

**AUDIT
OF
THE CANADIAN EMBASSY**

HANOI

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Audit Division (SIV)

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
MANAGEMENT OF THE MISSION	3
ADMINISTRATION PROGRAM	5
2.1 Management of the Program	5
2.2 Human Resources Management	6
2.3 Physical Resources	10
2.4 Financial Management	13
2.5 Information Management	19
CONSULAR PROGRAM	20
3.1 Management of the Program	20
INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM	23
4.1 Management of the Program	23
APPENDIX A	30
MISSION RESOURCES FACT SHEET	30

EXECUTIVE SUMMARY

An audit of the Administration, Consular and International Business Development Programs in Hanoi was conducted during June 16th and June 23rd, 1999. A previous audit of the Administration and Consular Programs was conducted in June of 1996.

MANAGEMENT OF THE MISSION

This Mission operates in a difficult environment facing all the challenges of dealing with a Communist government. Within this environment, the Mission has remained focused and dynamic. The Mission has just completed a very busy period with the Francophone Summit several high profile visitors. A major issue requiring resolution is the relationship with the mission in Ho Chi Minh City. The governance structure must be decided by senior management in headquarters, after which the nature of the Hub and Spoke relationship can be better defined locally through a Memorandum of Understanding.

ADMINISTRATION PROGRAM

The Administration Program functions satisfactorily, but there is a need for a more pro-active management approach. The Finance Section is operational but it is not working as effectively as it should be and the Audit Team has made a series of recommendations to assist the Mission in this regard. The Personnel Section has adopted a reactive rather than a pro-active approach and more attention is required on the basics, including completing performance appraisals and leave and attendance records.

A Diplomatic Review Group, headed by the Canadian HOM, is working with the Diplomatic Services Bureau to change how Locally Engaged Staff are managed. This may eventually lead to a change for the LES status to become direct employees of the Mission.

The Mission and Headquarters have developed excellent properties for this Mission and should be commended. With growth of the Mission however, space is now in short supply and expansion or reconfiguration decisions will need to be considered.

CONSULAR PROGRAM

The Consular Program is effectively managed with the help of an excellent LES Consular Assistant. This LES position is staffed by an expatriate who

has received consular training and is well versed on consular procedures and regulations. The Mission Contingency Plan is in need of updating.

There is a problem in arranging visas for Vietnamese government officials and visitors from northern Viet Nam, as processing time through Bangkok takes up to eight weeks, mostly because applications arrive incomplete. The Mission, with the Bangkok mission, should consider training Hanoi Consular staff to vet visitor visa applications to ensure completeness.

IBD PROGRAM

With two Commercial Officers and no support staff, the Trade Program in Hanoi is small but effective. The IBD Program is occupied with an advocacy and trouble-shooting role on behalf of Canadian companies seeking specific projects, contracts and market opportunities in Vietnam. All such projects, whether in the northern or southern regions of Vietnam, must first receive approval from the government in Hanoi. This intense lobbying is hard work and often extremely frustrating and after three years of arduous work on behalf of a wide range of Canadian companies, significant success is only now becoming visible. Further, it is not possible to predict which projects will succeed and why, or even when success will be finally attained. This Program can not be assessed against criteria used elsewhere. It is a largely unique IBD Program given that the mandatory priority is lobbying a communist government on behalf of a capitalist economy.

Overall, the Program is strong on the operations side, as service standards with clients are well established and very high. However, the administrative and management functions in the Program need to be addressed.

MANAGEMENT OF THE MISSION

1.1 The Mission has been in Hanoi since 1990 and the first Ambassador was appointed in 1996. This Mission operates in a difficult environment, with all the challenges of dealing with a Communist government and having local staff as employees of the Diplomatic Services Bureau.

1.2 This is a very active Mission, headed by a dynamic HOM and seasoned Program Managers. The Mission has just completed a very busy period with the Francophone Summit, APEC, ASEAN, and several high profile visitors. The Mission has also been active in "Operation La Bastille", a multi-embassy initiative to try to extract concessions from the Diplomatic Services Bureau.

1.3 The Mission is growing, with the Development Program expecting to add one Canada Based Staff (CBS) in 2000. Staff are viewed to be of good quality but there has been some turnover. There have been 18 staff changes since 1996. Sixteen Locally Engaged Staff (LES) have less than five years experience, and eleven have less than two years experience. In spite of the difficult environment, CBS tend to extend assignments by at least one year and in some cases two.

Hub and Spoke Issues

1.4 Hanoi is the spoke mission for the hub in HCMC. This Hub and Spoke relationship is not working and is consuming much energy in HCMC; Hanoi; the Geographic Bureau; and, Headquarters functional bureaux. HCMC is attempting to work independently and relies little on Hanoi for assistance, except for input into financial and Consular systems.

1.5 There is a requirement for more cohesion and integration between Missions particularly in the area of Trade and Administration. A decision is needed from Senior Departmental Management as to what specifically is to be the role of each Mission. Clearly some confusion as to roles and responsibilities may have been caused by the poorly drafted Accountability Agreement for the Consul General received from Headquarters. This has left the governance structure unclear.

1.6 Once Headquarters has made a decision on roles and responsibilities, and if a Hub and Spoke relationship is to exist, a Memorandum of Understanding (MOU) to set out the reporting relationship; to define the roles and responsibilities of each Mission; and, to set out service standards is needed. It should cover all Programs. Visits from the Hub (MCO, accountant, property manager, etc.) to the Spoke should be programmed in the MOU. The MOU should also encompass services to be provided by other Missions; for example: Immigration from Bangkok and Technician from Singapore. Effort will also need to be invested to build support for HQ's decision and to make sure good relationships are maintained and sustained.

1.7 In our HCMC Audit Report, we recommended that PSA take a decision to define the role and the services the Mission in HCMC is expected to deliver. Once its responsibilities are decided, the proper size of this Mission should be established. This decision should be clearly enunciated to all concerned. We further recommended that a Memorandum of Understanding is required setting out the relationship between the Missions in Hanoi and HCMC to clearly delineate each of their roles and responsibilities.

Weekly Meetings

1.8 There are weekly meetings held with the HOM and all CBS which serves as the CMM. Although important issues are discussed and resolved in these meetings, there are no formal records kept. This makes it very difficult for the Mission to follow-up on issues discussed and can lead to incorrect interpretations. It would also be helpful to the Mission in Ho Chi Minh City to receive copies of the minutes or records of decision. A version should be considered for distribution to LES.

Recommendation for Mission

1.9 Records of Decision or minutes should kept and circulated for weekly meetings with CBS. These records should also be circulated to the AMA office and to the Mission in Ho Chi Minh City. A version could also be provided to LES.

Mission Response

1.9 Minutes of meetings have been kept by Hanoi and Ho Chi Minh since September 1999 and are now exchanged on a weekly basis. We favor weekly meetings for Program Managers and their staff rather than a watered down and less focussed version of the minutes.

ADMINISTRATION PROGRAM

2.1 Management of the Program

2.1.1 Overall, the day-to-day Administration Program operations are being managed and conducted satisfactorily. The MCO, who arrived in 1996, is well respected and has good rapport with staff and managers. The MCO is supported by a good group of LES, who are presently considered employees of the Diplomatic Services Bureau of the Government of Viet Nam. Turnover remains high and the MCO is on his third Accountant since 1996.

2.1.2 Some very good project work has been carried out here. The Mission and SRD deserve much credit for establishing good quality and functioning OR and Chancery in a place where quality buildings are a rarity.

2.1.3 The MCO maintains a low key approach and manages on a reactive basis, and there is room for more planning and a more proactive approach. With resource shortages and increasing workloads, continual planning and review of priorities is required. This Mission, though small, is sufficiently mature and with developed infrastructure that better planning can now be expected.

Goals, Objectives and Service Standards

2.1.4 We encourage goal & objective development for the Administration and Consular Programs, perhaps under an accountability agreement with the HOM, as was the case before 1996. Process should include setting priorities, addressing training and development issues etc., and these should be reviewed at least quarterly with staff. Currently no goals and objectives are being set for staff. We also encourage the MCO to meet regularly with all his staff, perhaps weekly, to share knowledge of upcoming events, workloads, etc. to develop a team approach; to gain cross-fertilization of ideas; and, to receive group feedback from staff.

2.1.5 To be more pro-active and to ensure expectations are clear between the Administration Section and its clients, service standards should be developed for all administrative services, outlining type, quality and timeliness of service that can be expected (Service Standards from Shanghai can be used as a model).

Recommendations for Mission

2.1.6 Goals and objectives should be set for the MCO and staff.

2.1.7 The MCO should hold regularly scheduled meetings with Administrative and Consular staff.

2.1.8 Service Standards should be developed for all administrative services.

Mission Responses

2.1.6 Priorities and objectives have been communicated to the MCO by the new HOM. These have been and will continue to be updated on a monthly basis until such time as all the recommendations made by the Audit Team have been implemented. At that point, we will reinstate a quarterly update.

2.1.7 Weekly meetings with Administrative and Consular staff have now be instituted by the MCO.

2.1.8 To be established by January 31, 2000. Samples of service standards are now being sought from missions of comparable size and programs.

2.2 Human Resources Management

2.2.1 The Personnel Section is managed by the MCO who also handles the day-to-day operations. Although functional, there are concerns in Personnel that procedural requirements are not being met and the Section is not working as effectively as it could be. The Mission has adopted a reactive rather than a pro-active approach.

Appraisals, Job Descriptions and Leave and Attendance

2.2.2 The last performance appraisals on file for LES date back to 1995-96 with the exception of Development employees whose appraisals have been completed. Some job descriptions have been updated but there still several ones outstanding. Leave and attendance records are also out of date with some as far back as 1996. Leave and Attendance records for Development LES are up-to-date. With information not up to date, it is impossible for Mission to set goals and objectives, assess an employee's performance over time and address areas of concerns.

Recommendation for Mission

2.2.3 Performance appraisals, job descriptions and leave and attendance records must all be brought up to date.

Mission Response

2.2.3 Attendance records have been updated and a monthly reminder has been instituted. All performance appraisals will be completed by

December 31, 1999 and all job descriptions will be reviewed by the same date. Major updates, if required, may spill into the first quarter of 2000.

Classification Review Committee

2.2.4 The Mission has undertaken the classification review of two LES positions. The MCO has sought advice from other Canadian missions. Local missions should also be consulted to obtain the various classification and salary levels. A formal review committee has been set up to evaluate these position levels.

LES Status

2.2.5 Up until recently the Mission had been paying a portion (17%) of LES salary monies to the local Government Services Bureau (DSB). The DSB in turn, paid 2% of these funds toward National Pension, Health Care and Social Security schemes. It was also the DSB who was responsible for hiring and firing of LES Mission staff. Over the past year, the HOM has headed a local initiative jointly with other diplomatic missions to regain control over the hiring and compensation processes. The concern expressed by this diplomatic community was that although a portion of salary funds was being paid out to the DSB, there was no assurance that the LES would ever be eligible to receive compensation. The Mission was also concerned because LES were receiving the balance of their monthly salaries sometimes several months after the fact. As a result of this local diplomatic initiative, the Missions have now commenced paying a total of 2% of salary budget directly to the DSB and 100% of salary monies to the LES. Although this has increased the Mission's salary budget by 2% it is the view that the DSB now receives the funds it was allegedly deducting for local schemes and that the LES are receiving full salaries. This makes it an opportune time for SPSA to visit and assist the Mission to measure the impact of this most recent change, determine an appropriate salary scale in conjunction with local markers, and establish whether the LES are employees of the local Government or employees of the Government of Canada. In the latter case, the LES would be entitled to salaries and benefits package deemed appropriate for this particular local environment. Given the Hub and Spoke relationship with Hanoi and Ho Chi Minh City, SPSA needs to involve both missions in this process.

Recommendations for HRL

2.2.6 **HRL should visit the Mission to assess the impact of the recent initiatives with the Diplomatic Services Bureau. HRL should also conduct a salary and benefits survey and determine which benefits, if any, should be provided to LES by the Department, given their status.**

SPSA Response

- 2.2.6 HRL is planning a visit to Vietnam in January 2000. The mission in Hanoi will identify by December 31 issues to be addressed during this visit.**

Expatriate Positions

2.2.7 There are three LES expatriate employees at the Mission including a contract Maintenance Assistant and two permanent employees, the Accountant and the Consular Assistant. There is no record of expatriate salaries having been formally approved but they have been employed by the Mission as expatriates for over three years now. Their current rate of pay has been established in consultation with several marker companies last year. Although the requirement for expatriate positions may be valid, there is a need to revisit these positions to ascertain whether or not local candidates can now fill these positions. Hiring locally would not only save funding but would also be a better guarantee of continuity and local language abilities.

Recommendation for Mission

- 2.2.8 The requirement for expatriate positions should be substantiated. If substantiated, a formal scale should be re-established with the local market.**

Mission Response

- 2.2.8 With the recommendation of the Audit Team and after consultation with the Regional Financial Officer, we have decided to replace the present expatriate accountant with a locally-engaged employee.**

With respect to the Property Manager position, our recommendation is to regularize that position and retain the incumbent who does excellent work as observed by the Audit Team. The maintenance team counts good employees who respond well to training. A plan has been developed to upgrade their technical skills. The senior LES will also be coached to assume greater management responsibilities which over time could enable him to replace the expatriate in the Property Manager position.

Compensation for Former SA

- 2.2.9** The Mission is continuing efforts to obtain reimbursement of a few thousand dollars from the Vietnamese government for the loss of investment in salary

and training ***. The Audit Team would encourage the Mission to continue seeking redress.

Occupational Health and Safety

2.2.10 There is no Health and Safety Committee at the Mission. There is now over 20 staff working there making a Health and Safety Committee mandatory with a need for both LES and CBS staff members to be represented. Given the level of hardship at the Mission and health concerns associated with the environment, such a Committee could be particularly useful in relaying information and dealing with employee concerns.

Recommendation for Mission

2.2.11 An Occupational Health and Safety Committee must be established.

Mission Response

2.2.11 A Committee has been established. The health hazards in Vietnam are such that the first action of the Committee was to recommend the hiring of a part-time nurse to serve as advisor on health issues at the rate of two half-days per month.

Training

2.2.12 There is no training plan at the Mission. Training is carried out on an ad-hoc basis and without a formal plan, there is a risk that some employees may not benefit from any training or that training for a particular employee may not be the most appropriate or beneficial course. The training plan should have linkages to the appraisal process.

Recommendation for Mission

2.2.13 A formal training plan should be prepared in consultation with all Program Managers.

Mission Response

2.2.13 Done and discussed by Program Managers with their employees.

2.3 Physical Resources

2.3.1 The Property Section is managed by the MCO with an expatriate Property Manager and three maintenance staff. Three of the four Property staff are contractors

and this issue is discussed below. By all accounts, this Section is well managed and effective with clientele being pleased with service received.

2.3.2 The Chancery and the Official Residence (OR) have been developed to be very good assets, reflecting good work by HQ and the Mission. Major work is planned, with new air conditioning for the Chancery and the OR. Unfortunately the Chancery, both the main building and the Annex are crowded and the situation may worsen with the addition of one more Development CBS in 2000. The CIDA Program Support Unit (PSU) is co-location with the Mission, occupying a portion of the Annex. The Mission and SRD should explore what options are available to increase space. Reclaiming the PSU space would be the simplest solution, but given that the PSU is viewed as very important to the success of the Development Program -- the Mission's largest program -- alternatives should also be explored. Perhaps the Annex could be enlarged or rebuilt or neighbouring buildings could be acquired. CIDA should be provided with costed options for it to make its on-site/off-site decisions for the PSU.

Recommendation for SRD

2.3.3 SRD, with the Mission, should review the development potential of the Chancery site in order to create more space and review any off-site options. CIDA should be provided with costed options to make decisions on the location of the PSU.

SRD Response

2.3.3 The Mission and SRD are pursuing the investigation of various expansion options. The Chancery site's development potential is very limited with the existing buildings fully utilizing the allowable site coverage. Offsite options in the immediate vicinity are being pursued. Additional OGD - DFAIT staff should not be posted to the mission until the supplementary space issue is resolved and costed out and the financial consequences have been accepted by those programs and departments.

Staff Quarters

2.3.4 The supply of suitable properties to house CBS are increasing quickly. The economic downturn has also provided less costly housing. The Mission has taken advantage of this situation to let go of the large houses originally rented for staff and to relocate in better located and less expensive apartments. The Mission should be commended for this effort. But the decision to move staff to the Mayfair Apartments, while moving in the right direction, continued to keep the Mission in an over-housed situation. High quality and less expensive alternatives, more appropriate to the family

configurations, were available in the same building. Mission will need to continue downsizing effort and should seize all opportunities to do so, including lease ends and staff turnovers.

Recommendation for Mission

2.3.5 The Mission should bring its housing stock in line with its SQ Profile.

Mission Response

2.3.5 To be addressed in the context of staff change-over for the summer 2000. Based on discussions to date, two young families will replace single occupants/officers.

Contracted Property Staff

2.3.6 The Program Manager and two of the three maintenance workers have been working on contract for the past three years. There is no question that an employer-employee relationship exists, even within a DSB environment. These positions should be regularized, but firstly, the Mission should assess its needs in the maintenance field. The move to low maintenance apartments may allow some positions to be used elsewhere, although presently, the OR and Chancery produce the greatest volume of work. The Regional Maintenance Officer (RMO) should be consulted in this matter.

2.3.7 Alternatively, the Mission may prefer to contract for this service and the Mission has indicated that there is at least one foreign-managed property maintenance firm in Hanoi. If this route is to be considered, the RMO should be part of the decision-making process to ensure a proper maintenance plan is in place and that proper contracting processes are established.

Recommendation for Mission

2.3.8 The Mission should review its property maintenance needs to determine its staffing and/or contracting requirements to provide maintenance services. Should the Mission choose to manage staff to provide this service, then the staff members should be regularized.

Mission Response

2.3.8 The mission intends to regularize the following positions: Property Manager one handyman under contract two cleaning staff. The cost

of regularizing these two positions has been earmarked in the mission's mid-year budget.

Mission Property Management Plan

2.3.9 A key planning tool for any mission is its Mission Property Management Plan (MPMP). Not only does it promote consensus in Mission management's vision for properties, but it ensures the Geographic Bureau and SRD are working with the same facts as the Mission. The MPMP should be completed as soon as possible. Subsequent to the audit visit the Mission measured all its SQs for gross and net space.

Recommendation for Mission

2.3.10 The Mission should complete its MPMP and provide copies to PAM and SRD.

Mission Response

2.3.10 MPMP has been submitted to SRD and copied to PAM. Staff Quarter measurements have already been provided.

Maintenance Plan

2.3.11 The maintenance function is well organized and effective. The maintenance plan however has not been pulled together and exists essentially in the experience of the Property Manager and staff. The plan should be formalized and documented. Assistance should be sought from the RMO.

Recommendation for Mission

2.3.12 Formalize and document the Mission maintenance plan for all properties.

Mission Response

2.3.12 To be completed by December 31.

Storage of Assets

2.3.13 Storage capacity at the Chancery is limited and fully used. The wide corridors of the Chancery are already being used for storage. The domestic quarters at the OR are being used for Y2K storage and off-site storage keeps shrinking as the large older homes with garages are being let go. The Mission will need to rationalize its storage with items stored kept to a minimum. The Mission should consider leasing

underground parking spots at the Mayfair or other secure apartment buildings to construct storage bays. This practice has been used at other missions.

Mission Comment

2.3.13 Many items have been auctioned off and storage facility has been leased nearby.

2.4 Financial Management

2.4.1 The Finance Section of the Mission is managed by the MCO. Although the Section is operational, it is not as effective as it should be. IMS training preparations are underway and although the required number of training hours may appear high, the MCO should take full advantage of this training opportunity to improve his understanding of the IMS system.

VAT and Reciprocity

2.4.2 Attempts made by the Mission to obtain VAT exemption status locally have not proven successful. As a result, reciprocity has been applied and Vietnamese diplomats working in Canada are now not tax exempt.

Service Standards

2.4.3 The Accountant has been with the Mission since 1997. *** There is currently a long lead time for some payments being made, particularly for the Development section. Service standards would assist the Mission by clearly outlining the time required for each of the various accounting services. To further assist with the faster processing of payments, the Development section could combine receipts to make fewer small sum payments (i.e. small project payments or travel reimbursements to CBS).

Recommendation for Mission

2.4.4 Service standards should be established within the Finance Section.

Mission Response

2.4.4 The introduction of IMS has delayed the establishment of service standards. January 31 has been set as the target date. Meanwhile, every effort is made to reduce response time.

New Accountant

2.4.5 The Accountant is an expatriate and is expected to leave within the next year. There has been discussion at the Mission as to whether another expatriate or a local employee is best for this position. The Audit Team agrees with the suggestion that an LES would be a better choice in order to provide continuity; to reap the benefits of the investment in IMS training; and, to ensure Vietnamese language skills are available for translation of invoices and documents. IMS training will be essential for the new Accountant and a visit by the Regional Financial Officer to sit on the recruitment committee would better ensure the selection of the best qualified candidate. It was agreed that the candidate chosen needs to have some knowledge of accounting principles and ideally, have had some experience working in the field. To increase the Mission's skill depth at this critical position, another LES should be identified to receive training and serve as the back-up Accountant.

Recommendations for the Mission

- 2.4.6 **The Regional Financial Officer in Tokyo should be asked to sit on the selection committee for the hiring of an LES replacement Accountant.**
- 2.4.7 **A back-up to the Accountant should be selected and trained.**

Mission Responses

- 2.4.6 **The Mission has already been in contact with the Regional Financial Officer (RFO) who has agreed to provide guidance and possibly participate in the hiring of a new LES accountant. Given the weakness identified in this area and the dual departure of the accountant and the MCO during the summer 2000, it will be imperative to provide a three-month overlap for IMS training and familiarization with the needs of two missions so as to ensure an effective transition and quick adherence to service standards.**
- 2.4.7 **A back-up accountant has already been selected and trained on IMS.**

Bank Account

2.4.8 Most invoices received are payable in Dong, the local currency. Because local law prevented local residents from cashing US dollar cheques, all payments had to be issued in the Accountant's name and cashed by her to pay creditors. Although government restrictions are somewhat more relaxed about converting US dollar cheques into local currency, there are still many more payments that could be made by local currency cheque.

Recommendation for Mission

2.4.9 The Mission should seek Headquarter's authority to open a local currency account and make all possible payments by cheque.

Mission Response

2.4.9 Authority has been obtained from HQs and a bank account in Vietnamese Dong has already been opened *and checks issued*.

Manual Cheques

2.4.10 Over two years ago, the local government imposed a restriction on the use of printed cheques. All cheques have since had to be prepared by hand resulting in much time and energy being expended. As part of the diplomatic community initiatives, the Mission should consider discussions with the government to reinstate the use of computer generated cheques.

Petty Cash

2.4.11 The Accountant is the holder of a small petty cash fund. This petty cash fund could be increased to pay more small property invoices. The petty cash receipts should all be signed by the MCO (or designated officer for each Section) prior to monies being reimbursed.

Revenues

2.4.12 The bulk of revenues received are for Consular services. The funds received are being deposited on average, once a month. In one particular case, further to the sale of an official vehicle, over \$10,000 sat in the safe for several months.

Recommendation for Mission

2.4.13 Funds received should be deposited once a total of \$500 has been collected or once a week, whichever comes first.

Mission Response

2.4.13 Practice has now been instituted.

Recovery for Personal Telephone Calls

2.4.14 The Receptionist is responsible for the recovery of monies for personal calls. There is very little evidence of monies being recovered and greater control and follow-up by the Receptionist, MCO and Program Managers are required. More follow-up is also required by the Receptionist to ensure that monies owed are paid in full.

Recommendation for Mission

2.4.15 More follow-up is required for the recovery of funds for personal calls made at the Mission. The Program Managers are responsible for monitoring activity within their section.

Mission Response

2.4.15 Underway. The HOM will review on a quarterly basis.

Adjustments

2.4.16 There is one adjustment outstanding of CDN \$855.83 on the accounts which has been there for the past two and a half years. These funds were collected from the sale of a photocopier in Ho Chi Minh. The Accountant recently requested advice from and sent it along with the accounts but was not followed-up.

Recommendation for Mission

2.4.17 The Mission should contact SBRM directly to obtain specific instructions on how to settle this outstanding adjustment.

Mission Response

2.4.17 Outstanding adjustment of CDN\$855.83 has been cleared from the mission's account and should not appear in the account of November 1999.

SIXP Review of Mission Accounts

2.4.18 SIXP is currently reviewing Mission accounts and has already provided some recommendations to the Mission for its response. The Audit Team is offering some recommendations related to SIXP's review concerning accounting practices and procedures. There were several examples where signatures on both Sections 33 and 34 of the Financial Administration Act (FAA) were the same. There were also cases where travel requests were not being authorized prior to advances being issued.

Recommendations for Mission

2.4.19 Approvals under Sections 33 and 34 of the FAA must be provided by two authorized individuals.

2.4.20 Authorities must be obtained prior to any cheques being issued.

Mission Responses

2.4.19 Noted and applied.

2.4.20 Noted but implementation will shorten the period of time that payees have to cash cheques which in this country are only valid for 15 days.

Hospitality

2.4.21 The hospitality diaries were reviewed for all CBS DFAIT Program Managers. The diaries are currently being given to the Accountant for reconciliation and there are occasions where approval signatures are not being obtained first by both the HOM and the MCO. A review of the Mission's hospitality diaries indicated that files are well maintained. Except in the case of the HOM, most representation is carried out in restaurants with little being done in the home. This brings into question the need for representational housing at this Mission.

Recommendation for Mission

2.4.22 Hospitality diaries should be reviewed and signed quarterly by the HOM and the MCO. The reconciliation of these diaries should be done by the Officer offering hospitality rather than by the Accountant.

Mission Response

2.4.22 Noted and instituted.

Contracts

2.4.23 All existing contracts were reviewed by the Audit Team. There were several examples where the scope of work required greater definition. There is currently no formal Contract Review Committee. The weekly meetings held with all CBS would be an opportune time for contract issues to be discussed and for approvals to be obtained. This group could be declared the Contract Review Committee.

Recommendation for Mission

2.4.24 A Contract Review Committee should be put in place.

Mission Response

2.4.24 Done.

Hub and Spoke Finances

2.4.25 As the Hub, the Mission is responsible for all entries into Finex/IMS for both Hanoi and Ho Chi Minh City and receives original paid invoices from HCMC. Although budget reports and feedback were being provided to HCMC, there were indications that this was not being done regularly. There was also some confusion as to what the reference levels required were for each of the two Missions.

Recommendations for Mission

2.4.26 Reference levels should be established for Hanoi and Ho Chi Minh City.

2.4.27 Regular budget reports and ongoing feedback should be provided to Ho Chi Minh City.

Mission Responses

2.4.26 Separate budgets already exist. Guidance is required to establish separate reference levels. We will take this up with the RFO during his January visit.

2.4.27 The reporting part of IMS remains at the development stage. Nevertheless, Hanoi will endeavour to provide Ho Chi Minh the reports required to manage its budget.

2.5 Information Management

2.5.1 The Mission was in the middle of its SIGNET 2000 conversion at the time of audit. The Mission was generally pleased with its communications tools. The Mission was active in preparing for Y2K and was most concerned about building a cash parcel given the difficulty of accessing foreign currency locally.

CONSULAR PROGRAM

3.1 Management of the Program

3.1.1 The Consular Program is effectively managed with the help of an excellent LES Consular Assistant. This LES position is staffed by an expatriate who has received Consular training and is well versed on Consular procedures and regulations. There were two Canadians, one on death row, which required a large investment of time for our LES. Until last year, the Mission handled all passport and citizenship applications for Ho Chi Minh City. The bulk of the work at the Mission now involves the issuance of passports and citizenship certificates.

3.1.2 The Mission is responsible for entering all Consular statistics into the COSMOS system for Hanoi and Ho Chi Minh City. Concern was expressed by the Mission that Consular reports were being received late each month. This created problems for both the Hub and HQ. It is difficult to accurately assess staffing requirements when the statistics are not reliable. This issue was raised by the Audit Team with the Mission in Ho Chi Minh City.

3.1.3 A Consular wicket has recently been installed and this has improved the flow of clients and increased the quality of service. *** The Mission's Contingency Plan has not been updated in the past three years and much of the environment and infrastructure has since changed.

Recommendation for Mission

3.1.4 The Consular Contingency Plan should be updated.

Mission Response

3.1.4 Done separately for the northern and the southern parts of Vietnam and entered on Cosmos. It is not clear whether HQs favours one consolidated report or two separate ones. The Mission is currently selecting wardens for Hanoi.

Citizenship

3.1.5 The Mission expressed concern over the continued delays with the receipt of Citizenship certificates and the difficulty in getting through to the Citizenship offices. Although the services have improved over the past year, the delays still cause disruption in the provision of services. The Audit Team will review this issue in HQ.

Visas

3.1.6 Although the Mission does not issue visas, there is a steady stream of visitors requesting advice and assistance with their applications to our Missions in Singapore and Bangkok. There is a very real problem of arranging visitors visas to Canada for Vietnamese Government officials and other visitors from northern Vietnam. The HOM does have the authority and ability to issue visas for official and emergency cases, and indeed has done so (approximately 10-15 per month); however, this in itself is not a solution. Processing of applications may now take as long as eight weeks through the Immigration Program in our Bangkok Mission. While the larger quantity of applications originate in HCMC, Hanoi often produces urgent requests from senior government officials who need immediate attention. ***

3.1.7 Currently, visitor visa applications are forwarded by the applicant to Bangkok, and the Hanoi Mission is only involved to the extent of assisting or providing information as to what is expected on the application. The majority of applications, however, arrive in Bangkok not properly completed. The Head of the Immigration Section in Bangkok, in conversation with this Audit Team, indicated that if the application is fully complete the turn-around time may be as short as two weeks. To reduce the workload in Bangkok and to speed up the processing time, applications received in Hanoi need to be vetted in Hanoi before they are forwarded to Bangkok for approval. The Consular Assistant estimates that approximately 200 application forms are requested each month. She believes that should Hanoi be called upon to undertake a vetting of applications that she would have time given that the Mission is no longer issuing passports for HCMC. (The Consular Assistant, however, does not speak the local language and would require the assistance of the Receptionist to deal with the applicant.) Responsibility for HCMC passports has recently been devolved to HCMC and has freed up about four hours of the Consular Assistant's time each week, sufficient time she believes to undertake the vetting required of visa applications. Currently, she spends between one and two hours daily dealing with applicants and believes that by vetting the application, little will be added to the processing time. The Consular Assistant will need to be fully trained by Immigration in Bangkok in order to minimize the delays.

Recommendations for Mission

3.1.8 The Mission in conjunction with the Bangkok Mission should carefully consider tasking the Consular Assistant in Hanoi to vet visitor visa applications for northern Vietnam before they are forwarded to Bangkok for issuance.

3.1.9 The Consular Assistant should be given the necessary training by the Immigration Program in Bangkok in order to vet the visitor visa applications.

Mission Responses

3.1.8 This is the one area where we disagree with the Audit Report. The problem is not simply a visa-issuance problem. The image of Canada is at stake. And it is not sufficient to help ourselves. That we will do by vetting applications as soon as our visa-cum-consular assistant receives training in Bangkok. Bangkok's resources must be supplemented as recommended in the Ho Chi Minh Audit Report with the addition of an LES dedicated to the Vietnamese market. And this must be implemented before the next student visa application period descends upon us. Not only has Hanoi risen to the challenge of implementing the numerous recommendations contained in the Audit Report, it is acquiring a new culture in the process. We now look to HQs to begin the process of addressing the visa issuance issue.

C&I acknowledges the pressure to improve visa issuance in Vietnam ***. Meanwhile, an initial assessment suggests that operating costs for MITNET in Ho Chi Minh City would be considerably lower than anticipated on the basis of the 'signetization' of Bombay. A technical team will visit Ho Chi Minh City and report within a month. We should therefore continue to assess costs against the gains that would accrue from visa issuance in Vietnam.

3.1.9 The issue of training has been raised previously with Bangkok and will feature prominently on the agenda for discussion when the C&I Program Managers from Bangkok and Singapore visit in late November. The expatriate Consular Assistant has never received any formal training on immigration matters. The back-up and interpreter for Consular/Immigration matters, should also receive the same training.

INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM

4.1 Management of the Program

4.1.1 Vietnam remains one of the last hard-line communist governments in the world. This simple fact has a significant impact on the International Business Development Program at the Mission. The Senior Trade Commissioner (STC) is occupied with a very heavy advocacy and trouble-shooting role on behalf of Canadian companies seeking specific projects, contracts and market opportunities in Vietnam. All such projects, whether in the northern or southern regions of Vietnam, must first receive approval from the appropriate government department in Hanoi. Even after approval has been granted, and project development well advanced, there can be further changes to contracts and terms which require additional intercession by our Mission at an appropriate level. This intense lobbying is hard work and often extremely frustrating given the bureaucracy and red-tape of the host government.

4.1.2 With two Commercial Officers and no support staff, the Trade Program in Hanoi is small but effective. After three years of arduous work on behalf of a wide range of Canadian companies, significant success in this difficult and challenging market is only now becoming visible. At least four years after the initial application, and following relentless work by the STC in Hanoi, as well as by numerous others in Canada, Vietnam has finally awarded a licence to ManuLife Financial, allowing them to sell insurance throughout Vietnam. In another case, as a result of efforts by the STC, an exemption to retroactive legislation re-instated a sole-sourced contract awarded to a Canadian firm. As well, SNC-Lavalin, in conjunction with a Dutch partner, has been awarded a US\$1 million training contract. And an Alberta-based company has been awarded a contract to supply lottery equipment to the Vietnamese government.

4.1.3 The basis for export success in Vietnam is obscure. It is not possible to predict which projects will succeed and why, or even when success will be finally attained. With each of these recently signed contracts, a fundamental aspect is training services; thus the vast bulk of these contracts will never be recorded in Canada's export statistics. Consequently the direct rewards for the STC and his Program are minimal; the frustrations, however, are very real.

4.1.4 This Program can not be assessed against criteria used elsewhere. It is a largely unique IBD Program. Traditional standards do not apply given that the mandatory priority of the STC is lobbying a communist government on behalf of a capitalist economy.

4.1.5 Overall, the incumbent STC is successfully fulfilling a Trade Commissioner role. His strength is in the operations side, as his service standards with clients, the Canadian business/exporting community, are well established and very

high. However, the administrative and management functions of a Senior Trade Commissioner need to be addressed.

Coordination

4.1.6 By its own uniqueness, the IBD Program is an integral part of the Mission. The profile and importance of this IBD Program needs to be recognized within this Mission and in Ottawa. So too the Canadian International Development Agency Program. Indeed IBD is the hinge between the CIDA and Political programs. IBD has its own range of contacts, opinions and sources of information which could contribute to the mandates of the other programs. For this to happen, however, there needs to be better cohesiveness and cooperation amongst the programs.

4.1.7 The IBD Program in Hanoi is important in the success of the Trade Program in the Consulate General in Ho Chi Minh City (HCMC) as it carries out trade advocacy on their behalf in securing the requisite permits and authorizations to do business in Vietnam. Closer cooperation and coordination is needed to mesh the activities together in order to create a comprehensive and national-wide Trade Program. The roles, responsibilities and reporting relationships under the hub and spoke arrangement need to be clarified. A Memorandum of Understanding (MOU) needs to be prepared which sets out these parameters in a clear and concise manner so that all parties fully understand each other's authority and responsibilities. A recommendation has been made in this report that an MOU be prepared between Hanoi and its spoke in HCMC setting out the roles and responsibilities of each Mission as it embraces each of the respective programs.

Objectives and Priorities

4.1.8 Objectives and priorities within the IBD Program have not been established between either the HOM and the STC, or between the STC and his two Commercial Officers. The Commercial Officers are from the Diplomatic Services Bureau (DSB), an agency of the Vietnamese Government, which assigns staff to the various diplomatic legations in Vietnam.

4.1.9 The current management style of both the HOM and STC is to give the Commercial Officers, both classified at the Assistant O9 level, a high degree of independence in their work. Neither, however, is working to full capacity, a source of frustration for the STC. On the other hand, they lack direction from the STC. He is not establishing objectives and priorities for them on a quarterly basis, nor setting out longer term objectives for the Program as a whole. Part of the reason for this is that the STC is consumed with clerical duties (typing standard replies for out-going correspondence, sending faxes, filing of unclassified correspondence, etc.).

4.1.10 The Mission may wish to reorganize and consider employing just one Commercial Officer instead of two and adding a locally-engaged support person to

handle the clerical work for the STC. A review of the mix of officer and support staff in the IBD Program needs to be undertaken. There is also a requirement for a review of allocating office space for the Trade staff as the current office configuration makes it difficult for both Commercial Officers to work in their offices at the same time.

4.1.11 While it is unfair to set statistical export targets as an objective for this Mission, there are several other realistic goals that could be established by which the Program's effectiveness can be measured. Achieving the Performance Measurement Initiative's (PMI) "six main services -- market prospects, key contact search, local company information, visit information, face-to-face briefings and trouble-shooting" for example are criteria on which to evaluate the Program. Many of the six services are already well advanced at this Mission, given their on-going importance when dealing with a Communist regime. Articles on market information and intelligence; success stories in CanadExport and other news media; participating in outreach programs in Canada; improving the relationship with the HCMC Mission (working as a team); and, establishing an information base within WINExport are other areas that can be used to evaluate the performance of the Program.

Recommendations for Mission

- 4.1.12 **Goals and objectives should be established for the IBD Program and for each of the two Commercial Officers involved in the Program. These goals and objectives should be expressed in quantifiable and qualitative terms to allow performance to be measured.**
- 4.1.13 **A review of the IBD workload should be conducted to ensure the Program is staffed with the proper ratio of support and officer resources.**
- 4.1.14 **The office layout for the IBD Program should be evaluated to ensure it offers the optimum configuration possible.**

Mission Responses

- 4.1.12 **The goals and objectives of the Program will be developed as part of an annual business plan, which will identify what will be done on a sectoral basis for the operating year.**

The challenge for operating year 1999-2000 is that (1) it is nearly half over and (2) as the preamble notes, no business plan was developed. As a result, STC proposes that a "two year" plan be developed, incorporating the remainder of the current operating year, as well as 2000-2001. This is already substantially undertaken, but will require consultation with our colleagues in Ho Chi Minh City, to seek out

agreement on priorities. This should be finalized no later than December 1999.

The intent will be to identify for each officer, whom in Hanoi have sectoral responsibilities, specific activities on a quarterly basis. Since the business plan would not be available until December, and since a new Commercial Officer would likely not be on staff until early 2000 (one has departed since the audit), it is proposed that these “Quarterly Activity Statements” commence for the final quarter of FY1999-2000.

We note your comment that quantifiable and qualifiable goals and objectives should be set, however the Audit Team has observed in the preamble, these “can not be measured against criteria used elsewhere”. We shall work with PSE to determine criteria for assessment better suited to the Vietnamese environment.

“Quarterly Activity Statements” reflect activity directed toward some of the specific “core” services of the TCS, which are under our control. Foremost, the Statements will identify specific “outreach” activities to be conducted by each officer, particularly government officials and private sector, toward determining demand for specific commodities and interest, and report on these.

4.1.13 Since new opportunities for Canadian companies will remain limited until further liberalization takes place, we would not advocate an increase in staff; nor, since there are still a sizeable number of Canadian companies with ongoing interest in Vietnam, most of whom require, as the preamble states, “additional intercession by our Mission”, should we consider downsizing.

The most pressing requirement of the IBD program is to rebuild its complement of COs. Replacing a CO with an assistant would leave the trade program without any ability to carry out pro-active work by LES, a situation made worse by language difficulties. As a first step, the mission must hasten to recruit and train a strong CO to free up the STC for lobbying and pro-active calls at a senior level. In parallel, the STC is seeking to raise the skills of the existing CO. Should we get to that point, the suggestion to replace one of the two COs with an assistant should be re-considered in light of the economic conjecture.

4.1.14 The office layout for the IBD Program should be evaluated to ensure it offers the optimum configuration possible.

Currently, the CBS occupies one office, with the two COs occupying a second office, which has been partitioned to allow for two separate working spaces. The two offices are on the same floor, but separated by the office of the mission accountant.

The CBS office is one of the better in the building, large enough to accommodate as many as six individuals in a meeting, and is the de facto meeting room for the IBD program. Until Chancery space can be expanded through construction or leasing, the provision of separate offices for the two COs could only be achieved by depriving the administrative program of the office occupied by the accountant, a move that would prove ill advised.

While there will continue to be dissatisfaction from the COs as to the configuration of their office, their working environment remains above the vast majority of environments which local offices enjoy.

For now, there is simply no alternative anywhere in the Chancery to provide each officer with a separate office.

Service Standards

4.1.15 The incumbent STC has established very high service standards. Incoming enquiries are answered within 24 hours with a reply which, in some cases, merely re-assures the inquirer that his request has been received and is being attended to. The entire Trade Section has received PMI training and is well advanced in establishing these new functions.

4.1.16 This STC, as well, has established a quarterly report to Ottawa wherein he outlines recent Canadian business activity in Hanoi, progress on major contracts and other economic issues of relevance. This report has become a “best practice” example for other posts in Southeast Asia to copy. HCMC has been specifically asked by the Southeast Asia Division (PSE) to use this format in its reports.

Management Tools

4.1.17 While recognizing that many aspects of the IBD Program in Hanoi are unique, certain minimum management tools can be and should be employed to better organize the time and efforts of the Commercial Officers. This Program is well

established; neither it nor the host government is in transition, nor are they expected to be over the short to medium term.

4.1.18 The STC is making good use of his hospitality allowance, entertaining a wide variety of Vietnamese and Western business contacts, mainly at luncheon functions in hotels. The STC has a good grasp of the security issues entailed in Canada's commercial activities in a strict Communist country. He is very selective as to the information he reveals to his Commercial Officers, and correctly sees the incoming correspondence as containing the "confidential" information which may or may not be made available to these Officers.

4.1.19 There is no statistical tracking of visitors, incoming correspondence or other functions by the Trade Section. No Calendar of Events has been established. No regular staff meetings are held. Moreover, no monthly leave and attendance reports are asked of the two Commercial Officers, although they routinely take several days per month in sick leave. Nor have appraisals been completed for the two Commercial Officers since 1996. Nevertheless, incremental increases to wages continue to be granted.

4.1.20 No annual business plan is in place. Notwithstanding any request for such from Ottawa, the STC needs to establish an annual Trade Plan in conjunction with the HOM, the HCMC Trade Program and other related programs (CIDA and PERPA). Doing so would increase the profile of the IBD Program while at the same time integrating it into other program activities.

Recommendation for Mission

4.1.21 The IBD Program should institutionalize a more formal approach to its management which embraces the following:

- ! developing a Trade Plan for Vietnam in collaboration with HCMC and the CIDA and PERPA Programs at the Mission;**
- ! using the WIN System to track activities and establishing a calendar of events to showcase where the Program is planning to target its efforts;**
- ! holding weekly staff meeting to set priorities and review accomplishments as well as to keep staff apprised of new developments in the Mission; and,**
- ! insisting on monthly attendance forms for the Commercial Officers and preparing annual performance appraisals for each of the two Commercial Officers.**

Mission Response

4.1.21 The Program agrees with all of these recommendations.

As mentioned above, we will be preparing a two year plan for completion by December 1999.

WIN tracking is being encouraged. There is some concern that the system is very slow and frustrating to use, given that it is remote access. We hope that this will gradually improve. We would also support remedial training, and certainly hope that the new CO would be able to have training once appointed.

We have developed a calendar of events which we have placed on an i-drive for access by IBD Program staff. We should note that confidentiality issues remain with regard to access to some information. Some information will be incorporated into quarterly reports, which we have already initiated.

Since we are a small program, we do not see the need for a regularly-scheduled weekly staff meeting. However, we have held a number of meetings in which issues have been raised by both CBS and CO.

Administration is now demanding attendance reports on a monthly basis from all Mission staff. Compliance to this demand by the COs is being monitored by the CBS. Performance appraisals for the two COs for the year 1998-9 have been completed.

MISSION RESOURCES FACT SHEET

Personnel (FTEs)

PROGRAMS	CBS	LES	Total
HOM Office (including domestic staff)	2	3	5
Political/Economic	1	1	2
International Business Development	1	2	3
Administration	1	6	7
Consular	0	1	1
Development	2	2	4
Total	7	15	22

Physical Resources

ASSETS	OWNED	LEASED
Chancery		1
OR		1
SQs		6
Vehicles	3	

Financial Information 1998/1999

LES Salaries	\$300,000
Operational	2039200
CB Overtime	102500
Capital	4000
Total	\$2,445,700