

AUDIT

OF

THE CANADIAN EMBASSY

TOKYO

including
**THE CANADIAN CONSULATES
NAGOYA AND FUKUOKA**
and
THE HONORARY CONSUL OFFICES

September 2000

Audit Division (SIV)

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EXECUTIVE SUMMARY

An audit of the International Business Development (IBD), Consular and Administration Programs was conducted in Tokyo during the period September 22 to October 9, 1998. Staff was interviewed in other Programs in Tokyo, but complete audits were not conducted. During this period the Consulates in Nagoya and Fukuoka and the Honorary Consuls in Sapporo, Hiroshima and Sendai were also visited. The Mission in Osaka is the subject of a separate audit report. The previous audit of the Administration and Consular Programs had been conducted in March 1995.

ADMINISTRATION PROGRAM

Effective and timely services are provided to managers and staff by all sections of Administration. Feedback to the audit team from managers and staff was very positive. Administration is headed by a *** Management/ Consular Officer (MCO) who is ably supported by his Canada-based (CB) supervisors and his Locally-engaged staff (LES). At the time of the audit the Head of Chancery (HOC) had only recently arrived at the Mission and was in the process of determining his role vis-à-vis Administration.

As the Post Property Management Officer (PPMO) position is vacant, the MCO, at present, has a total of thirteen employees reporting directly to him, which is an excessive span of control. This is not a satisfactory situation especially since the MCO also takes on other roles. The HOC is reviewing the MCO's responsibilities with the objective of tightening the span of control and relieving him of some of these duties. When a PPMO is appointed, the reporting relationships in Administration should be reviewed.

The Mission has a number of Administrative issues to address, especially in personnel. The Personnel Manager is being very proactive in evaluating situations and preparing reports with suggested courses of change. In the area of physical resources, there are a number of projects about to be initiated which will affect the workload of the Administrative Section. The Finance, Communication systems, Technical and Registry sections are all functioning well without any major issues. There is a need for formal agreements with the two "spoke" missions of Nagoya and Fukuoka, as there is some confusion regarding administrative responsibilities. Contracts and contract extensions need to respect the Departmental contracting authority limits and the NAFTA provisions.

CONSULAR PROGRAM

The Consular Program is well managed and provides effective service to Canadian Citizens. The Mission is putting considerable effort into developing a

Consular Contingency Plan commensurate with the high risk of natural disaster in Japan. A Committee chaired by the HOC and comprising staff from all sections of the Mission is working to produce a comprehensive Plan by the end of 1998. There are problems related to the location of the Consular Section for which an easily resolution is not apparent.

INTERNATIONAL BUSINESS DEVELOPMENT PROGRAM

The IBD program in Tokyo has quality management. It is a measure of the strength of its managers that its weaknesses have been largely self-diagnosed. The recurring problem is that there is so much high pressure IBD activity that such self-diagnoses have sometimes not resulted in corrective action. The main observations follow, bearing in mind that this is a very strong program to begin with.

There is a need for more of a time related planning strategy accompanied by specific and measurable targets, which should be reflected more in managers' accountability agreements and annual performance appraisals. The opportunities provided by the Performance Measurement Initiative (PMI) for improved planning and control should be seized.

There may be a need to rethink the mission's and in particular the Commercial and Economic Sections' organizational structure, in light of the fundamental changes in the Japanese economy, changed priorities, and the need to support more regional programming. Apart from this there may be some potential for economies of scale and freeing-up of resources for higher-value-added work by pooling resources involved in visits management, and possibly other routine or common service functions.

Personnel management has the challenge of dealing ***. This creates problems and opportunities for management

Floor arrangements within the IBD Section are not conducive to good communication, and this problem is sometimes exacerbated by separation by rank, and by the natural linguistic and cultural divide between CBS and LES. In addition imperfect electronic communications are not sufficiently overcoming the physical barriers between the Mission and regional operations. The two recent team-building exercises were excellent for self-diagnosis of where improvements are needed, but may be somewhat lacking in systematic follow-up.

The mission appears PMI-sceptical, and there is a perception of PMI as a system/process from HQ for HQ. HQ and Mission management will need to do much selling in this area, especially since Tokyo is the largest IBD mission. WINExports does not work well in Tokyo for a number of technical and attitudinal reasons. Without complete or accurate data, the usefulness of WIN data as a management tool is reduced, and this has consequences for the PMI initiative.

The consulates in Fukuoka and Nagoya were established without the necessary tools or support, and as a result IBD programming has been less effective than it might otherwise have been.

Mission management indicates that the "economic crisis" in Japan or perception thereof has scared Canadian businesses, and much thought by the Mission has gone into addressing this perception. Information needs to reach Canadian businesses quickly to put the impact of the crisis on each sector in perspective, because the crisis has also created opportunities which remain unknown in Canada. The Trends letter is a good tool at getting timely information out to key contacts. There should be consideration of further targeting of key Canadian companies through telephone campaigns and other innovative approaches.

ECONOMIC AND FINANCIAL SECTION

This Section maintains an incredible pace of work and long hours. It has a good reflex to work with the IBD and Political Programs although more communication with the Regional Offices would be helpful. The Section would also benefit from developing an Accountability Document with the Minister. Serious consideration should also be given to moving this Section to the 5th floor; closer to those in the IBD Program.

POLITICAL PROGRAM

This Section has invested time in planning, setting out both its strategic and operational objectives as well as setting objectives to ensure the most effective use of its resources. This is a formidable task given the number and range of clients the Section must serve and the Section is heavily tasked from both HQ and within the Mission. The Section is in many ways events-driven and therefore must maintain a large capacity to be reactive in approach, but this group had a clear vision as to where it can be proactive.

COMMUNICATIONS AND CULTURAL PROGRAMS

The Section is comprised of seasoned staff who run a very active Program. The Program Manager has been assessing the Program with a view to changing its direction and focus. The Section has developed a well thought out plan that sets out strategic, operational and managerial objectives, recognizing that funding and personnel levels have shrunk but demands for services have not. With planned role or focus changes, there will need to be a review of the relationship between resources and each function within this Section.

ADMINISTRATION PROGRAM

1.1 MANAGEMENT OF THE PROGRAM

Span of control for the MCO

1.1.1 The MCO has been at the Mission since August 1996 ***. He is an EX-1 and reports to the HOC. Approximately 90 percent of his time is spent on Administration with the balance on Consular activities. With the PPMO position being vacant, he has had to take over management of the Property Program and, as such, has thirteen employees reporting directly to him. He is also the Official Languages Officer and takes on other specific tasks as well. The MCO controls operations tightly and is inclined to assume much of the workload himself. When a PPMO is appointed, the reporting relationships for the Section need to be reviewed to reduce the number of staff reporting directly to the MCO. The HOC intends to review the MCO's workload to determine if other staff in the Mission could assist. A Political Officer has been appointed as the Mission Security Officer (MSO) and training co-ordination needs to be conducted by someone other than the MCO.

Recommendation for Mission

1.1.2 Once the PPMO position has been staffed, a review should be conducted of the reporting relationships in Administration, with a view to reducing the number of staff reporting directly to the MCO.

Mission Response

1.1.2 Mission is in the process of staffing this position. Once this process is completed, we will review the reporting relationships with a view to reducing the MCO's span of control.

Role of the Head of Chancery (HOC)

1.1.3 At the time of the audit, the HOC had only been at the Mission for five weeks. Historically in Tokyo, the HOC has had a role to play in administering the Mission. The roles and responsibilities on administrative activities are still evolving vis-à-vis the HOC and the MCO. The HOC intends to have weekly meetings with the MCO, Regional Financial Officer (RFO) and the Manager of Personnel/Consular operations. According to Personnel Utilization Profiles (PUP's), the HOC position is noted as allocating 40 percent of its time to administration. Areas where the HOC is involved include: the preparation of the Consular Emergency Contingency Plan for Japan; chairing the Appraisal Review Committee and the Facilities Usage Committee; having

input to the offsite development projects; reviewing Mission reference levels; and attending meetings with the LES Committee.

Administrative Services

1.1.4 Sixteen program managers were interviewed by audit team members and, almost without exception, they were very satisfied with the quality and timeliness of services provided by Administration. *** Discussions have been held within Administration regarding the need to establish service standards for activities in the Section. Some progress has been made in this area.

Recommendation for Mission

1.1.5 Service standards for administrative activities should be established and promulgated to all staff.

Mission Response

1.1.5 Examples of Service Standards from Canberra have been obtained and revised to suit Tokyo's operation. The first draft was circulated at the Mission Retreat in early April for review and comment. The revised draft was circulated once again to all staff for review.

Hub and Spoke Arrangements

1.1.6 The Consulates in Nagoya and Fukuoka are "spokes" of Tokyo for administrative purposes. There is no written agreement between Tokyo and the "spokes" regarding these responsibilities. After team members visited Nagoya and Fukuoka, it is obvious that roles in certain areas are unclear or undefined. This applies particularly for computer systems administration, Year 2000 and Consular responsibilities. Specific concerns are discussed in the relevant chapters of this report. There needs to be a schedule of visits prepared for both Tokyo staff to the "spokes" and "spoke" staff to Tokyo, as required and appropriate. Visits would not be just to "fix" problems but to include training in various aspects of Administration and Consular activities. A schedule of visits could also be included in the Mission business plan. As there is confusion as to roles, a formal written agreement needs to be drawn up in order that all parties clearly understand their responsibilities.

Recommendation for Mission

1.1.7 A formal written agreement should be prepared between Tokyo and its spokes, Nagoya and Fukuoka, regarding Administrative and Consular responsibilities.

Mission Response

1.1.7 As we acknowledge that a written agreement will serve to formalize the division of administrative and consular responsibilities between the Consulates and the Embassy, this will be prepared. However in respect to your highlighting of Consular activities it bears noting that the Consular demands placed upon our Consulates are modest.

Administrative Objectives

1.1.8 The MCO prepared objectives in January 1998, for input to the Japan Business Plan. An Accountability Agreement has not been prepared for the present HOM but there is an Agreement with the two Ministers who acted for the HOM during the hiatus between HOM appointments. This Agreement included the management priorities of: implementing Program Review II cuts; ensuring the transition of the Tourism Program from DFAIT to CTC; moving forward on the Offsite Development Project and selling surplus properties; and ensuring emergency and Consular readiness in case of a catastrophic earthquake.

Mission Committees

1.1.9 The Operations Committee meets weekly and is comprised of all Program Managers. Each member presents current plans. The Committee on Mission Management (CMM) usually meets monthly to discuss administrative policy matters. This Committee is restricted to the HOM, the two Ministers, MCO, Political Officer and the Immigration Program Manager who represents the Other Government Departments (OGDs). Other Mission committees are for housing, classification, facilities usage, and appraisal review. The HOM is to establish committees for occupational safety and health and for informatics.

1.2 PERSONNEL

Management of the Function

1.2.1 Personnel is effectively managed by an AS-04 who has concurrent responsibility for the Consular Program. He is supported in Personnel by a LEP-07 and twenty percent of an LES-05's time who also supports the Consular Program. The Section is faced with many complex issues and, in the year and a half since he arrived, the AS-04 has carefully catalogued these issues and is working to resolve them. ***

1.2.2 The LES are represented by the Japan-based Staff Association. The Association represents approximately 60% of the staff from the four missions in Japan. The Association spokespeople are volunteers. The Association met with the Inspector

General and a member of the Audit Team. The issues brought forth during this meeting were applicable to all LES and covered a broad range of topics.

LES Compensation and Benefits

1.2.3 The Mission has been conducting analysis of salary and benefits in preparation for the next survey which was to take place in December 1998. The Mission is concerned about differences in calculating base pay as a result of using two methodologies: "gross" and "base + allowances". The two different pay methods date back to 1990 when a salary and benefits team determined that the base + allowances system was the more common form of compensation in the Japanese market. Employees on strength at the time were given the option to stay on the "gross" pay system or switch to "base + allowances". All new employees taken on strength since were to be automatically paid on base + allowances. There is concern over the payment of transportation and fringe allowances and how these figures should be adjusted if and when a salary increase is approved. The Mission will also try to increase its marker base this year to have a better market sampling of compensation packages. There are also issues related to non-office workers (GS) and OR pay scales which have been in place for several years and which may not accurately represent commensurate salaries. Normal procedures are to compare actual positions and compensation to those of the marker organizations.

1.2.4 The Personnel Manager produced a detailed paper outlining the background and issues from the Mission's point of view and possible solutions. This paper is currently being studied by SPSA and SPSL. It is important that these issues be cleared prior to commencing the salary and benefit survey to ensure proper comparisons can be made. In addition, SPSA hopes to use Hay data to do salary comparisons. It is not clear at this point how the two pay basis compare to the Hay data.

1.2.5 SPSL has been in contact with the Mission to determine if there is an obligation to enroll LES employees in the National Social Security Scheme. SPSL has requested information from the Mission to determine if, regardless of any obligation, employees should be registered in the plan so that their benefits package is more representative of the local employment market.

Mission Comment

1.2.5 The Mission met with local social security authorities and reported back to SPSL/SPSA. * Ottawa has suggested that at this time we not again raise the issue with our LES.**

1.2.6 Given the complexities of the Tokyo compensation and benefits package and the rapidly changing market, SPSA and SPSL may wish to visit the Mission. These

issues could be further examined with local authorities and marker organizations to ensure the compensation package offered to LES is realistic in the Tokyo market.

Recommendation for SPSA & SPSL

- 1.2.7 SPSA and SPSL should work closely with the Mission to understand and solve the outstanding issues related to LES compensation and benefits.**

SPSA Response

- 1.2.7 SPSA is working with Tokyo to try and establish a reasonable, reliable method for determining the true value of the allowances. SPSA is also planning a liaison visit to Tokyo before the end of the fiscal year. We hope to have a solution to the problem before the next pay analysis.**

LES Handbook

1.2.8 The Personnel Manager conducted an extensive review and update of the LES Handbook last prepared in 1995. Since the Handbook embraces all LES in Japan, Osaka was consulted on the revisions. Many of the changes to the Handbook are clarifications and have been discussed fully with the Japan-Based Staff Association. Information sessions were held for the general LES population and clarifications were made on difficult issues such as pension plans. Further revisions to the Handbook may result from the upcoming benefits review. Before finalizing the Handbook, the Mission plans on having SPSA and SPSL review it prior to distributing it to the LES. Given the significant changes to the Handbook, it would be worthwhile for LES to sign acknowledging receipt of the revised version. This receipt could then be placed on the individual's personnel file.

Recommendation for Mission

- 1.2.9 All LES should sign, acknowledging receipt for the revised LES Handbook following review by SPSA and SPSL.**

Mission Response

- 1.2.9 A re-drafted LES Handbook was submitted to SPSA in November 1998 for their comments/concurrence. As no response was received a follow-up message was sent in February 1999. We are still awaiting a response. Once a response is received and the revised handbook is finalized we will distribute the handbook and ask all LES to sign acknowledging receipt.**

SIV Comment

- 1.2.9 SIV has confirmed with SPSA that a review of the handbook is underway. Comments and approval are expected to be communicated to the Mission in the Fall of 1999. SPSA is in the process of developing a template to standardise, as much as possible, LES Handbooks around the world. This will facilitate the updating for Missions and reduce the review and approval time for SPSA.**

LES Leave and Attendance

1.2.10 The Mission instituted a change in policy for carrying over leave effective this fiscal year. Employees will be allowed to carry-over leave equivalent to one full year's credits. Credits exceeding one year will be forfeited. Managers are being asked to encourage employees to take leave throughout the year rather than waiting until the last month of the fiscal year. Traditionally, in Japan, employees do not use leave regularly and must be strongly encouraged to take their leave.

1.2.11 Leave and attendance records are well maintained using a computer system developed by the Mission. Records were generally up-to-date. The Mission, however, continues to track leave benefits in days instead of the Departmental standard of hours.

Recommendation for Mission

- 1.2.12 LES leave records should be converted from days to hours.**

Mission Response

- 1.2.12 We have converted our leave records to hours starting as of this fiscal year.**

LES Appraisals

1.2.13 The Mission recently established an Appraisal Review Committee (ARC) for LES. The Committee consists of the two Ministers and the Personnel Manager.

1.2.14 While the Mission's initiative to ensure quality evaluations is excellent, the backlog of LES appraisals is high. During the visit, this backlog had been brought to the attention of the HOM who was already taking measures to eliminate it and to ensure that this situation does not recur.

Mission Comment

- 1.2.14 Almost all overdue appraisals have now been completed and submitted. Administrative measures have been put in place to ensure future appraisals are submitted in a timely fashion.**

LES Demographics and Mission Recruiting Practices

1.2.15 A review of recent staffing actions was completed and the processes were found to be in order. The Mission has been reviewing criteria, in particular for its recruitment of LE Program staff. In the past, competitions have generally resulted in the recruiting of officers with experience and knowledge but the Mission is now questioning whether it would be better served in recruiting officers with more emphasis on skills and abilities. The Personnel Manager has prepared a paper on this subject which is currently under consideration in the Mission.

1.2.16 In Japan, employees tend to stay with an employer for their entire career and while this is beginning to change, it is quite obviously the case with the Mission. Approximately 29% of the LES population have 21 or more years of service. Official retirement age is currently 60 but will gradually increase to 65 by 2013. With an aging LES population, the Mission needs careful succession planning. *** (This subject is also dealt with in the IBD Section of this report.)

1.2.17 In recruiting new employees, particularly at the officer level, the Mission has begun to use term appointments - some long term, others short. Four recent recruitments were analyzed. The reasoning behind each is sound but the perceptions of staff and other Program Managers are that there is an inconsistent approach and application depending on the Section. Also criteria are not well understood and, therefore, the fairness is questioned. Since this practice has mainly been used in Trade, and there may be good reasons to use it in other Programs, it is recommended that a Mission-wide policy be established and criteria be developed.

Recommendation for Mission

- 1.2.18 A policy should be developed to outline criteria to be used for making decisions as to the type of appointments to be made in future recruitments. This would include reasoning for a term versus an indeterminate appointment as well as the length of term appointments.**

Mission Response

- 1.2.18 The Mission will adhere to a consistent policy when determining whether to hire LES on a term or indeterminate basis. As a general**

rule we will be looking at term employment as a viable option when any one of the following three circumstances are present:

1) the job content and/or knowledge requirements of the position are susceptible to significant variations over time;

2) best efforts at recruitment have brought forward a candidate who a) meets the present qualifications for the position but whose qualifications are not "overly impressive"; or b) does not possess the broad range of skills or abilities to adapt to today's changing work environment;

3) the Embassy resource environment is such as to question the long-term viability of the position.

Canadian LES

1.2.19 The Mission employs several Canadian LES on staff. *** The LE\$PAY system is used for payroll calculations where source deductions are being made.

1.2.20 The Mission has recently raised the issue of source deductions for the non-Canadian spouses of CBS with the International Tax Programs Section of Revenue Canada. The Mission awaits a ruling from Revenue Canada.

Mission Comment

1.2.20 * The issue was raised with Revenue Canada ***. Revenue Canada provided a waiver in the specific case but chose not to comment on the issue generally. As a result the Mission will treat, and is treating, all spouses who serve as LES as if they are Canadians and is deducting Canadian tax unless a waiver of deductions is obtained from Revenue Canada.**

Maids for Ministers' SQs

1.2.21 Each of the two Minister positions has been assigned an LES maid in support of representational requirements. These maid positions were authorized by the ADM Personnel in 1994. The positions were to be purchased from hospitality funds. London, Paris and Washington have similar domestic positions for their senior Minister but these were authorized by Treasury Board pursuant to a Departmental TB submission as part of the Terms and Conditions of these positions. SIV could not find the underlying authority to exercise approval of the Tokyo positions. Without Treasury Board approval, we do not believe this practice should be continued.

Recommendation for PND

- 1.2.22 PND will need to seek Treasury Board authority or revert to the provisions within the Hospitality Guidelines.**

PND/Mission Response

- 1.2.22 A cost-effective solution to meeting the representational requirements of the two Ministers, compatible with the Official Hospitality guidelines, will be implemented in advance of the next rotations of the respective officers.**

LES Job Descriptions

1.2.23 The last major review of job descriptions was conducted in 1995 when the conversion to the 10-step salary level was completed. A review of job descriptions on file reveals that when staffing actions have taken place since 1995, job descriptions have been reviewed and updated. This, however, applies to a limited number of positions. In the vast majority of cases, neither the incumbent nor the supervisor has signed the job descriptions. It is recommended that a review of all job descriptions be conducted to ensure they properly reflect the duties of the position and that they be reviewed by the Mission Classification Committee. Incumbents and supervisors should be asked to sign the updated job descriptions and given copies. In future, when there is a change in duties, incumbents or supervisors, the job description should be revised and re-signed.

Recommendation for Mission

- 1.2.24 A full review of LES job descriptions should be conducted and incumbents and supervisors should sign and receive copies of the revised job descriptions.**

Mission Response

- 1.2.24 The renewal of LES job descriptions has been tied to the appraisal cycle with all supervisors being asked to submit renewed job descriptions at the time appraisals are prepared. This commenced as of 01 April 1999 and we therefore expect that all LES job descriptions will be revised as of 01 January 2000. They will be signed by the supervisor and incumbent.**

Personnel Records

1.2.25 The LE Personnel Officer maintains a D-Base file of all LES. EXT 208s are prepared regularly and are up-to-date. *** A review of the three sets of records revealed some discrepancies related to position numbers and levels. None of the discrepancies relate to the salary being paid. ***

Recommendation for Mission

1.2.26 The notion of consolidating LES personnel records into one database should be investigated with a view to reducing workload, avoiding duplication and eliminating the possibility of error.

Mission Response

1.2.26 The Personnel and Finance Sections will be evaluating how best to consolidate personnel records. This evaluation has had to be delayed due to the training and subsequent launch of IMS, but will be carried out once IMS has been fully implemented.

Training

1.2.27 The Mission does not have a training plan because no funding was forthcoming from HQ for this purpose. Although HQ funding for training is limited, there is still an obligation on management to provide the appropriate training for staff to carry out their duties and to invest in continued development. The Mission budget has been reduced significantly over the past years due to Program Review cuts. Notwithstanding, it is important that the Mission find innovative ways to provide training opportunities to employees. Some initiatives in Japan have already been taken. For example, the Immigration Section has been providing cross-training to all its staff and has been giving briefings to staff from other Sections on the basics of visas. In Osaka, the Mission will pay to commercially train one employee who will then be tasked with imparting this knowledge to other staff. The Mission could investigate other means of training which may include the use of distance learning opportunities and the CFSI virtual campus. The Mission needs to exercise caution not to raise expectations by developing a plan that could not be fully realized.

Recommendation for Mission

1.2.28 A training officer should be appointed to coordinate development of a realistic training plan taking into consideration budget realities. Consultation with staff should be undertaken to identify needs and guide them into affordable expectations.

Mission Response

- 1.2.28 A training officer has been appointed and the Mission is preparing a training program which aims to be innovative, flexible, realistic, and wholly consistent with the needs of both management and staff.**

Japanese Language Training

1.2.29 It is imperative that the Mission have a solid base of CB officers with a good knowledge of Japanese. English and French are not widely spoken in Japan and an ability to function in Japanese is a tremendous asset. With a budget of \$43,000 for Japanese language maintenance training, the Mission has developed a policy for the equitable use of the budget but given the number of students requiring training, this amount does not fully meet its needs. Priority is given to students requiring Japanese for their position and little remains for other CBS or dependents. The Mission policy incorporates assessments of the student's progress and continued funding is incumbent on positive progress reports.

1.2.30 A CFSI led policy review on Foreign Language Training is currently underway which will address the challenges of "difficult" languages training; training for less difficult languages; basic language skills for CBS not requiring foreign languages to carry out the duties of their position; and, training for dependents. Special emphasis needs to be placed on establishing a policy and language training options given the current fiscal climate. Options may include recruiting more officers with abilities in difficult languages.

1.2.31 For Japanese training, CFSI needs to investigate all options which would produce the desired results including providing a part of training in Canada and a part in Japan, and training in Canada with a work and study program in Japan.

Recommendation for CFSI

- 1.2.32 CFSI, in conjunction with SPD, PND and the Mission, should review all CBS positions in Japan to identify the need for Japanese language skills. Options for providing long-term advanced Japanese training should be identified as well as options providing for on-going maintenance training.**

CFSI Response

- 1.2.32 Under the direction of the newly created Foreign Language Board, CFSI will be conducting a complete review of all CBS positions, including those in Japan, to identify DFAIT's need for foreign language skills. The review will be launched during the Autumn of**

1999 and completed in advance of the 2000 posting season. CFSI is cooperating with PND and Tokyo to examine an array of options that could be used to enhance Japanese long-term training. We are looking at such ideas as in-Canada training with a work and study program in Japan as well as training in both Canada and Japan.

Official Languages

1.2.33 The Program Manager for Management and Consular Services is the Official Languages Officer. In general, material circulated in Tokyo is in English only. The Mission needs to ensure that general communications to staff are available in both official languages. In Fukuoka, staff have excellent skills in both French and English. In Nagoya, there is little ability to provide services in French. Since funding for Official Languages training is not forthcoming from HQ, the Mission needs to, with its own resources, provide training to staff who service the public.

Recommendation for Mission

1.2.34 The Official Languages policy should be respected in communications to staff. The Mission should investigate ways to provide French language training to the staff in Nagoya to allow them to provide basic service in French to its clients.

Mission Response

1.2.34 Mission is sensitive to requirements to communicate, internally and externally, in both official languages. With respect to internal communications, we would note that these requirements need to be set against the realities (staff composition, corporate culture, work pressures, costs etc...) of day-to-day environment of the missions.

Medical Insurance for LES

1.2.35 The Mission has no medical plan for LES. LES subscribe privately to the Japanese national social security scheme. A question has arisen as to medical coverage for LES who are required to travel outside Japan on official business since Social Security only covers expenses in Japan. The Treasury Board Travel Directives states in Section 1.5, Insurance Plans and Compensation, "in the event that an employee becomes ill, is injured or dies while travelling on government business, the employee or, where applicable, the employee's dependants may be provided with protection, subject to the terms and conditions of the following authorities..." The extent of the coverage and the mechanism for coverage are not clear. Employees required to travel do not carry any proof of coverage and as such, may have problems receiving medical attention.

Recommendation to SBM

- 1.2.36 Missions should be advised as to the exact coverage that LES would have while travelling outside their country of residence on official business; the mechanism for payment of expenses; and, the type of document to provide LES to be used in the event medical services are required.**

SBM Response

- 1.2.36 SBM is aware of the problem, which is not unique to Tokyo. SPSL, which has responsibility for LES insurance plans, is in contact with the Treasury Board concerning the development of the appropriate policy. In the meantime, we are advising missions that they should arrange private insurance for any LES who will be travelling outside the country. We are advising missions which have contacted us. This was not a formal policy but only an interim solution.**

LES Personnel Officer

- 1.2.37 The CB Personnel Manager is aided in the delivery of personnel services by an LEP 07 (current incumbent PIO LEP 08). *****

Recommendation for Mission

- 1.2.38 A full review of this position, its duties and the level, should be undertaken to ensure a high level of coincidence with the job description. The job description may have to be re-written and re-evaluated.**

Mission Response

- 1.2.38 The job description for the officer has been re-written and he is being asked to take on responsibilities commensurate with the level of his position.**

Occupational Safety and Health Committee

- 1.2.39 The Mission does not currently have a Safety and Health Committee. This had been recognized by senior management prior to the audit.**

Recommendation for Mission

- 1.2.40 An Occupational Safety and Health Committee should be established in accordance with the Canada Labour Code.**

Mission Response

- 1.2.40 The Mission Occupational Safety and Health Committee has been established.**

Irregular Appointments

1.2.41 For some time now, the Mission has been unable to fill the position of the General Services Officer (GSO), EXT-08289X, ASST-06. The duties of this position have been divided among the MCO and the Administrative Assistant, EXT-01082X, and the Purchasing Clerk, EXT-06014X, both classified ASST-05s. In recognition of this increased responsibility and workload, the Mission moved the Purchasing Clerk into the GSO position with acting pay and upgraded the level of the Administrative Assistant to ASST-06 without revising the job description or submitting it to the Classification Committee.

Recommendation for Mission

- 1.2.42 The job descriptions of both EXT-1082X and EXT-06014X should be rewritten, incorporating the change in responsibilities. The job descriptions should be reviewed by the Classification Committee.**

Mission Response

- 1.2.42 The re-writing of these job descriptions will be completed this year and the revised job descriptions submitted to the Classification Committee for review.**

CBS Absences

1.2.43 Management of FSDs is the responsibility of an Administrative Assistant in the Property Section. Leave and attendance for CBS, on the other hand, is the responsibility of the LE Personnel Officer. Neither employee verifies if there are any absences of CBS or dependents which exceed 25 days which would result in adjustments to Foreign Service allowances.

Recommendation for Mission

- 1.2.44** **The responsibility to monitor CBS or dependent absences of 25 days or more should be assigned to either the Administrative Assistant or the Personnel Officer, who should then ensure such absences are appropriately reported to HQ.**

Mission Response

- 1.2.44** **The responsibility has been assigned to the Administrative Assistant who will liaise with both the Personnel Assistant and the Finance Section prior to reporting to HQ on individual cases.**

1.3 PHYSICAL RESOURCES

Management of the Program

1.3.1 The LES PPMO position has been vacant since 1996 resulting in the MCO taking over the day-to-day management of the Program. The Program also has two other vacant positions, the General Services Officer and the Mechanical Technician. The Mission will propose that a CBS PPMO position be established. Details on this proposal are contained in 1.3.16 to 1.3.18.

1.3.2 Due to these staffing problems, the MCO has taken special care to ensure that client service levels do not suffer. Interviews with program managers and staff indicate an extremely high level of satisfaction with the services provided by the Section. Once the PPMO position is staffed, more emphasis will have to be put on other aspects of property and materiel management such as PRIME, property inspections, MPMP updates, and procedures, some of which have suffered due to the long-term position vacancies in the Section.

Ministerial Housing

1.3.3 The Mission has two Ministers, neither of whom has been appointed under an Order in Council (OIC). The Mission has made a case that special housing must be provided for these Ministers because of their extensive representational responsibilities. Unless these Ministers are appointed under an OIC, however, there are no provisions for housing beyond that normally provided under FSD 25. The Mission has Departmental approval, in the interim, to provide housing equivalent to a Category 3 Head of Mission SQ, i.e. maximum 4+1 representational + 26.5%, which is the maximum departmental authority. Notwithstanding, this Mission still feels that, even with this increase, the size of housing is inadequate for the representational needs of these Ministers.

1.3.4 The only ways that the Department can provide housing in the range that the Mission is suggesting are to seek an OIC appointment for the two Minister positions or perhaps through a Treasury Board submission seeking special approval. In this OIC, as was done in 1967 for the official designation of positions in Washington, Paris and London, the special prerequisites would be outlined.

1.3.5 The Mission must clearly define what type of housing would be required taking into consideration the type and frequency of entertaining required, the facilities available in the Chancery and at the OR and the reality of the Tokyo real estate market.

1.3.6 Once these items have been clarified and if the OIC should be approved, the Mission in conjunction with SRD can develop a strategy to identify appropriate housing taking into consideration the current property inventory as well as other cost-effective opportunities which may present themselves. Until now, the Mission has been proposing housing which far exceeds any approved guidelines.

Recommendation for Mission

1.3.7 PND should be consulted to begin the process of an OIC appointment for the two Minister positions incorporating appropriate prerequisites. Once this process is completed, an appropriate strategy should be developed to provide housing for the Ministers. If this recommendation is not feasible, the Mission should either locate suitable accommodation that falls within the guidelines or obtain Treasury Board approval to exceed guidelines.

Mission Response

1.3.7 Housing for the senior political and trade positions in Tokyo meets all relevant guidelines and responds well to operational pressures to accommodate very large receptions in support of Canada's economic and bilateral interests. One senior official is housed in an apartment whose rent and size fall well within all authorities and guidelines. The other occupies a house owned by Canada since the early 1970's, prior to current guidelines. It is not significantly oversized and serves Canadian interests well.

Off-Site Development Project (OSD)

1.3.8 SRD is in the final stages of awarding contracts to construct 20 SQs on three Crown-owned sites at different locations in the city. Once this project is completed (late 1999), the Mission will be able to move staff from rental to Crown-owned units built to Canadian standards. SRD has assured the Inspector General

(SIX) that the standards of these new units will be comparable to those found in the 23 SQs in Canada Court, which the Team found to be of excellent quality.

1.3.9 Given that there could be three construction projects taking place simultaneously, it will be necessary to have an on-site construction manager. The Mission has neither the time nor the expertise to manage a project of this magnitude.

1.3.10 A Treasury Board Submission was completed in 1996 seeking approval for this project. Although the bulk of what was proposed in the Submission is on-track, there have been significant changes in the scheduling and in some of the property values that were quoted. To keep Treasury Board apprised of actions taken on this project, it would be advisable to update the 1996 Submission to reflect these changes.

Recommendations for SRD

1.3.11 An on-site construction manager should be assigned for the duration of the OSD construction project.

1.3.12 The 1996 Treasury Board Submission should be updated to reflect changes that have taken place since the original proposal.

SRD Responses

1.3.11 SRD agrees that an on-site construction manager should be assigned to the project and, with Mission involvement, is in the process of selecting a suitable candidate for the position.

1.3.12 SRD will advise and provide an update to Treasury Board on the Tokyo OSD construction project through its annual Property Business Plan submission to TB.

Surplus Portion - Chancery Expenses

1.3.13 A report *** on the surplus portion financial statement notes that "the operating expense recoveries continue to exceed the actual operating expenses incurred. Such balance amounted to 124,752,266 Yen at March 31, 1997." This equates to approximately \$1.6 million. *** also notes that "the Master Agreement does not clarify who is entitled to this excess".

1.3.14 The Mission is in the process of developing a five and ten year maintenance plan. It may be determined that some of the projects in the Chancery and Canada Court outlined in this plan may be appropriately charged against this fund.

Recommendation for Mission

- 1.3.15 Determine who is entitled to the surplus portion and, should it be DFAIT, determine what amounts should "reasonably" be held in reserve and available to draw down for on-going maintenance projects.**

Mission Response

- 1.3.15 We propose to work on this issue with SRSK in the context of the Master Agreement. We are currently obtaining estimated costs to clean the Place Canada airconditioning ducts which have not be cleaned since the opening of the building. The cost of this work will be submitted to *** as a charge to the Administrative Reserve in early July.**

PPMO and Mechanical Technician

1.3.16 The Locally Engaged PPMO position has been vacant since 1996. Several attempts to fill the position have not succeeded. It is difficult to identify candidates who can function in the local environment with the requisite knowledge and contacts; who have knowledge of the Canadian building systems; and, who can speak English. Over the past year, the Mission has benefited from TD assignments by DND officers, each for three months, to relieve the burden. The Mission now maintains that the benefits of having Canadian expertise and knowledge outweigh the need for a Japanese speaker, as the LES in the Section will be able to provide language support and local knowledge. The Mission hopes to convert the LES PPMO position to CBS, preferably an AS position, staffed with specialists drawn from DND, PWGSC or SRD. This is done elsewhere in other missions such as New Delhi, Islamabad and Port-au-Prince. The Team supports this initiative. The Mission has identified the resources to allow them to finance the conversion.

1.3.17 There is an LES Mechanical Technician position which is responsible for the maintenance of mechanical systems in the Chancery, OR and Crown-owned SQs. The position has also been vacant since September 1996 and efforts to recruit a qualified individual have not been successful. Because the built-in systems in the Chancery and Canada Court are Canadian, the qualified candidate must have knowledge of these systems, a rare find on the local market. The Mission has been liaising with other diplomatic missions who are all experiencing the same problem. The Mission will continue its efforts to fill the position but, if not possible, will investigate other options for providing the necessary ongoing support.

Recommendation to Mission

- 1.3.18 A business case should be prepared and presented to PAM concerning the conversion of the PPMO position from LES to CB.**

Mission Response

- 1.3.18 A proposal to convert two LES positions to a Canada-based PPMO position has been submitted to PAM . We are awaiting approval.**

SIV Comment

- 1.3.18 PAM has confirmed in July 1999 that they have received the paper work from Tokyo and must now submit the position description for classification. PAM will recommend (based on Tokyo's recommendation) an AS-04 level. PAM further advised that SPV is working to identify an incumbent for immediate staffing.**

Housing for Domestic Staff

1.3.19 In the past, housing was provided to domestic staff of CB employees located in Canada Court. Previous audits questioned this practice and it has since been determined that there is no basis for providing housing to these individuals. Currently, two domestics are still being housed in the Canada Court domestic area but this will stop once the construction project begins in November to renovate this area to provide housing for OR domestic staff. No further housing will be provided to domestic staff of CBS.

1.3.20 Phase I of the construction project is to begin in November 1998 to convert domestic SQs to a 2-bedroom and a 1-bedroom apartment for OR staff. As part of the same project, a 2-bedroom self-contained unit will be constructed behind the OR kitchen to house the OR contract Chef who is currently housed in an SQ. Discussions are underway between Mission and SRD for Phase II which would renovate current domestic staff rooms in the OR into a 2-bedroom apartment and two studio apartments above the kitchen. If Phase II is approved, completion of both phases would see six of eight OR staff be housed on the compound. There are no plans to house the other two OR staff.

1.3.21 Prior to embarking on to Phase II, it is imperative that the Mission, in conjunction with SRD and PND, establish criteria for identifying OR domestic staff positions where housing should be provided. There is a need to be judicious in developing this policy given the high cost of housing. Moreover, once established, the Mission must house only those persons in designated positions. The fact that housing

is provided for some employees must be factored into the overall salary and benefits package for comparison purposes.

Recommendations for Mission

- 1.3.22 In conjunction with SRD and PND, criteria should be established for identifying those OR domestic staff positions for which housing should be provided and ensure that housing is only offered to those employees.**
- 1.3.23 Housing benefits must be factored into the overall salary and benefit package for these employees for salary comparison purposes.**

Mission Responses

- 1.3.22/.23 It has been recognized that housing for the Official Residence domestic staff is critical to the efficient and effective operation of this representational plant. Due to the irregular and often long hours they need to be housed within close proximity. The staff identified for housing are the Residence Manager, the Chef, the Sous-chef, the Chauffeur and two maids. Phase 1 of the domestic quarters renovation project has now been completed and we are initiating the technical planning for Phase 2 which will include the recommended consultations with SRD and PND.**

Property Inspections

1.3.24 The Mission does not currently have a systematic approach to property inspections. When property staff visit an SQ, they do a quick inspection or, on change of occupant, a full inspection to determine maintenance work required. It would be advisable for the Mission to begin doing regular annual property inspections. An annual calendar advising staff of these visits could be developed. This will assist in developing short and long term maintenance and capital-improvement plans and will allow the condition of the SQs to be assessed on a regular basis.

Recommendation for Mission

- 1.3.25 Annual property inspections of all properties should be conducted.**

Mission Response

1.3.25 Our LES Accommodation Officer has initiated this program, based on the model provided by the Audit Team, with this year's rotation of staff. We have scheduled an evaluation of the program for after the posting season.

Surplus Space in the Chancery

1.3.26 Surplus space exists throughout the Chancery, particularly in the secure area but in other areas as well. The location of some sections is also not conducive to good workflow. For instance, the Economic Section is located in the secure area, away from those with whom there is regular and frequent contact. There is no demonstrated need for it to be located in this area and it would be better placed on the 5th floor with the Trade Section. Other sections such as Tourism, Public Affairs and Consular would provide more effective service if they had better access to the public areas of the Chancery. Also the layout of the 5th floor Trade area is inefficient and provides little atmosphere for teamwork. The Chancery was designed approximately ten years ago and, at the time, the layout was consistent with the way the Section was expected to function. This layout now needs to be reviewed.

1.3.27 SRD is undertaking a formal space study of the Chancery. If sufficient surplus space can be identified, it will investigate options for use of this space, including for SQs or perhaps even housing for a Minister.

Procedures

1.3.28 When the MCO arrived at the Mission two years ago, there was little discipline in the Section to use competitive bids, contracts, and the Contract Review Committee (CRC). Currently, all requests for goods and services acquired on the local market are tendered and contracts are used and reviewed by the CRC. In addition, there is no delegated signing authority below the PPMO level and the PPMO or the MCO, approves all work orders, even simple requests. These procedures, while necessary to a point, are very labour-intensive. The MCO feels it is necessary to maintain the present discipline until he has the PPMO position staffed and he is assured that the discipline is entrenched. He also intends to delegate some authority and budget to his property staff which will allow them more autonomy in the future.

1.3.29 The filing system in use is labour-intensive and not particularly efficient or effective. Each sub-section of the Property Section maintains its own files, which duplicates the workload and makes it difficult to find information in a central location. The MCO intends to review the filing procedures and rationalize and centralize the property and maintenance files.

Mission Property Management Plan (MPMP) and PRIME

1.3.30 The MPMP was last updated in 1994. Although annual updates are generally expected, SRD is intimately aware of the property situation as it relates to SQs, OR and Chancery due to the planning for the OSD project. Therefore, the MPMP is not necessary at this time.

1.3.31 PRIME data for Tokyo is not up-to-date. The Mission has experienced technical problems with the system. During the visit, a member of the Team was able to work with the Accommodations Officer to offer some coaching and advice regarding the use of the system. The Mission was to contact HQ to request assistance for the technical problems. The Accommodations Officer will proceed to update the data, which, given the volume, will take some time to compile.

Property Petty Cash Fund

1.3.32 *** A review of the fund indicated that it was not being properly managed. There were only four settlements of the advance between December 1996 and June 1998.

Recommendation for Mission

1.3.33 The petty cash account * should be reduced to an amount which would represent approximately one month's expenditures and should be settled regularly in accordance with Chapter 23.5 of the MFM.**

Mission Response

1.3.33 A new petty cash account has been established with a monthly settlement required.

Chancery Air Conditioning

1.3.34 The air conditioning system which serves both the Chancery and the commercial area of the building is running at full capacity. The system was conceptualized and designed approximately ten years ago and did not fully take into consideration the increased cooling needs resulting from wholesale computerization of offices. Any further need for cooling capacity will result in a need to upgrade the present system. There are currently problems with cooling in the Executive Dining room and the two kitchens on the main floor which diminishes their usability. SRD is aware of this problem and is reviewing options to resolve the problems.

LES Parking

1.3.35 The Mission does not use all of its underground parking for official vehicles and CBS parking. The surplus spaces are offered to LES based on defined criteria and on a cost-recovery basis. The policy and process for awarding the spaces was reviewed and was seen to be clear and fair. Currently eight LES have parking and deductions are made from their salary. Drivers and OR staff living off-site are offered free parking for program reasons but it is well understood that if additional parking is required for the Chancery, they will have to forfeit their space.

1.3.36 The amount charged for LES parking is Yen 10,000 (\$113) per month. The Mission was unable to provide the rationale for this amount. To determine if this is a fair market price for parking in this area, the Mission should conduct a survey of commercial parking costs. If the survey indicates a higher or lower monthly rate, the Embassy rate should be revised accordingly and regular surveys should be taken to ensure the rate is still current.

Recommendation for Mission

1.3.37 A survey of commercial parking costs should be conducted to determine if the fee charged to LES is a fair market rate. Annual surveys should be done to ensure the rate remains current.

Mission Response

1.3.37 Agree. Steps will be taken to implement this recommendation.

Leases

1.3.38 The review of property leases revealed cases where documentation supporting lease renewals was not on the appropriate files.

Recommendation for Mission

1.3.39 A review should be conducted of all property lease files to ensure completeness of documentation.

Mission Response

1.3.39 Agree. This will be an early priority for the new CBS Property & Material Manager.

Environmental Program

1.3.40 The Mission has taken some initiatives to reduce energy consumption through timing of lighting and air conditioning systems and by taking advantage of cost reduction programs offered by the electricity supplier. The Team was advised that there is little opportunity for recycling in Tokyo but that there is an increased awareness and it is expected that more and more opportunities will be available over the coming years.

1.3.41 The Mission needs to establish an environmental committee which would investigate and suggest ways further to reduce energy consumption, establish recycling programs, and investigate other opportunities. There are many good suggestions in this area on the JEN website and other information sources.

Recommendation for Mission

1.3.42 An Environmental Committee should be established which would investigate and recommend opportunities to further reduce energy consumption and encourage recycling.

Mission Response

1.3.42 An Environment Committee has been established.

1.4 FINANCE

Organization

1.4.1 The CB Regional Financial Officer (RFO) manages the Accounting Section which includes the following LES: Deputy Financial Management Officer (DFMO), three Accountants and an Accounting Clerk. There is a clear division of responsibilities for all staff. The DFMO approves accounting documentation under Section 33. The Section processes the accounting documentation for the Mission, Osaka, Nagoya and Fukuoka. There is additional work for the Section as the majority of Facilities Usage accounting is now performed by Accounting Section staff and, under new HQ financial procedures, it is necessary to control all encumbrances manually.

Financial Services

1.4.2 Financial services are provided in an effective and timely manner to Managers and staff. Internal service standards have been established for the processing of payments. Twice a week, the Section arranges for the personal banking transactions of CBS to be conducted. This is more efficient than staff visiting the Bank and having to deal with language problems.

Role of the Regional Financial Officer (RFO)

1.4.3 The RFO arrived in September 1997 and negotiations were made between the HOM and SBD regarding the time the RFO would spend on his regional responsibilities. The RFO is responsible for 25 other Asian missions plus Tokyo. Two liaison visits have been made; to Beijing and Hong Kong in March 1998 and to Seoul in May 1998. It is estimated that the RFO spends approximately 20 percent of his time on regional responsibilities. This is mainly in the area of giving advice on major issues and his liaison visits. The RFO has not actively promoted his services to the other missions and has no plans for further visits. To maintain his limited regional responsibilities, the RFO is delegating more of the budgetary responsibilities to the DMFO and also logging considerable amounts of overtime.

Budgets

1.4.4 There is one reference level for Tokyo, Nagoya and Fukuoka. After discussions with the Managers in Nagoya and Fukuoka, budgets are set for the two Offices and cost centres established. The MCO and the RFO rebuilt the Mission budget from scratch and committed planned expenditures to cost centres established for the Mission. Reports are regularly issued to Program Managers for encumbrances under their responsibility.

1.4.5 The reference level set for 1998/99 totalled \$14,998,000. Effective April 1, 1998 the Mission and Osaka had their reference levels reduced by a total of \$2,063,000 under Program Review II cuts. This reduction was met by deleting a CB Minister/Counsellor position, a CB Secretarial position, three LES positions and other operating expenditure reductions. The Mission forecasts a shortfall of \$1.3M in Code Vote 17 expenditures for 1998/99, and have advised PAM of this concern. The HOM was fully briefed on the Mission budgetary situation by the MCO and RFO.

Bank Accounts and Revenues

1.4.6 Accounts in local currency and Canadian dollars are maintained ***. There is also an account in the name of the Canadian Embassy held at the *** Bank. ***

1.4.7 A log is kept for all revenues received by the Accounting Section. Immigration revenue is accounted for on a daily basis. A test was conducted of the revenue, as noted in the Immigration Section records, with the funds received in the Accounting Section. ***

Recommendations for Mission

1.4.8 ***

1.4.9 ***

1.4.10 ***

Mission Responses

1.4.8 ***

1.4.9 ***

1.4.10 ***

Facilities Usage Accounting

1.4.11 The facilities at the Chancery include the fourth floor display areas, a theatre, gallery and dining room. There are two full-time LES (Representational Facilities Manager and Public Area Manager) who manage the facilities assisted by another LES and three full-time contractors. A Committee, chaired by the HOC, meets on a weekly basis to review the requests for using the facilities and to approve those which meet the set criteria.

1.4.12 The RFO tightened controls in the accounting for proceeds received for the facilities usage and for payment of disbursements. Each function is given a project number through a suspense account coding. *** Approximately \$850,000 worth of business is managed through the facility in a year.

1.4.13 No overhead costs are passed onto the users although, if the facility is used after hours, the incremental costs for contractor overtime would be charged. In two areas there is a slight profit for the Mission. Coffee is charged at a set rate per person and accumulates a small profit after replacement crockery is paid for and there is a 10 percent mark-up on liquor and wine prices to cover spillage. At year-end, it is proposed by the RFO that any surplus in these two activities be credited to Consolidated Revenue Fund. The Mission has recently started charging for the time which the contract Technician takes to set-up, manage and take-down equipment when the function is held during regular office hours. The cost for this contractor is approximately \$100,000 a year and under Program Review II cuts, approved by SMD, there was \$150,000 for these type of recoveries. The RFO proposes that the funds be utilized for equipment replacement and upgrade with any surplus at year end to go to Consolidated Revenue Fund. Discussions were held with SMP regarding the process to follow in recovering such costs. It is considered that these recoveries would be authorised under Treasury Board authority *** for "Items to be vote netted". The Mission must submit a proposal to PAM and SMP noting the activities which will be subject to vote netting and the estimated amount of recoveries to be made in a year, as Treasury Board need to be advised of the amounts involved.

1.4.14 ***

Recommendations for Mission

1.4.15 ***

1.4.16 **PAM and SMP should be contacted to determine the most effective way to account for charges made to facilities users.**

Mission Responses

1.4.15 ***

1.4.16 **Agree. This matter is currently under review with SMD.**

Official Hospitality

1.4.17 The official hospitality expenditures claimed by the HOM and a number of officers were audited. Officers were preparing their claims in accordance with official hospitality policies. In a small number of cases it was noted that indirect expenses were being incorrectly coded to direct expenses. The Accounting Section staff, who verify these claims, need to ensure that all costs are correctly coded as there are percentage limits for the amount of indirect hospitality which can be claimed. The Mission updated the local official hospitality guidelines on July 2, 1998. The method of calculating the personal share of Official Residence meal costs was being reviewed by the HOM, MCO and RFO at the time of the audit.

Recommendation for Mission

1.4.18 **Expenditures claimed for indirect hospitality should be checked by the Accounting Section to ensure that they are correctly coded.**

Mission Response

1.4.18 **The Mission Financial Officer will review hospitality claims to ensure correct codings are used. Last fiscal year's expenditures have been reviewed to ensure that appropriate codings have been applied.**

Canadian Embassy Association

1.4.19 There is an Association at the Mission which is mainly involved in arranging for the purchase and sale of duty free liquor, wine and cigarettes. Sales are made to CBS. A Friday night social gathering is also arranged by the Association. Bank accounts in the name of the Association are held in local currency and Canadian

dollars. On an annual basis, financial statements need to be prepared, including a listing of all assets and liabilities. These accounts need to be subject to an independent audit.

Recommendation for Mission

1.4.20 Annual financial statements should be prepared for the Canadian Embassy Association and such statements should be subject to an independent audit.

Mission Response

1.4.20 The Embassy Association has installed a computer accounting program which will track sales and inventory and generate an annual financial statement which will be subject to an independent audit and tabled at the next Association Annual General Meeting scheduled for this fall.

Contracting Practices

1.4.21 In December 1993 the Mission entered into a contract for Official Residence food preparation. The contract was for the period December 1, 1993 to December 31, 1994, for 8,320,000 YEN (approximately \$104,000). Competitive bids had been received. Four extensions have been made to the original contract, as follows:

- ! January 1, 1995 to December 31, 1995 for 7,680,000 YEN (Approximately \$124,776),
- ! January 1, 1996 to December 31, 1996 for 7,680,000 YEN (Approximately \$98,803),
- ! January 1, 1997 to December 31, 1997 for 8,064,000 YEN (Approximately \$96,000),
- ! January 1, 1998 to June 30, 1998 for 4,032,000 YEN (Approximately \$42,319).

1.4.22 The Departmental limit for competitively bid contract extensions is \$200,000, therefore, the second extension exceeded this limit. The first contract was signed before the NAFTA contracting rules were implemented.

1.4.23 In May 1998 the Mission again went to competitive bid. A contract for the period July 1, 1998 to June 30, 1999 for \$113,400, was entered into. The bidding process for this contract should have been channelled through the NAFTA contracting system as is the case with any future amendments.

1.4.24 There were other contracts reviewed which should have been channelled through the NAFTA contracting system, unless determined exempt under specific sections of the NAFTA.

1.4.25 The Mission has a contract for the cleaning of the Chancery, with a local company, which also provides services to the Mission and the Surplus portion under the Master Agreement. This company has held this contract since the opening of the new building. A Treasury Board submission was completed September 9, 1993 for cleaning services for FY 1993/94 as the cost for one year's service exceeded \$400,000. SMD confirms that no further Treasury Board submissions have been completed for this purpose since 1993.

1.4.26 The next contract made available by the Mission for review was a contract with the same company covering the period April 1, 1996 to March 31, 1997 at a cost of approximately \$270,000 per year. The Mission was unable to provide information on contracting between the periods 1993/94 and 1996/97, nor for the period following the expiry of this contract in March 1997. The Mission was unable to confirm if a competitive process was undertaken before awarding the contract to the company for FY 1996/97.

1.4.27 The Team was unable to reconcile payments to the company against contracts, and to date, the Mission has been unable to provide a satisfactory reconciliation.

1.4.28 In a 1998 independent report on the audit of financial statement on the Tokyo Surplus Portion, it was noted that competitive estimates had not been obtained for the supervisory fees charged in relation to the Master Agreement for management of the surplus portion since the inception of the project. Fees had remained the same despite the economic downturn. According to the management company, market research was performed, in October 1996, of supervisory fees charged on similar buildings, and it was determined the fees being charged were reasonable. The only way to ensure that fees continue to be competitive is to establish a practice of obtaining competitive estimates on a more regular basis.

Recommendations for Mission

1.4.29 Treasury Board contracting regulations and Departmental contracting limits should be respected and the provisions of the NAFTA contracting processes followed.

1.4.30 The Mission should provide a reconciliation of payments made under the Master Agreement and for the cleaning contract to SIV.

1.4.31 The Mission should provide details of these two contracts to SMD, through PAM, in order that steps be taken to request Treasury Board to ratify the contracts.

1.4.32 Competitive bidding processes should be followed for high value contracts to ensure that value-for-money is being received.

Mission Responses

1.4.29 The Mission remains committed in its efforts to abide by the Government contract regulations, policies and procedures and where shortcomings have been identified corrective action will be taken.

1.4.30/.31 All payments were made in accordance with the Master Agreement which as we subsequently confirmed with SBRP remains in force and effect. This information has been provided to SIV. The contract has been ratified.

1.4.32 Agreed. This is Mission's long standing policy and monitored closely by the Mission Contract Review Board.

Contract Review Board

1.4.33 There is a Contract Review Board at the Mission but it consists of only two members, the MCO and the RFO. At least one additional person should be appointed to the Board and this person should be from outside of the Administrative area.

Recommendation for Mission

1.4.34 The Contract Review Board should consist of at least three persons, with one from outside of the Administrative area.

Mission Response

1.4.34 The Contract Review Board has re-constituted and is currently chaired by the Minister Economic/Commercial with the Political Counsellor, the First Secretary Communications and Culture and the Deputy FMO as Board members.

1.5 INFORMATION MANAGEMENT

1.5.1 Information Management is under the control of the MCO and includes the areas of systems administration, secure registry, courier services and technical services.

Systems Administration

1.5.2 Reporting to the MCO for systems administration is the CB Senior Systems Administrator (SA) who is assisted by three LES SAs. One of the LES is a non-SXD-dedicated SA spending approximately 30 percent of her time on systems administration duties and the balance on desktop publishing activities for the Administration, Public Affairs and Cultural Sections. The Section is very busy, especially in the past year with systems upgrades and Year 2000 responsibilities. The SAs are a service oriented group and positive comments were made to the Audit Team regarding the quality of service provided by the Section. There are 147 work stations to service, including those in Nagoya and Fukuoka.

1.5.3 The Mission Technology Committee last met in July 1996. At a Mission retreat in April 1998, it was suggested that the Committee be revived, for users to discuss their needs, problems and possible solutions.

Recommendation for Mission

1.5.4 The Mission Technology Committee should be re-established.

Mission Response

1.5.4 Technology Committee has been established.

Training Plan

1.5.5 Since August 1997 there has been no formal informatics training given because of other work priorities. Courses offered until August 1997 included Quattro Pro Introduction, Quick View Plus, Lotus Organiser, and Icondesk. Again, at the April 1998, Mission retreat, the subject of training was discussed. There is a training room with four computers but these need to be upgraded. A training plan should be developed with input to the plan from the SAs and the Mission Technology Committee. The MCO would also like to be provided with feedback on attendance and success rate. (See also 1.2.25 concerning Training Plans.)

Recommendation for Mission

1.5.6 A training plan should be established for informatics.

Mission Response

- 1.5.6 The Technology Committee, SA and Mission training officer are working to integrate this training into the mission training plan.**

Loans of Computers

1.5.7 Inventory records are maintained for all hardware and software, including the 37 computers and laptops on loan to staff. The Mission received a total of 105 pentiums and are now in the process of disposing of the surplus computers. For computers on loan to staff, the SAs have been servicing those in the home of employees living in Canada Court. This is contrary to departmental policy and the Senior SA needs to set a local policy regarding the servicing or non-servicing of computers on loan.

Recommendation for Mission

- 1.5.8 A policy should be established regarding the servicing of computers on loan to staff.**

Mission Response

- 1.5.8 Servicing of computers on loan has ceased.**

Service Statistics

1.5.9 Service calls from clients are answered by any one of the SAs who is available at the time of the call. Calls are noted in the diaries maintained manually by the SAs. There is no roll-up of statistics regarding types, number, and frequency of calls. If this information was accumulated and discussed with the Senior SA it would highlight problem areas and also assist in developing training plans.

Recommendation for Mission

- 1.5.10 Statistics regarding service calls should be accumulated by the SAs and be reported to the Senior SA.**

Mission Response

- 1.5.10 With the completion of the Signet 2000+ installation and training in July a service call report system will be implemented.**

Service to Other Missions in Japan

1.5.11 The Mission in Osaka has its own CB SSA, and will be serviced by the Regional Systems Administrator (RSA) located in Singapore. There is confusion regarding who services the missions in Nagoya and Fukuoka. At the time of the audit, these missions did not have access to Signet. Plans are underway to modify their premises and, when completed, MM97 will be installed. Both missions complained to audit team members about the quality of their equipment and problems with operations. Two pentiums for each mission were in Tokyo pending arrangements for their installation. The servicing of their MM97 equipment will be the responsibility of the RSA in Singapore. Because of the confusion regarding responsibilities, it is recommended that an SA from Tokyo visit the missions, determine the problems, determine who will be responsible for what and put the agreement in writing so that all parties concerned are aware of their responsibilities. This should be incorporated in the "hub and spoke" agreement as noted in Section 1.1.6 of this report. The Senior SA has already been in communication with the MCO, recommending a visit to the missions.

Recommendations for Mission

1.5.12 An SA should visit Nagoya and Fukuoka to determine their problems, conduct upgrades and provide training; and,

1.5.13 The responsibility for the various aspects of computer systems administration in Nagoya and Fukuoka should be determined and be included in the written "hub and spoke" agreements between Tokyo and the two missions.

Mission Responses

1.5.12 Due to delays with the security fit-ups and refits the installation of the Micro mission installation has not be completed. The last security fit up will be completed shortly. The new computers have arrived with installation to be completed by mid-July. The Mission SA is scheduled to visit the Consulates to assist in the installation and training.

1.5.13 Agree this will be incorporated in the agreement which is scheduled for completion after the Team Canada visit in September.

CB Technician

1.5.14 The CB Technician is responsible for the telephone systems, C-4 maintenance, secure fax, *** and the monitoring of long distance telephone calls. His

area of responsibility also includes Osaka and Seoul. There was generally positive feedback from the regular users of Signet C-4 regarding operation of the system.

Third Language Software/HQ Support

1.5.15 There are concerns that the Signet Renewal Plan (SRP) will not have provision for the support of third language software. At the Mission there are approximately 70 users of Japanese software. The Regional Systems Manager based in Singapore is gathering information from the Asian missions and will take the concern to HQ management. Another concern is with respect to Internet/Intranet when the system is down. Because of the time difference with Ottawa, when the system does go down there is no service available from Ottawa. In a span of two weeks, the system was down five times.

Telephone Service

1.5.16 There are three telephonist/receptionists located in booths at the entrance to the Chancery. At any one time two of the employees are answering telephone calls and the third is on the front reception desk. The Mission receives many complaints regarding visa enquiry calls for the Immigration Section. When a call is received by a telephonist, the caller is advised to redial the Immigration Section number. The MCO is to change this practice whereby the call will be transferred by the telephonist directly to the Immigration Section. This should alleviate one irritant for the caller. Once in the Immigration Octel system, the caller is led through an enquiry tree. The Technician has installed a return fax system but the end result is that the caller never speaks to a person. Often the caller will then contact the missions in Osaka, Nagoya or Fukuoka and make enquiries at those offices. By this time callers are no doubt frustrated. Approximately 60 percent of the calls at the Mission are Immigration enquiries.

Mission Comment

1.5.16 There is currently no on-going mechanism at this Embassy to track the number of incoming calls nor to determine to which section they are destined. In early February we did ask the telephonists to track the calls over a 3 day period. They received 1050 phone calls during those 3 days. Of those calls 30% were for the Commercial Division, 23% were for Visa, 17% were for Communications & Culture including the library, 10% were for Consular, 8% were for Tourism, 4% were for Administration, 4% were for Revenue, 2% were for Economic Section, and 2% for Political.

Year 2000

1.5.17 The Year 2000 compliance coordinator is the MCO who is assisted by the SAs, Technician and RFO. Reports to SXP are up-to-date and note areas where

further action is required by the Mission. Mission software is being vetted and the list of suppliers to be canvassed regarding their compliance with Year 2000 is being established. The CMM is briefed regularly on Year 2000 compliance progress. SXP had a concern with the lack of progress by Nagoya and Fukuoka in conducting Year 2000 checks and in their extending of deadlines for completion of the various checks. As these missions do not have the staff or expertise required to conduct the various Year 2000 compliance activities, staff from Tokyo should assist and the activities be monitored by the MCO in Tokyo.

Recommendation for Mission

1.5.18 SAs from Tokyo should visit Nagoya and Fukuoka to conduct the required Year 2000 compliance checks.

Mission Response

1.5.18 With assistance from Tokyo both missions have completed the Year 2000 risk assessment which have been submitted to Headquarters.

CONSULAR PROGRAM

2.1 MANAGEMENT OF THE PROGRAM

2.1.1 The Program is well managed by a CB AS-04 who has concurrent responsibility for Personnel Management. He is supported in the Program by an LE Consular Officer (ASST-07), a Consular Assistant (ASST-05) and 0.8 of another Consular Assistant (ASST-05) who devotes the balance of her time to Personnel. The Mission also provides support and guidance to the offices in Fukuoka and Nagoya and to the Honorary Consuls in Sapporo, Hiroshima and Sendai. Consular work is on the rise given the increase in flights from Canada to Japan but the Section is well-equipped to handle the workload.

2.1.2 The Honorary Consuls were previously Honorary Trade Representatives. Their role is essentially trade related but they do provide basic Consular services when required. There is no plan to open further Honorary Consul offices from a Consular perspective but if expansion were to take place under the Trade Regionalization Program, Consular services would be offered.

2.1.3 One of the main preoccupations of the Program at this time is the update of the Consular Contingency Plan. Given the high risk of natural disaster in Japan, considerable emphasis is being placed on this plan. The Consular Manager has done some outreach work and hopes to do more in the coming year.

2.1.4 The Mission uses the HQ developed Nikka-online Website to provide information about the Embassy and programs. The Mission would like to develop the Consular part of the Website further to provide more information to Canadians which they hope would reduce the need for clients to visit the office. Mexico has developed an excellent consular module on its Website and has Passport and Citizenship applications available on-line. It was suggested to the Mission to contact Mexico for ideas in developing its site.

2.2 SERVICE TO CANADIAN CITIZENS

2.2.1 The location of the Consular Section does not provide direct public access. All visitors must be escorted from the main reception on the 4th floor to the Consular Section on the 3rd floor. Consular staff provide the escort service both in and out. ***

2.2.2 This problem has been discussed in previous audit reports and no easy solution has been identified. Short of major renovations to move the Consular section to an area where public access and interview booths could be provided, a solution is not obvious. *** These include:

- a) ***
- b) ***
- c) The Mission is giving consideration to using the current Consular file room as an interview area/waiting room.
- d) ***
- e) ***
- f) ***
- g) Arrangements have been made with the Immigration Section to use its interview booths in the event the Consular Section does not wish to bring a particular client to the Section.
- h) ***
- i) All efforts should be made to cut down on the need to bring clients to the Section by providing more information at the main reception or in the main lobby.

Recommendation for Mission

2.2.3 ***

Mission Response

2.2.3 ***

Consular Contingency Plan

2.2.4 Preparation of the Consular Contingency Plan is a major preoccupation of the Embassy at this time. A committee has been formed, chaired by the Head of Chancery and drawing on all sections of the Embassy to assist in preparing the plan. The plan the Mission is developing goes above and beyond the Ottawa model due to the extremely high risk of a major earthquake in Japan. As part of the plan, a full update of ROCA and a discussion of a warden model will be undertaken. It is expected that the plan will be completed by the end of 1998.

2.2.5 It is important that the Mission involve the three Consulates in the formulation of this plan since the plan is intended to cover all of Japan. Although it is being written based on a Kanto disaster, once completed, the committee will ensure that the plan will cover, in a generic fashion, an emergency in any part of Japan. It was

noted that the MCO in Osaka had prepared a detailed plan for the Osaka region. The MCO from Osaka has also been invited to attend a meeting of the committee in Tokyo. It will also be important to thoroughly brief all staff in all the offices in Japan upon completion of the plan.

After-Hours Service

2.2.6 After-hours calls are received by the MSG detachment. A cursory screening is done and any calls where it is believed that action is required are forwarded to the CB Consular Officer on his cellular phone. This would include any calls from the Honorary Consul offices, Fukuoka and Nagoya and also from Osaka who advises after-hours callers to call the Embassy in Tokyo. The Consular Officer advises that on average, he handles 2-3 cases per weekend.

Recommendation for Mission

2.2.7 **The Headquarters After-Hours Service should be utilized thereby reducing the need for MSG screening of calls or for the Consular Officer to provide services after-hours except in extreme circumstances.**

Mission Response

2.2.7 **While management recognizes the overall value of the Headquarters service, we need to acknowledge that unlike most Missions in the world we do have 24 hour coverage at the Embassy by Mission guards. We also have to acknowledge that even were calls to be re-directed to Headquarters instead of being received the Mission guards, it is the Consul who would continue to be called in when in-person intervention is required. As such we do not see that the Headquarters service will necessarily reduce the overtime demands currently placed upon the Consul.**

This being said, the provision of after hours service and the recommendation of the audit team will be considered by Mission management. As a first step the mission will “test” the concept by implementing HQ after -hours services over a three month period and the results will be reviewed by CMM

Consular Statistics

2.2.8 One of the Consular Assistants also has some responsibility for Personnel. As part of the Personnel function, the Consular Assistant obtains visas and ID cards for CBS and their dependents in the Mission. She has been counting these

services as Consular services and recording them in COMIP. Given that these types of services to CBS are considered to be a function of Personnel rather than Consular, time spent on provision of these services should not be recorded in Consular statistics.

Recommendation for Mission

2.2.9 Time spent on Personnel Services by the Consular Assistant should not be recorded in Consular statistics.

Mission Response

2.2.9 Noted and the practice will be discontinued.

2.3 PASSPORT AND CITIZENSHIP SERVICES

Passport Supplies

2.3.1 Passport supplies were reviewed and reconciled. ***

2.3.2 ***

Recommendations for Mission

2.3.3 ***

2.3.4 ***

Mission Responses

2.3.3 ***

2.3.4 ***

PMP

2.3.5 The Mission is not currently on PMP and is still producing passports manually. There have been technical problems with the printers which have prevented implementation. New printers have been requisitioned and once received, the Mission will request an update of their training and will make the switch.

Mission Comment

2.3.5 The Mission is now on PMP.

2.3.6

Citizenship

2.3.7 The Mission handles a significant volume of Citizenship files. The current average time for processing a routine Citizenship application is approximately one year. The workload generated by maintaining pending files and continual follow-up with CIC in Sydney, Nova Scotia is not insignificant. DFAIT and the Mission have high service standards but because processing Citizenship applications is not its direct responsibility, the Mission is unable to offer the same high level of service in this area. Slow processing of Citizenship applications also has a direct impact on Passport services as limited validity passports must be extended to accommodate the longer waiting periods. JPD has been in consultation with Citizenship in an effort to resolve the issue of service delivery. SIX has discussed this issue in other Mission audit reports and will continue to explore this matter further.

INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM

Planning and Accountability Arrangements

3.1 The 1997/98 Japan Action Plan is a collection of well prepared information documents about the priority sectors. The Japan Division input into the 1998/99 PND Business Plan is also a good information document. However, as is the case generally with DFAIT Business Planning, these are not planning documents which can be used on a day to day basis by managers to guide and control decisions and actions. In particular, there is an absence of an explicit overall strategy along with measurable and time-related targets within the context of outcomes statements.

3.2 The Performance Measurement Initiative (PMI) will introduce new opportunities for better planning, as well as challenges, and should be factored into the next round of IBD planning processes for Japan. With the PMI in place, the basic task of IBD planning will be increasingly to keep on re-identifying where DFAIT's greatest value-added is in our commercial relations with Japan, and to prepare the Canadian private sector (e.g. Canadian consultants) for follow-up to Trade Commissioner successes in removing impediments to trade and investment promotion within Japan. As mentioned in the related Evaluation of the Regional IBD Program in Japan, there is a need for a time-related strategy for the IBD Program generally in Japan. This means that the IBD Program should be the leading edge (or targeting the "market failure") in Canada's commercial relations with Japan, with the aim of shedding its role to the private sector as each market access problem is solved, and each promotional gap is filled. Therefore there should be sunsets set for each part of IBD programming, and programs should be periodically reassessed for their relevance, and terminated once the objectives have been accomplished. Such a strategy involves, amongst other things, sophisticated performance measurement as found in the current PMI.

3.3 The Accountability process could be improved. Some Accountability Documents read more like job descriptions or "To Do" lists. However there is at least one good example (e.g. Counsellor (Commercial), Energy and Resources) which may be useful as a model for the others. Nagoya does not have an up-to-date Accountability Document. Quarterly Work plans and reviews in the Commercial Division were dropped but should be reinstated as part of the Accountability process. Thought could be given for Accountability documents to contain "contractual" arrangements between the Commercial and Economic Section and other sections in the Embassy, and between the Embassy and the Consulates. Under such arrangements it would be made quite clear who would be responsible for what, with specific and measurable targets/deliverables set in relation to deadlines.

Recommendations for Mission

- 3.4** **Accountability documents and mission plans should contain specific and measurable targets and deadlines, and should be clearly linked to the PND Business Plan.**

- 3.5** **Quarterly Work plans and reviews in the Commercial and Economic Section should be reinstated as part of the Accountability process.**

- 3.6** **Accountability documents should contain "contractual" arrangements between the Commercial and Economic Section and other sections in the Embassy, and between the Embassy and Consulates in Fukuoka and Nagoya.**

Mission Responses

- 3.4** **Accountability documents have been further refined and now reflect more accurately direction to be pursued by each IBD Section Head. Objectives established for this exercise are taken from the overall Accountability Agreement for the Ambassador which reflects overall Embassy goals. This, in turn is taken from PND's Business Plan. The direction from PND is top down management whereas each IBD Section Head is pursuing a bottom up direction. The new "Action Plan for Japan" reflects the convergence of this approach and is more oriented toward deliverables with deadlines giving clearer direction for each priority sector. (It should be noted that the Action Plan for Japan is a reflection of all the IBD activities and is meant for the Canadian business community to understand priorities. This document allows the Embassy/PJP to allocate and defend resource allocations but is not meant to be a directional document for internal planing purposes.) Each section's strategic operational objectives are now developed for the Ambassador's retreats. A regular review of priorities is now undertaken and linked to semi annual Embassy retreats. This periodic review enables a more realistic examination of priorities than artificial sunset dates enabling the graduation of sectors when they are ready to be changed.**

- 3.5** **Quarterly work plans for each IBD Section Head and the Consulates in Fukuoka and Nagoya have been reinstated to reflect overall quarterly objectives for each section. These plans are reviewed by each Manager and the Minister (Economic/Commercial). Each Manager, in turn, reviews these objectives with his/her section.**

3.6 While contractual agreements between each IBD program section and every other section of Embassy delineating specific activity agreements appears to us to be cumbersome and somewhat limiting, it is agreed that greater communication between sections is desirable. As a result, Accountability Agreements in Fukuoka and Nagoya now reflect more activity outside the IBD Program. In addition, regional support has been given by IBD officers to other programs already (Senator Hays visits) and the expansion of the Regional Program Teams incorporating all sections of the Embassy has also further expanded/integrated this approach.

Organizational Structure

3.7 The span of control of the Minister Economic and Commercial stands at nine and is high, but some of those groups reporting to the Minister are less demanding than others.

3.8 The present structure of the Commercial Section may not be conducive to providing effective support to regional consulates and Honorary Consuls, especially since much of the Section is caught in a maelstrom of important and very demanding market access activity. Consideration could be given to developing organizational options for the delivery of the IBD program (with our limited local knowledge and expertise we hesitate to specify one particular organizational option, but hope that the hypothetical options illustrated in the following table will help to stimulate debate).

Options to be considered might include the following:

Option 1:

To organize the present Commercial and Economic Sections along functional rather than sector lines with four senior managers reporting to the Minister, instead of the seven now reporting to him for commercial and economic functions. (In addition the managers of the Tourism and Revenue Sections would continue to report separately to him. Therefore his span of control would be reduced from nine to six). The basic aim of such a reorganization would be to place more emphasis on priority sectors and clients, including investment development, and to bring regional operations into the main stream of Canada's IBD program in Japan.

The first manager would be in charge of the **IBD Priority Sectors/Clients Operations Division**. This division would be responsible for strategic/proactive IBD operations in Tokyo and the regions, and would have the Consuls reporting to her/him. Such operations would include proactive trade and investment networking and promotion initiatives within priority sectors, servicing selected high priority Canadian clients, as well as coordination of general relations activities between the regions/honorary consuls and the Political Section.

The second manager would be responsible for **IBD General Operational Services, Visits, and Data-Base Management Division**. His/her section's role would be to be the entry point for all export ready Canadian clients and investment development clients (whether Canadian or Japanese), who would be provided services on a reactive basis in line with PMI standards. This section would screen in high potential clients (mainly in high priority sectors) for special attention from the IBD Priority Sectors/Clients Operations Division, and act as a buffer to allow for proactive IBD programming by the first section. In addition this second section would be responsible for the management of all IBD data-bases including the Client Tracking System, and for ensuring that the PMI is implemented effectively for all of Canada's IBD operations within Japan.

The third manager would be responsible for the **Trade Policy, Market Access, and Financial and Economic Reporting Division**. This division would consist of the present Economic Section which would absorb all the market access functions from the present Commercial Section.

The fourth manager would be responsible for specialized **IBD Sector, Investment Development, and Science and Technology Expertise Division** which would provide functional and specialized sector expertise support to the activities of the first three divisions.

Option 2:

To provide for greater integration between the present Commercial and Economic Sections and the present activities of the Communications and Culture and Political Sections by:

- creating an **Advocacy and Economic and Trade Policy Section** with dual accountabilities to the Minister Commercial and Economic and to the Head of Chancery. Such a Section would be created using the present Economic Section as its core, and would be responsible for Diet Relations, Media Relations, Economic and Trade Policy, Economic Relations, and Finance. Meanwhile the present Political and Communications and Culture Sections would retain responsibilities for international security and cooperation issues (including defence) and education, academic relations and culture respectively. Also, the Commercial Section could be organized along the lines presented above under option 1 (except that a decision would have to be made as to whether to place the market access function within the Advocacy and Economic and Trade Policy Division, or to create a sub-section specifically for that purpose within the commercial Section), or other as yet unspecified options which address the operational needs of the new commercial environment, including regionalization of the IBD program within Japan.

3.9 The Investment/Science and Technology Section has a full-time visits officer. Most other Sections have Commercial Assistants who spend significant portions

of time on visits logistics. Commercial Officers and CBS are also devoting time to these activities. There may be potential for consolidating the visits function in one division (see Option 1 above), or even creating a separate Commercial Group Visits Division (or a Mission Visits Division which might be located in the Administrative Section) to leverage a few positions to become specialists at visits logistics so as to free other CAs, COs and CBS for other IBD duties. Resistance to this idea was noted among operating management primarily due to fear of losing positions and fear of losing control of visits. There would need to be a fundamental change on how each Section use their SCY/CA staff, and greater sharing and specialization would be required.

3.10 There may be other possibilities for pooling of CA resources within and outside the Commercial and Economic Section to get economies of scale (e.g. reports/bulletins distribution to clients).

Recommendations for Mission

3.11 The Mission, in collaboration with PJP, should:

- (a) Identify options for reorganizing the Commercial and Economic Section in recognition of the changed economic and commercial environment in Japan, and changed IBD priorities.**
- (b) Examine, within the context of the foregoing identification of organizational options, whether there may be potential economies of scale in managing visits, distributing reports, and in undertaking other routine functions. If such a potential exists, the Mission should determine what organizational structures would be most appropriate.**
- (c) Monitor the span of control at the Minister level (within the current organizational structure), and take corrective action if the workload for the Minister is judged to be excessive.**

3.12 The Mission, in collaboration with CFSI, should design and implement training programs for LES who are affected by reorganization, and/or who are called upon to undertake new roles because of the pooling of resources to realize economies of scale.

Mission Responses

- 3.11** After careful study of the Audit recommendations for possible reorganisation, the IBD Program Managers and the Minister conducted a retreat to review in detail new possible direction. We agree absolutely with the Audit Report that a new structure for the IBD Program in Japan is required. However, both options suggested in the Audit were examined in detail and subsequently discarded as it was determined such organizational structures would prove to be very bureaucratic, confusing for staff and, more importantly, did not seem to take into account the very specific needs of our Canadian business clients. While some elements were deemed desirable (greater integration of trade policy and promotion objectives), it is our view that sectoral expertise is important to maintain so that exporters are confident with our ability to understand their specific needs and meet their many detailed demands.
- (a) After detailed examination of workload and taking into account the changing economic environment and priorities in both Canada and Japan, a new Commercial and Economic organizational structure has been proposed for the Embassy in Tokyo. In short, this new structure (equivalent to a “Bureau” at Headquarters) would demand a further integration of both Economic and Commercial priorities and a physical relocation of the Economic Division to the fifth floor of the Embassy to be co-located with the Commercial Section (this request is already with SRD). In order to maintain the sectoral integrity of the Commercial Section, it is proposed that the current Commercial Section with three sectoral section heads be collapsed into two division-sized units with vertical responsibilities for their sectors of responsibility. The proposal calls for the Agriculture/Consumer Products unit to be integrated with the Energy/Resources/Building Products unit and manage all commercial interests related to agriculture and resource products. One CBS will be shifted from the newly integrated Agriculture and Resources Division to the Manufactured, High Technology and Industrial Products division in recognition of shifting priorities to concentrate on more technology oriented Canadian strengths as delineated in the updated Action Plan for Japan and the priority sectors established for the Team Canada visit to Japan. Two other units, the Investment/S&T Coordination Division and the Economic/Financial Division would be co-located and have horizontal responsibility for all their activity across all units. With the two vertical sectoral units and the two others coordinating all the investment, S&T, economic and financial

matters across all of the IBD program units, greater integration and harmonization of work load and setting of IBD priorities will result. More efficient work plans will be possible with clearer direction for all units as well. In addition, with increased management requirements for each Division Head as a result of loss of the Minister-Counsellor (Commercial) position and greater numbers of personnel to manage (including the Consuls from Nagoya and Fukuoka - see 3.11 (c), we will be seeking to have each of the three newly described Commercial Division Head positions under the new organization re-classified at the EX 01 level.

- (b) A separate team was established to examine the possibility of creating a Visits Unit within the Embassy to look after not only IBD requirements but all requirements for the Embassy as a whole. One officer was dispatched to Beijing to examine in detail its set-up and then the committee conducted an Embassy wide study to determine specific requirements and made recommendations for establishing such a unit. Given the demands of the Team Canada visit in September 1999, it has been decided by Mission Management that further development of this unit will wait until after Team Canada.
- (c) The span of control for the Minister (Economic/Commercial) is excessive. With the elimination of the Minister-Counsellor (Commercial) position in 1998 as a result of Program Review II cuts, all responsibilities for both positions were left with the Minister. However, with the restructuring as described in Section 3.11 (a) above, this span of control will be reduced by four. It is proposed that: we collapse the sectoral units from three to two; the Consulates in Nagoya and Fukuoka report directly to each of these new trade sectoral managers, and; the Investment/S&T unit operate with one manager only. With these changes, the overall span of control will drop from ten to six.

3.12 We fully concur with this recommendation and as soon as the proposed restructuring is implemented (following Team Canada in September 1999), additional team building training programs will be implemented.

Personnel and Personnel Management

3.13 The IBD Program, and the Mission in general, find themselves with an aging LES population ***. Impending retirements will have an impact as follows:

- loss of expertise, corporate knowledge

- budget savings as replacement staff start at lower salary bands
- HQ budget impact as huge termination payments are required
- increased training costs to bring new staff up to speed
- opportunities to hire different skill sets at different pay scales (less than Level 9)
- opportunity to hire on a term basis, or to contract out certain functions.

3.14 To create more of a career path for COs, consideration should be given to creating position ranges from Asst-7 to Asst-9 as opportunities present themselves. This would also enable more hiring based on general skill and abilities, rather than on specialized sector expertise and contacts. The more specialized sector expertise may be acquired through contracting or term positions. It should also be noted that there are significant economies to be achieved by expanding the range of positions, for instance an Asst-9 at level 23 has double the salary of an Asst-7 at level 1. Osaka is in the process of rewriting job descriptions for the Asst-5s, recognizing that the jobs have evolved from secretarial to true program assistants. It will not be known if this exercise results in a change of level until the Tokyo Classification Review Committee reviews them. The results could impact on Tokyo. The review may produce Asst 4, 5, 6 and perhaps 7 positions - both an opportunity for career path development, for enhancing job packages and for creating more specialist positions. With lower average classification levels, salary budgets would be correspondingly lower, thus creating more leeway for hiring specialists for high priority initiatives on various types of short-term arrangements. In connection with this, it should be noted that Osaka has been very good at empowering LES, and COs in particular. COs manage their files with a high degree of independence and are held accountable for their portfolios. LES handle most of their own correspondence freeing CBS for more value-added tasks. There could be lessons learned for Tokyo.

Recommendation for Mission

3.15 The Mission should make use of best practices to assist in developing new or non-traditional hiring approaches, in empowering locally-engaged officers, and maximizing their job satisfaction and value-added to the Mission by providing challenge and accountability in their job packages.

Mission Response

3.15 We agree with the Audit Teams concerns over impending retirements from the IBD Program and the impact it will have on the program. We further agree that opportunities exist to greatly improve the mix of skills we require to meet the vastly changed requirements in new more high technology oriented export sectors. However, in order for us to entice the individuals needed to meet our demands, we may well have to maintain salary levels at the higher end of the scale. Actual requirements will depend on specific needs related to each job and

cannot be treated with a blanket policy. In order to maintain a greater degree of flexibility, we will continue to examine the process already started of hiring term employees for a specific time period, depending upon requirements. This will ensure flexibility is maintained. In addition, in order to maintain best practices, an Embassy wide policy has been implemented whereby every vacancy at the 5 level and above must be re-examined with regard to level and responsibility and approved by the Ambassador prior to staffing action being completed. This will require each manager to look closely at changing priorities and justify whatever action he/she might propose with regard to staffing. The new organization as described in section 3.11 (a) will further encourage managers to have program and support staff take on more responsibility for their work and will also help to flatten the organization. In hiring new personnel our intention is to seek employees who not only have knowledge in an industry sector but also demonstrate ability to take a broader view, seeing the wider implications of their sectoral interests, and capable of assuming responsibilities beyond their narrowly defined sectoral focus. Job packages for existing staff will continue to be examined and where possible, greater accountability will be afforded capable staff.

Personnel Management in IBD

3.16 Personnel management in some sections of the IBD Program is very weak. Some personnel problems have been ignored and/or swept under the rug to fester. This has contributed to CB/LES and LES/LES tensions and low morale in some sections. This has been exacerbated by the lack of feed-back in the form of up-to-date performance appraisals, and by the lack of communication which is flagged below.

Recommendation for Mission

3.17 Ensure that strong section heads are selected in the next round of postings, and that there are adequate training opportunities to improve management skills.

Mission Response

3.17 During the recruitment phase for the large turn over in the 1999 posting cycle, each new incoming manager was selected on the basis of proven management skills that were specifically enunciated in rating reports or attested to by current and previous supervisors. It will be critical that each Section Head ensure strong management principles are followed so that the new organization works to its best advantage and that all

staff are certain of and implement best practices throughout their work responsibilities.

3.18 Hours of work, especially for CBS in the IBD Program, appear to be astonishingly high. Sixty hours per week and higher are being quoted. Complaints were raised about the "lights-out policy" at 8:30 pm. Despite this, no obvious signs of stress, fatigue or burn-out were noted. CB staff appear self-driven and happy. Management will need to monitor this situation.

3.19 There is evidence to suggest that Consuls are likely to be far more effective, particularly in their first year or two of operation, if they were already familiar with the Tokyo Embassy and its personnel. Postings to Osaka, Fukuoka and Nagoya might be linked to prior stints in Tokyo so there is an understanding of Tokyo and the key players, both in and out of the Mission. For example, a posting of one or two years in Tokyo, followed by three or four in the regions may be an option to be developed further. This would also do much to promote cooperation rather than the rivalry that is almost inevitable in any region versus centre relationship.

Recommendation for Mission

3.20 The Mission should begin the task of "grooming" replacements for the present Consuls in Fukuoka and Nagoya when they leave for other postings. The feasibility of prior postings in Tokyo for Consul replacements should be explored as a component of this "grooming" process.

Mission Response

3.20 Unfortunately, it is not always possible to find staff with previous experience in Tokyo to take on the responsibility of a regional Consul in Japan. The single most important skill for any new Consul in either Fukuoka or Nagoya is Japanese language ability. As such we are restricted to our own Departmental resource pool. We will look at the possibility of identifying officers on their first posting in either Osaka or Tokyo who have the requisite organizational and management skills to be identified as candidates for subsequent Consul positions during a second posting to Japan. To have an officer spend one year at the Embassy and then transfer to either of the Consulates part way through their posting cycle shortens their time spent at either location and lessens the effectiveness at both jobs. On the other side, it is also difficult to find an FS 2 level officer who would be willing to commit to a six year assignment (ie: two years in Tokyo or Osaka followed by four years in a consulate). With the advent of the new Regional Teams in Tokyo (see 3.44) and more emphasis placed on regional markets,

communication with the Consulates is improving and there is likely to be much better understanding between offices under new operating guidelines.

Communication

3.21 Communication needs enhancement. The present floor arrangement on the fifth floor within the Embassy is not conducive to good communication between its inhabitants, and there is a natural physical alienation between 5th and 6th floors which has to be overcome. Within the Mission the communication problems caused by these natural physical barriers are sometimes exacerbated by separation by rank, and by the natural linguistic and cultural divide between Canada-based and locally-engaged personnel. In addition imperfect electronic communications are not sufficiently overcoming the physical barriers between the Mission and regional operations. The frenetic pace of work in the Mission has also meant that very little energy and time is left for communication. Efforts have been made already to overcome these problems - witness the bi-weekly Section Head meetings, one on one meetings between the Minister and each Section Head, and monthly Commercial and Economic Section plenaries. These mechanisms are helpful, but do not go far enough.

3.22 Connected to the above, the need for teambuilding has been recognized by the mission and significant efforts are being made to deal with this issue. In particular the two recent team-building exercises were very timely, and have been especially significant for LES since it is important that plans and strategies affecting the future of LES are transparent to all. We strongly support such ongoing efforts to deal with this issue because we have seen problems and symptoms related to strained interrelationships:

- anxiety is high among LES due to the two reverse-order-of-merit exercises
- undercurrents of LES vs LES, CBS vs LES, older vs younger staff, etc
- the IBD units work in cells, suffering from poor space layout, hampering interface
- there seems to be a good reflex for interacting with some groups eg: IBD with Economic, S&T Investment; there seems to be less interaction with C&C and regions
- sector focus by Section heads and long hours of work inhibit interaction.

Through retreats and other efforts, the Mission has self-diagnosed its weaknesses but action and follow-up may be lacking. Once staff return to their desks, "the urgent takes precedence over the important" and good ideas raised don't translate easily into operating realities.

Recommendations for Mission

3.23 Consider having separate meetings in Japanese (with translation if necessary) with LE CO and CA staff once a year (either COs and CAs together, or with COs and CAs as separate groups).

- 3.24** Consideration should be given to introducing a speaker-phone at bi-weekly Section Head meetings in order for Osaka, Nagoya and Fukuoka to participate. This would assist in breaking down the communication barriers with Missions.
- 3.25** Explore ways of improving communications with other Sections in the Mission. Perhaps the Political, C&C or other Sections could send a CBS to sit in on the meetings on a rotating basis to help promote cross-program understanding.
- 3.26** Given the need for continued efforts in teambuilding, it may be better to relocate the Minister, and the Economic Section to the 5th floor.
- 3.27** Any exercise to examine space in the Chancery to review layouts of existing 5th floor space. To carry out analysis to see if the Economic Section could better work outside the secure area, to be housed with the IBD staff and to be able to have LES staff work in close proximity, with perhaps some OGD staff to be moved to the 6th floor.
- 3.28** Set up clear accountability arrangements for follow-up to Team-Building workshops. Consideration should be given to establishing a "Team-Building Workshop Follow-up Champion".

Mission Responses

- 3.23** An attempt to have meetings between Japanese staff only will be tried formally. Much communication takes place already amongst the Japanese locally engaged staff but the problems encountered by the Audit Team do not relate to language. The greater problem is the animosity that exists between some members of the local staff based upon years of build up. This animosity has resulted in internal cliques being established and an unwillingness to be cooperative. We have already addressed some of these problems through more retreat type meetings and will further be able to "mix up" the long established cliques with the proposed reorganization of the Commercial Section.
- 3.24** A speaker phone system has already been activated and is working well.
- 3.25** Given the high level of activity undertaken by every section, we do not think it would be a good use of time to have a CBS from each section always attend regular internal meetings of other sections. Much of this type of exchange is covered by the weekly Operations Committee

meeting. However, we have implemented, on an as needs basis, the process of inviting representatives from other sections to attend Commercial meetings. This is working well and increasing the awareness of cross sectional requirements. The Ambassador's push to link one program to another is also increasing the cross fertilization of activity between different sections of the Embassy, resulting in better awareness of other priorities.

- 3.26 A request has been forwarded to Ottawa/SRD to help with the process of integrating the Economic and Commercial Sections together on the fifth floor of the Embassy. This would also entail the Minister (Economic/Commercial) moving to the fifth floor.
- 3.27 As part of the plan outlined in 3.11 and 3.26, an Embassy wide reorganization is being considered and a request for assistance has been forwarded to SRD.
- 3.28 Each Commercial Section Head is following up with individual staff to ensure Team-Building workshop and Embassy retreat results do not lose their impact. The PMI workshops also added greatly to team-building efforts. The Embassy is currently following up by coordinating a specific list of Commercial activities that will and will not be undertaken as a direct result of the new Horizons approach to delivering the IBD program. The coordinator of this list could be construed as a "Team-Building Workshop Follow-up Champion", however, we are of the view that it is more important for each section to pursue this initiative directly and ensure that all staff are following new practices. In this way, best practices will assist with workshop and retreat decision implementation.

Tools

3.29 WINExports does not work well in Tokyo and never has. WIN crashes if opened while other software is active. Problems have been attributed to poor matching of hardware to the building's fibre-optics, PCs being too old, and excessive dependence on one server, etc. HQ is aware of these problems, and follow-up is required. The fact that WINExports does not work well has led to negative attitudes to WINExports and its use, particularly amongst the more senior CB staff (perhaps because they have seen better elsewhere). Such negative attitudes have contributed to a situation where WIN statistics are not reliable because of inconsistent entry of data. Without complete or accurate data, the usefulness of WIN data as a management tool is reduced. For instance, there are major weaknesses in Tokyo's WINExport Client Tracking compared to Osaka. The good news is that there is a more positive attitude to WINExports and its use at the LES/junior level, and they seem to be more willing to try to make it work, and see its potential as a

tool. The fact remains that WIN data is not considered to be of central importance to IBD decision-making by this Mission, and this is a major problem, particularly since the PMI is dependent on this information.

3.30 The Mission appears PMI-sceptical. Interviews with staff point to a perception of PMI as a system/process from HQ for HQ. HQ and Mission management will need to do much selling in this area. Mission management may first need to be sold on PMI. The credibility of PMI is important here given that Tokyo is the largest IBD mission.

Mission Response

3.30 The indication in the Audit Report that the Mission is PMI-sceptical was discussed at length during a Section Head retreat to review the Audit results. Quite frankly, we were at a loss as to how this perception could have been developed by the Audit Team as not one of the managers personally felt this way and did not impart any such message to the Auditors. In fact, it is our view that PMI offers a great opportunity to define clear work principles for a more consistent Japan wide delivery of the IBD Program and we are working towards this end.

3.31 The Consulates in Fukuoka and Nagoya were established without the necessary tools or support, and as a result IBD programming has been less effective than it might otherwise have been. They were not provided with SIGNET/MITNET, and their computers have tended to be antiques which cannot be serviced locally.

Recommendations for Mission

3.32 Within the context of any reorganization option, establish clear accountabilities and procedures for the responsible use of WIN Exports, the Client Tracking System, and the PMI. Consider institutionalizing the PMI at the mission level by establishing one responsibility centre (see reorganization option 1 above) for implementing the PMI within the Mission.

3.33 Ensure that the Fukuoka and Nagoya Consulates are fitted up with SIGNET/MITNET within promised deadlines, and review computer acquisition procedures and budgets for these satellites.

Mission Responses

3.32 The problem surrounding the use of WIN is a much larger issue than can be addressed in Tokyo alone. Much of the difficulty relates to the technology not being able to meet expectations. Tokyo has worked hard at trying to ensure WIN is as successful as possible and with new

computer software being installed in Tokyo in June 1999, some of the problems will be addressed. However, others will arise - such as data base collecting for contact names. The use of the WIN technology needs to be addressed within each section where managers have a closer link with each user. This is being done. As for PMI, the post is currently establishing a Japan wide listing of best practices and services to be offered. This single level of trade delivery will be implemented country wide and monitored by each manager.

- 3.33** **New technology is being installed and as soon as fit up changes have been completed in Fukuoka, SIGNET/MITNET technology will be installed.**

Relations with DFAIT Headquarters and with Other Government Departments

3.34 There is no integrated business plan for the integrated S&T-Investment Section. The Section will live with two heads until the next posting cycle. Both feel that this temporary arrangement is working, and that consolidation under one head will work in the long run. The most obvious integration is in the sharing of junior positions. If investment is of highest priority in IBD programming, there is still considerable scope for ensuring that each part of the organization recognizes this as being the case so that each Trade Commissioner and Commercial Officer operates as an investment as well as Trade Promotion Officer, and gets rewarded for this.

3.35 There is little or no effective home base or champion for the S&T unit in the Mission. This means that the S&T unit has to go to bat for itself, and this leads to a rather precarious existence for the function.

3.36 *** Ottawa is quite happy to let the Mission design its own response to access issues, but may not realize how dependent they have become on Mission expertise. They will come in for a surprise if a newly posted person with less expertise in this area takes over the reins.

Recommendations for Mission

3.37 **In considering reorganization options, ensure that investment development is recognized as being as important as export development in IBD programming through clear accountability arrangements which delineate functional and sectoral responsibilities throughout the Commercial Section.**

3.38 **Clarify the S&T mandate and responsibilities of the S&T unit in the Mission vis-à-vis TBR and PJP.**

- 3.39** Review and clarify roles and responsibilities between the Agrifood Section and their HQ counterparts in DFAIT and the Department of Agriculture and Agri-Food.

Mission Responses

- 3.37** The visibility of the S&T and Investment units within the Commercial Section and the Embassy a whole is much higher than previously due to the integration of the two units last year. As well, the workshops, retreats, training sessions involving trade officers from all sections and exposure to investment programs of other countries in Asia that has taken place over the past year have also allowed a greater recognition of these functions within the Embassy. With the new organization planned for the IBD/Economic “bureau”, there will be two sectoral/vertical units and two more broadly based/horizontal units (S&T/Investment and Economic) - see 3.11. The importance of the S&T/Investment unit will be clearly realized and not diminished at the post level. However, this same question also needs to be examined at DFAIT headquarters. Ongoing reorganisation of the Investment Program function in Ottawa including the movement of TBRI resources to IPC will have a strong impact on the delivery of the investment development program in Japan which has not yet been determined. Also, the efficient delivery of the program is linked to the availability of promotional funds early in the fiscal year and, in this regard, a speedier, more transparent budget allocation mechanism will have to be put in place at headquarters if the posts in Japan are to be able to deliver.
- 3.38** As indicated in 3.37 this question needs to be addressed in Ottawa. The post has made its position very clear over the past year at various meetings in Canada attended by the S&T Counsellor. As priority changes and reorganization continue to impact on the ability of TBR to maintain an active interest in Japan, the post will have to continue to press for its needs. However, recent agreements with TBR regarding funding for the S&T Program in Japan will assist efforts greatly as funding levels will be available to undertake necessary promotional activity.
- 3.39** A new interdepartmental committee looking at access issues has been formulated in Ottawa which will assist with the review of all agricultural issues between DFAIT and AAFC. However, it will be necessary to continue to push the Trade Team Canada Agricultural Sector team to encourage them to continue to press all interested parties in trade with Japan so that all issues are managed equally well.

Regional Program (Nagoya, Fukuoka, Osaka and Honorary Consuls)

3.40 Our audit experience at hub and spoke missions shows that no matter how well intentioned the hub, the spokes often feel they are out of the loop. Japan is no different (also see above under "Communication"). It should be recognised that the situation in Japan for the spokes has been exacerbated by their lack of access to SIGNET. Generally, spokes feel too much information is better than too little. The regional missions should help determine the source and type of information which they would like.

3.41 Regions suggest that too few staff from Tokyo visit their regions. More help would be welcome from both the Commercial Division and others. Tokyo staff indicated that they were either too busy or lacked travel funds to visit regions (although most suggested that it was their "busy-ness" rather than lack of travel funds which prevented them from travelling). Fukuoka has a very extensive territory to cover, and indicated that more travel dollars are essential for more cost-effective programming.

3.42 There is insufficient communication between the Communications and Culture (C&C) Section and the regions.

Recommendation for Mission

3.43 The Mission should:

- ! Reorganize the Commercial and Economic Section in Tokyo to reflect its regional coordination mandate (also see above under 3.1.2 re Organizational Structure);**
- ! Develop e-mail aliases for distribution: e.g. all Commercial Section Heads and the regions to be on one alias, in order to develop a reflex to be inclusive;**
- ! Schedule meetings when the Spoke staff happen to be in the Tokyo hub;**
- ! Since Spokes are so vulnerable to lost time due to computer failure, as a general principle, ensure that they have appropriate computer hardware and software, with more latitude for local servicing of equipment where SRP permits;**
- ! Provide more travel funds to Consulates, in particular Fukuoka. The Consuls in Fukuoka and Nagoya should submit proposed travel budgets to the Minister, Commercial and Economic, and these funding requests should be given priority consideration in the Mission's expenditure plan for the coming year;**

- ! **If regions are asked to travel to Tokyo, consideration be given to funding this travel from the Mission, and not from regional travel budgets, which can then be used for travel within their territories;**
- ! **Communications and Culture (C&C) Section and the regions should work more closely together to develop activities/programs.**

Mission Response

3.43 All of the Audit Team suggestions under 3.43 have been more or less implemented. Reorganization and communication links with the Consulates have been addressed elsewhere in this document. 1999/2000 travel and hospitality budgets will be more flexible than in previous years giving the regional managers a greater ability to allocate funds where needed. When asked to travel to Tokyo, travel funds will be allocated as required. A new Regional Team concept has been implemented in Tokyo which has membership from all sections of the Embassy. This will enable not only the C&C Section to have more contact with the Consulates but all other sections as well.

Program Budget Issues

3.45 Travel funds are generally viewed as adequate but in many instances this is attributed to lack of time to do more travel.

3.46 Programs want a little more money only; not to run programs or events but to leverage projects initiated and funded by others, to hire interns, etc. Tight budget reality has been engrained, and this is helpful.

3.47 PIBD funding is very slow in getting approved in HQ (North Asia and Pacific Bureau). The S&T budget (JSTF) is still frozen half-way through the year by TBR. These issues will be further explored with HQ bureaux.

Responses to the Changes in the Japanese Economy and Business Environment

3.48 Mission management indicates that the "economic crisis" in Japan or perception thereof has scared Canadian businesses, and much thought by the Mission has gone into addressing this perception. Information needs to reach Canadian businesses quickly to put the impact of the crisis on each sector in perspective. The Trends letter is a good tool at getting timely information out to key contacts. There should be consideration of further targeting of key Canadian companies by:

- 1) Calling the 10 or 20 key companies in each sector (large companies may not need to be called) by phone with a scripted message targeted for each sector. Possible points:
 - this is still a huge market
 - some markets are still strong
 - some markets have actually improved with the crisis
 - some markets may develop further due to the crisis, e.g. housing and food have bloated price structures because of tariff and non-tariff barriers. A recession may create political pressures to deregulate
 - some niche markets can be exploited
 - do not give up the toe hold in Japan, things will change
 - loyalty to the market is appreciated in Japan. Don't take a short-run view
 - be price flexible on products and present lower-end products as well
 - this is the time to exploit weakness, etc

The telephone blitz could be followed up with a faxed information sheet to each client.

- 2) HOM, CG, others in Mission along with Seoul, Beijing, P-Branch could conduct targeted information sessions in Canada to send the same message.

3.49 During the April retreat, the Mission's response to the economic crisis was discussed. What came of those ideas? Were market studies developed? Was a communications plan developed?

Recommendations for Mission

- 3.50 **Consider further targeting of key Canadian companies by telephone call and fax campaigns, and by outreach initiatives within Canada, to provide them with timely and accurate advice about the economic situation in Japan, and in their particular sectors of interest.**
- 3.51 **Review the outcomes of the two team-building exercises held in 1998, and initiate follow-up action where feasible and relevant.**

Mission Responses

- 3.50 **Communication with Clients in Canada is important. The Ambassador's "Trends Letter" more effectively addresses our ability to target specific CEO's of important companies and institutions than a telephone blitz that would be rather difficult given the time zone differences. In addition, a Team Canada Mission has been announced for Japan in September of 1999 which has enabled several in Canada outreach**

initiatives to take place. In addition to visits by the Ambassador, both Ministers and the Consul General from Osaka, Commercial and Economic/Financial Section Heads from Tokyo as well as the two Consuls and the Osaka Trade Program Manger have had outreach visits to Canada since the Audit Team was here. The Team Canada initiative will bring close to 400 business representatives, 10 Premiers, 3 Territorial leaders, the Prime Minister and 40 press to Japan. This will raise the awareness of our trade relationship with Japan more effectively than any other activity.

3.51

Team building results are being followed by all sections and PMI changes have already allowed a new approach. The upcoming reorganization of the Commercial/Economic unit and the team building naturally imposed by the Team Canada visit will permanently change the Commercial/Economic structure and attitude at the Embassy and in Japan generally - a very positive result.

ECONOMIC AND FINANCIAL SECTION

4.1 Interviews were conducted with a portion of staff within the Economic and Financial Section, which consists of the Program Manager; three CB Officers; a CB Secretary; and, two LES - Assistants 9 and 5. Some observations and recommendations that impact on this Program can be found within the IBD Section of this report.

4.2 Noted during our visit was the incredible pace of work and long hours logged by staff and visits management is a challenge for this Section like most others. The Section is not guided by an Accountability Document, and during the next planning round, one should be developed. The Section has a good reflex to work with the IBD and Political Programs although more communication with the regional offices would be helpful.

4.3 We have recommended above, that serious consideration be given to moving this Section to the 5th floor, to be closer to the IBD Section and to permit co-location with LES. On the 5th floor, management would have greater flexibility to use CBS or LES to fill positions. Should the Minister and his Secretary also move to the fifth floor with the IBD Section, the roles of the two CB Secretaries would need to be re-examined to ensure they are maximized.

POLITICAL PROGRAM

5.1 The Political Section reports to the Minister-Head of Chancery. At the time of the audit, the head of the Political Section had just arrived in Tokyo. The Section is comprised of six staff, the Program Manager, two CB Officers, a CB Secretary, and two LES (ASST 5 and 9). *** Interviews were conducted with staff in the Political Section, but this function was not audited.

5.2 This Section has clearly invested time in planning, setting out both its strategic and operational objectives as well as setting objectives to ensure the most effective use of its resources. This is a formidable task given the number and range of clients the Section must serve. HQ interest, both DFAIT and OGD, in Japan and the Mission's reporting is high. As a result, the Section is heavily tasked from both HQ and within the Mission. And like other Mission programs, this Section manages a significant visitor load. (See observations in IBD Section pertaining to a visits management unit.)

5.3 The Section is in many ways events-driven and therefore must, by necessity, maintain a large capacity to be reactive in approach. (A démarche can be requested from HQ with just a few hours notice. Visits dictate schedules of Section staff.) That being said, this group had a clear vision as to where it can be proactive. In the future, planning documents or accountability agreements with Mission management should attempt to apportion resources by priority, objective or by type of task in order to reflect the investment in each.

5.4 Discussions with Mission Programs suggest that good dialogue exists with the Political Section and that the working relationship with the Economic Program is particularly well developed. There are few disagreements on ownership of files. Nevertheless, in a large and busy mission such as Tokyo, the danger of the Programs working in a "stove-piped" fashion is always present and Programs must continually seek ways to work together.

5.5 As in all Programs, more attention needs to be paid to the regions. The Section has identified this as a priority and is seeking greater coordination with the Consulates and plans to visit the regions more often. PUPS shows each of the Fukuoka and Nagoya Consuls to be spending 10% of their effort on the Political Program.

5.6 Roles of staff were known and understood and work is well allocated among CBS and LES. While each staff member has an area of focus, a team approach is adopted by the Section. Files are viewed as interesting and important, therefore motivation is high. By all accounts, the Section functions efficiently. Security restrictions result in LES being located on a different floor necessitating extra care on management's part to keep the group coordinated.

COMMUNICATIONS AND CULTURAL PROGRAMS

6.1 The Communication and Culture Section is headed by a Program Manager ***. The Program Manager reports to the Minister-Head of Chancery. The Section consists of three CBS and 11 LES. The Sections functions include Cultural Affairs, Media Relations, Public Relations, Academic Relations, Library, Publications and Translation. Interviews were conducted with some staff in the Section, but this function was not audited.

Chance of Direction and Focus

6.2 The Section is comprised of seasoned staff who run a very active Program. The Program Manager has been assessing the Program with a view to changing its direction and focus and he has the support of senior management. The Section has developed a well thought out plan that sets out strategic, operational and managerial objectives. The plan is based on sound principles, recognizing that funding and personnel levels have shrunk but demands for services have not. The plan focusses on best use of resources given this environment of constraint, promoting teamwork among the groups within the Section and seeking alternative sources of funding. Efforts to lever available funding and personnel resources, while judiciously saying no to some requests, will serve the Programs well. The Program Manager recognizes that he must spend more time planning and promoting and less on implementing projects. This is imperative given the scope of change that he hopes to introduce; the effort required to promote buy-in from staff; and, the over-sight time required to ensure changes take hold. With seasoned, hard-working staff, change never comes without a degree of resistance. Overall, with planned role or focus changes, there will need to be a review of the relationship between resources and each function within this Section.

Interaction with Programs and Regional Offices

6.3 The Program views itself as under-utilized by other Mission programs. Cultural events in particular are not being fully exploited by the other programs. In other parts of this report we have recommended that Program Managers or representatives should be invited to attend other Sections' managers or staff meetings to promote mutual understanding and joint initiatives. For example, the marketing of cultural products and education are just two areas where this Section and IBD should have joint interests and effort.

6.4 The Regional Offices indicated that they would like more interaction with this Section. Fukuoka in particular believes cultural events would be very helpful to make new contacts at the next level. This Section would also like to work more with regions but cites budget constraints as the impediment.

Education Promotion

6.5 Education Promotion is one area where the Program Manager wishes to make changes. With the economic downturn, new approaches are required. One strategy is to move away from the retail side of promotion (high cost marketing to students) to the wholesale side by supporting Japanese agents. While the Mission would support the establishment of a Canadian Education Centre in Tokyo, a CEC is not considered economically feasible given that the Asia Pacific Foundation is unwilling to contribute adequate fees. The CEC concept should be periodically costed and reconsidered to see if one is viable. The Missions should consider working closer with the regional offices to exploit those markets that are less well serviced by agents.

Library

6.6 The Program Manager would like to re-examine and refocus the role of the Library, ***.

Translation Services

6.7 The Translation Services group has been downsized and is heavily tasked. The budget for Japanese translation and interpretation is with the Administration Section but consideration is being given to moving it to the Communications and Culture Program. For management to have a better sense of workload and resource capacity, it should seek out translation norms or standards. The Translation Bureau in HQ may be able to assist with workload measures. The Mission may also wish to explore the newest generation of translation software, and its applicability to non-critical work.

**MISSION RESOURCE FACT SHEET
(includes Nagoya and Fukuoka)**

Personnel (FTEs)

	CBS	LES	Total
International Business Development	16.6	37.4	54.0
Political/Public Affairs	5.1	2.0	7.1
Economic	4.6	1.6	6.2
Public Diplomacy	3.1	11.0	14.1
Consular	1.2	3.0	4.2
Common Services	12.8	47.5	60.3
DFAIT	43.4	102.5	145.9
OGD (CIC, DND, *** Other)	6.6	10.5	17.1
Total	50.0	113.0	163.0

Physical Resources

ASSETS	OWNED	LEASED
Chancery	1	2
OR	1	0
SQs	50*	12
Vehicles	12	0

* includes 8 SQs, currently all vacant with the exception of 1, which will be demolished as part of the OSD

Financial Information March 31, 1998

LES Salaries (CV 017)	\$7,078,000
Operational (CV 014)	\$7,607,000
CB Overtime (CV 015)	\$50,000
Capital (CV 050)	\$263,000
Total	\$14,998,000