improved with cost savings to the Mission. Minor recommendations are being raised, in particular the need for the MCO to be more involved and knowledgeable in financial operations.

RECOMMENDATIONS AND MANAGEMENT RESPONSES

A total of 25 audit recommendations are raised in the report, 21 are addressed to the Mission and four are addressed to Headquarters (HQ). Management has responded to each recommendation indicating action already taken or decisions made, as well as future action. Of the 25 recommendations, management has stated that 19 recommendations have been implemented. For each of the remaining 6 recommendations, management has indicated the initiatives in progress or the intended future action.

MANAGEMENT OF THE MISSION

1.1 Overview

1.1.1 The Mission is headed by an experienced and progressive HOM supported by capable Program Managers, Canada-Based Staff (CBS) and Locally-Engaged Staff (LES). Staff are highly motivated and qualified and morale in the Mission is very positive.

1.1.2 The Mission has experienced considerable growth over the past few years in response to its location in the most sophisticated business environment in mainland China. East China leads in both consumption and attraction for foreign investment. As China's financial centre, Shanghai is also the gateway to China's emerging interior markets. There are increasing demands on the Mission's services across all Programs.

1.1.3 The Mission has 40 employees, including CIC operations and representatives from the Quebec and Ontario Governments. The Mission recently staffed the Public Diplomacy Section and it is in the process of obtaining more office space to accommodate recent growth. This initiative is being well managed by the MCO with direction from the HOM and the Committee on Mission Management (CMM).

1.2 Planning

1.2.1 The management structure in the Mission is very sound with processes and initiatives in place such as management and staff retreats that foster communications and provide the basis for developing plans and reviewing operations and outputs. In addition to the goals and objectives established in the HOM's Performance Agreement, the Mission produces an Annual Strategic Report covering each Program. This report looks back at the previous year's commitments and determines goals for the upcoming year. In addition to the Annual Strategic Report, each Program produces a work plan that itemizes actions required, standards for success and time frames for each identified objective. Each Program Manager conducts a similar exercise for their staff. After six months, plans are reviewed at the Program and Mission levels.

1.3 Committees

1.3.1 The CMM meets on a weekly basis and functions as a forum for management to share information, anticipate upcoming events and make decisions. The Mission has a Housing Committee which meets regularly and is functioning as intended. A special Design Committee with staff participation has been established to ensure that staff needs are taken into account regarding the new space being acquired. The Mission has an LES Committee which meets every two months. Issues from this Committee are presented to the CMM. The Mission also has a Contract Review Board and a Health and Safety Committee.

GENERAL RELATIONS PROGRAM

2.1 Overview

2.1.1 The General Relations (GR) Program at the Mission is managed directly by the HOM. The Public Diplomacy Section is headed by the Public Diplomacy Officer, an LES Expatriate. A Public Affairs Assistant reports to the Public Diplomacy Officer and also supports the HOM.

2.1.2 On-going commitments in the GR Program include bilateral relations, international security, policy management and public diplomacy. Except for public diplomacy, these are managed by the HOM with support from the various sections as required. The public diplomacy function is the responsibility of the Public Diplomacy Officer, under the direction of the HOM.

2.2 Public Diplomacy

2.2.1 The Public Diplomacy Section has identified its goals, strategies and activities in the Mission's Annual Strategic Report and in the Post Initiative Fund Proposal. These are aimed at raising Canada's profile, increasing contacts with government and cultural bodies, ensuring strategic Canadian participation, producing promotional materials including web sites, supporting Canadian Study Centres and, in general, fostering value added relationships. The Section has planned a comprehensive agenda of projects including cultural events, outreach activities, profiling activities and Trade support activities.

2.2.2 There is good coordination between the Public Diplomacy Section and other Mission Programs. For example, the Public Diplomacy Officer sits on the CMM and both the Officer and the Assistant participate in the weekly Trade Section meetings. The Section has good access to Mission Management, which enhances its ability to promote the Section's activities and also to provide support to other Programs.

2.2.3 The Section has put in place an ambitious and proactive program with minimal resources. The Mission has identified the potential benefit of more effort in this area given the opportunities that exist. In particular, the Mission would like to have a CBS devoted full time to the Program to take on more political and economic reporting. Any request for increased resources by the Mission would be strengthened by a comprehensive analysis of the potential benefits in relation to the costs, so that when presented to PND it can be considered in light of regional priorities and resource availability.

Recommendation for the Mission

- 2.2.4 The Mission should document the benefits of funding a CBS Program Manager for the General Relations Program.**

Mission Response

- 2.24 The Mission has documented the benefits of establishing a CBS Program Manager for the General Relations Program. This rationale will be presented to PND.**

INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM

3.1 Overview

3.1.1 The Trade Program in Shanghai is dedicated to the development of commercial relations between Canada and the territory encompassing the municipality of Shanghai and the Provinces of Jiangsu, Zhejiang and Anhui. The Program is headed by a Senior Trade Commissioner (STC) who is supported by 2 Trade Commissioners, a Senior Commercial Officer, 2 Commercial Officers, 4 Commercial Assistants and an Information Manager. The Program is organized under three teams, two of which are headed by a Trade Commissioner with a Commercial Officer and an Assistant, with the third team led by the Senior Commercial Officer supervising an Assistant. A Commercial Assistant and the Information Manager report directly to the STC.

3.2 Management

3.2.1 The Trade Program is headed by an Officer with considerable experience working in the region and in managing trade promotion and investment activities. The Program also benefits from the support and direction provided by the HOM at the Mission level and from his involvement externally with government and business contacts in China and at HQ. Both the CBS and the LES are well qualified, dedicated and enthusiastic. In addition, there is a solid planning, monitoring and reporting framework in place. As a result of these factors, the Trade Program is operating efficiently and effectively.

3.2.2 Goals and objectives for the Program are set out as described earlier, in the Mission's Annual Strategic Report and the HOM's Performance Agreement. Further to this, an accountability document for the STC has been developed which defines strategic priorities, major objectives and related performance criteria, and sectoral and management priorities. In conjunction with the STC's accountability document, an accountability document is in place for each team.

3.2.3 The Program has a quarterly retreat to review work plans and set priorities for the next quarter. As well, periodic "thinking outside the box" sessions are held to generate ideas and creative approaches to the issues and challenges facing the Program. The Program also organizes in-house training sessions to keep staff updated on various topics and work tools. The Program has weekly staff meetings which the Public Diplomacy Officer and Assistant also attend. These meetings allow the sharing of information, discussion of previous agenda items and upcoming events and for issues to be raised. Cooperation and support among teams and staff are encouraged by management, and staff have open access to management.

3.2.4 The Trade Program in the Mission is large and, given the current dynamic economic environment and China's recent WTO membership, there will be pressure and opportunity for the Program to grow. In comparison with other missions, and in view of the responsibilities of the STC in managing a large staff with the complex cultural and bureaucratic challenges facing the Program, consideration needs to be given to increasing the current level of the Program Manager to an EX-01 level.

Recommendation for PND

3.2.5 In consultation with HPD, the Bureau should evaluate the classification level of the STC.

PND Response

3.2.5 Agree with recommendation. The Bureau will work with the post to propose that the STC classification be raised to the EX-1 level.

3.3 Performance Measurement

3.3.1 Operational performance is being monitored through the on-going involvement of management in daily activities and through reporting against work plan objectives and targets. These relate to deliverables in terms of outputs, that is the number of contacts made, new companies introduced to local markets, amount of promotional material distributed, events organized and attended, etc. These are useful indicators for management and are being used to ascertain conformance to plans and to assess individual performance.

3.3.2 Measuring program effectiveness goes beyond quantifying outputs and interactions with clients and other stakeholders. It assesses the effects of these outputs. The Program has not established a methodology that would periodically quantify, analyze and evaluate outcomes attributable to its Program activities and outputs. Such information would be valuable to management and staff to determine which strategies, activities and initiatives provide the most value added. This in turn would allow the Program to adjust priorities, redirect operations and reallocate resources. It can also provide input at the Departmental level in assessing the validity of existing policies and strategic direction.

3.3.3 The proposed Program evaluation of the China Trade Program will be relevant in this regard since it will entail an articulation of objectives in addition to indicating how Program performance will be assessed. The Program can incorporate the measurement indicators and applicable methodology used in the Program evaluation to make adjustments to management processes and to establish an on-going performance measurement capability.

Recommendation for the Mission

- 3.3.4** The Trade Program should develop the on-going capability to collect, analyze and evaluate performance data related to outcomes of services provided.

Mission Response

- 3.3.4** As one of the posts involved with TBX in developing and refining the Client Service Fund (CSF) template, we have already incorporated "expected results" performance measurement targets into our Program for the Fiscal Year 2002-2003 work plan. The Program will implement post-event questionnaires for all CSF-financed activities, and make our communications with our clients, both direct and indirect, more interactive. The questionnaire results will be incorporated directly into our post-event reporting, and used to refine further the effectiveness of our Program delivery.

Our IBD Program publishes five bimonthly "Market Bulletins", i.e. one for each priority sector. A fundamental objective of the bulletins is to promote communications with our Canadian clients. We actively seek feedback in each edition. To stimulate interactivity, and measure effectiveness, the Program has now amended the bulletin format to encourage greater response.

We are now in the process of expanding the delivery of our Market Bulletins by placing them on our website. The initial response to this initiative has been very encouraging. During the period May 1-17, 71 new subscribers signed up for our Market Bulletins via our website.

3.4 New Approach

- 3.4.1** The Trade Program is effectively delivering the Trade Commissioner Services' New Approach to Canadian businesses and client partners. Staff have a good knowledge and understanding of the New Approach and are providing the six core services as intended and referring clients to additional service providers when appropriate. However, the following areas offer opportunities for additional training, utilization of tools and implementation of common practices.

Enquiries

- 3.4.2** Enquiries are being processed by all staff. They are entered into WIN and actioned as appropriate. There is, however, an opportunity to establish a common

tracking and quality control system that would allow management to better allocate workload, justify additional resources and make links to other trade activities such as Out Calls and Market Bulletins. Bandwidth issues affecting access and use of WIN should be well documented as they could effectively be used for additional resource requests. The Horizons website, under “Best Practices”, offers advice on setting up an Info Centre, a concept that could be utilized for enhanced tracking and quality control.

Recommendation for the Mission

3.4.3 The Trade Program should establish a system (Info Centre) to enhance management of enquiry processing.

Mission Response

3.4.3 An Info Center will be established under the STC. The Center will be staffed by an Information Manager and a Commercial Assistant. The Info Center will receive, register, distribute, and appropriately acknowledge, all incoming written and institutional mailbox correspondence. The model for this practice has been developed from the Horizons website "Info Centres: A Leading Practice in Information Management".

Additionally, we have begun to track and quantify the difficulties that bandwidth restrictions impose on us in using WIN Exports. We are working closely with our Systems Administrators and our Beijing Mission on this issue.

Market Information and Intelligence

3.4.4 The Trade Section is very focused on the value and provision of market intelligence and market information to clients. While the concept of market information is clearly understood, there is a lack of understanding and agreement within the Trade Section of what market intelligence is and how it can be gathered and disseminated. This is underlined by the differing views regarding the value and purpose of publishing the bimonthly Shanghai Market Bulletins.

Recommendation for the Mission

3.4.5 The Trade Program should organize a market intelligence workshop for its staff.

Mission Response

- 3.4.5** As they (Recommendations 3.4.5 and 3.4.7) are closely related, we will address these issues comprehensively. We will organize a full day Section retreat on June 14, 2002, to examine best practices for: out call management; Market Information and Intelligence management; and broader information management practices. This retreat is well timed to confirm those issues that we addressed during our May 24 retreat, discussed under Recommendations 3.4.9 and 3.4.11.

Out Calls

- 3.4.6 Out calls are a key feature of the New Approach. The Trade Program recognizes the importance of out calls and has established a measurable output of ten calls per month per Officer. There are indications that this target is not being achieved by all Officers and that there exists different understandings of what an outcall comprises. The Program needs to provide more guidance to staff as to the differing nature of out calls (proactive, reactive, existing contacts, speculative, etc.) and how these fit into the Program's strategic plan and each Officer's targeted output.

Recommendation for the Mission

- 3.4.7** The Mission should develop a common definition regarding out calls and review out call targets accordingly.

Mission Response

- 3.4.7** See Mission response to Recommendation 3.4.5.

Business Mission Agreement (BMA)

- 3.4.8 The BMA is not being used by the Trade Program. Various rationales were given for non-usage. While the BMA may not be applicable for all business missions, it is a flexible tool that can be applied in most situations with the realization of intended benefits for both parties.

Recommendation for the Mission

- 3.4.9** The Mission should provide instruction and guidance related to usage of the BMA.

Mission Response

- 3.4.9 We have commenced using the BMA, and it will be used for all appropriate future missions. On May 24, 2002, we organized a full Program retreat "The NewApproach@Work: Work Smarter, Work Effectively".**

Horizons Website

3.4.10 The Horizon's Website is an electronic database and is the main TCS communication and resource vehicle for TCS related issues, policies, guidelines and interactive opportunities. In discussions with Trade staff, it was determined that this resource is underutilised and many staff were unaware of some of the website's features and content. Knowledge and use of Horizons is a key component in developing consistency of service and application of the latest information and tools.

Recommendation for the Mission

- 3.4.11 The Trade Program should ensure that staff keep current with Horizons and that its use is integrated in on-going operations.**

Mission Response

- 3.4.11 The May Program retreat included a session on the appropriate use of the Horizons website. Future retreats will also include updates on the appropriate use of the site.**

3.5 Information Manager

3.5.1 The Information Manager position has been evolving both in terms of the job content and the incumbents of the position. In the past, this resource has been developing website capability and content, and providing various technical services. A new incumbent has recently taken over this function. There has been differing opinions and understanding about the past and future role of this position. Varying views were expressed regarding the expectations of an Information Manager in relation to website management, information management, research capability and broader Mission support to other Programs. In order to ensure effective utilization of this resource, a common understanding of future roles and responsibilities is needed in the context of linkages and compatibility with: the Virtual Trade Commissioner concept; the Electronic Client Relationship Management System, especially if part of the role is to track contact lists; and, the Information Centre concept.

Recommendation for the Mission

- 3.5.2 Through consultation with all Programs, the Mission should determine the roles and responsibilities of the Information Manager and communicate these to staff.**

Mission Response

- 3.5.2 Our intention to establish an "Information Centre" will bring much greater clarity to the role of the Information Manager. We are moving to defining individual responsibilities. A detailed proposal and a job description envisaged for this position have been developed.**

3.6 Resources

3.6.1 PIBD resources are well managed and effectively utilized. Approximately 19 projects are in place. Each project is assigned to an Officer and a plan is developed with defined objectives, scope of activities and media plan. The range of projects includes outreach and networking activities, exhibitions and promotions, support of trade missions, training initiatives and program support.

3.6.2 The Intern Program has contributed significantly to the Trade Program. For resourcing reasons, this vehicle is no longer available to the Mission. As has been noted in other missions, this Program has proven invaluable in augmenting Program capability while at the same time providing interns with quality job experience and skills.

3.6.3 The Trade Program has been hiring employees on a temporary basis. At present, the Information Manager and a Commercial Assistant are on term. In order to provide continuity within the Program and to attract and develop the appropriate personnel, permanent funding for these positions is required. A business case supporting the requirements for these positions would facilitate acquisition of resources. Alternatively, the Program should develop contingency plans in the event that future funding is not available.

Recommendation for the Mission

- 3.6.4 The Trade Program should prepare a business case supporting permanent funding for its temporary positions.**

Mission Response

- 3.6.4 From the establishment of the Youth International Internship Program in 1996, until December 2001, our Commercial Program employed a minimum of two interns at any one time. Typically, they**

were employed on specific projects consistent with the delivery of our six core services and beneficial to their academic and personal skills development. Our record in assisting these interns to find rewarding and well-paid work following their employment with our program has been excellent.

The departure of the interns from our Program means that our limited permanent staff will now have to undertake this kind of highly valuable, and greatly appreciated work. We have already begun detailed consultations with PND and with PAM about regularizing these positions. Detailed proposals for the Information Manager and additional Commercial Assistant positions have been developed.

CONSULAR PROGRAM

4.1 Management of the Program

4.1.1 The Consular Program is well managed by the MCO, who is assisted by a Consular Officer. The Consular Officer has been in the position for two years, has benefitted from the in-Canada Consular training course, and takes French language training in a group format once per week. There is an increasing demand for services, as more Canadians travel to the area. Consular service standards have been established, and a commitment to these is posted in the lobby of the Mission in the three languages. Consular staff are aware of these standards, and consider them to be reasonable. An annual work plan or accountability statement is agreed to between the MCO and the Consular Officer, which includes objectives and time frames. It is reviewed and updated as required. The Consular Emergency Contingency Plan has been updated and submitted for review to JPE.

4.1.2 The COMIP statistics were consistently inputted and sent to HQ until May 2001, and thereafter, due to time constraints, no logs have been submitted. These statistics are important to analyze resource requirements, and they can support incremental resource requests, if necessary. While the recording and input is somewhat labour-intensive, it is worthwhile, as Consular staff (and Mission management) can also see where they are spending their time, identify trends and see if service peak periods exist. This in turn can permit planning ahead for extra resources. COSMOS can be very slow. This problem is due to the limited bandwidth that affects the Mission as a whole.

Recommendation for the Mission

4.1.3 The Mission should complete the missing logs for the COMIP statistics.

Mission Response

4.1.3 The COMIP statistics logs for the period June to December 2001 were filed in HQ last January 28, 2002. An increased workload resulting from APEC, combined with a slow COSMOS system, prevented earlier filing by the MCO. Since February 2002, COMIP logs are once again being filed on a monthly basis.

4.2 Service to Canadians

4.2.1 The services to Canadians are delivered within the service standards established. Currently, the standard is five working days, although the Mission often

can produce passports in less time. The Receptionist, who is trilingual, assists clients vetting initial inquiries and often providing forms and an information sheet. The OCTEL call answering system is helpful in providing general information for Consular inquiries. The Mission website provides a lot of general information on the Consular services offered.

4.2.2 A warden system was put in place in 2001 that adequately covers the four provinces within the assigned territory of the Mission. There is very good cooperation with the Immigration Control Officer for passport fraud cases, which are increasing in number. The Registration of Canadians Abroad (ROCA) system is updated on an on-going basis, and a major annual "house-cleaning" exercise also takes place where all records are verified. According to ROCA, there are 706 Canadians registered. There are no Honorary Consuls in the Mission's jurisdiction.

4.2.3 The Consular wicket is functional. However, it is currently the Consular Officer's actual office, which is not an ideal situation. The planned re-configuration of the Mission this summer, with an additional half floor being acquired, should allow this situation to be remedied.

4.3 Passports

4.3.1 The Mission produces approximately 40 passports per month. The bulk supply of passports is well secured, with a working supply stored with the Consular Officer. The Mission handles approximately eight citizenship applications per month.

4.3.2 The passport supply was checked. The MCO has not opened and counted all the passports in each box received in the last shipment. A recent report from the Passport Office states that, while the error rate is low, some monthly reports are not submitted on time. As well, a discrepancy on the inventory report has been noted by JWS.

Recommendation for the Mission

4.3.3 The Mission should verify all passport blanks on hand, trace incorrect figures to their origin, and correct the discrepancy.

Mission Response

4.3.3 The minor discrepancy was with respect to a Visa Pages Insert and has been corrected with JWS. A physical count of all passport blanks, which included previously unopened boxes, was performed by the MCO on May 3, 2002.

ADMINISTRATION PROGRAM

5.1 Management of the Program

5.1.1 The Administration Program is well managed, and provides good support to management and high caliber service to its clients. The MCO has an accessible style of management which fosters good morale and team work in the Program, and facilitates interaction with clients. The Mission as a whole has experienced considerable growth in the recent past, and the classification level of the MCO needs to be reviewed in light of this growth, and in comparison to other missions. Minor issues being raised for the attention of management include more involvement in and supervision of the financial process, formalizing all employee positions, compiling training surveys into a training plan, amending the co-locator MOU with the Province of Quebec, and approving documentation for SQ space calculations. Detailed Mission service standards exist, but are in need of review.

5.2 Human Resources

5.2.1 The Human Resources function is very well managed by the MCO, assisted by an Administrative Assistant. The MCO has instituted a process of accountability agreements with her staff, setting out specific objectives for the year. These are very helpful for both staff and management, as they ensure staff clearly understand their work objectives. This also becomes an excellent basis for staff appraisals. All job descriptions and appraisals are up to date, and staffing competition files are complete and well documented. There is an LES Committee, and management meets with the group every two months, or more frequently if needed.

5.2.2 The Locally-Engaged Staff Division (HRL) visited the Mission just prior to the audit. Its primary purpose was to look at the impact of the anticipated move towards direct employment for local staff. It is expected that within the year, the Diplomatic Service Bureau (DSB) will no longer be involved in personnel management. Currently, new staff are often recruited directly by the Mission, interviewed and made offers, then required to register with the DSB. This is an acceptable practice. HRL also sought clarification of the present situation with respect to benefits currently offered to expatriate employees. A further goal is to classify all DSB and expatriate positions within the LES Classification Standard. The Mission is not delegated classification authority, but given its current size, it should have the authority to manage more effectively this function. The MCO has received the required training.

5.2.3 It was noted that PeopleSoft shows a total of only 15 LES position numbers, whereas the Mission employs a total of 25 local staff, not including 2 contractors and the LES of the Provincial Representation Sections of Ontario and Quebec. The Mission contends it has approval for these other positions from HQ but

that no position numbers were issued. The discrepancy between the number of LES employed and the position numbers authorised needs to be remedied. The AMA has launched an investigation to determine why position numbers were never issued.

Recommendation for HRL

5.2.4 Classification authority should be delegated to the Mission.

HRL Response

5.2.4 One of the conditions of delegation is to have Mission positions classified under the LES Classification Standard, and a salary market established under the plan. This had not been done. HRL, subsequent to the Mission visit, has now classified Mission positions occupied by the DSB and EXPAT staff and established a salary scale to accommodate the levels, effective April 1, 2002. In light of this, delegation of classification authority will now be extended to the Mission.

5.2.5 The Audit Team met with the LES Committee to listen to the concerns of the LES community. The primary issues brought forward were career development, training, and performance pay. Career development for DSB employees is limited in that there are currently only four general types and levels of positions (Receptionist, Assistant, Commercial Officer, and Senior Commercial Officer). This means an employee could reach the top level, if qualified, within a fairly short time with no further room to advance. The proposed classification of DSB staff using the DFAIT ten level Classification Standard, as mentioned above, should help to increase the growth potential for staff, but is still limited. The local DSB office is responsive in providing employees with printouts of benefits accrued, and the staff have a high level of confidence in this agency. The possible cessation of the provision of employment services by the DSB is of less concern to Mission staff than in Beijing. Performance pay based on appraisals was another suggestion for improvement. One Committee member questioned the “policy” of hiring expatriate staff for certain positions. Some transparency on the part of management may be required in this area. In general, the LES are quite satisfied with working at the Mission, and expressed appreciation of the positive and pro-active management style of the various Program Managers and the HOM.

5.2.6 Training has been offered to many staff, and has been well received. More in-Canada training is desired, although employees recognize the high cost makes it more difficult to arrange. Training surveys are filled out by each employee and submitted to their Program Manager, but these are not forwarded to the MCO for roll up into a Mission training plan. This would permit a costing to be done for training for the whole Mission.

Recommendation for the Mission

- 5.2.7 The Mission should compile all training surveys into one Mission training plan and include projected costs.**

Mission Response

- 5.2.7 We concur. Training surveys have been compiled into a Mission training plan with projected costs for the current fiscal year. Training plan has been filed on the CFSI website.**

5.2.8 The Mission views the MCO position as under-classified at the AS-03 level. While difficult to assess within the scope of an audit, it is important to note that similar-sized missions (i.e. ten or more CBS) in the Asia-Pacific region, and elsewhere in the world, have MCO positions classified typically at the AS-04 level or higher.

Recommendation for HPF

- 5.2.9 HPF should review the classification level of the MCO position to properly align it with the current duties and responsibilities.**

HPF Response

- 5.2.9 Done.**

5.2.10 The CBS Secretary (AS-02) position supports the HOM, and also assists in other administrative duties. Local language constraints and reduced need for secretarial support by the current HOM has limited her role. Mission management feels there is a stronger need for a Deputy MCO position. It is planned that the SCY position will be filled by a CBS CR starting in 2002. Given a pressing need for another resource in Administration, the Mission contracted an Office Manager (OM) in the interim in January 2002. This resource was assigned the property and materiel functions, and oversees general services administration. These duties were previously covered by the HR Administration Assistant. The person contracted speaks Mandarin, which is an asset. If a clerical resource is sent from HQ, the Mission should review the need for maintaining the OM position to avoid redundancy.

Recommendation for the Mission

- 5.2.11 The Mission should review the need for the Office Manager position once the CB Clerk is posted.**

Mission Response

5.2.11 Once a candidate has been identified, the need will be reviewed at the Mission.

5.2.12 The Province of Quebec is co-located within the Mission, and is staffed by one Canada-Based Consul and two LES. The Memorandum of Understanding (MOU) between the Department and the Province of Quebec specifies the conditions of co-location. With respect to human resources, the MOU for Quebec is slightly different from most others in that the DFAIT LES Terms and Conditions of Employment do not apply, and therefore the Province can manage its staff differently. One example of the difference is highlighted by the Consul wanting to grant his LES a special bonus for a tri-lingual language ability. There is no provision for this type of bonus for other Mission staff, and Mission management is concerned about the negative effect this could have on morale. It is important for Mission management to apply the same set of rules and regulations to all employees. To achieve this objective, SMPS should amend the MOU with Quebec.

Recommendation for SMPS

5.2.13 SMPS should amend the MOU with Quebec to make it consistent with other co-locator MOU's that exist.

SMPS Response

5.2.13 DFAIT has initiated discussions with Quebec through CFP. SMPS has explained to Quebec that integration of their staff into DFAIT's LES is desirable and would be in line with the approach taken with other provinces and co-locators. The integration of Quebec staff with DFAIT's LES would require a study of benefits by HRL to assess compatibility and transition requirements. Quebec would also have to agree in advance to pay the increased fee for management of their LES by DFAIT.

In the interim, DFAIT has requested that Quebec not initiate any action on the request for payment of a tri-lingual bonus in Shanghai until the matter has been fully reviewed.

5.3 Physical Resources

5.3.1 The Physical Resources function is headed by the MCO who is now assisted by the Office Manager on contract. The property profile consists of the Chancery, an Official Residence (OR) and nine Staff Quarters (SQs), all of which are Crown-Leased. The MCO has had the added responsibility of managing the acquisition

of additional Chancery space. A Housing Committee is in place and functioning as intended. Distribution accounts were processed and signed off for each property. Documented service standards have been developed and a work order system has been established.

5.3.2 The past year has been active. Three new SQs were acquired replacing two unsuitable apartments. Another marginal SQ will be turned over this summer. Searching for additional Chancery space has involved reviewing different options and liaising with SRD. Successful negotiations with the landlord have resulted in a decision to remain in the Shanghai Center through acquiring 50 percent more space (442 square meters) on another floor. This new space will relieve existing cramped conditions and allow for some future expansion. A design committee was formed to discuss floor plans, staff needs, working conditions, etc.

5.3.3 The Chancery expansion does not include space for the provinces or CIC. It is evident that the current CIC space is insufficient for present needs and is affecting employee morale. It is also anticipated that this Program will continue to grow, adding more urgency to the situation. The Mission has been informed by the landlord that 240 square meters of space, adjacent to CIC, is available at half the current lease rate. CIC HQ management have declared that CIC will not be expanding in Shanghai and that the estimated fit-up cost for the new space is too high. In talking to SRPA, these estimated costs were based on the standard cost of fitting up new space which includes allowance for contingencies. No review or detailed description of the existing space was provided to SPRA. After inspecting the potential space, the Audit Team notes that it is probable that refit costs would be considerably lower than the standard estimate. An officer from SPRA will be visiting the Mission and will be able to provide a more accurate assessment. In the event of a lower cost estimate, CIC should again be approached to consider exercising the option on the available space.

Recommendation for the Mission

5.3.4 In consultation with SRD, the Mission should present an updated cost estimate for potential extra space to CIC.

Mission Response

5.3.4 An updated detailed costing has been provided, along with a recommendation that SRS pursue negotiations with CIC on the project.

Staff Quarters

5.3.5 Considerable progress has been made in improving the SQ profile and reducing lease costs. Previous accommodation deficiency adjustments (ADA) have

been eliminated through the replacement of unsuitable SQs. At the same time, lease rates have been dropping, allowing the Mission to acquire new SQs at lower rates and to renegotiate existing leases. For example, the monthly lease cost on the OR was reduced by \$5,000 US per month, and the rent for an SQ in the same complex dropped by \$3,000 US. The Mission recognizes that there are further opportunities to achieve rent savings through renegotiation of existing leases, or by the acquisition of alternative SQs.

5.3.6 In reviewing SQ documentation, it was not clear how the calculations for determining gross and net living space were derived. In examining the floor plans for two SQs, the amounts for net space matched those on the worksheets. However, no explanation could be given for the discrepancies between the indicated gross calculations. The MCO needs to ensure the accuracy of these figures and have them confirmed by the Housing Committee.

Recommendation for the Mission

5.3.7 The Mission should examine the SQ space calculations to ensure their accuracy.

Mission Response

5.3.7 Noted. Calculations have been reviewed and corrected as necessary.

5.4 Finance

5.4.1 The MCO manages the Mission finances, with the assistance of a Senior Accountant, new in 1999, and an Assistant Accountant, who was hired in 2001. The Finance function is generally well managed, but the MCO needs to have a more hands-on approach in her role as Mission Financial Officer. Liaison visits from Beijing over the last three years have been very beneficial, and many procedures and practices were put in place that improved the financial management at the Mission.

5.4.2 The MCO is the Mission Financial Officer, and as such, reviews and approves many documents in the course of her work. There is a need for a more thorough check to be done. For example, some claims have been approved without supporting documentation attached. Typically, the Accountant audits travel and hospitality claims, but the MCO must ensure an effective Section 33 is done. The MCO has limited capability with respect to the Integrated Management System (IMS). The use of IMS is important for the MCO to effectively monitor and control Mission finances. Further IMS training is required.

Recommendation for the Mission

- 5.4.3 The Mission should ensure the MCO is able to receive IMS refresher training and complete an effective Section 33 certification.**

Mission Response

- 5.4.3 We concur. The MCO will receive an “IMS for MCO’s” training in early August. The Mission wishes to note that the standard IMS long distance tele-training received in the Spring of 2000 was insufficient because it focused primarily on data entry rather verification and control, which are the requirements of the Program Manager.**

5.4.4 Cash control at the Mission is very good. A cash account of RMB 20,000 is reconciled weekly. All Immigration fees are paid at the bank, and only rarely is a fee collected at the Mission (for example, days the bank is closed but the Mission is open). In light of this, the CIC PM questioned the need to use the POS+ system, which had been sent from CIC HQ for installation. This revenue recording and management system is essentially for missions where cash or other forms of payment are received at the Mission. Consular revenues are modest and funds collected are properly secured prior to their being remitted to Accounts. There are three petty cash accounts of RMB 1000 each (one held by the Cleaner, and one per Driver), which are verified monthly by the MCO. The Mission Emergency Cash Parcel was verified by the Audit Team.

5.4.5 The Mission bank is the Bank of China. There is one USD and one local currency bank account. The Mission writes approximately 20 cheques per month, all done manually. Electronic funds transfer is not yet the norm. The bank charges are minimal, as is interest paid on balances. The Mission does not have an MOU with the bank, although CIC has an agreement in place for the collection of the Immigration fees. The CIC agreement should form part of a general MOU between the bank and the Mission.

Recommendation for the Mission

- 5.4.6 The Mission should set up a banking services agreement or MOU with the bank.**

Mission Response

- 5.4.6 Agreed. A signed letter of agreement with the Bank of China was put in place on May 16, 2002.**

5.4.7 In order for staff to more easily acquire local currency, personal drawing service is offered to CBS by Accounts. Given the number and quality of local banking

facilities, the Mission should consider eliminating this service. Bank machines are abundant (described as numbering "over 600" by the Mission Report), and the generally advanced local banking facilities should allow staff to obtain funds locally without difficulty. This service adds to the workload of the Accounting staff and, in large part, supports the existence of the Mission cash account. The cash account is used for personal draws, bonus payments and other minor expenses below \$300. A detailed spreadsheet tracks entries, and the account is reconciled weekly and replenished as needed.

Recommendation for the Mission

5.4.8 The Mission should review the need to offer personal drawing services to CBS and, if not warranted, eliminate them.

Mission Response

5.4.8 The Mission, in consultation with SMFF, reviewed the need to offer personal drawing services to CBS and has agreed with SMFF to eliminate this service effective July 2, 2002.

5.4.9 The Beijing Mission processes expatriate salaries on behalf of the Mission. Due to the fact that Beijing requires the information by the 22nd of the month for payment at month end, any overtime worked in the last week is added to the following month. This delay could be eliminated if the processing of expatriate salaries was done locally. The Mission would thus manage its whole payroll.

Recommendation for the Mission

5.4.10 The Mission should consider processing its own expatriate salaries.

Mission Response

5.4.10 We concur. The Accounts Section staff have been trained on the LESPay software and the Mission is now processing its own expatriate salaries since April 1, 2002.

5.4.11 Most staff at the Mission have a cellular telephone. Cost recovery follows the principles that have been adopted in Beijing, specifically that all calls under RMB 300 are deemed to be work-related and are thus covered from the Mission budget. Monthly statements are received but not circulated to staff with cellular telephones unless the total charges exceed RMB 300. Beyond this threshold, users declare those calls that are personal, and settle those amounts with Accounts. All personal calls should be reimbursed, and the Mission should have staff highlight these, even if below the RMB 300 threshold.

Recommendation for the Mission

- 5.4.12 The Mission should circulate cellular phone statements so staff can identify and reimburse those calls that are personal.**

Mission Response

- 5.4.12 The previous threshold of RMB 300 has been abolished effective April 2002. Detailed cellular phone statements are now circulated monthly to all users regardless of the amounts and staff are required to reimburse those calls that are personal and sign off on their statements.**

5.4.13 The Mission continues to file accounting documents in the way established under FINEX, the previous financial management system. This filing system is quite confusing for anyone but the Accountant. Locating employee hospitality and travel documentation, for example, required a search by document number contained in a separate manual log. Not all documentation pertaining to an employee or contractor is kept in one place. This problem was highlighted in the report produced by the Financial Officer from Beijing during the liaison visit in the Summer of 2001. Other missions who have converted find their filing systems to be more efficient and simple and while the conversion project would take some time to execute, the longer term benefits will be worthwhile.

Recommendation for the Mission

- 5.4.14 The Mission should convert the accounting filing system.**

Mission Response

- 5.4.14 We are comparing our system with that of Beijing and other regional missions with the objective of implementing a conversion process in July 2002.**

5.5 Information Management

5.5.1 While time constraints precluded a complete audit of the Informatics function, one major point that was noted was the lack of bandwidth, which leads to slow response times when using the major electronic work tools that are available. The Mission has bandwidth of 128Kb to Beijing, then shares that Mission's bandwidth to HQ, which is 512Kb for Beijing and Shanghai. In the fall of 2001, Chongqing and Guangzhou were added to Beijing as well. Large systems such as WinExports and COSMOS are more difficult to use because they often take so long to respond, they time out, requiring the user to log in again. To properly address this problem, the Mission would need to acquire more bandwidth, which is a very expensive option.

**APPENDIX A
MISSION RESOURCES FACT SHEET**

Human Resources (FTEs)

PROGRAM	CBS	LES	TOTAL
HOM	2	3	5
General Relations	0	2	2
IBD	3	6	9
Immigration	2	6	8
Provincial Representation	2	3	5
Administration and Consular	1	10	11
Total	10	30	40

Physical Resources

ASSETS	OWNED	LEASED
Chancery	0	1
OR	0	1
SQs	0	9
Vehicles	3	0

Financial Information (2001-2002)

Operating Budget (N001)	\$2,372,654
LES Salaries (N012)	\$ 519,535
CBS Overtime (N011)	\$ 20,000
Capital (N005)	\$ 89,800
Total	\$3,001,989