

**AUDIT
OF
THE CANADIAN MISSION
TO THE EUROPEAN UNION (BREEC)**

BRUSSELS

October 2000

Audit Division (SIV)

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EXECUTIVE SUMMARY

An audit of all Programs, including Trade Policy, Political Affairs, Canada Customs and Revenue Agency, Agriculture, Finance and Administration of the Canadian Mission to the European Union (BREEC) was conducted in Brussels during the period May 23 to 26, 2000. The previous audit of the Administration Program took place in May, 1994.

BACKGROUND

The European Union (EU) is evolving in a number of fundamental ways, all of which present new challenges for Canada and the staff of BREEC. The EU is now negotiating accession with 12 candidate countries (Czech Republic, Cyprus, Estonia, Hungary, Poland, Slovenia, Bulgaria, Latvia, Lithuania, Romania, Slovenia, and Malta), and is also committed to eventual negotiations with Turkey. With countries such as Norway and Switzerland also considering possible membership, the EU could eventually grow from its current 15 Member States to as many as 30, and from its current population of 390 million to well over 500 million. Since January 1, 1999, eleven Member States now share the euro as their common currency, with Greece preparing to join this group on January 1, 2001, and euro notes and coins beginning to circulate on January 1, 2002. As it continues to complete its internal market and develop common security and defence arrangements, the EU will increasingly assert itself as a unified political as well as economic actor.

Similarly, the environment in which BREEC operates has also become more complex. While the European Commission - the EU's political executive supported by a civil service of some 18,000 employees - remains the focus of attention for BREEC's trade and economic efforts, other EU actors have grown in importance, such as the European Council, in which Member State interests are represented and which is supported by its own bureaucratic support agency, the Council General Secretariat. The directly-elected European Parliament has also grown in influence in recent years. Adding to the complexity is the fact that Canada is a non EU member. As such, the level of effort required to establish contacts and maintain relations with the EU institutions is high. The Mission has the challenge of promoting Canadian policies and interests and at the same time attempting to understand and influence EU policies that affect Canada.

MISSION MANAGEMENT

Overall, Mission Programs and activities are delivered effectively and efficiently because of the generally high quality of Canada-base (CB) staff and the good personal working relations among them and the management styles of the Head of Mission (HOM) and Deputy Head of Mission (DHOM). Mission management believe firmly that additional resources will be required as the EU expands. To demonstrate the

need, the Mission should begin monitoring the impact of workload increases on its resource base. As part of the audit methodology, the Audit Team surveyed many of the Mission's Other Government Department (OGD) clients. Surveyed results indicated that the Mission is providing a very positive, value-added service.

TRADE POLICY SECTION

Overall, the Audit Team has concluded that the Trade Policy Section is well managed and is staffed by a highly skilled and committed group of officers. Despite the strenuous workload and long hours put in by all employees, objectives are clearly linked to those of the Mission as a whole, feedback on performance is constant and ongoing, and the Section's Officers make a point of communicating regularly, both among themselves, and with other Sections of the Mission.

POLITICAL AFFAIRS SECTION

The Political Affairs Section delivers an effective program. Its dedicated officers perform their duties effectively and adjust well to the daily challenges they face. The Section is currently achieving a balance between its workload and available resources. More of the Third Secretary's responsibilities for visit logistics could be delegated to locally engaged staff (LES) so the Officer can make optimal use of his time. To this end, the Section needs to review the duties and responsibilities of its LES.

OTHER GOVERNMENT DEPARTMENT REPRESENTATIVES

There is a need for a clarification of the secondment and Memorandum of Understanding (MOU) arrangements between DFAIT and OGDs. The absence of a clear agreement sometimes places all parties in a difficult position. Once roles, responsibilities and administration arrangements are clarified, the relationships will be clearer for all concerned parties.

ADMINISTRATION

The Mission has an O & M budget, although BRU is responsible for providing the majority of administrative services to the Mission. To facilitate this service, the BRU MCO attends the CMM meetings to address any administrative issues affecting BREEC staff. Observations and recommendations with respect to the BRU administrative responsibilities are detailed in the BRU audit report and are not repeated in this report. This report highlights only the administrative issues which impact BREEC.

MISSION MANAGEMENT

1.1 Overview

1.1.1 Section Heads have either the EX Performance Agreement, Appraisal Objectives or Secondment Agreements with the DHOM that establish Program responsibilities over the course of the appraisal year. The DHOM has an EX Performance Agreement with the HOM. All performance documents are closely aligned with the HOM's Accountability Agreement and the Joint Canada - EU Political Declaration and Action Plan. The latter, agreed in December 1996 by the Canadian Prime Minister and the Presidents of the European Commission and the European Council, represents the basic "road map" of Canada-EU relations, with specific commitments on closer cooperation in various areas related to trade and economic policy, regular consultations on foreign and security policy (including regional conflicts), human security and people-to-people links such as academic, business and cultural cooperation.

1.1.2 All officers receive yearly performance appraisal reports, and work objectives are generally clearly communicated to staff by Section Heads, both in writing and orally. Mid-year reviews of work objectives are held in March or April of each year to provide timely feedback to employees. Priorities are also established on a regular basis through weekly meetings with all CBS, chaired by the HOM, in "cluster" meetings between the DHOM and the staff from each Section, which enable Officers to establish policy "crossover" with the Political, Agriculture, Finance, Revenue and Justice and Home Affairs Sections where staff may be working on related files. Officers in the Sections also noted that they meet as a Section about once a month, and informally at least once a day with the Section Head. There is generally no uncertainty about work expectations, and regular consultations ensure that any areas of uncertainty are quickly resolved.

1.1.3 The Mission structure is relatively flat, with six sections reporting to the DHOM. Three Sections reporting to the DHOM are headed by officers seconded to the Mission from the departments of Agriculture, Finance and the Canada Customs and Revenue Agency, while the other three are managed by Officers from DFAIT. Program Managers believe this structure is effective because it allows for quick decision making and facilitates access to the HOM. The HOM is seen by Program Managers as easily accessible and a strong supporter of their programs.

1.2 Workload

1.2.1 The issues dealt with by BREEC are complex, as is the range of clients - DFAIT, OGDs, provincial governments, industry associations and companies, as well as the EU institutions, with whom it must liaise on a daily basis. As such, Mission responsibilities have expanded significantly, and consequently, its "tasking" no longer

comes solely from HQ divisions such as REU. Requests and instructions originate throughout HQ, and also from key OGDs and others. This places a higher premium on effective policy coordination from Ottawa.

1.2.2 In addition, the number of meetings required to service an extensive network of working groups, task forces, etc is increasing. These are high level and generally long term in nature. As well, the number of visits and the level of visitors is increasing. These events include the bi-annual meeting of the Prime Minister and the Presidents of the European Council and European Commission as well as the annual meeting of the Joint Cooperation Committee and related bodies, and meetings between MINA and MINT and the Commissioners responsible for External Relations and Trade. In addition, there are many senior bureaucrats from federal and provincial departments and agencies meeting their counterparts in the European Commission. Organizing these meetings and visits creates a considerable workload for the Mission Programs. Visit activities will remain an important facet of the workload for all Sections of the Mission and will increase as the importance of the EU to Canada increases.

1.2.3 The Mission firmly believes that the workload will continue to increase as the EU expands the number of member states, as its political and economic power increases and as it moves toward political union. Although the Audit Team does not disagree, it believes that the Mission could make a better case if it were to monitor the incremental work and its impact on the resource base. The recent decisions by CIC and Health Canada/HRDC to put officers into the Mission this summer, and by DFAIT to retain and staff the position for Justice and Home Affairs, reflect the acceptance of this reality by both DFAIT and the OGDs.

Recommendation for Mission

1.2.4 The Mission should quantify the increasing work demands and the impact on its present capacity, to demonstrate additional resource requirements to RWD.

Mission Response

1.2.4 The Mission welcomes the recognition that our workload has increased over the last few years and the suggestion that we should find a way to quantify the additional demands on our resources. It would be helpful, in this respect, to establish with RWD the basis for this assessment, especially as quantitative measures do not tell the whole story. The Mission would reiterate the importance it places on ensuring adequate resources at HQ to undertake the necessary coordination across DFAIT, with OGDs, private sector, provinces, and NGOs. The Mission has also put forward a proposal to MBC and

others on how to strengthen Canada's effectiveness in Europe on EU-wide policies and issues.

OPERATIONAL PROGRAMS

2.1 Trade Policy Section

2.1.1 The Mission's Trade Policy Section is headed by a Counsellor, and staffed by a Second Secretary responsible for regulatory and legal affairs, a Third Secretary responsible for natural resources, energy, and business issues and a Counsellor on secondment from Industry Canada responsible for Science and Technology. The Section is supported by an LE Secretary.

2.1.2 Overall, the Audit Team has concluded that the Trade Policy Section is well managed, and is staffed by a highly skilled and committed group of officers. Despite the strenuous workload and long hours put in by all employees, objectives are clearly linked to those of the Mission as a whole, feedback on performance is constant and ongoing, and the officers make a point of communicating regularly, both among themselves, and with other Sections of the Mission. The HOM takes a strong interest in the work of the Section, and the officers are extremely knowledgeable on their respective dossiers.

2.1.3 ***

Recommendation for Mission

2.1.4 ***

Mission Response

2.1.4 ***

2.2 Political Affairs Section

Overview

2.2.1 The Political Affairs Section is managed by a Political Advisor who reports directly to the Minister-Counsellor and Deputy Head of Mission. The Political Advisor supervises an FS-01 Officer, a Program Officer, a Secretary, a Receptionist and an Assistant. Although he is in the Political Affairs Section, the Justice and Home Affairs Advisor actually reports to the Minister-Counsellor and Deputy Head of Mission. This position is exceptional in that its instructions come from the four departments that finance it. There is a Memorandum of Understanding between these departments setting out the duties, roles and responsibilities of each. The MOU is a good example of partnership. It should be noted, however, that the Mission has begun reorganizing duties and responsibilities within the Section and that the new position will be under the

direct supervision of the Political Advisor, in accordance with the Mission's organization chart.

2.2.2 In recent years, Europe has seen major structural changes. The most important are acceleration of the European Union (EU) integration process, prospects for major expansion in the near future, the development of common policies and the strengthening of European institutions. This policy re-engineering and redistribution of powers has increased the Section's workload.

2.2.3 The mandate of the Political Affairs Section is to strengthen political relations between Canada and the EU, within the framework of the Joint Political Declaration and Action Plan. The Section is responsible for promoting Canadian policies and interests, expanding the dialogue on foreign policy and common security, and following up on strategies that could have an impact on issues of interest to Canada.

2.2.4 The division of work is based essentially on the issues that need to be dealt with or covered. The Political Advisor manages the Section and is responsible for Canadian-European relations and media relations, in close co-operation with the Public Affairs Advisor. The FS-01 Officer is directly involved in issues relating to domestic affairs and relations with common institutions, particularly the European Parliament. The Justice and Home Affairs Advisor is responsible for co-operation and consultation on migration, the movement of people and the fight against transnational crime.

2.2.5 The Section is also in charge of the internship program for the entire Mission. For this purpose, the Section identifies *ad hoc* research projects and selects interns interested in gaining work experience and exploring one or more specific issues. The program is of great value to the Mission and the Department, given the high calibre of the interns and of their performance in analysing and developing certain issues. The Audit Team considers such a program to be an asset to the Mission and a highly cost-effective developmental tool for all involved.

Work Plans

2.2.6 The Section's work is based primarily on the priorities established by the Mission, in accordance with the pre-existing agreement with the geographic bureau. The Section assigns case files and produces a work plan based on these priorities. The plan is reviewed regularly and changes are made, if needed. The Section's three officers attend weekly management meetings. Also, the Section Head meets with locally engaged staff about every two weeks to keep them abreast of new developments and discuss work and routine business. It should be noted that LES do not have a work plan or objectives against which their performance will later be assessed. Performance appraisals are not done regularly for LES.

2.2.7 Since Canada is not a member of the EU, the Section's officers need to work particularly hard to forge ties with members of European institutions. They are performing this task well. Media relations, creating and maintaining a network of contacts with European policy-makers and liaising with the European Commission, European Council and European Parliament are daily challenges. Further, the work is often dependent upon the organization of Canadian visits and the implementation of consultation programs with the European Union Presidency, which rotates on a bi-annual basis. The team is versatile and has successfully adjusted to external factors and changes that affect the Section's workload.

Recommendation for Mission

2.2.8 The Section Head should develop a work plan for locally engaged staff and set objectives on which they will later be evaluated. There should be regular performance appraisals for LES.

Mission Response

2.2.8 The new Section Head is currently conducting an assessment of the Mission's needs with respect to the services of LES. Given the recent increase in the Mission's workload and the impact of technology, we need to clearly identify our objectives and resources. Work plans with specific objectives will follow. Performance reports for last year are being prepared.

Resources

2.2.9 The current team is coping with a huge load, working long hours to deal with the daily pressure. Organizing visits and contacting partners, for example, are extremely time consuming. The FS-01 Officer spends 25% of his time on relations with the Parliament and its various commissions. An additional 20% is devoted to the organization of visits, contacts and logistics. The Officer must make contacts, set up appointments, prepare a program and makes sure everything runs smoothly. Though the Officer has assistance, he could be relieved of some tasks and handle only the basics, such as preparing the plans for visits. The remaining tasks could easily be performed by an administrative assistant. In many cases, the work associated with visits is very time consuming, requiring extra effort and overtime. The Audit Team considers that, where warranted and necessary, overtime should be authorized and paid. The tasks involved in organizing visits should be better distributed so the Officer can optimize his time and devote more attention to relations with the European Parliament.

2.2.10 The analytical work is demanding and stimulating. The team feels that the workload is substantial but the Section is moving towards a balance between its resources and work requirements.

2.2.11 *** The Section has devoted a great deal of effort and creativity to finding a solution to this situation, which is becoming an administrative problem and sapping team morale. Appropriate options have been identified and the Audit Team is of the view that this is an important step towards resolving the situation. However, it would be useful to conduct a cost analysis of each option to support any decision that is made. It would be desirable for the two parties to negotiate an agreement to permanently settle the matter and a decision should be made very soon.

2.2.12 ***

Recommendation for Mission

2.2.13 The Section should restructure the work relating to visits in order to relieve the FS-01 Officer of certain logistical tasks and assign these to administrative support staff.

2.2.14 ***

2.2.15 The Section should review the Program Officer's duties and define her tasks so as to make optimal use of her skills. The Section should continue the assessment of its staff resource requirements with respect to the positions of Receptionist and Assistant.

Mission Response

2.2.13 Involving officers in some of the visit logistics -- particularly for high-level visits -- is inevitable. This is the case for all the Mission's officers. It is up to each Officer to divide tasks with support staff in a way that achieves the best possible balance. In this particular case, the Section's assistant and locally engaged reception staff are available for this purpose. Also, we have re-assigned tasks between this position and the new position of Human Security Officer to lighten the workload of the Officer in question.

2.2.14 ***

2.2.15 See response to 2.2.8.

2.3 Canada Customs and Revenue Agency (CCRA) Section

2.3.1 The Audit Team was informed that because there is no MOU between CCRA and DFAIT this sometimes places both parties in a difficult position. As such, the Section needs an MOU between CCRA and DFAIT to explain the Programs and activities being carried out, and define the respective roles of the HOM, DHOM and the Section Head. An MOU should be prepared before the current Section Head leaves this summer. Without the MOU there are many unanswered questions with respect to accountability, role, responsibilities, etc.

Recommendation for RWD

2.3.2 RWD, in consultation with other HQ divisions and the Mission, should prepare and conclude an MOU with CCRA as soon as possible.

RWD Response

2.3.2 The Department and the Canada Customs and Revenue Agency (CCRA) have agreed to conclude a Memorandum of Understanding clarifying the relationship between the two departments at the Canadian Mission to the EU in Brussels. This arrangement will provide for greater accountability regarding the administrative and reporting relationships of the revenue counsellor position at BREEC, taking into account, *inter alia*, the evolving responsibilities of the position, and the need for the revenue counsellor to maintain working contacts not only with the EU but also with the OECD and the World Customs Organisation, as well as tax and customs administrations throughout Europe. Discussions on the MOU are well-advanced and we expect them to be concluded before the end of the calendar year.

2.4 Agriculture and Finance Sections

2.4.1 Both Section Heads have a secondment agreement which outlines the substantive nature of their assignment. What is not evident is a clarification of the management/administrative elements of their assignment. They are Senior Officers who are accustomed to having a large budget and staff complement, and making management decisions in these areas. At BREEC this is the responsibility of the DHOM. A clarification of this point in the secondment agreement would prevent the possibility of placing both parties in a difficult position.

2.4.2 In addition, all Section Heads should prepare, at the beginning of the year, a work plan outlining their planned activities: travel, hospitality, outreach, conferences, seminars, newsletter publications, web page work, training needs, etc. These activities need to be costed and presented to the DHOM for discussion. Decisions with respect

to the substantive and cost elements of these work plans can be made at the outset of the year. In this way, all parties will be aware of the level of effort and resources that the Mission is willing to commit to achieve its overall objectives.

Recommendation for Mission

- 2.4.3 The Mission, in consultation with the incumbent and HPD, should clarify the management elements of the assignment and document it in these secondment agreements.**
- 2.4.4 All Section Heads should prepare a forecast work plan that outlines their planned activities and associated costs, and present it to the DHOM for discussion.**

Mission Response

- 2.4.3 The management elements of these two positions are clearly defined already and are reiterated in the accountability statements for each position. The Finance Counsellor has no management responsibilities.**
- 2.4.4 The DHOM sought input from each Section Head prior to outlining the Mission`s budgetary requirements. However, as the budget for the Mission is relatively small, has no programme funding, and must cover a range of overhead requirements in the interests of the overall Mission staff and HOM residence, the DHOM, HOM, and Head of Administration will need to retain maximum flexibility. This is all the more evident in the major currency gains situation we find ourselves in recently.**

Recommendation for HPD

- 2.4.5** HPD should ensure that all OGD secondment agreements clarify any management elements of the assignment and document these in the secondment agreement.

HPD Response

- 2.4.5** HPD will endeavour, from now on, to clarify the management elements of OGD secondment agreements. In each case, we will ask the relevant divisions in DFAIT whether the following language can be included in the agreements: *“DFAIT will provide support services commensurate with the requirements of the position and consistent with support provided to other positions of similar rank at the mission.”*

ADMINISTRATION PROGRAM

3.1 Management of Administration

3.1.1 The Mission has an O & M budget, although BRU is responsible for providing the majority of administrative services to the Mission. To facilitate this service, the BRU MCO attends the CMM meetings to address any administrative issues affecting BREEC staff. Observations and recommendations with respect to the BRU administrative responsibilities are detailed in the BRU audit report and are not repeated in this report. This report only highlights the administrative issues which impact BREEC.

3.2 Human Resources

Meeting with Locally-engaged (LE) Staff representatives

3.2.1 Because the Mission does not have a LES Committee, the MCO invited a representative number to attend the meeting. It became apparent by the type of concerns being brought to our attention, the Mission needs an LES committee where issues can be discussed and decisions made.

3.2.2 The Audit Team brought the LES concerns to the attention of the HOM, the MCO and the DMCO.

Recommendation for Mission

3.2.3 An LES Committee should be established to improve communications between the LES and Mission Management.

Mission Response

3.2.3 Mission management undertakes to improve communication with the LES, including through attendance at weekly management meetings and a monthly meeting chaired by the DHOM.

3.3 Physical Resources

3.3.1 The management of staff quarters is the responsibility of the MCO in BRU. The maintenance of the Official Residence is also under BRU management but the operating cost is charged to the BREEC budget. SIX and an Audit Team member visited the Official Residence, Dames Blanche, and viewed all of the rooms, facilities and grounds. The large residence and grounds have been well maintained. An outstanding issue is whether the swimming pool should be repaired or filled in. The

Audit Team is of the opinion that repairs should go ahead at an estimated cost of \$50,000 and that the pool, which is heated, be opened only during the spring to late summer period. The HOM supports this proposal. It would be prudent though, for an expert from SRD to conduct a cost/benefit analysis of the situation and recommend a course of action which meets the program needs of the HOM and is in compliance with DFAIT policies on the provisions of pools. The estimated cost to fill in the pool was \$20,000 and this task would have required a solid fence to be torn down and also considerable expense to re-landscape the area around the pool. There was a project to repaint the exterior of the residence and only part of this project has been completed. The completion of the project is planned for 2001/2002, but the HOM sees this as a continuing single project and should not be subject to postponement because of lack of funds in SRD.

Recommendation for SRD

3.3.2 The provision of a pool for the Official Residence should be reviewed by SRD in conjunction with input from the Mission.

SRD Response

3.3.2 Agreed. The analysis will be completed by 30 November, 2000.

3.4 Finance

Reference Levels

3.4.1 The reference levels are set each year based on previous years' expenditures and distributed by cost centre. No formal meetings are held by Program Managers to set reference levels. A review of the CMM minutes by the Audit Team found no discussion concerning the Mission budget. Managers are inclined to spend what they are allocated. Program Managers do not prepare, at the beginning of the year, a work plan outlining and costing their planned activities for discussion. Such an exercise would encourage cost savings if managers discussed openly what they need and what they might be able to do differently.

3.4.2 The Mission was concerned that the recent conversion of a CB position to an LE position was completed by the AMA without consultation. The resulting transaction was incorrectly reflected in its reference levels.

Recommendation for Mission

- 3.4.3 Reference levels should be discussed by all Program Managers at CMM and any requested adjustments should be approved in consultation with the AMA.**

Mission Response

- 3.4.3 Recommendation has been implemented in line with the response to 2.4.4. Some clarification should be made to the characterization of the earlier process, inasmuch as the discussions on cost-effectiveness did take place directly between Section Heads and the DHOM, as CMMs were devoted largely to policy and programme matters. Furthermore, the Mission was proven correct in its assessment that our reference level was short by more than \$100,000 last year and that we had not received for the last several years the funding we should have for Public Affairs.**

Official Hospitality

- 3.4.4 A number of claims made by the HOM and officers were audited to ensure compliance with the Official Hospitality Policy and Mission Hospitality Guidelines. The HOM was utilizing a per capita rate for functions at the Official Residence. The new hospitality policy requires that at least two functions of each type (i.e. lunch and dinner) be costed yearly to ensure that the per capita rate utilized is reasonable. The costings should be maintained on the HOM's official hospitality diary file. The Audit Team noted that officers were not including in their individual diary sheet a short notation evaluating the results of the function. This was not being done in the majority of cases.

Recommendations for Mission

- 3.4.5 Where per capita rates are used to claim for hospitality expenses, the actual costs for at least two functions of each type (i.e. lunch and dinner) should be determined to ensure that the per capita rates are reasonable. Such documentation should be maintained on the official hospitality diary file.**
- 3.4.6 Individual diary sheets should include a short notation evaluating the results of the function and signed by the claimant.**

Mission Responses

3.4.5 HOM will ensure that his household staff provide actual costing for two lunches and two dinners to justify the per capita rates used or to increase them.

3.4.6 Since the arrival of the current DHOM, all hospitality claim forms have been standardized, specific instructions on completion of the forms, including results achieved, have been provided to each officer and their assistants, and approvals by the DHOM have ensured that these elements are covered adequately.

MISSION RESOURCES FACT SHEET

Human Resources (FTEs)

PROGRAM	CBS	LES	TOTAL
HOM Office	2	6	8
Deputy HOM Office	2	–	2
Fin/Ec Affairs	1	–	1
Political Affairs	3	4	7
Comm/Cultural	0.5	0.5	1
Trade Policy	3	1	4
Science & Technology	1	–	1
Revenue	3	2	5
Agriculture	2	1	3
Administration	–	–	--
Total	17.5	14.5	32

Financial Information 1999/2000

LES Salaries	\$572,157
Operational - Capital	424439
CB Overtime	22694
Total	\$1,019,290