

**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), International Business Development (IBD), Consular, and Administration Programs was conducted in Beijing during the period January 21 to 30, 2002. The audit was conducted concurrently with the audit of the other four Missions in China, including the two Spokes of Beijing, Guangzhou and Chongqing. A previous audit of these Programs, except for General Relations, was carried out in September 1997.

MANAGEMENT OF THE MISSION

This Mission, with capable and motivated staff, is effectively managed. Morale throughout the Mission is very good. There is a sound committee structure in place and communications internally, as well as with the other China Missions, are effective. Mission Programs continue to grow, particularly the Immigration Program. The new Immigration Annex, which is only 18 months old, is already overcrowded. There are workload pressures in other Programs, specifically the GR and IBD Programs. Without a comprehensive resource review, however, it is difficult to assess if Programs are properly resourced. A vision of the long-term requirements for the Mission is needed to allow for effective planning. The Hub and Spoke Agreements between Beijing and the Consulates in Chongqing and Guangzhou need to be updated.

GENERAL RELATIONS PROGRAM

This multifaceted Program is very well managed. Five of the six Political Officers speak Mandarin. It is a dedicated group, resourceful and ambitious, supported by dynamic and well trained Locally-Engaged employees. Morale is excellent and communication within the Program appears to be very good.

In view of the importance and complexity of China's accession to World Trade Organization (WTO) membership, it is recommended that the Economic Section be reinforced by a second Canada-Based trade policy expert. In the same vein but for different reasons, the Head of Mission's (HOM) Public Diplomacy Initiative should receive additional support. This will entail more resources than are available at this time. A recent study by the Mission demonstrates that Canada is lagging behind most other like-minded countries in projecting its image and values through public diplomacy.

Language training remains a key factor for the effectiveness of our employees in China. We are encouraged to see that the Personnel Management Bureau (HPD) shares this view and continues to give it high priority.

INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM

The IBD Program has an experienced and capable management team. Morale is good, as is coordination with other Programs and Other Government Departments (OGDs). The Program has a heavy workload with considerable effort required in the areas of advocacy and market access, advising clients and intervening on their behalf with Government officials and the regulatory regime.

The Program needs to adopt a more strategic perspective in setting its agenda, reducing reactive programming and engaging in the proactive trade development activities that it controls. To accomplish this, a more formal and structured framework for planning, monitoring and reporting on Program activities and their outcomes is required. Also, a performance measurement capability would assist the Program to determine objectively where and how to direct its resources. Reinforcing the application of the New Approach would also provide efficiencies to the Program and would provide the basis for capturing and generating the information needed to assess performance on an on-going basis.

CONSULAR PROGRAM

The Consular Program is well managed and the Mission is providing effective Consular services. The HOM takes an active interest in the Program, and the Mission enjoys solid support from Headquarters (HQ). The replacement of expatriate staff with Diplomatic Service Bureau (DSB) employees, who are trilingual, has improved service delivery. With the recent activation of the on-line Registration of Canadians Abroad (ROCA) form, the Mission will need to review and update the system more frequently to ensure accuracy. A warden system is to be implemented during the next year.

ADMINISTRATION PROGRAM

The Administration Program operates well although it would benefit from more structured management. There have been many recent accomplishments with the building of a new Annex and Staff Quarters (SQs), the renovation of an office building and significant improvements to leased SQs. These housing improvements have resulted in a dramatic reduction of accommodation deficiency adjustments (ADAs). The Program has also successfully recovered \$510,000 in outstanding security deposits. Additional savings are possible if the Mission was to fill a number of its Locally-Engaged Staff (LES) positions with employees from the DSB rather than expatriates whose salaries are substantially higher. Position numbers are needed for a large number of employees. Financial controls over revenues and expenditures are effective, although Right of Landing Fees (ROLF) refunds are cause for concern. ROLF refunds amounted to \$703,542 in the past 28 months. The Mission is also holding five school debentures valued at US \$75,000 that may not be necessary.

RECOMMENDATION STATUS

The report contains 41 recommendations. Of these, 31 are directed at the Mission for implementation and 10 at Headquarters for implementation. Given the responses received, the Mission has taken appropriate action with respect to 17 of these recommendations, while 14 are in the process of being implemented. In the case of Headquarters, two recommendations have been actioned and eight are currently in the process of being implemented.

MANAGEMENT OF THE MISSION

1.1 Overview

1.1.1 Beijing is a well managed Mission with progressive leadership and a strong cadre of Program Managers and Canada-Based Staff (CBS), supported by highly qualified Locally-Engaged Staff (LES). Morale is very good as is the coordination between Programs. The Mission has an effective committee structure in place with the most significant committees being the Committee on Mission Management (CMM), which meets monthly, and the Mission Agendas Meeting. The Mission Agendas Meeting is a weekly conference call between the management in Beijing and the HOMs from the other four China Missions. This Committee is an effective forum for developing strategic direction and exchanging information. The HOM holds a bi-weekly breakfast meeting with his Program Managers. He also confers regularly with Program Managers on a one-to-one basis.

1.1.2 The multiple challenges of managing a Mission of this size and importance is formidable. It involves not only overseeing Canada's bilateral relationship with China but also managing Canada's relationship with the Democratic People's Republic of Korea (DPKR) and Mongolia. The role of the HOM is made more complex in that there is a large number of OGDs at the Mission and also two Provincial representatives. A vision of the long-term requirements of the Mission is needed to allow for effective planning for the future. This will require a collaborative effort on the part of the Mission, OGDs and Headquarters (HQ). The Mission continues to grow and finding suitable office space is a constant issue. The Annex, which was opened 18 months ago and houses the Immigration Section, is already overcrowded.

Resources

1.1.3 It is difficult to determine if Mission resources are at appropriate levels. This is a fast growing Mission and this growth has resulted in a large number of expatriate employees (84), and 29 LES without approved position numbers. This growth is straining Administration and the office accommodations. The audit also identified workload pressures in the GR and IBD Programs. A full resource review would be required to establish the optimum size for the Mission under current workload conditions.

Recommendation for PND

1.1.4 In concert with the long-term planning and vision for the future, a Program by Program review of resources within the Mission should be undertaken to ensure appropriate resource levels are in place.

PND Response

- 1.1.4 Program pressures at the Mission are well understood. In the absence of new resource availability, discussions are underway with the Mission to effect a more realistic alignment of priorities against available resources. Responses to recommendations 2.4.4 and 2.5.2 below address specific Program situations.**

Hub and Spoke Arrangements

1.1.5 In 1997, the Mission was tasked with setting up a Hub and Spoke relationship with the other mainland China Missions. Beijing took on the role of the Hub Mission in providing expertise, advice and administrative support for the other Missions. Today, only the Missions in Chongqing and Guangzhou are considered Spokes of Beijing. The original Hub and Spoke Agreements for these Missions are now dated and need to be revisited. The audit visits to both these Missions revealed that they could benefit from further assistance from the Hub.

Recommendation for the Mission

- 1.1.6 The Hub and Spoke agreements between Beijing and the Consulate General in Guangzhou and the Consulate in Chongqing should be reviewed and updated.**

Mission Response

- 1.1.6 Hub and Spoke agreements have been drafted and are in the final process of review. There have been significant adjustments for the Consular Program with the Hub taking more of the lead. There will be a rationalization of the function of administration, and in the future the MCO and other senior functional (Property, Finance, Consular) officers from Beijing will visit more frequently. PAM has now had the opportunity to review these agreements.**

GENERAL RELATIONS PROGRAM

2.1 Overview

2.1.1 The last inspection/audit in 1998 recommended that a visit logistical support unit be established for the Mission as a whole. Since this was done, the General Relations (GR) Program has been stronger and its production has improved in quantity and, above all, in quality. The Program is headed by a Minister (Political) (EX-02), filled by an FS-2 who speaks Mandarin and is very familiar with Chinese issues. He heads a group of five CBS responsible for political and economic affairs, and one CBS Manager responsible for public and cultural affairs. A CBS Secretary (SCY) is counted as part of the common services component. There are also three LES and two interns working on political affairs, and four LES working on Public Affairs. The HOM has a strong interest in the Program and has already launched a “public diplomacy initiative” whose goal is to promote more effectively the image, presence and perception of Canada in China. If this initiative receives the hoped-for support from HQ, it will have a major impact on every aspect of the Program.

2.2 Management of the Program

2.2.1 Overall, staff at all levels (CBS, Expats, and LES) are very well qualified. All the CBS, except one, have received the appropriate language training that is necessary in this country. In meetings with all the employees working for the Program, the Audit Team established that all are familiar with the directions and priorities of Canadian policies originating at HQ, and that these are clearly conveyed by the HOM and the Program Manager.

2.2.2 Daily management of the Program is both dynamic and well structured, through weekly meetings that review the week’s activities and inform each Section of the work plan and the Program priorities. It is interesting to note that there is an effort to make the best use of individual abilities and to compensate for any weaknesses.

2.2.3 The language training issue remains a key factor for this Program. Without language training, the effectiveness of the CBS is seriously impaired. There should therefore be a medium and long-term training program at HQ, and assignments should be carefully planned. Transfers of specialized officers (linguists) to other countries should be carefully considered and involve an assessment of the impact on the Program in the region.

2.2.4 China is very large and travel costs within the region (including Mongolia and North Korea) are very high. Similarly, travel to HQ for consultations or to accompany a delegation may seem prohibitively expensive, however, it is essential that

the necessary resources be made available for this purpose. The Mission commented that the current travel allocation does not allow for much flexibility.

Recommendation for PND

2.2.5 PND should ensure that the Mission travel allocation is adequately increased to allow the GR Program to appropriately cover its region.

PND Response

2.2.5 Travel allocations have been reviewed on a mission-by-mission basis. At present, we do not envisage any adjustments to the Mission travel budget. However, we are prepared to consider a proposal from the Mission for reallocation of Mission funds to augment the travel budget.

2.3 Bilateral Relations

2.3.1 The Program is responsible for bilateral political reporting, but it is also accredited to Mongolia and North Korea. While Mongolia requires a small amount of time (limited interest), North Korea demands more attention and could even benefit from additional resources (the Program Manager has made seven trips in two years). Still, most of the work is focussed on China, which requires ongoing and in-depth attention. Canadian interests require timely sustained analyses of many issues, including evolution of policies, social changes, human rights, and the growing international role of China. It is important that the highest Canadian Government levels be informed of the impact of certain issues on Canada's interests. In addition, there is every indication that the many reports and activities of this Section are appreciated by HQ. The Program needs more feedback regarding production of analyses and various reports. Systematic consultation between Korea and Oceania Division (PKE) and the Mission regarding basic documents, as is the case with China and Mongolia Division (PCM), would be desirable.

2.3.2 The internship program has been very successful for the Mission, the Program and the individuals in question. The salaries for the interns are currently being borne by the Mission budget. Many research and other activities lending the Program added depth would have had to be abandoned otherwise.

Recommendation for PKE

2.3.3 PKE should ensure basic documents concerning bilateral relations (briefings, Qs&As, memoranda) prepared by HQ are checked by the Mission to avoid misunderstandings or factual errors in the material.

PKE Response

- 2.3.3** PKE draws upon multiple sources including our Mission in Beijing in preparing basic documents concerning bilateral relations with the DPRK and will continue to do so. Time permitting, all facts contained in such materials are screened by the Mission for their veracity. Due to the use of multiple sources, there are on occasion differing views on DPRK events/actions or the conclusions to be drawn from these. The Mission's views are always given due consideration in such circumstances.

Recommendation for PCM

- 2.3.4** PCM should provide a more systematic reaction to the Program's reports and analyses.

PCM Response

- 2.3.4** As indicated in paragraph 2.3.1, the Mission is aware that HQ and OGDs are appreciative of the high quality and timeliness of the Program's reporting. Reporting is a frequent topic of discussion during telephone calls and visits, both at the post and at HQ. These exchanges will be reinforced with more regular feedback on priorities.

Mission Response

- 2.3.4** The Mission has noted a distinct improvement in coordination with PKE on documents and other DPRK matters, and has also received much more thorough feed-back from PCM in recent months, both remotely and through visits by the PCM manager.

2.4 Economic Affairs

- 2.4.1** The Economic Affairs Section is headed by a Counsellor at the FS-02 level, who is responsible for three priority areas: (1) implementation of the WTO Accession Agreement; (2) development of China's economic and financial policies; and (3) specific market access issues. Depending on the topic addressed, the Counsellor reports to one of the two Ministers at the Mission. This dichotomy no longer causes problems, given the excellent level of coordination between the IBD and GR Programs. Also, coordination with other Missions in the region is good and should be increased. The Counsellor would like to receive more responses from HQ to his analyses.

2.4.2 There is no doubt that the needs of HQ and other specialized agencies are constantly increasing, in view of the impact of China on certain sectors of the Canadian economy. In the Counsellor's opinion, the fact that there is only one CBS to deal with this issue inevitably causes delays when he is obliged to be away. This impacts negatively on the depth if not the quality of reports, and results in stress and tension for the Counsellor when these situations occur. The addition of a CBS specializing in trade policy would strengthen the Section.

Recommendation for EED

2.4.3 **A systematic reaction by HQ to economic reporting would help the originators to more accurately identify the expectations of their clientele.**

EED Response

2.4.3 **The Economic Policy Bureau, in cooperation with other interested parties, would be pleased to enter into a dialogue with the Mission to refine economic reporting requirements. The dialogue could include an exchange on both the subjects of interest within the economic policy field and consideration of how reporting might best be addressed and targeted.**

Mission Response

2.4.3 **We would welcome a more active sustained dialogue with HQ on economic reporting, but recognize the limits of time impede this on both sides. However, we would note that there had already been a more active dialogue on these questions in recent months.**

Recommendation for PND

2.4.4 **An evaluation should be made regarding the expectations of HQ and specialized agencies, in order to consider the possibility of strengthening the Section by adding another CBS position.**

PND Response

2.4.4 **Consideration is being given to this question by HQ, taking into account other resource demands in the region. In the meantime, starting in the Summer of 2002, the IBD Program will lend one FS Officer half-time to the Economic Section as an interim measure. Other arrangements—the use of one IBD Locally-Engaged Program Officer (LEP) to support the lone Economic Counsellor and the**

deployment of other IBD resources—are also being put in place on an interim basis.

Mission Comment

2.4.4 The Mission believes that an Economic and Financial Section needs to be established. The magnitude of China’s economy (fourth largest trading state) and China's increasing global influence is now such that Canada needs a more systematic and thorough analysis and reporting on the trends and new developments that will increasingly impact Canada’s own economy.

The major implications of China’s recent accession to WTO membership require increased attention to compliance issues, market regulatory reforms and market access initiatives directly related to benefiting from Chinese WTO commitments. Engaging Beijing interlocutors to build a pragmatic partnership during the Doha Development Round requires resource commitments in Beijing as well as Geneva and Ottawa.

In the short term we have redeployed assets to WTO priorities from the IBD Program counting heavily on the Counsellor and LEP Agricultural Officer and in addition the second most senior trade LEP also supports the single General Relations Economic Counsellor in dealings with key Chinese ministries. The IBD Program will reorganize this summer to place one FS officer half time in the Economic Section as an interim measure.

2.5 Public Affairs

2.5.1 This Program has been strongly supported by all HOMs in recent years. It is currently managed by a Sinologist whose contract expires this year. This person, whose academic and family background is within Chinese culture, has effectively organized her team and is carefully managing its limited resources. An in-house study indicates that, by comparison with other countries, Canada assigns a very small budget to promote its cultural, educational and other values. Through the initiative of the previous HOM, cultural activities were given priority. However, media relations, education and public affairs were not neglected. The new HOM has just launched a public diplomacy initiative that will require additional resources in the near future if it is to succeed. The Audit Team supports, and notes that Beijing is the only one of our large Missions that does not have a cultural centre, a library or an info centre on Canada. An in-depth review of our objectives in China is required and for investments to be made that are in keeping with Canada’s aspirations. The Sinologist contractor has proved to be an asset for the Mission. Academics contribute their unique

experience and a fresh outlook. We recommend that this contract be repeated when circumstances allow.

Recommendation for PND

2.5.2 PND should conduct an in-depth review of the Sector's resource requirements in the context of the HOM's initiative.

PND Response

2.5.2 Discussions between HQ and the Mission are underway with regard to augmenting the capacity of the Public Affairs Program through various means, including new programming money and re-allocation of resources within the Bureau, China Program and/or Mission.

Mission Comment

2.5.2 The Mission has prepared a comprehensive and full-fledged "Public Diplomacy Strategy" (PDS) that would put in place a unit, headed by an EX, reporting to the Minister Political-Economic which:

(1) explains the rationale for the creation of the PDS, based on the need for Canada to project a strong image in China;

(2) outlines the structure of the PDS unit, which would provide for a publicity unit, a cultural unit, as well as increased attention to education, scholarly exchanges, sports exchanges and other dimensions of public diplomacy;

(3) includes a comprehensive study of the proposed structure of the unit, encompassing a "deck" that has been prepared in consultation with other China missions; and,

(4) involves consultation with DFAIT Headquarters at senior levels, and with other PDS partners.

Recommendation for the Mission

2.5.3 The Mission should pursue the establishment of an info centre.

Mission Response

2.5.3 We agree that the idea of an info centre has merit, particularly if it has the capacity to provide information in the Chinese language.

However, the info centre concept has been subsumed as an integral part of the broader “Public Diplomacy Strategy” proposed by the Embassy.

Recommendation for PND

2.5.4 PND should renew the Sinologist position as soon as circumstances allow, in light of the highly positive contributions of these experts to the Mission.

PND Response

2.5.4 The current priority for the Public Affairs/Cultural Program is for a better integration of the Program within the Mission across all programs and with DFAIT’s standards and objectives, requiring at this time an experienced DFAIT manager. As the Program expands and is put on a more solid institutional footing, the opportunity to appoint outside sinologists will be considered.

Mission Comment

2.5.4 We believe that the most productive use of a specialized sinologist would be in the Political Section of the Mission, and this can be considered in the course of staffing openings in the Political Section.

2.6 Conclusion

2.6.1 The challenge for this Program is to manage the growth of HQ needs in order to meet Canada’s objectives. It will be necessary to devote more resources to this Program, given the significant role China will play in the decades to come, not only internationally but concerning every aspect of Canada’s fundamental interests.

INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM

3.1 Overview

3.1.1 The IBD Program in Beijing is headed by an experienced Minister (Commercial) in an EX-02 position. He is supported by a staff of 18: three FS-02 Counsellors, three FS-02 Second Secretaries, two FS-01 Third Secretaries, seven Commercial Officers and two Commercial Assistants. There is also a Natural Resource Specialist, an LE-08. A CBS SCY employed in the Program is counted as part of the Common Services complement.

3.1.2 The IBD Program in Beijing is the delivery arm for coordinating trade promotion and international business development efforts of various government departments and the business community in the northeast, northwest and central plain provinces of China. The Program promotes and supports business and trade missions to the region, including many high profile clients and a recent Team Canada Mission lead by the Prime Minister. The Trade Program maintains close contacts with central government ministries and administrations in order to support commercial relations and economic interests. China's recent accession to WTO membership will have major implications on the Trade Program in its dealings with the Chinese Government and its business clients.

3.2 Management of the Program

3.2.1 In most respects, there is evidence of strong and experienced management in the Trade Program. Morale is good and the trade personnel are enthusiastic, due in part to effective communication among team members and accessibility of managers.

3.2.2 The Program is organized under three teams, each headed by a Counsellor. These include a natural resource team, an agriculture, food and fisheries team, and an advanced technologies team. Within these teams, each Officer is responsible for other assigned priority sectors and geographical territory. While Officers and support staff are assigned on the basis of these teams, internal coordination is achieved through a matrix management approach with appropriate direction and involvement of the Minister (Commercial) with staff and effective integration between teams.

3.2.3 There is good coordination within the Mission with the GR Program, the Alberta and Quebec representatives and the Export Development Corporation (EDC) representative. The two Provincial and EDC representatives report functionally to the Minister (Commercial). The First Secretary (Economic Affairs) in the GR Section

reports functionally to the Minister (Commercial) regarding market access issues. All participate in Trade Program weekly meetings.

3.3 Planning

3.3.1 While many elements of the Program are impressive, there is an opportunity and a need to articulate and document the strategic direction of the Trade Program which would include setting objectives, establishing priorities, identifying expected results and developing work plans. Some of this is being done informally without the benefit of a structured and documented process that would normally be part of an organization's management control framework.

3.3.2 The China Trade Action Plan is a comprehensive document covering all five China Missions. It is highly descriptive with commentary on recent developments in China and new initiatives in the Trade Programs. Also described is the environment in China, WTO implications, the regional China markets and an analysis of the various sectors. While the China Trade Action Plan is a valuable information document, it has only general strategic direction and little specific action identified for the Beijing Mission.

3.3.3 Executive Group Performance Agreements for the HOM and the Minister Commercial identify on-going commitments and performance measures for the Trade Program. These are stated in terms of managerial objectives and subjective performance criteria relating to the respective positions. A further extension of these is required at the Program level in the form of an annual workplan. Work plans are useful in describing and documenting objectives, how these objectives are to be carried out in terms of specific activities and initiatives, establishing priorities, expected outputs and achievements, determining time frames for completion and allocating resources required. A workplan at the Program level can be broken down further by team and by individual. As a management tool, work plans are used not only for planning at the beginning of the year but as a communication mechanism to provide direction and as a control to monitor performance and report on achievements throughout the year.

3.3.4 At present, Program workload is largely reactive as determined by the demands placed on it by clients. In discussions with the eight Canada-Based Officers, an estimate of their time utilization shows, on average, 40 percent to each of trade development and advocacy, 10 percent to market access, five percent to visa intervention and two percent to CIDA evaluations. These figures were confirmed by the Minister Commercial. Officers and staff stated that they had little control over determining the nature of their workload and expressed a desire to engage in more proactive trade development activities. Achieving the right balance between these activities requires setting priorities based on relative value added analysis and then managing client demands in accordance with these.

Recommendation for the Mission

- 3.3.5 The Mission should develop a comprehensive work plan for the IBD Program.**

Mission Response

- 3.3.5 The Mission believes that there is room for a difference of opinion on the most cost effective way to manage work plans at this Mission. It has been noted that Performance Measurement Agreements (PMAs) exist for the Head of Mission and Program Manager. We would also note that the work plans for FS officers (and by implication the seven officers that report to them) are documented in the Objectives and Responsibilities section and appraised as part of the FS Appraisal system. A plan for the PIBD Program and the successor Client Service Fund (CSF) is developed annually. The 2002 Trade Action Plan published on April 1 updates the 2000 planning and communications products for the China Program.**

A prototype Strategic and Business Plan model has been developed by the five China Missions and Headquarters in an exercise that began in August and which will have product review at the end of October 2002.

3.4 Performance Measurement

3.4.1 Operational performance is being monitored on an on-going basis by management. The amount of time devoted to various activities is generally known as well as the specific activities and initiatives each staff member is involved in. These are not, however, tracked or recorded systematically in a manner that would allow management to analyse and assess operational performance. Measurement of operational performance is usually linked closely with planning, monitoring and output assessment associated with work plans. This element of performance measurement can be incorporated in the work planning process as discussed above.

3.4.2 Program performance relates to evaluating the effectiveness of Program outputs in achieving Program objectives and expected results at the Mission level and at the Departmental level. Evaluating effectiveness goes beyond quantifying outputs and interactions with clients and other stakeholders, to assessing the effects of these in terms of trade development goals. While the Program is able to relate instances of success for high profile clients and initiatives, it has not devoted the resources to establish an appropriate methodology that would reliably, consistently and efficiently gather, analyse and evaluate outcomes (e.g., number of new firms, joint ventures, licensing agreements, export sales, etc.) attributable to Program activities and outputs.

Such information is valuable to management and staff to determine which strategies, activities and initiatives provide the most value added. This, in turn, allows 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.

3.4.3 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 the 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 establish an on-going performance measurement capability.

Recommendation for the Mission

3.4.4 The Trade Program should develop an on-going capability to collect, analyse and evaluate performance data related to services provided.

Mission Response

3.4.4 The Mission fully supports the view that DFAIT should be publically accountable for explaining what the objectives of the IBD Program are and why we believe that our programs help reach those objectives and how we intend to measure the effectiveness of these programs. (To draw from the Treasury Board Annual Report to Parliament: Canada's Performance 2001.)

We would note that a substantial process of measurement currently exists both at the Mission and in Headquarters units. We are fully prepared to implement new measurement indicators and evaluation methodology that include a more continuous feedback loop administered at the point of delivery. In addition, we welcome the new templates available for local client survey initiatives and we will devote more resources to this aspect of our program.

3.5 New Approach

3.5.1 A commitment to implement the Trade Commissioner Service's New Approach has been made in both the HOM's and the Minister (Commercial)'s Performance Agreements. Effective delivery of the six core services is strongly encouraged by management. Program staff has a good understanding of the New Approach principles and available tools and are implementing the New Approach effectively given the local environment and the reactive nature of the Program's workload.

3.5.2 The political and regulatory environment in China requires constant and considerable effort on the Mission's part in supporting clients in the areas of market access and advocacy assistance. This has had an enormous impact on the Trade Program, with up to 40 percent of resources devoted to advocacy work and a further 10 percent devoted to market access files. While advocacy work is a core service, the demands being placed on the Beijing Trade Program are unusual. The Program views this service as essential to its business clients and responds by providing valued advice and making interventions on their behalf. At the same time, it may also be necessary to go beyond the normal parameters when providing trade development clients with other core services due to language, cultural and regulatory barriers. These can include arranging and attending meetings. Staffs are also involved in assisting contacts with visa applications and in reviewing CIDA project proposals.

3.5.3 At present, less than 40 percent of the Trade Program resources are devoted to proactive trade development functions. Staffs have expressed frustration at not having the time to engage in more proactive activities such as developing a program of out-calls in the Beijing area and travelling outside the capital to explore and acquire a better understanding of market opportunities. Clear identification of objectives with respect to developing intelligence on market opportunities and establishing additional contacts could provide a better balance between proactive versus more reactive tasks.

3.5.4 In examining the application of the New Approach, the Audit Team believes that there are opportunities to achieve further efficiencies and to be more proactive. Areas where improvement is required are in respect to screening of export-ready firms, the greater use of standard responses, more consistent tracking in WIN, the use of the Business Mission Agreement and developing a program of out-calls in Beijing and North East China more broadly.

Recommendation for the Mission

3.5.5 The Trade Program should reinforce the application of the New Approach with the intention of focussing on proactive and value added activities.

Mission Response

3.5.5 Reinforcement of the New Approach will continue. As mentioned elsewhere, the Mission views our "advocacy" (troubleshooting) directed at Chinese government officials who influence specific buying decisions important to Canada clients to be a core New Approach service at the higher end of the value added chain.

The Mission also agrees that proactive out calls in our territory targeted at new potential clients is highly desirable. In a broad context of resource management, when faced with the choice of responding effectively to existing Canadian client needs vs preparing ourselves for potential clients we feel it prudent to focus on existing clients. All officers know the importance of expanding our out-calls to the new private sector decision makers. The fact that this program is more modest than we would like will not change significantly until the needs of existing clients diminish or resources are added. Some three to five years out we can hope that the market reform initiatives in China will diminish the resources we need to dedicate to our “advocacy” efforts.

The Mission also agrees that travelling outside of Beijing is an important objective but we forecast that human resource and financial limitations will continue in the near term. The Program lapsed two percent of the travel budget last year. Enough to have spent three to five more person days in the distant parts of our territory.

3.6 Resources

3.6.1 The Trade Program has a good balance of four experienced senior officers and five first posting junior officers. The officers on first posting are highly qualified, several with legal backgrounds and all with language capability. Working in a matrix structure, these first posting officers have been assigned challenging responsibilities. Productivity will increase as they become more experienced and knowledgeable.

3.6.2 The responsibilities and duties of the Locally-Engaged Commercial Officers (CO) and Commercial Assistants (CA) vary. Seven of the eight Canada-Based Officers have a CO reporting to them and there are two CAs reporting to two of the Counsellors. Some of these LES have the skills, motivation and opportunity to take on higher level work in support of their Officer’s portfolio. Others, however, are performing more basic tasks relating to translation, logistics and administrative duties. The Trade Program has begun exploring options to upgrade the job content and skill sets of the LES. At present, LES staff are not included in weekly Trade Section meetings. Inclusion would augment information sharing, coordination of activities and enhance staff motivation and team work.

3.6.3 As mentioned elsewhere in this report, the CBS SCY position dedicated to the Trade Program needs to be evaluated in terms of alternate resourcing options, the duties being performed and the cost of this position.

3.6.4 Hospitality funds are being used effectively by Program Officers in making contacts and establishing relationships. The travel budget to date is under-utilized in part due to time constraints limiting the availability of staff to travel in their territories.

3.7 PIBD Projects

3.7.1 Overall responsibility for PIBD projects has been assigned to one of the Counsellors. PIBD project priorities are determined through a meeting with staff and agreed upon proposals are submitted to HQ for approval. Each officer is assigned responsibility for a particular project, including the preparation of reports. The Trade Program has 10 active projects with a total budget of \$144,000. These are valuable resources for the Program in accessing outside expertise, cost sharing initiatives and events, and supplementing operational support. Insufficient reporting on projects has been noted by HQ. In order to ensure that project results are evaluated and communicated, the Mission needs to complete and submit reports for PIBD projects.

Recommendation for the Mission

3.7.2 Ensure that end-of-project reports are prepared for all PIBD projects.

Mission Response

3.7.2 Agreed. The TAMS Reports for the Fiscal Year 2001-2002 are completed.

CONSULAR PROGRAM

4.1 Management of the Program

4.1.1 The Consular Program is well managed and the Mission is providing effective Consular services. The HOM takes an active interest in the Program and HQ support is very good. The Program Manager (PM) is an AS-02 serving in an AS-04 position who has been at the Mission since the summer of 2001. She is also the DMCO. There is a need for the Program Manager to more fully develop her contacts with local ministries and authorities.

4.1.2 There are two Consular Officers (DSB-07) assisting in Program delivery. They are both relatively new to the Mission, both having been hired within the last two years. Both have been well trained and, between them, can offer services in English, French and Mandarin. The previous incumbents were expatriate staff, but the move to Chinese nationals has proven to be more effective, providing a tri-lingual capacity, more stability due to lower turnover and cost savings in terms of lower salary. The casework and the passport work are divided equally between the two Officers, with an alternating weekly schedule where one Officer works on passports, and the other covers off cases and inquiries. This system is working well.

4.2 Service to Canadians

4.2.1 The Consular Program is responsible for the provision of services to Canadian citizens as well as passport and citizenship services in Beijing and 15 provinces, plus Mongolia. There are currently eight prisoners, and prison visits take place quarterly. There are approximately 900 Canadians registered in Beijing. The Registration of Canadians Abroad (ROCA) database is reviewed and updated annually, with a contractor hired to assist in this project. With the implementation of the on-line registration system, there has been an increase in registrants. The Mission should review and update ROCA more frequently to ensure accurate information is represented.

4.2.2 The Consular Emergency Contingency Plan was updated in December 2001 and submitted for Emergency Services (JPE) review. The entry of COMIP statistics is behind by a number of months, but rectifying this situation is a priority for the PM. Additionally, the implementation of a warden system is required, although appropriate coverage will be difficult given the far-ranging territory the Mission covers.

Recommendations for the Mission

4.2.3 The Mission should update ROCA on a monthly basis.

- 4.2.4 **The Mission should update the COMIP statistics.**
- 4.2.5 **The Mission should recruit the required number of wardens, where possible.**

Mission Responses

- 4.2.3 **Noted. The Consular Officer has made improvements to better identify districts in ROCA, with the approval of JPP. Mission hired students to carry out a campaign blitz on the current inventory of registrants this past summer.**
- 4.2.4 **Noted. We have systematized our COMIP statistical reporting and have started to input and file on a monthly basis.**
- 4.2.5 **The Mission conducted a thorough review of all ROCA registrations in our area of responsibility as well as that of Chongqing during the month of July. The number of active files was reduced to 1222 from 1563. Unfortunately, the Mission has only been able to identify three persons willing to act as wardens at this time. The Mission will continue to work on this challenge.**

4.3 Passports

4.3.1 The Mission issues an average of 40 passports each month. Revenues are properly controlled. *** The Mission has been issuing an official receipt for the Consular service fee and an unofficial receipt for the passport fee. An official receipt should be issued for the full amount received in order to better control and reconcile revenues. The installation and use of a cash register that issues a printed receipt would improve internal control and would also eliminate the need to prepare a hand-written official receipt for each transaction.

4.3.2 A working supply of passports and labels is available for the Consular Officers, and is appropriately secured. The remainder of the passport supply is stored in a secure section of the Mission. A physical verification of the storage area was carried out, and it was noted that some passport boxes received from HQ had not been opened and counted. This should be done upon receipt.

Recommendations for the Mission

- 4.3.3 **Consider the acquisition and installation of a cash register to better control cash and to issue receipts.**

4.3.4 In the absence of a cash register, the Mission should issue an official receipt for both the Consular service fee and the passport fee.

4.3.5 Verify passport blanks upon receipt.

Mission Responses

4.3.3 The Mission has implemented a better system of inputting information on the receipt which provides reference to the passport issued and/or the consular service rendered. We do not, therefore, believe that the use of a cash register is warranted at this time, given that our tracking system has been improved.

4.3.4 The Mission is now issuing official receipts for both the Consular service fees and the passport fees.

4.3.5 Noted. The Mission is in full compliance.

4.4 Honorary Consul

4.4.1 There is one Honorary Consul in Ulaanbaatar, Mongolia. At the time of the audit, the Consular Program Manager had not yet visited the Honorary Consul but the Honorary Consul has been to Beijing several times to meet the Consular Officer, the Minister (Political) and the Head of Mission. The Program manager is also in regular contact with the Office there. As part of the Consular work plan, a visit within the next 12 month period will take place.

ADMINISTRATION PROGRAM

5.1 Management of the Program

5.1.1 The Administration Program is led by a capable and experienced MCO, an AS-06 serving in an EX-01 position. She will be departing the Mission this summer, after serving in Beijing for the past three years. Also departing the Mission this year will be the CBS Property Manager, the Financial Officer, and the Building Maintenance and Systems Engineer, all key employees to the Program. These four individuals will be difficult to replace.

5.1.2 Administration is a large Program with 18 CBS and 81 LES employees (18 expats and 63 DSB employees). The Program consists of a budget of \$11,411,997, a large property portfolio which includes three Crown-owned office buildings, an Official Residence and 18 SQs all on a large compound, and 40 leased SQs (13 private joint ventures and 27 DSB units), distributed over six different locations.

5.1.3 Much has been accomplished in the past couple of years for which management should be applauded. This was a period during which the Mission grew from 55 CBS and 163 LES to 65 CBS and 195 LES today, including 4 CBS and 9 LES from the two Provincial Offices, CEC and EDC. Major accomplishments include the construction of and move into the office building in the North Annex; refurbishing the Paynter building; disposing of 29 leased SQs that were deemed inadequate; eliminating all but two of the 27 Accommodation Deficiency Adjustments (ADAs); renegotiating leases to reduce rents and ensuring renewal dates coincide with the posting cycle; recovering all 22 security deposits valued at \$510,000; reducing overtime; strengthening financial procedures and controls; and improving the quality of accounting services. These accomplishments were in addition to assuming the Hub responsibility for Guangzhou and Chongqing, converting FINEX to IMS and moving to a modified accrual financial accounting system, and upgrading the baseline software with the introduction of the SIGNET 2000 platform.

5.1.4 To support these significant accomplishments, the Audit Team believes the Program would benefit from improved workload planning and a more structured management approach, including the following: the addition of regular weekly staff meetings; a work plan which sets out key operational activities, their time frames and expected results; financial reports that identify trends and comparisons between actuals and the budget; activity reports that illustrate the volume of financial transactions, work orders, purchase orders, staffing actions and LES appraisals; and the promulgation of the administrative service standards (that were developed but not issued) would further improve an already effective Administration Program.

Recommendation for the Mission

- 5.1.5 The Administration Program should implement a more structured approach to its management with the introduction of:**
- **detailed Program work plans that identify objectives and expected results,**
 - **financial and activity reports to facilitate management decision making;**
 - **service standards that convey to the client the levels and timeliness of services to be delivered; and,**
 - **weekly staff meetings.**

Mission Response

- 5.1.5 A detailed work plan for Administration has been prepared and circulated within the Section. A copy of the work plan has also been given to PAM for review. Weekly staff meetings occur every Friday morning and from time to time the HOM sits in. Staff will be briefed on the revised service standards, which will be placed on the I drive for all staff to have easy access.**

5.2 Human Resources

5.2.1 The day-to-day human resource activities are the responsibility of the Personnel Officer (LE-08) who is assisted by a Personnel Assistant (LE-05) and an Administrative Assistant (LE-04). Officially, the Personnel Officer reports to the Canada-based Consular/Personnel Manager, an AS-04. In reality, the Consular/Personnel Manager is doing mostly Consular work and the Personnel Officer is reporting to the MCO. The MCO becomes involved when there are salary surveys, classifications and other human resources issues that require her attention. Overall, the function is operating effectively.

5.2.2 The current Mission establishment shows the LES complement to consist of 102 Diplomatic Services Bureau (DSB) employees, plus another 15 engaged on an emergency basis, and 84 expatriate positions, plus eight others also engaged on an emergency basis. Most emergency employees are working in the Immigration Section. Nine of the expatriate positions are occupied by spouses.

5.2.3 The Locally-Engaged Staff Division (HRL) visited the Mission shortly before the audit. Its primary purpose was to investigate the impact of moving towards

direct employment for employees hired through the DSB. It also attempted to identify those LES employees not having a position number. Its findings concluded that there were 29 employees without approved position numbers in PeopleSoft for which the Mission is paying salaries from its operating budget. The Mission is currently liaising with PAM, SMSS and SMP to regularize these positions.

5.2.4 The audit found that there was effective control of employee leave and attendance and that appraisals were generally current. Staffing boards are held for all competitions and are made up of a Personnel Officer and two officers from the hiring section. Competition files are very well documented. A post-competition board is held to assist unsuccessful internal candidates with the next competition. Overall, personnel files were found to be in excellent order.

DSB Contract

5.2.5 The contract with the DSB to provide LES employees expired on December 31, 2001, and the Mission is currently negotiating a one year agreement for 2002. The diplomatic community strongly believes that the DSB will be phasing out its role as an employment agency. This view is not shared by our DSB employees. The diplomatic community is concerned that the DSB could do this on short notice leaving it to recruit and hire its local employees directly. In light of this, the *** Embassy plans to direct hire this coming summer and the *** Embassy has decided to pay its employees directly. The Mission would like to be ready to direct hire by April of 2003. In preparing for this move, all positions occupied by the DSB employees will need to be reclassified using the LES 10-level Classification Standard. The existing DSB salary scale has seven levels with 10 steps and four longevity steps. The process to reclassify the DSB positions is underway and discussions are ongoing between HRL and the Mission.

5.2.6 For our Chinese staff, it is unclear what direct hiring will mean to them in terms of the portability of their current DSB accrued pension benefits, health insurance and other benefits, including (in some cases) housing. For longstanding employees, the issue is troubling. Younger employees view direct hiring as a positive move and have high expectations that they will benefit in the longer term.

5.2.7 It is important that management maintain continual communications with the DSB employees on this subject and keep HRL informed of all developments. Currently, it is not clear to Mission management and to LES what benefits are actually being provided by the DSB. Marker organizations all have different understandings of the benefits. There is a need for the Mission to go to the DSB to clarify the benefit package employees are receiving. At the same time, the Mission could probe the DSB to determine if it plans to discontinue its personnel role. The recent HRL visit signalled a need for the Mission to do considerably more work on the subject before any decision to direct hire takes place. The community may have no choice should the DSB decide to close its personnel operation.

Recommendations for the Mission

- 5.2.8** **The Mission should obtain information from the DSB on the benefits package its employees are receiving, and its intentions to continue as a personnel agency.**
- 5.2.9** **The Mission should maintain a continual dialogue with the DSB employees on all developments and ensure that any transition is conducted in a fair and transparent manner.**

Mission Responses

- 5.2.8** **The HOM has taken a keen interest in this area. He opened up a dialogue with the Head of DSB Personnel to discuss some of these very issues. In the meeting held on the 26th of March, he enquired how pension funds are financed, how the retirement plans are structured, etc. We will continue to press for the detailed information on each employee's benefit package.**
- 5.2.9** **Mission is in complete agreement. Currently, the *** Embassy is going forward with its plans to go to direct hire as of July 2002. We will monitor their efforts and, with the advice of HRL, we will advise our staff accordingly.**

Staffing of LES Positions

5.2.10 The LES positions are staffed with either an expatriate or DSB employee, but there are no criteria to identify the type of employee required to fill a position. We were advised that the decision to hire an expatriate or DSB employee is at the discretion of each Program Manager. There is a significant difference in costs as expatriates receive two to three times the salary of a comparable DSB employee. With the large number of expatriates employed in the Mission, there are significant savings to be realized by hiring DSB employees. Many of the expatriates are third country nationals and may not have proper work visas in accordance with Chinese regulations. The recent HRL visit observed that of the 84 positions staffed with expatriates, 60 to 65 of these positions could be filled with a DSB employee. It is important that the Mission establish strict criteria to discern which positions need to be staffed with other than a DSB employee. In future, when an expatriate vacates a position, management needs to carefully decide, using established criteria, if the position can be filled by an employee from DSB.

5.2.11 Staffing LES positions with DSB employees would not only realize savings but would also reduce the administrative burden on the HR resources. Expatriates generally stay one to two years at the Mission whereas there is little turnover of DSB

staff. In 2001, there were 20 staffing actions involving expatriates. Moreover, any training given to these individuals is lost when they depart the Mission.

Recommendation for the Mission

5.2.12 The Mission should establish criteria to identify those LES positions that need to be staffed with expatriate employees.

Mission Response

5.2.12 The Mission discussed this issue with HRL during its visit of January 14-19, 2002. There are grounds for maintaining expatriate positions depending on the position, the work performed and the requirement for a security clearance.

There is a need for further discussions with HRL on this issue as we move to direct hire. Tentatively, Mission and HRL are aiming at April 2003 as the target date for resolution of direct hire and by that time we will have our criteria established and approved by HRL.

Expatriate and DSB Employees

5.2.13 In a meeting with the Audit Team, the DSB employees made a point of the distinction in benefits they believe exists between them and the expatriate employees, saying the latter have a superior package. Surveys of marker organizations are not conducted for DSB employees and each diplomatic mission has its own arrangement with the DSB. The Mission has undertaken a comparative study of the difference in benefits between the two groups.

5.2.14 The major concern as regards benefits revolves around two issues: expatriates can carry over 15 days of annual leave, while DSB are limited to five days. Excess unused leave for DSB employees is cashed out at 50 percent. Secondly, DSB employees cannot accumulate sick leave from one year to the next, whereas expatriates can. The Mission plans to have these expatriate entitlements apply to the DSB employees.

5.2.15 In a separate meeting with the expatriates, concerns were raised regarding salaries. Expatriates pointed out that the same markers are used from one year to the next and that salaries have remained stable for the past seven to eight years. They indicated salaries contribute largely to the exodus of LES expatriates. The Mission needs to see if there are other suitable organizations that can be used to make a comparative analysis of job matches and benefits.

Recommendation for the Mission

- 5.2.16 The Mission should endeavour to find other suitable organizations to use as markers in conducting the salary and benefits survey for its LES expatriates.**

Mission Response

- 5.2.16 When HRL visited the Mission in January 2002, HRL visited several organizations and companies with a view to finding new markers suitable for us to use. We await HRL's review of our survey and its report and recommendations on these markers.**

5.3 Physical Resources

5.3.1 The Physical Resources function is headed by a Property Manager, an AS-02, in an AS-04 position. He is assisted by a Canada-based Building Maintenance and Systems Engineer (EG-04) from the Department of National Defence, a General Services Assistant (LE-04), a Materiel Management Assistant (LE-05), a Vehicle Dispatcher (DSB-06), a Customs/Travel Assistant (DSB-06) and an Interpreter / Assistant (DSB-06). Reporting to the Building Maintenance and Systems Engineer are 36 employees including technicians, electricians, plumbers, carpenters, painters, outside cleaners and gardeners. The Materiel Management Assistant is responsible for the storeroom, two Materiel Clerks, a Tailor, and 11 inside Cleaners. The Vehicle Dispatcher is responsible for eight Drivers and a Messenger. In all, the Property Section includes 67 employees and has a budget of \$4,403,500 to manage, in addition to the 10 projects funded by SRSF (in 2001) amounting to \$340,320.

5.3.2 This is the first time in several years that a rotational AS has been in charge of the property portfolio. In the past, the position had been filled by a Post Property Materiel Officer (PPMO). Since the AS's arrival in the summer of 2000, his efforts and those of his staff have been impressive.

Management

5.3.3 The Property Section, because of its size and responsibilities, would benefit from a more structured management approach. There are no weekly staff meetings and the Property Manager is not in receipt of any activity reports (work orders, purchase orders, etc.) and financial reports. A Mission Property Management Plan (MPMP) has recently been completed and PRIME, the property data base, is current. The MPMP together with the SRSF Maintenance Plan serve, in a general way, as the basis for structuring the property work at the Mission.

5.3.4 The Section is in need of a more detailed work document that outlines the specific work planned for each of the three Chancery buildings and for each SQ. This document would be in addition to the MPMP and the SRSF Maintenance Plan. The document would show the proposed schedule of work and identify the resources involved taking into account the budget realities and occupant's concerns. This document could be reviewed weekly at the Section's staff meeting to ensure planned activities are successfully implemented. It could also serve as an accountability document for the Property Manager. The activity and financial reports would assist in identifying trends and alert management to take corrective action, if necessary.

Recommendation for the Mission

5.3.5 **The Property Section should:**

- **institute weekly staff meetings;**
- **prepare a detailed work plan that outlines the proposed work and required resources; and,**
- **be provided with activity and financial reports.**

Mission Response

5.3.5 **The Property Section holds weekly section meetings. However, these meetings are not held during the busy summer rotation periods. Within the maintenance section, there are daily morning meetings which are primarily for the distribution of tasks for the day. A master detailed work plan has been created for the Administration program as a whole. The Property Officer will now devote time to creating a monthly detailed work plan for all of property and material that can be appended to the master plan. The Property Administration Assistant will liaise with the Finance Accounts Section. Monthly, she would retrieve from the Accounts Section the necessary reports by G/L, by PRID, by vehicle number, etc. These reports combined with work order reports can then be assembled for the Property Officer to review for corrections, to analyse and to substantiate any changes.**

Properties

5.3.6 The Chancery is comprised of the Main Chancery building, the Paynter Building and the North Annex. In addition to the Chancery, there is a Crown-Owned Official Residence (OR) and 18 SQs located on a compound which includes recreational facilities. The North Annex is a newly renovated building which was only occupied by the Immigration Section in August 2000. Already, it is overcrowded. The Main Chancery building is to undergo a complete refurbishment in the next few months. The Paynter Building was renovated last fiscal year.

5.3.7 Staff accommodation includes 58 SQs, comprised of the 18 Crown-Owned on the compound, 27 leased from the DSB and 13 from commercial landlords, commonly referred to as joint ventures. The Audit Team visited the OR and 15 SQs, a mix of Crown-Owned on the compound and leased properties, spread over the six different locations. The Mission has made a conscientious effort to provide housing close to the Chancery, most of which is within walking distance.

5.3.8 New DSB acquisitions undergo major renovation prior to being occupied, with the expense absorbed by the DSB. The improved quality of housing is a testament to the negotiating skills of the Property Manager. The Mission provides no maintenance on the SQs leased from commercial landlords.

5.3.9 Housing in Beijing, consisting solely of apartments, is expensive. The Mission's rental budget is \$2.65 million. The 13 commercially leased SQs are located in a complex called East Lake Villas. At first glance, when comparing East Lake rents to DSB rents, East Lake appears more expensive. East Lake SQs, however, come with furniture, electricity, gas, maintenance, window cleaning and parking which alone costs US \$66 per month in DSB housing. East Lake also buses children to the French Lycée. East Lake also charges only for the space occupied, unlike DSB housing where 15 to 20 percent is added for the common areas in the building. A comparison of costs for both types of housing show little difference between the two.

5.3.10 In 1999, the Mission paid between US \$38 and \$49 per square metre at East Lake Villas, but due to successful negotiating, the current cost varies between US \$23 and \$31 per square metre per month. The DSB's cost per square metre is generally in the US \$14 to \$18 range. The Mission has also managed to eliminate the requirement for security deposits, and has recovered \$510,000 relating to the 22 deposits it had made previously.

5.3.11 The CBS occupying East Lake find the quality of the furniture to be inferior to that provided by the Crown in other unfurnished SQs. The Mission should enquire if East Lake can be leased without furniture to attempt to have a similar standard for all staff.

5.3.12 Of the 58 SQs in the housing portfolio, two are considered to be representational housing. These SQs are occupied by the Minister (Commercial) and the Minister (Political). There are an additional eleven properties that, because of their size and not necessarily because of the representation extended, are also considered representational. Most entertaining is carried out in restaurants in Beijing. Allocation of SQs is based on representational responsibilities and family size.

5.3.13 The sizes of the SQs are large, particularly those leased from the DSB. In the last two years, the Mission had floor plans drawn and measurements taken of all the SQs, something not done in the past. While savings may be possible if smaller

SQs were to be leased, smaller DSB units appropriate to the needs of the diplomatic community are difficult to find.

Recommendation for the Mission

5.3.14 Endeavour to lease properties without furniture.

Mission Response

5.3.14 The Mission rents 13 furnished apartments from one landlord. The landlord has agreed to remove the furniture and allow us to install our own furniture. An implementation date will be the summer of 2002.

Surplus Assets

5.3.15 A large sale of surplus assets was held in June 2001 which resulted in the disposal of some 550 items. The sale generated 64,360 RMB and was open to employees from other Embassies. Another sale of high-tech equipment, held in November 2001, resulted in over 200 pieces of equipment being disposed of for 36,165 RMB. Also in 2001, two official vehicles were sold through a silent auction in which sealed envelopes were received. There is no indication on file as to how many bids were received, who witnessed the opening of these envelopes and that the price chosen provided the highest return to the Crown. Better documented files for all disposals would provide assurance that the Crown received the most economical price for these surplus items. A summary report is needed to document the procedures followed and a certification by the CBS employee(s) involved that the best price was received.

5.3.16 The Mission currently leases a commercial warehouse divided into five different units. These units house items to be disposed of; items to be recovered and refurbished; small office furniture for disposal; mechanical equipment, air conditioners and appliances; and new furniture schemes and recently refurbished furniture. The units are well organized and neatly controlled. Inventories have been taken for all items except for the small office furniture earmarked for disposal. The sales that took place in 2001 have allowed the Mission to reduce its warehouse requirements resulting in savings of \$28,000 per annum.

Recommendation for the Mission

5.3.17 The Mission should properly document its sale of assets and the CBS Officer engaged in the disposal should prepare a summary report identifying the processes followed and a certification that the

Crown has taken the steps necessary to obtain the best price possible.

Mission Response

5.3.17 Noted. We will improve on our documentation of the process and the pricing in time for our next sale of used/surplus assets in order to provide yet greater transparency.

Distribution Accounts/Occupancy Agreements

5.3.18 A review of twenty property files indicated that 10 (50 percent) contained properly signed Occupancy Agreements and completed distribution accounts. The contents of these distribution accounts were not verified by the Audit Team. In the case of the other ten files, there was either no Occupancy Agreement or the one on file was not signed by the occupant. Six of the 10 files contained inventories that were not signed off by the holder. Many of the inventories were completed just prior to the audit. Inventories that remain outstanding include the OR and the three Chancery buildings, although the OR's inventory was in the process of being finalized.

Recommendation for the Mission

5.3.19 The Mission should ensure it has properly completed Occupancy Agreements and distribution accounts for all SQs as well as completed inventories for the three Chancery buildings and the OR.

Mission Response

5.3.19 All are completed and signed.

Fine Arts Inventory

5.3.20 The Mission reviewed the Fine Arts inventory in December 2001 and submitted a report to Valued Assets Management Section (SRMZ). Included in the report was the Fine Arts Agreement signed by the new HOM. Two pieces could not be located when the inventory was taken. One, missing since 1996, is believed to have been packed inadvertently with the household effects of a former employee. The Mission is following up this matter. The other piece, missing since 1998, could not be located despite a thorough and exhaustive search. The Mission has recommended that this missing piece be written off the inventory. The contents of the inventory were not verified during the audit.

Official Vehicles

5.3.21 The Mission's fleet consists of 16 vehicles, including a motorcycle. The Mission has an arrangement with a service station whereby it prepays its gas and each Driver draws down this credit through the use of a card. At month-end, a detailed statement shows the vehicle and litres consumed.

5.3.22 Management of official vehicles was recently improved with the introduction of vehicle logs to monitor gasoline consumption and vehicle utilization. Not all Drivers are completing the logs after each trip. Vehicle logs assist in assessing the use of the Drivers in terms of where they are going and the length of time on the road. Management can also use this information to determine the correct number of Drivers for the Mission. There are currently ten Drivers, including the HOM Driver. Overtime exceeded \$100,000 last year. The Mission is currently in the process of updating its Official Vehicle Policy. There is significant rental of official vehicles for personal use at this Mission which is not being approved by the HOM, as required. The personal use of official vehicles needs to be addressed as part of the updating of the Vehicle Policy.

Recommendations for the Mission

5.3.23 The Mission should ensure the Drivers fill out vehicle logs.

5.3.24 The Mission should ensure official vehicles are only rented to staff under exceptional circumstances and only with HOM approval.

Mission Responses

5.3.23 Noted. The Mission is in compliance and vehicle logs are being completed.

5.3.24 The Mission has developed new Vehicle Policy Guidelines as of July 2002 which comply with Departmental policy.

5.4 Finance

5.4.1 The Accounting Section is effectively managed by the Finance Officer, an FI-02. The Section includes an Accountant and two Assistant Accountants. Hub and Spoke financial responsibilities are in place between the Mission and our Consulates in Chongqing and Guangzhou. For its daily operations, the Mission uses four different accounts: a US dollar and a local currency Renminbi (RMB) cash account; and a US dollar and RMB bank account. The Accounting Section is well organised and service standards facilitate its relationship with clients.

Staff Turnover

5.4.2 Both the Finance Officer and the Accountant will be leaving in the summer of 2002. At the time of the audit, the two Assistant Accountants had only been in place for two months and one month, respectively. Despite the fact that one of the Assistants had yet to receive the scheduled IMS training, she was able to perform reasonably well because of the willingness of others in the Section to impart their knowledge.

Hub and Spoke

5.4.3 The Financial Officer prepared guidelines for an MOU between Beijing and its two Spoke Missions, Chongqing and Guangzhou. The Hub financial responsibility for Beijing consists mainly of entering financial transactions in IMS, producing IMS reports and preparing bank reconciliations. The Financial Officer signs Section 33 for payments made by Chongqing. The MCO in Guangzhou is exercising Section 33 for his Mission. The audits in Chongqing and Guangzhou indicate that Beijing should continue its current relationship with Chongqing; however, Guangzhou could start entering financial transactions as soon as its Accountant is trained on IMS. This recommendation is contained in the Guangzhou audit report. This will reduce the volume of work in Beijing. Beijing does not have a Hub and Spoke relationship with Shanghai; however, Beijing is responsible for entering salary data into the LES Pay System for Shanghai.

Recommendation for SMFF

5.4.4 SMFF should consider providing the Mission in Shanghai with the capability to input salary data into the LES Pay System.

SMF Response

5.4.4 Shanghai is now doing its own entries into LES pay.

Cash Accounts

5.4.5 The two cash accounts, under the control of the Financial Officer, are appropriately secured. These accounts are replenished by withdrawals from the bank or from cash collected from Immigration fees.

Payments

5.4.6 Payments made from the cash accounts are high. To reduce the risk of error, the Accounting Section temporarily closes when preparing these payments. Payments are also made by bank transfer and cheque. Cheques are prepared

manually because IMS cannot print Chinese characters. The *** does not return the cheques after processing. In Beijing, a cheque is valid for a one month period only.

5.4.7 Expatriate salaries are paid from the US dollar cash account. A year ago, in an attempt to reduce the volume of cash disbursements, the Mission surveyed the expatriates to determine if they would prefer to receive their salaries via bank transfer or by cheque. They were not supportive because of the difficulty of opening a personal bank account and because a cheque that is folded or spoiled is not accepted by the bank. Issuing cheques may conceivably create more work because of the high number of replacement cheques that may have to be issued. A solution may be for the Mission to meet with the bank to see if salaries could be paid by bank transfer.

5.4.8 The Mission has a listing of 474 vendors of which at least 300 are still active. To further reduce its cash payments, the Mission contacted a number of suppliers to explore the possibility of having them provide a monthly statement of their account to allow for a one-time payment by cheque. The majority of the suppliers, however, indicate a preference to be paid by cash. The Mission should deal with fewer suppliers and use its leverage to better negotiate the form of payment.

Recommendation for the Mission

5.4.9 To reduce the volume of cash payments, a meeting with the * should be held to explore the possibility of paying expatriate salaries by bank transfer.**

Mission Response

5.4.9 The Mission signed a one-year agreement in June (2002) with * to disburse the LES expatriate monthly payroll. This has eliminated a large number of month end cash payments.**

Revenues

5.4.10 Large amounts of revenues (approximately \$21 million annually) are collected mainly from the Immigration Section and, to a lesser extent, from the Consular Section. These funds are collected by cash or by Postal Money Order (PMO) and are transferred to the Accounting Section. When cash is transferred, the Accounting Section closes to allow the Accountants time to count the funds, issue an official receipt and secure the funds before depositing them in the bank. Adequate internal control provides assurance that the funds transferred to the Accounting Section have been properly recorded into IMS and deposited in the bank or placed in the cash accounts. Effective February 1, 2002, the Mission is using a security company to transfer the funds to the bank. The contract calls for one of the Assistant Accountants to

accompany the vehicle during the depositing process. Previously, a Mission Security Guard accompanied the Assistant Accountant to the bank in an official vehicle.

Immigration Revenue

5.4.11 Immigration clients, choosing cash as the form of payment, pay their fees directly to the Bank *** located on the compound. Clients are provided a cash register receipt from the Bank. Since the Bank *** has yet to receive a licence to operate, the Bank *** transfers the funds daily to the Mission's Accounting Section. A reconciliation is then made by the Accounting Section between the funds transferred and the total from each of the numbered summaries generated by Bank *** cash registers. A 1203A prepared by the Bank *** is also submitted to the Accounting Section. The funds collected by the Bank *** are not entered into POS+2000. The Bank *** is expected to be accredited as a bank in Beijing in the near future.

5.4.12 Immigration clients, unable to come to Beijing to make their payments in person, use PMOs to pay their fees. The overall process for handling this revenue is cumbersome and complex. The process is as follows:

- the client purchases a PMO from a Postal Office in his area made payable to the Canadian Embassy - Visa Section;
- the Postal Office provides the client a numbered receipt showing the amount of the PMO and to whom it has been issued;
- the client attaches the receipt to his Immigration visa application and mails it to the Canadian Embassy;
- the Postal Office sends the PMO to the Beijing Postal Office (takes two days), bearing the same serial number as the client's receipt;
- daily, the PMOs are collected from the Beijing Postal Office by the Mission's Messenger who brings them to the Immigration Section;
- the Immigration Section sorts the PMOs by amount, date and serial number and secures them in a cabinet;
- when the application form is received, the Immigration Section matches the receipt with the relevant PMO;
- all matched PMOs are recorded into POS+2000;
- every two days, the matched PMOs are taken to the Beijing Postal Office in order that the Postal Office can raise a cheque made payable to the Canadian Embassy for the value of the returned PMOs. These

cheques are prepared only once a month and sometimes only every second month;

- the refund cheque is sent to the Immigration Section which ensures that the refund cheque totals the value of the PMOs sent to the Postal Office; and,
- when satisfied that the totals match, the Immigration Section sends the cheque with the relevant 1203A, generated by POS+2000, to the Accounting Section, where it is deposited.

5.4.13 The delay of one to two months before the Beijing Postal Office issues a refund is unacceptable and is complicating the reconciliation process. Reimbursement on a weekly basis would be more appropriate.

Recommendation for the Mission

5.4.14 The Mission should determine if the Beijing Postal Office can provide more timely reimbursements of uncashed PMOs.

Mission Response

5.4.14 The Mission will be pursuing this issue in consultation with the Immigration Section and the Beijing Postal Station.

5.4.15 PMOs are valid only for a period of two months. PMOs not matched in the Immigration Section before the expiration period are recorded in a register and kept in a file for reference.

5.4.16 As a control feature, and to ease the reconciliation process for Immigration revenues, logs are needed in the Accounting Section to record the sequential numbers of the 1203As generated by POS+2000 in the Immigration Section and the 1203As produced by the Bank *** relating to cash payments. These logs would allow the Accounting Section to detect a missing 1203A and would also facilitate the reconciliation process.

Recommendation for the Mission

5.4.17 The Mission should maintain logs recording the sequential numbers of all the 1203As received from the Immigration Section and the Bank *.**

Mission Response

5.4.17 Noted. We are now maintaining a sequential log of the 1203As.

Immigration Right of Landing Fees (ROLF)

5.4.18 ROLF refunds amounted to \$703,542 between December 1999 and March 2002. There are two issues to note with respect to the processing of ROLF refunds. The Immigration Section provides few details when requesting that the ROLF refund be made by the Accounting Section. Information such as the original date of payment, the amount, receipt number issued and other relevant details which would allow tracking the original payment by the client are not provided. Moreover, the Financial Officer needs this information to effectively discharge her responsibility in exercising Section 33 of the FAA for these payments. The Immigration Cost Recovery Officer did confirm that ROLF refunds are recorded in Immigration's CAIPS system and this control assists in reducing the risk of duplicating a refund to clients.

5.4.19 The Mission uses a PMO to refund a ROLF to an Immigration client. The Mission prepares a cheque payable to the Beijing Postal Office which, in turn, issues a PMO in the name of the client provided by the Mission. ROLF refunds are not necessarily always cashed by the payee. When a PMO is not cashed, the Postal Office has the benefit of the money and not the Crown. Knowing that a PMO is valid only for a period of two months, the Mission should be following up with the Postal Office regularly to identify those PMOs that have not been cashed. In the case of these PMOs, the Mission should be requesting a refund from the Postal Office.

Recommendations for the Mission

5.4.20 The information provided by the Immigration Section should be complete to allow the Finance Officer to effectively discharge signing authority under Section 33 of the FAA.

5.4.21 The Mission should be requesting a listing of money orders not cashed from the Beijing Postal Office and ensure the Crown is refunded this money.

Mission Responses

5.4.20 Mission Accounts and Immigration Cost Recovery Cashier has revised the form to include the file case number to allow for better tracking. Also, the form now includes the information regarding the original date of payment and Section 34 is signed by one of the Immigration Officers, allowing the Finance Officer to sign under Section 33.

5.4.21 A twice yearly review of uncashed PMOs will be reconciled by the Mission Accounts and Immigration Cost Recovery Cashier.

Imprest Account

5.4.22 When a cheque is not cashed, the cheque appears in an IMS outstanding cheque report. When the cheque is no longer valid, it is removed from the bank reconciliation process and placed in the Mission imprest account. HQ Financial Management Services (SMFF) state that the reference record must stay in this imprest account for a period of seven years after which the Mission is to clear the amount in question. There are no formal instructions explaining the amount and details that should be recorded in the imprest account and the process for clearing these records.

5.4.23 Currently, \$19,385 is recorded as the Mission's imprest account. The transactions listed in IMS were all made when FINEX was in operation. The last item was entered in September 1999. On February 17, 1999, an amount of \$8,666 was rolled over from FINEX to the IMS imprest account. This amount represents the balance left in FINEX at the end of the fiscal year 1997-1998. At the time of the rollover to IMS, a record was not kept as to what was included in the total amount. It would take considerable effort to reconstruct this account. This subject was discussed with SMFF who intends to send instructions to all Missions informing them that any amounts rolled over on February 17, 1999 would be cleared by HQ.

Recommendation for SMFF

5.4.24 SMFF should issue detailed instructions on the use of imprest accounts and details on clearing these accounts.

SMFF Response

5.4.24 Procedures for operating the imprest account are included in the SMFF work plan for this fiscal year.

School Debentures

5.4.25 The Mission's school debentures total \$601,107 and are comprised of 25 numbered certificates from the International School of Beijing (ISB) and five certificates from the Western Academy of Beijing (WAB). These certificates were purchased at a unit price of US \$15,000. At the ISB, any certificate bearing a number within the range of one to 700 automatically guarantees the placement of a student at the school. The Mission owns 20 of these types of certificates. The other five ISB certificates only guarantee that the student will be on a priority list. Currently, the Mission has 17 students at the ISB and eight students at the WAB. The Mission should evaluate the

worth of keeping the five ISB certificates, totalling US \$75,000, even though they do not guarantee a place for a student.

Recommendation for the Mission

5.4.26 The Mission should contact the International School of Beijing to evaluate the benefits of holding a priority list certificate.

Mission Response

5.4.26 The Mission has contacted the International School in Beijing and has confirmed that in August 2002, all certificates that are not required (those in excess to the number of children we have attending the school) will be cashed in.

Value-Added Tax (VAT)

5.4.27 The Mission applies regularly for VAT refunds which allows for partial recovery of the tax paid. While the VAT rate for tap water, gas and heating is 13 percent, the refund is six percent. The VAT for electricity, building or interior decorating materials, equipment, vehicles, other equipment and high-end articles is 17 percent and the refund is set at nine percent. Some equipment and materials must have a unit price above RMB 2000 (approximately \$400) to be eligible for a VAT refund.

Hospitality

5.4.28 Hospitality diaries were reviewed to ensure compliance with policies and procedures. Complete auditing by the Accounting Section of hospitality diaries has only been undertaken since October 2001. In general, the diaries are well done, with forms usually filled out in full. Some diaries include the notation "Official Guests" on the EXT52 but there is, in some cases, no guest list attached. Some diaries have statutory declarations attached for such things as "Flowers", whereas others consistently include receipts. Program Managers need to be reminded of the guidelines for "Official Hospitality Outside Canada" and, where there are questions, Mission management should clarify.

5.4.29 The CMM reviewed hospitality per capita rates in October 2001, and revised them downwards. The CMM minutes show the basis for this decision was the lowering of the meal rates for Beijing. There was no exercise to cost a number of events, particularly for the HOM, to ensure rates are realistic and substantiated. Additionally, the rates are deemed to include beverages, except for liquor and wine, that are held "in stock". Only the HOM reports shows a tracking and charges against an inventory. Other Program Managers' diaries do not include such a control list, and it is unclear if these per capita rates do or do not include beverages.

5.5 Information Management

5.5.1 The functions of information technology and information management are well managed. On the systems side, there is one CS-02, assisted by a CS-01 and two expatriate LE-07's. On the technician side, there are three EL positions. Resources are currently deemed to be sufficient, although demand for services continues to increase.

5.5.2 Recent upgrades to OCTEL and the installation of the Softel telephone call reporting system have increased efficiencies and have led to reductions in long distance costs. The Softel reports are actively monitored and information is relayed to Mission management for action.

5.5.3 The work involves significant support for Spoke Missions, especially since the installation of MITNET/SIGNET in Guangzhou and Chongqing. Additionally, the issue of increased workload related to Secure Remote Access (SRA) is foremost in the mind of the CS-02. Installation and stabilization of SRA may be time consuming, and once employees are connected, the support required is expected to add more to the CS workload. The CS-02 is concerned that four positions may not be sufficient, but is monitoring and analyzing the workload. This should permit an assessment of the need for incremental resources.

5.5.4 The Mission has over 200 cellular telephones, many inherited from Team Canada after their departure. There are 140 active units. To help off-set costs, the Mission implemented a charge of RMB35 per month per unit for each user. Some staff complained they should not be paying this fee because the telephone is for work purposes. Users are granted up to RMB300 in monthly air time, an increase from RMB150 last year. Personal calls over this amount are recovered.

Recommendations for Mission

5.5.5 The Mission should analyze the workload to assess the need for an incremental position in the Computer Services Section.

5.5.6 The Mission should re-evaluate the need for the large number of cellular telephone units in operation.

Mission Responses

5.5.5 Agreed. Currently, we have 240 SIGNET users and 4 SAs, (60 users per SA). Depending on further growth within the Mission we may require an incremental SA position. The Mission will monitor and advise HQ accordingly.

5.5.6 The Mission plans to provide Guangzhou with 15 units and Chong Quing with eight units. Another 27 are to replace older units at the Mission. As to the number of cellular telephones in operation within the Mission, every year, each Program Manager reviews the assignment of cellular telephones within their Program and approves usage as per operational requirements.

RESOURCES FACT SHEET

Personnel (FTEs)

	CBS	LES	Total
HOM Office	1	6	7
International Business Development	9	10	19
General Relations	7	7	14
Consular	1	2	3
Common Services	18	81	99
CIC	15	74	89
Defence Liaison	2	0	2
CIDA	5	4	9
RCMP	2	1	3
SolGen	1	1	2
Total	61	186	247

* Totals DO NOT include CEC (3 LES), Prov Reps: Quebec (1 CBS and 2 LES) and Alberta (2 CBS and 4 LES) and EDC (1 CBS)

Physical Resources

ASSETS	OWNED	LEASED
Chancery	1	(with 1 ground lease)
Annex - Paynter	1	
Annex - North	1	(with 1 ground lease)
OR	1	
SQs	18	40
Vehicles	16	

Financial Information FY 2001-2002

LES Salaries N012	\$4,377,968
CBS Overtime N011	73,000
Operational N001	6,492,629
Capital N005	468,400
Total	\$11,411,997