

**AUDIT
OF
THE CANADIAN CONSULATE GENERAL**

GUANGZHOU

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Audit Division (SIV)

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EXECUTIVE SUMMARY

An audit of the International Business Development (IBD), Consular and Administration Programs was conducted in Guangzhou during the period January 31 to February 1, 2002. This audit was conducted concurrently with the audit of the four other Missions in China. A previous audit of these Programs was carried out in September 1997. The 1997 audit findings are contained in the Hong Kong report as Guangzhou was then a spoke of Hong Kong.

MANAGEMENT OF THE MISSION

The Mission has grown steadily since it opened in 1995 with a staff of three employees, including one Canada-Based Officer. The Head of Mission (HOM) has done an effective job of raising the profile of the Mission in the region. While the HOM has been actively engaged in the Consular Program, the same cannot be said for the Administration Program which could benefit from his involvement. There is a need for Mission management to have more open communications with the Locally-Engaged employees to address their concerns. The Hub and Spoke Agreement with Beijing also needs to be reviewed and updated regarding responsibilities for Program and Administrative support functions.

INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM

The IBD Program is well managed and is delivered in accordance with the tenets of the New Approach. The Program provides the full range of trade promotion and international business development services to clients and partners in the dynamic South China market. The Head of Mission has been effective in establishing and maintaining contacts at the highest levels of local business and government.

There is a need to develop the on-going capability to collect, analyse and evaluate performance data related to services provided, clients reached and results achieved. Furthermore, improved access to mobile communications and logistical support should enable Commercial Officers to expand their network of contacts and pursue trade development initiatives on an increasingly proactive basis.

CONSULAR PROGRAM

The Consular Program is modest in volume and not well organized. This is compensated for, in part, by the conscientious and dedicated involvement of the HOM. The absence of regular structured reporting of Consular activities over the past years precludes an accurate assessment of the adequacy of the Program's resource base.

ADMINISTRATION PROGRAM

The Administration Program requires better planning and organization to deal with the many challenges it must address. The recent addition of a new Administrative Assistant should assist in dealing with workload issues but leadership from the Management/Consular Officer is required to keep things improving. The HOM's involvement is critical to ensure Program objectives are achieved. Housing is good but expensive and leasing comes with full maintenance approximating that provided in fully serviced hotel accommodation. These benefits go far beyond what is normally provided to Canada-Based Staff (CBS). Financially, a number of procedures require changes to improve control and ensure compliance with Departmental procedures.

RECOMMENDATION STATUS

There were a total of 20 recommendations in this report for which the Mission is responsible for implementing. The current status finds that the Mission has implemented 15 of these recommendations, while five are in the process of being implemented.

MANAGEMENT OF THE MISSION

1.1 Overview

1.1.1 The Head of Mission (HOM) has made a favourable impression of raising the profile of Canada in the region. Staff find him to be very supportive. While the HOM's style is generally to "let the manager manage", he has been actively engaged in the Consular Program because of the linguistic profile and complexity of many of the Consular cases. The MCO is not fluent in Mandarin and Cantonese. Greater involvement by the HOM in the Administration Program would also benefit that Program's delivery. The Administration Program requires more active management.

1.1.2 The Committee on Mission Management (CMM), which meets bi-monthly, or as required, is the only Committee at the Mission. All four Canada-Based Officers are members of this Committee which effectively serves as the replacement of most other committees normally found at a Mission.

1.1.3 The Mission has expanded quickly since 1995 when, initially, it opened with a Canada-Based Trade Officer and two Locally-Engaged Staff (LES). The current 14 LES are, for the most part, new to the job, young, well-educated and eager to learn. An LES Committee has recently been formed but has yet to meet with management. The LES met collectively with the Audit Team and raised a number of concerns varying from confusion over the terms and conditions of employment to their hours of work. The LES had raised these concerns earlier with the Management/Consular Officer (MCO) but to no avail. They did comment that morale at the Mission is not as high as it was formerly. While the Mission did hold a retreat six months ago, better communication with the LES and a more structured approach by Mission management is needed to deal with what appears to be legitimate concerns of the LES. These concerns are identified in the Human Resources section of the report (see 4.2.7).

Recommendations for the Mission

1.1.4 The HOM needs to effect closer supervision over the activities of the Administration Program.

1.1.5 Mission management should develop more open communications and a structured approach in dealing with the LES.

Mission Responses

1.1.4 A rationalization of the job package between the Senior Administrative Assistant and the newly hired Administrative

Assistant was effected by management immediately after the visit of the Audit Team in early February.

A new and more vigorous work plan for the Administration Section for the March-September period has been developed and is being implemented.

1.1.5 The Trade Section has a long tradition of weekly Trade Operations meetings, every Monday afternoon.

The morale issue raised by the LES was mainly because of the tighter fiscal action introduced after the arrival of the new Program Managers for Trade and Administration. Much of the problem has now been resolved with clearer articulation of decisions made by the CMM.

A LES Staff Committee was formed. The election of Five Standing Members took place in May 2002. The Committee will represent the views of all the members (14) in dialogue with the CMM. It has been planned that the Committee will be asked to help review the new LES Handbook for Guangzhou, as the first consultative project.

Hub and Spoke Agreement

1.1.6 The Hub and Spoke relationship between Beijing and Guangzhou has existed since 1999. Previous to this, Guangzhou was a Spoke of our Hong Kong Mission. The current framework was established following an extensive study of the pros and cons based on three years' operating experience with Hong Kong. Notwithstanding the current Agreement, Hong Kong continues to provide limited support in the form of their technician, WIN systems support and, as required, procurement assistance.

1.1.7 The MCOs in Beijing and Guangzhou both believe the current Hub and Spoke Agreement needs to be updated. At the Audit Team's suggestion that the MCO could benefit from some advice and assistance, the Beijing MCO will be visiting Guangzhou shortly. The relationship between the two Missions is expected to change if and when the Mission obtains access to the Department's new Integrated Management System (IMS). Also, if the Mission is to hire its LES directly, as it anticipates it will, instead of through the State provided Diplomatic Services Bureau, its relationship to Beijing regarding issues of human resources will change as well. These issues need to be carefully reviewed when updating the Agreement.

Recommendation for the Mission

- 1.1.8 The Agreement covering the Hub and Spoke arrangements between Beijing and the Mission should be reviewed and updated regarding responsibilities for Program and Administrative support functions.**

Mission Response

- 1.1.8 The Agreement covering the Hub and Spoke arrangements were revised and a draft was submitted to PAM for its review.**

INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM

2.1 Overview

2.1.1 The IBD Program in Guangzhou is led by an experienced Counsellor (Commercial) on secondment from Agriculture and Agri-Food Canada, in an FS-02 position. The Program is delivered by four Commercial Officers (CO) and one Commercial Assistant. The Consulate also hosts a representative from the Canadian Business Forum who operates at arm's length from the IBD Program.

2.1.2 The Program provides the full range of trade promotion and international business development services to the South China provinces of Guangdong, Guangxi, Fujian and the Island of Hainan. This dynamic region has been at the forefront of economic reform, boasting the first five Special Economic Zones in China. With a combined population of 175 million and a relatively high per capita income, the region offers strong potential in terms of two-way trade and investment therefore affording considerable scope for long-term development of the IBD Program.

2.1.3 Canadian commercial interests in the region include some outstanding Trade Policy and/or Market Access issues but these require relatively modest levels of attention from this Mission in comparison to Beijing where many of these issues ultimately get resolved. The Mission's role involves information gathering, trouble shooting, on-going communications and the nurturing of relations with regional administrators of the central government by the Consul General and/or the Program Manager.

2.2 Management of the Program

2.2.1 The Head of Mission takes an active interest in the IBD Program and has been effective in establishing and maintaining contacts at the highest levels of local business and government. He also assists other team members in obtaining access to government officials at the most appropriate level.

2.2.2 The IBD Program is well managed at the operational level. Current processes include the establishment of clear objectives and priorities, formal work planning, good communications among team members and the assignment of clearly defined work packages for staff. The Program is staffed with well motivated, hard working personnel who fully understand their role and responsibilities and who generally have a good understanding of the dynamics of the South China market place.

2.2.3 The Program is structured according to eight priority sectors, where officers dedicate the majority of their time and resources. In addition, each CO is

assigned non-priority sectors for which they are expected to provide a basic level of service in a responsive manner.

2.2.4 There is good coordination with other Missions in China, particularly with Hong Kong, through active participation in virtual teams which exchange information and coordinate interventions at the individual sector/officer level. This is particularly important in order to ensure effective program delivery in the rapidly evolving Guangzhou-Dongguan-Shenzhen-Hong Kong corridor.

2.2.5 The Locally-Engaged COs joined the IBD Program with good academic credentials but generally had limited relevant work experience. Their knowledge base and functionality have been further developed via training provided by TCS (i.e., in-house and study tours in Canada), as well as on-going mentoring by the former and current Program Managers. The COs currently deliver the full range of services expected of them.

2.3 Planning

2.3.1 The Mission actively contributed to the preparation of the China Trade Action Plan, notably in identifying the challenges and opportunities for IBD Programming in the South China market. This document is not utilized at the Mission level, however, to provide general strategic direction or for operational planning. Rather, the Mission has articulated clear objectives, strategies and priorities as part of the Head of Mission's Accountability Agreement, and planning at the operational level is effectively managed by the IBD Program Manager. Individual staff have detailed work programs against which they are assessed.

2.3.2 The PIBD funds are managed on the basis of well structured needs identification, planning, implementation and reporting processes, including the preparation of end-of-project reports using standard templates on the Trade Activities Management System (TAMS) platform.

2.4 Performance Measurement

2.4.1 The Program Manager monitors the amount of time devoted to various activities and initiatives pursued by individual officers. However, these are not tracked or recorded in a systematic manner that would allow management to analyse and assess operational performance. Such information is valuable to management in order to determine which strategies, activities and initiatives provide the most value-added to targeted clients. This in turn allows the Program to adjust priorities, redirect operations and reallocate resources. It can also provide input at the Departmental level in assessing the validity of existing policies and strategic direction.

Recommendation for the Mission

- 2.4.2 The IBD Program should further develop, making full use of the technologies and capacities available to the Mission, the on-going capability to collect, analyse and evaluate performance data related to services provided, clients reached and results achieved.**

Mission Response

- 2.4.2 The Mission agrees that good information is integral to sound performance management. The Trade Program Manager will investigate options for improved tracking, feasible under micro-Mission conditions. As well, an IBD review is planned for 2002 which should address some of these issues.**

Currently, individual projects and performance are tracked and assessed, and adjustment made if necessary, both through the weekly Trade Operations meeting and via systemic reporting processes such as TAMS reports. In December 2001, the Mission also instituted critical path processes for major projects within sections and across sections.

2.5 New Approach

2.5.1 The Mission is highly compliant with the TCS New Approach. This has been made a priority in the HOM's Performance Agreement and the Program Manager has demonstrated a continued commitment to its full implementation by encouraging staff to deliver the six core services in an effective, efficient and consistent manner. All team members have a good understanding of New Approach principles and make frequent use of available tools and methods (e.g., utilization of the PSU, MRC and IBOC, the screening of export-ready firms, use of InfoExport, etc.). All COs are requested to develop an active program of out-calls and all major interactions with clients and partners are recorded and subsequently tracked using the WINExports database. Best practices are documented and mini-reports are also prepared in individual sectors, often in the form of briefings which get distributed to partners and clients. One area for improvement identified by the Audit Team would be in the increased use of Business Mission Agreements, as appropriate.

2.6 Resources

2.6.1 It was noted that the dependence on Beijing for financial management often results in delays and/or inconsistencies in information, for instance, with respect to the budget status of programs like PIBD. These issues are dealt with at greater length in the Administration Section of this report.

2.6.2 Hospitality funds available to the IBD Program appear to be effectively utilized to develop relationships with partners. However, the limited travel budget, the difficulties experienced in having access to official vehicles and the awkward arrangements with respect to mobile communications are constraining Program Officers from doing additional networking and proactive trade development.

Recommendation for the Mission

2.6.3 Ensure that sufficient resources are provided for communications and logistical support to Commercial Officers.

Mission Response

2.6.3 The Mission agrees that sufficient resources need to be applied to the IBD Program to comply with the TCS new approach, as well as achieve more productive and effective collaboration with the Trade Section in Hong Kong. A request has been made to PND to expand the fencing of the travel budget under the current Reference Level to allow Commerce Officers to be more mobile in the region and to allow more visits to Hong Kong. A request has also been made to PAM for permission to engage a Driver to be dedicated to the IBD Program.

CONSULAR PROGRAM

3.1 Management of the Function

3.1.1 The Consular Program in Guangzhou offers a full range of services to the resident and visiting Canadian community in its territory which is the homeland of a significant portion of Canadians of Chinese extraction. Cases tend to be sufficiently complex and high profile to require the regular intervention of the HOM in the resolution of difficulties. This complexity exceeds the capacity of the full time Consular Assistant. The requirement to speak Mandarin or Cantonese precludes the involvement of the MCO in many of the cases. Additional assistance has been arranged by engaging the services of a security-cleared Canada-Based spouse to cover heavy workload situations such as staff leave. Volumes of Consular tasks in the area of detentions are significant with eight cases in five separate locations, half of them long term. Currently, there are seventeen Canadians whose cases are being processed through the local justice system. In order for interventions with local authorities to be expeditious and effective, they need to be conducted in their language and this capacity is severely limited. The Mission's capacity to handle Consular enquiries in French is also limited to the linguistic capacity of the Receptionist who also provides the Mission's IT support amongst her other diverse responsibilities.

3.1.2 Part of the difficulty in supporting the Mission's plea for additional Consular resources is the prolonged delay of its input of data into the Department's Consular and Passport reporting systems. While the Mission has access only to the Internet based ICOSMOS, with its limited capacity in terms of speed and responsiveness, the absence of regular input by the Mission hinders the provision of meaningful and timely Headquarter's support of the Consular needs. The magnitude of these needs may be more easily understood in a review of the services rendered over the 2001 calendar year which included 394 passports issued, 63 extensions granted, 16 visa pages added and 504 notarial acts performed. These consumed 155 hours of staff time, in addition to time spent on other Consular activities for which data was not available for review.

3.1.3 The Mission's holdings of controlled passport documents was verified and found to be accurate. However, the verification process was complicated by the absence of ledgers for the systematic issue of the documents to Consular staff. Similar weaknesses were noted in the handling of Consular and passport revenues with transfers to *** required by Departmental regulations.

Recommendations for the Mission

3.1.4 A business case should be prepared and submitted to PND to support the need for an additional Consular resource.

- 3.1.5 Create a ledger to control the issuance of passport documentation from the Mission's storage facility to the Consular staff.**
- 3.1.6 Ensure that information is verified and entered into the COSMOS PMP system as a minimum on a weekly basis.**
- 3.1.7 Schedule the transfer of Consular and Passport revenues to the Mission Accounts Section on a regular basis, at least once per week.**

Mission Responses

- 3.1.4 The HOM has received support from JPD in February on the need for an additional Consular resource.**
- 3.1.5 PMP, along with COSMOS and COMIP, has been implemented so that a passport inventory control system is now in place which is updated every time a passport is issued.**
- 3.1.6 Since the installation of COMIP, the Mission's Consular staff are now working toward keeping track of Consular statistics on a daily basis and on compiling statistics for missing periods.**
- 3.1.7 The Consular revenue is being deposited weekly.**

ADMINISTRATION PROGRAM

4.1 Management of the Program

4.1.1. The Administration Program is headed by an AS-03 Management/ Consular Officer (MCO) who is assisted by an Accountant (DAB-07), an Administrative Assistant (DAB-06) and a Receptionist (DAB-06). The Receptionist also serves as the Mission SIGNET Support Assistant and handles French enquiries and translations. The three staff report directly to the MCO.

4.1.2 The Mission's budget of \$1,072,614 is adequate. Budget surpluses were, in fact, incurred the previous two years. The Mission may be able to reduce its rental costs as the Staff Quarters (SQ) were found to provide services that go well beyond what is normally covered by the Crown (see 4.3.5 of this report).

4.1.3 Administration operates very much on a reactive basis. There have not been any Administrative Service Standards published to identify to the client the quality of service that can be expected and the time frame in which this service is to be delivered. The LES did point out that there are delays in processing payments.

4.1.4 Before the new Administrative Assistant position was filled in January 2002, the MCO and the Accountant did most of the administration work themselves. The MCO indicated he spent considerable time on finance. The Administrative Assistant's workload will now include property, materiel management and supervision of the Drivers. While this job package will initially require the MCO to work closely with the incumbent, in the long run it should relieve the MCO of these duties. Once procedures become firmly established, the time available should allow the MCO to plan and manage the Program more effectively.

4.1.5 There is a need for the MCO to be more organized. At the time of the audit, there was much that needed to be accomplished. A more formal and structured framework for planning, monitoring and reporting on activities and outcomes is needed to benefit the Program. While objectives for the Program had been established, these had never been translated by Program management into a formal work plan. A work plan would identify and describe activities and initiatives that need to be carried out, establish priorities and indicate expected outputs to be delivered within a given time frame, and one that could be used for allocating resources. The work plan would need to be continually updated to reflect changing priorities and should be reviewed weekly at the staff meeting to ensure objectives are being realized.

Recommendations for the Mission

- 4.1.6 A more structured management of the Program is needed which will include the development of a comprehensive work plan for the Administration Program.**
- 4.1.7 Service standards for the Administration Program should be developed and promulgated to allow the client to know the quality of service that can be expected and the time it will take to deliver the service.**

Mission Responses

- 4.1.6 A work plan for the Administration Section is in place and will be monitored and renewed quarterly. The MCO has monthly work plans for each of his staff and meets with staff on a regular basis to discuss progress, deal with problems, and set priorities.**
- 4.1.7 A proposed set of Administrative Service Standards have been set and approved by the CMM in May 2002.**

4.2 Human Resources

4.2.1 The Human Resources function is managed by the MCO with assistance from the Accountant. The Mission's establishment includes 14 LES and one contractor. The contractor, a spouse, is engaged part-time in the Consular Program.

4.2.2 All LES are National Employees engaged through the Diplomatic Services Bureau (DAB), and whose employment is governed by the rules of the Bureau. There are no expatriates employed in the Mission. The Locally-Engaged Staff Division (HRL) had been in Guangzhou the week prior to the audit to investigate the possibility and the impact of moving toward direct employment for these LES employees. There are indications that involvement of the DAB in providing personnel services will not continue much longer. Few have been with the Mission for any length of time, and the staff do not view the portability of accrued pensions, health and other benefits from the DAB as serious a concern as it was viewed in Beijing.

4.2.3 In preparing for the move to direct employment, the Mission needs to ensure all positions occupied by DAB employees are classified under the LES 10 level classification standard and that there is a local salary and benefits package in place based on local law and practice. The existing salary scale is currently based on DAB standards. The process to reclassify the positions is underway and the Mission has submitted position descriptions to HRL for review and approval.

4.2.4 There are no position numbers approved in PeopleSoft for any of the LES employees, other than those of CIC. HRL suggested that the Mission liaise with PAM, SMSS and SMP to obtain the required position numbers.

4.2.5 Personnel files have not been maintained because of the status of the employees with the DAB. HRL indicated specifically what should be contained in these files. HRL also recommended that the LES Employment Pay Certificates, EXT-208, should be completed for initial appointments as well as changes in pay status and these should be retained on the employee's personal file as well.

LES Staff Meeting

4.2.6 The Audit Team and the Inspector General met with the LES. An LES Committee had only recently been formed and had yet to meet with management. Staff had met collectively on an ad hoc basis with the MCO in the past. The LES indicated that management, however, has not responded quickly to their issues.

4.2.7 The issues raised by the LES in their meeting included:

- Staff are seeking flexibility of one-half hour in their work day - either to start early or stay later. Office hours are from 8:30 to 5:30 except for Fridays when there is early closing (12:30).
- The LES have asked that travel to Canada be in business class and not economy. They indicated other Canadian Missions in the region offer business class to their LES. (This was later confirmed to be true.)
- The LES would like to be consulted during contract negotiations with the DAB. The current contract is to expire at the end of March. There are no formal salary surveys conducted but there is communication between the MCO and other Consulates on LES issues.
- The LES have no Handbook setting out their terms and conditions of employment. The MCO indicated that he had reviewed Beijing's LES Handbook but was having difficulty applying it to the local conditions of Guangzhou.
- There is no consistency in the treatment of overtime. The LES in Administration can receive overtime in cash, whereas staff in the Trade Program must take leave.
- The meal rate allowances provided while in travel status outside those locations where the Canadian Government has a presence in China are much lower in relative terms. The LES strongly believe they need to be reviewed and adjusted to properly reflect local conditions.

- The LES are all provided 100RMB per month for using their personal cell phones, regardless if they have a phone or regardless if they use it for business. (This is a Mission decision, it is not marker driven.) Those required to use it for business often feel short changed as charges often exceed this amount. The LES claim not to have sought reimbursement in the past, as payments are purported to take very long to process.

4.2.8 The Mission Management section of this report (see 1.1.3) recommends that there be better communication between management and the LES in an effort to resolve concerns raised by the LES and develop a more transparent approach to management at the Mission.

Recommendation for the Mission

4.2.9 **The Mission should take steps to:**

- **prepare an LES Handbook setting out the terms and conditions of employment. This Handbook should be fashioned after the Beijing LES Handbook;**
- **review the meal allowances in areas of China where Canada does not have a presence to ensure they represent local conditions; and,**
- **change the policy for cell phones to allow reimbursement only to those LES incurring charges on behalf of the Mission.**

Mission Response

4.2.9 **The issue of flexible hours has been addressed. Starting the 1st of April, individual staff members made a choice of starting hours, ending hours and duration of luncheon hour, within the frame work of a 37.5 hour work week. A re-statement of the overtime policy was issued in early April to clarify any confusion and discrepancy. Budget limitations preclude business class travel for LES to Canada. The LES are being consulted throughout negotiations with the DAB. The LES Handbook for Guangzhou has been drafted.**

The meal rates are being reviewed, especially those for Shenzhen where costs are comparable to that of Hong Kong and should no longer be included on the “others” category which are lower than the rates for Guangzhou.

The cell phone policy for LES will be brought in line with the practice in Beijing. Staff members who need to have a cell phone for

operational purposes will be issued an official phone with no advance or allowance.

4.3 Physical Resources

4.3.1 The MCO has been managing the Physical Resources function with assistance from the Accountant. The recent staffing of the Administrative Assistant position will deflect much of the related workload away from both these individuals. The Mission has a Crown-Leased Chancery and four SQs to manage. All SQs are maintenance free. The Mission currently has four official vehicles but is in the process of disposing of its 1994 Toyota van. The Mission Property Management Plan (MPMP), due in December 2001, had not yet been completed as of the time of the audit.

Recommendation for the Mission

4.3.2 Complete the Mission Property Management Plan for 2002-2003 and submit it to SRD and to the Area Management Advisor's Office (PAM) in the Geographic Branch.

Mission Response

4.3.2 The 2002 MPMP was submitted to SRD and PAM in February 2002. With the arrival of the new Administrative Assistant, reports should be more timely.

Chancery

4.3.3 The Chancery lease will expire at the end of March 2002 and, at the time of the audit, the Mission had begun to renegotiate the lease. There are many advantages to staying in the current location. The Hotel responds well to hospitality needs, it provides a full-time security guard; the location is central; a major underground subway line is being built with a station across the street; and, most importantly, there is room to expand the current facilities. The Mission also leases a room, for storage purposes, across the hall from the Chancery. Currently, ventilation in the office is poor and carpeting needs upgrading.

4.3.4 The Mission will be negotiating for additional space. The Mission would like an additional 110 m² of space contiguous to the existing facilities. Currently, the Mission is one office short and it is expected that the Mission will grow in size over the next two years. The Mission will be receiving the SIGNET 2000 upgrade for micro-missions shortly, with its own server, and will need a dedicated room to accommodate this equipment. Washroom facilities also need to be added as staff now share facilities with the public and other tenants in an unsecured stairwell which is removed from

security guard surveillance. The Mission is not anticipating a problem in negotiating this incremental space which will serve the Mission's needs over the next few years.

Housing

4.3.5 Housing in Guangzhou is expensive and all CBS are well-housed. The HOM resides in a 2+1 apartment at the White Swan Hotel. The MCO is housed in a single detached villa in a closed community in the suburbs. The other two SQs are apartments, each with a 185m² roof top garden, located on Ersha Island, an expatriate enclave about a 15 minute drive to the Chancery. There are many personal benefits associated with the SQs. Included in the lease is a buffet breakfast, cleaning service, twice weekly bed sheet and towel changing, daily roof top gardening, Club membership, newspaper, and shuttle service to and from work. In some cases, correspondence with the landlord identifies a dollar value attached to some of these items. It is important, where possible, that these personal benefits be either paid by the occupant or deleted from the lease itself. Two of the leases offering these benefits expire this coming Summer (2002), while the other expires in July 2003.

Recommendation for the Mission

4.3.6 Renegotiate existing SQ leases to exclude the associated personal benefits currently enjoyed by the occupants. Occupants should be given the option of retaining these benefits providing they reimburse the Crown for these expenses.

Mission Response

4.3.6 The Mission will negotiate to amend affected leases to not include facilities, services and benefits (such as access to buffet breakfast) which should not form part of a lease agreement noting, however, that such amendments may not in all cases result in reductions in rent currently paid. In certain cases, such as the provision of potable water to SQ's, these costs may still be borne by the Mission budget, but not within the lease agreement. The same will be true for newspaper subscriptions which will still be required by the Mission but will be paid for from the subscription budget. In other cases, such as maid, garden and linen service, the Mission is recovering appropriate amounts from employees availing themselves of these services retroactive to April 1, 2002. Further, the Mission will continue to examine carefully the rental market conditions in Guangzhou to ensure that cost-effective SQ options are identified, bearing in mind that the Mission's current stock of housing is not out of line in the current market, either in terms of type or cost.

Administrative Assistant

4.3.7 The duties of the new Administrative Assistant are evolving and will require clear direction and close supervision on the part of the MCO. The incumbent indicated she is uncomfortable with the job and needs more counselling and management. Prior to the audit, the MCO had little time to spend with the individual.

4.3.8 There are two items which need attention and which fall under the responsibility of the Administrative Assistant in administering the Materiel and Property Management function. The store room which contains office supplies and trade material is in need of better organization as it is currently difficult to locate items and much of the space is wasted. Also, distribution accounts for the Chancery are not complete. In the case of SQs, the distribution accounts are only showing the Crown-Owned furniture and not the furniture provided by the landlord. In Guangzhou, the landlord's furniture represents the bulk of the furniture in the SQ and the occupant is accountable for this furniture as well as the Crown-Owned furniture.

4.3.9 It was also observed that more efficient use of the Administrative Assistant's time could be made with a change in purchasing practices. The new Administrative Assistant, while recognizing the need to seek the most competitive price, indicated examples where several suppliers were being contacted for items that had a low dollar value. The Mission would benefit from having standing offer agreements with suppliers which would likely result in better prices and allow for better customer relations and improved service.

Recommendations for the Mission

- 4.3.10 **The new Administrative Assistant should be closely managed and directed. An action plan should be developed for this individual and closely monitored.**
- 4.3.11 **The distribution accounts for the Chancery and Staff Quarters should be completed.**
- 4.3.12 **The store room in the Chancery should be re-organized to make more judicious use of space which currently is at a premium in the Chancery.**
- 4.3.13 **The Mission should, to the extent possible, endeavour to set up standing offer agreements with suppliers.**

Mission Responses

- 4.3.10** Management took special steps to rectify the new Administrative Assistant's sense of direction, immediately after the Audit Team's visit. Monthly work plans for Administration have been in place since March 2002.
- 4.3.11** Completed.
- 4.3.12** Completed.
- 4.3.13** The new Administrative Assistant has since created a network of stand-by vendors for many of the Mission's regular purchases. These vendors will be tested for a couple of purchases before standing offers are issued.

4.4 Finance

4.4.1 The MCO is the Mission Financial Officer and he is assisted by an Accountant who has been at the Mission since 1995. The Mission does not have access to the Department's financial system, the Integrated Management Services (IMS). Instead, the Mission relies heavily on Beijing, the Hub Mission, for financial assistance to input data and reconcile the accounts. There are no financial service standards to facilitate the relation between the Accounting Section and the clients. The Mission has two accounts with the ***, a US dollar account and a local currency Renminbi (RMB) account.

4.4.2 Prior to mid-January 2002, the Accountant was involved in all the aspects of Administration. With the arrival the new Administrative Assistant, the Accountant's duties are now more related to finance and personnel management. At the same time, he is assisting with the training of the new Assistant. He understands accounting principles and despite the fact he has no access to IMS and has never received IMS training, his understanding of the system is good. With the Mission not having even "Read-Only" access to IMS, he maintains a parallel system using a Quattro Pro spreadsheet to record financial transactions. This enables him to provide financial data to management upon request.

Financial Service Standards

4.4.3 The Mission has yet to establish financial service standards between the Accounting Section and its clients. These standards should indicate the way the Accounting Section operates and what clients can do to assist the Accounting Section in providing good service. This report suggests (see 4.1.7) that Service Standards are required for the Administration Program to allow clients to understand the quality

expected and the time frame for delivering specific services. These financial standards should form part of the Administration Program's standards.

Hub and Spoke Relations

4.4.4 The relation between the Hub, Beijing, and the Spoke is good. Beijing's main financial responsibilities are to enter the financial data into IMS and to prepare the bank reconciliation. The MCO in Guangzhou is responsible for signing Section 33 of the Financial Administration Act. Therefore, no hard copy of the invoice or original documentation is forwarded to Beijing. Data is sent by electronic mail or by fax. To help the Mission, Beijing's Financial Officer visited Guangzhou in January 2001 to discuss problem areas and review financial procedures in an effort to decrease work, streamline processes and introduce better accounting practices.

4.4.5 The MCO fully intends to have IMS implemented in Guangzhou and have the Accountant trained on the system. The only previous formal training received by the Accountant on a Departmental computerized system was a one and a half day course on FINEX in 1996. The Audit Team concurs, as does the Beijing Mission, that the Accountant should be trained on IMS. It would also be appropriate for the MCO to receive IMS training.

Recommendation for the Mission

4.4.6 The Mission should request SMF to implement IMS in Guangzhou and have the MCO and the Accountant properly trained on the IMS system.

Mission Response

4.4.6 The Mission is in consultation with Hub Mission in Beijing and PAM, and will soon approach SMFF to put together a schedule and plan for implementation and staff training.

Payments – Cheques and Cash

4.4.7 The Mission uses three forms of payments: cheques, bank transfers and cash. The cheques are written in Chinese characters and are all produced manually. In Guangzhou, a cheque is only valid for a period of ten days. Because of this, the date is not written on the cheque until the contractor shows up at the Mission. Cheques are crossed to ensure that the cheques are cashed by the payee.

4.4.8 Close to 70 percent of payments are made by cash. The Mission obtains its cash by cashing a cheque at the bank. The possibility of the Mission having a cash account was examined. It was concluded that the number of visits to the bank would

not be reduced because the Accountant would still continue to go the bank to request bank transfers, deposit revenue and obtain bank statements.

Various Observations

4.4.9 The review of financial procedures identified issues for the Mission to action. The purpose of these recommendations is to improve accounting practices and/or to ensure compliance with Departmental financial instructions. The following is a list of observations for which the Mission should take action:

- Specimen Signature Cards (EXT-53) are not properly completed. There is no EXT-53 prepared for the HOM. The signature card for the MCO did not indicate that he has been delegated payment authority under Section 33 of the Financial Administration Act (FAA).
- While the HOM can be the only signatory on a cheque, other cheques require signatures of two authorized officers. Cheques are being issued with only one signatory (not the HOM).
- The person to whom a cheque is issued cannot be one of the authorizing signatories on the cheque. Examples were noted where the payee had signed the cheque.
- The Mission's petty cash advance is recorded in IMS under the name of the MCO but the advance is managed by the Accountant. The advance needs to be issued to the Accountant who is accountable for these funds. The Mission may wish to consider transferring responsibility for the petty cash to the new Administrative Assistant.
- While the Mission bank accounts are with the ***, the IMS bank reconciliation shows the accounts as being with the **. The IMS bank reconciliation report needs to reflect the *** as the Mission's bank of record.
- Beijing is not always copying the MCO when its two bank accounts are replenished by bank transfers from the Hub Mission. For better control and to understand the IMS monthly bank reconciliation report, the MCO in Guangzhou needs to be copied on each fund transfer request.
- When funds are transferred from the Mission to the Cashier's Office at Headquarters, the funds are recorded in IMS and become part of a process called "funds in transit". It was noted that two cheques had been forwarded to the Cashier's Office and continue to show up in the "funds in transit" account for the last five months. This suggests that the Cashier's Office has yet to receive these cheques or they had not cleared this

account. The Mission needs to monitor this account to ensure funds have been properly remitted.

- The Consular revenues are not being transferred to the Accounting Section at a minimum of once a week or ***.
- The “text” field showing the official receipt number is not completed when recording revenue in IMS. This would facilitate the bank reconciliation process and allow for better control of revenue.

Recommendation for the Mission

4.4.10 Take corrective steps to improve a number of its accounting procedures.

Mission Response

4.4.10 A schedule is in place whereby the Mission Accountant makes only two * trips to the bank weekly, ***.**

Since February 2002, all cheques are being signed by two CBS members, or the HOM. Cheques are not being signed by the person to whom the cheque is issued.

Specimen Signature Cards have all been updated.

Mission Petty Cash account is now in the custody of the Administrative Assistant.

The Mission’s bank account is now correctly reflected on the IMS bank reconciliation reports.

***** Official receipt numbers are being provided to the Hub Mission with transaction information and it has been asked to include these numbers in the description field when doing input.**

4.5 Information Management

4.5.1 The physical configuration and IT facilities of the Mission are appropriate to that of a very small office of five to ten employees. However program pressures have resulted in the expansion of Canadian presence to a staff of eighteen, all of whom require Signet capable work stations.

4.5.2 The physical setup for their informatics requirements includes a line room which also serves as the location for storage of the Mission's sensitive material. The present space is too small to be used for installation of Signet servers required for the needed upgrade of the Mission's informatics capability. Improvement and re-configuration of this space is contemplated following renegotiation of the Chancery lease agreement during the course of the current fiscal year. Nevertheless, the Mission has an operational secure facsimile and telephone set of equipment for the movement of their limited requirement to deal with sensitive information.

4.5.3 The Mission's SIGNET Support Assistant is the coordinator for the maintenance of the Mission web site and ably performs most of these functions in addition to her duties as Receptionist, Interpreter, Translator and Consular Assistant. The broad range of skill sets required to handle the diversity of her work load is, to say the least, impressive. Guangzhou is expected to benefit shortly from SXD's Micro-Mission Upgrade.

RESOURCES FACT SHEET

Personnel (FTEs)

	CBS	LES	Total
HOM Office	1	3	4
International Business Development	1	5	6
Consular	0.5	1	1.5
Common Services	0.5	3	3.5
CIC	1	2	3
Total	4	14	18

Physical Resources

ASSETS	OWNED	LEASED
Chancery		1
OR		1
SQs		3
Vehicles	4	

Financial Information FY 2001-2002

LES Salaries N012	(Note 1) \$0
CBS Overtime N011	4,000
Operational N001	1,019,614
Capital N005	49,000
Total	\$1,072,614

Note 1

LES salaries are paid out of the Operating budget N001.