

**AUDIT  
OF  
THE CANADIAN CONSULATE GENERAL**

**H O N G K O N G**

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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 Hong Kong during the period February 4 to 7, 2002. The audit did not include a review of the General Relations Program. This audit was conducted concurrently with an audit of the four other Missions in China. A previous audit of the Mission, including the same audit scope, was carried out in September 1997.

### **MANAGEMENT OF THE MISSION**

The Mission is soundly managed and well supported by a highly motivated Locally-Engaged Staff (LES). The Committee structure in place is effective. An in-house communications plan is being developed to ensure all members of this large Mission are kept well informed of the Mission's plans and priorities. Active promotion of the Official Languages Policy needs to be encouraged. The hours of work, which are an issue as they vary with each Program, need to be discussed at the Management Committee and explained to staff.

### **INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM**

The IBD Program is delivered in an effective manner and in accordance with the New Approach. The IBD Program is staffed with qualified, self-motivated and highly knowledgeable personnel who provide the full range of trade promotion and international business development services. There is good coordination with other Missions in China. There is a need to formalize planning processes and to develop the on-going capability to collect, report and assess performance data related to services provided, clients reached and results achieved.

### **CONSULAR PROGRAM**

The Mission's extremely active Consular Program is handled within fairly severe staffing and space constraints by a senior Canada-Based Consul and his team of 12 Locally-Engaged Program and Support Staff. High demand for a full range of Consular notarial and passport services is generated by the large resident Canadian population and travellers to Hong Kong. Over 18,000 passports were issued in calendar year 2001 and another 2,000 in January 2002. Work volume pressures contribute to significant levels of stress in the management of this Program.

### **ADMINISTRATION PROGRAM**

The Mission benefits from energetic and experienced administrative management. This, combined with an impressive team of LES, renders a generally

excellent level of service to Mission Programs. The Mission's difficulty in backing up the core administrative functions during periods of annual leave, combined with the high amount of the Program Manager's overtime, suggests that an evaluation is needed to determine if the former Canada-Based Junior Officer position should be reinstated.

## **RECOMMENDATION STATUS**

There were 27 recommendations contained in this report, 26 of which applied to the Mission and one for which Headquarters is responsible for its implementation. The current status finds that the Mission has implemented 13 of the recommendations and 13 are in the process of being implemented. The Headquarters' recommendation has been implemented.

## MANAGEMENT OF THE MISSION

### 1.1 Overview

1.1.1 The recently arrived Head of Mission has established a strong leadership presence eliciting loyalty from his staff by his open, supportive and frank management style. The significant size of Canada's Immigration Program in Hong Kong and the large numbers of Canadians resident in this Special Administrative Region of China result in one of the largest Consular Sections in the Canadian Foreign Service. As one of the financial hubs of Asia, the IBD Program in the Mission is well placed to support the resident Canadian business community.

1.1.2 The Committee on Mission Management (CMM) meets regularly. However, it is recognized that deliberations of the Committee have not been communicated to other Mission staff on a regular basis. With the very large size of some of the Mission Programs, some of the junior level staff have sensed they are not necessarily kept up-to-date on the Mission's plans and priorities. An in-house communications plan is being developed to address this concern and to capitalize on the capabilities of employees.

### 1.2 Official Languages

1.2.1 The vast majority of Mission staff have working knowledge of both major Chinese languages, as well as English. Unfortunately, while Canada-Based Staff (CBS) have the requisite knowledge of French, its use in the public areas of the Mission and its published service standards for each Program were found to be wanting.

#### Recommendation for the Mission

**1.2.2 The active promotion of the Official Languages Policy needs to be encouraged with more pro-active involvement of Mission staff, both LES and CBS.**

#### Mission Response

**1.2.2 An Official Languages Coordinator has been appointed and a number of steps have been taken to improve the visible presence of both Official Languages on signs.**

### 1.3 Hours of Work

1.3.1 Given the diversity of demands in serving the interests of each of the Mission's Programs, the hours of work in some areas have been adjusted to enable

compressed work weeks for some employees and not for others. The practise has been in place within some Programs for a number of years and, in some cases, has become unrelated to the service requirements of the Programs delivered. Some employees who may have a limited understanding of the requirements to serve the public, have expressed frustration that some sections have time off during normal working hours and others do not.

### **Recommendation for the Mission**

- 1.3.2 The hours of work within work units should be related to the service standards established for each Program as agreed in the CMM and communicated to all affected employees.**

### **Mission Response**

- 1.3.2 The CMM has since reviewed the hours of work issue and has concluded that the case exists for distinct working hours in individual sections.**

**The practice of early closing on Wednesdays in one section led to several sections of the Mission adopting the practice of compressed hours in alternate weeks for 50 percent of the staff. The sections to which this rule applied were Consular, Trade and Administration. It was not, however, possible to apply this practice to all sections since operational requirements did not permit it. In order to have a uniform rule, the CMM met and decided to review the practice in sections other than Immigration, with the provision that the practice would be allowed to continue for incumbents only in the Accounts Section where it is well-established. In the case of the Commercial Division, the practice will be reviewed once the new Program Manager/STC arrives and examines the operational impact of the existing practice.**

## **INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM**

### **2.1 Overview**

2.1.1 The IBD Program is well managed. The management team consists of the Trade Program Manager (FS-02 acting in an EX-02 position) and two Trade Commissioners (an FS-02 and a locally-engaged professional). The Program is delivered by six Commercial Officers (CO), seven Commercial Assistants (CA), one Information Manager and a Client Services Assistant. The Program also includes a System Manager based in Fukuoka who serves WIN users in the Asia Pacific Region.

2.1.2 The Program provides the full range of IBD services in Hong Kong, Macao and the New Territories. At the time of the last audit, Hong Kong was responsible for the satellite Trade Office in Guangzhou which has since become a Consulate General delivering IBD Services to mainland clients throughout South China. The Commercial Section delivers a large, busy Program involving complex responsibilities covering trade development as well as significant initiatives related to investment and science and technology cooperation.

2.1.3 Hong Kong is an important market ranked as the world's tenth largest trading entity, the eighth largest banking centre, the seventh largest forex market and the fourth largest source of direct foreign investment. It is an important window on trade, as well as investment and technology flows with China and the Asia-Pacific region as a whole. Hong Kong is among Canada's top 15 trading partners and it is an important source of investment in Canada. The Canadian Chamber of Commerce in Hong Kong is the largest outside of Canada, with over 700 members, and there are an estimated 150 Canadian firms with well established operations in Hong Kong.

### **2.2 Management of the Program**

2.2.1 At the managerial level, there are redundancies in the roles and responsibilities among the Program Manager and the two Trade Commissioners, particularly with respect to the supervision of the LES. Mission Management and Headquarters are aware of this situation and are taking steps to address the issue. The Program, at the operational level, is managed using clearly defined work packages, a team approach, frequent communications, good internal reporting, close supervision and timely appraisals. Current processes include the assignment of responsibilities across six priority sectors. The Program is staffed with experienced, self-motivated officers who are knowledgeable of their assigned sectors.

## **Mission Comment**

**2.2.1 The current management structure will be reviewed with the incoming Program Manager on his arrival. While it is anticipated that the existing arrangements which include two Section Heads reporting to the Program Manager will be continued, the precise work packages will be examined to ensure an optimum allocation of work to best meet both career aspirations and operational requirements. The view of the Head of Mission is that while the current work packages and reporting hierarchy function well, there is always the possibility of improvement.**

2.2.2 There is good coordination with other Missions in China and, in some cases, with other Missions in the Asia Pacific Region in the organization of incoming business missions. The coordination of initiatives with other China Missions is maintained within the virtual trade teams established at the officer level. In particular, there is good coordination with the Consulate General in Guangzhou in serving clients in the dynamic Guangzhou-Shenzhen-Hong Kong corridor. Coordination with Shanghai is also apparent, notably in the information technology, communications, transportation and environment sectors.

2.2.3 Staff morale is good. However, some anxiety exists among staff members with respect to job security. This is attributed to uncertainty with the current and future state of the Hong Kong economy rather than internal factors.

## **2.3 Planning**

2.3.1 The challenges and opportunities for IBD Programming in Hong Kong are featured in highly visible sections of the China Trade Action Plan. However, this document is not utilized at the Mission level to provide general strategic direction and operational planning. Some of this is being communicated informally without the benefit of a structure that can be used by management to clearly communicate intentions, provide direction and ensure adherence to plans and consistency of approach. Given the size and importance of the IBD Program, there is a need to establish an Annual Plan which identifies the Program's key objectives and priorities, and lays out a strategy for the achievement of expected results. This can also serve as a basis for performance measurement through the use of a core set of indicators and targets.

2.3.2 The development of a work plan would be useful not only to plan key interventions at the beginning of the year but as a communication tool and as a control mechanism to assess performance and report on achievements during the business cycle. The work plan can be further broken down at the individual officer level.



## **Recommendation for the Mission**

- 2.3.3 The IBD Program should develop a formal work plan on an annual basis, which could be further broken down at the officer level.**

## **Mission Response**

- 2.3.3 Using elements already in place, such as the 2002-2003 Client Service Fund (CSF) Program and the Trade Action Plan, the IBD Program has enunciated a “Business and Investment Strategy for Hong Kong” more formally and clearly setting out key objectives, priorities and strategies to achieve expected results. This is broken down to the level of priority sectors which translates to teams and officers.**

## **2.4 Performance Measurement**

2.4.1 The activities and initiatives pursued by individual officers are monitored on an on-going basis by managers and are discussed at weekly Program meetings. However, these are not tracked or recorded in a systematic manner that would allow management to analyse and assess operational performance. There is a need to establish a core set of performance indicators and to establish specific targets with respect to clients reached, client satisfaction, service delivery and anticipated outcomes.

2.4.2 Such information is valuable to management in order to determine which strategies, activities and initiatives provide the most value 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 strategies.

## **Recommendation for the Mission**

- 2.4.3 The IBD Program should further develop the on-going capability to collect, analyse and evaluate performance data related to services provided, clients reached and results achieved.**

## **Mission Response**

- 2.4.3 Against the framework established by the “Business and Investment Strategy” noted in 2.3.3 and using existing measurement devices as provided by WINExport client service tracking (which is used monthly to assess activities, results and client reach for officers), additional mechanisms, such as client ‘exit surveys’ will be used to**

**track additional information on such things as clients reached and results achieved, not only for specific CSF related activities, but also for the day-to-day operations in support of clients. Overall client satisfaction with post services will continue to be measured primarily through the Department's regular client survey process based on WINExport client tracking records.**

## **2.5 New Approach**

2.5.1 The Mission is compliant with the New Approach of the Trade Commissioner Service. All team members are familiar with the New Approach and make frequent use of available tools and methods (e.g., utilization of the Post Support Unit, Market Research Centre, International Business Opportunities Centre, use of Business Mission Agreements, and maintaining a list of qualified service providers). Staff are encouraged to deliver the six core services in an effective, efficient and consistent manner. One area for improvement would be to ensure that all sectoral market reports prepared at the Mission are copied to the Market Research Centre.

2.5.2 A targeted program of out calls was prepared for the new HOM. In addition, all COs are encouraged to develop an active program of out calls in their respective priority sectors and to engage in other pro-active programming. All major interactions with clients and partners are recorded and subsequently tracked using the WINExports database.

## **2.6 Resources**

2.6.1 The relatively high ratio of support staff to officers (virtually one to one) suggests that future resource adjustments could be made in response to changes in client demand.

### **Mission Comment**

**2.6.1 Depending on the type of reconfiguration of receptionist services which we can achieve this summer when some moves are planned, additional responsibilities for incoming VIP visit management may be assigned to the Client Services Assistant with a resulting reduction in Program specific support.**

2.6.2 PIBD funds are effectively managed by the Trade Program Manager. COs identify needs and opportunities during the planning stage and prepare reports using the Trade Activities Management System (TAMS) platform.

2.6.3 Hospitality funds available to the IBD Program are effectively utilized to develop relationships with partners.

## CONSULAR PROGRAM

### 3.1 Management of the Function

3.1.1 The Program is managed by a senior Consul (FS-02) with many years of experience in the delivery of Consular Services abroad. He is supported by a well trained and dedicated group of three Locally-Engaged Program Staff who have delegated Consular signing authority, and nine Consular Assistants. All Program staff and the contract guard service in the reception area deal directly with the visiting public drawn from the approximately 150,000 resident Canadians and visitors to Hong Kong.

3.1.2 In January 2002, the Mission updated its comprehensive Consular Emergency Plan. This Plan addresses many of the particular challenges encountered by both Mission staff and Canadians resident in Hong Kong and Macao, providing current contacts and advice for dealing with emergency situations.

3.1.3 Tensions have developed as a result of indecisive Program management and the supervisory style of some staff. The challenge in resolving existing difficulties will be to develop more constructive communication within the Section. The Program Manager has commenced regular staff meetings to invite constructive dialogue on how best to achieve maximum effectiveness of Program delivery in the local environment.

### Recommendation for the Mission

**3.1.4 Consider engaging the services of a program facilitator, either through CFSI or locally, to assist the Consular Program Management in the improvement of supervisory relationships and the establishment of a regular working dialogue with staff.**

### Mission Response

**3.1.4 We are committed to achieving improvements in morale. The senior Management/Consular Officer (MCO), who indirectly supervises the Section, has met with all staff of the Section individually and has satisfied himself that the remaining morale problems have in part been addressed by the new organisational structure introduced in the Spring 2002 whereby narrow specialization of staff in the Passport Section has been replaced by a system in which several Clerks are individually responsible for a complete cycle of passport issuance instead of one routine element. A further morale booster will be the relocation, later this year, of the Consular Section to more spacious accommodation elsewhere in the Mission. The Head of Mission plans to consult all members of the Section prior to**

**finalizing the plans for the move, with a view to ensuring that the input of staff is taken into account and in order to make a further assessment of the morale situation.**

**Previously held irregularly, and only when new procedures were to be announced, Consular staff meetings are now held once per month.**

## **3.2 Service to Canadians**

3.2.1 While staff are well aware of service standards and work flows are formally structured to assure a maximum of ten days turn-around time for passport issuance, neither these standards nor the associated fee schedules are publically displayed in the reception area of the Mission. The change to the system of passport issuance from a production line of each worker handling a specialized function to that of each examiner handling the full issuance procedure was commenced in January 2002. This change was brought about as a result of a Departmental study of the Mission's Consular and passport services conducted in October 1999. An assessment of the effectiveness of this change and the establishment of production targets needs to be conducted once the staff have had the experience of a few months in the new system.

3.2.2 The volume of work and difficulties in the operation of the local postal service have given rise to a number of locally established administrative procedures. These include insisting on clients providing the exact amount of money in cash or bank draft for each transaction and requiring clients to pick up completed documents with the exception of documents mailed to Macao. Urgent cases are handled on a time available basis; however, there is no provision for an additional fee for 24-hour service, such as is available in Canada, nor does the Mission have arrangements for the courier delivery of completed documents on a cost recovery basis. The Section does not have access to a standing advance with which to make change for clients who pay in cash, or whose bank drafts may exceed the amount of the fees to be charged for the services rendered.

### **Recommendations for the Mission**

**3.2.3 A detailed situation report should be prepared on the status of implementing the recommendations arising from the 1999 Departmental study of the Mission's passport and Consular services.**

**3.2.4 The most recent version of the Consular Fee Schedule expressed in both Canadian funds and local currency should be posted in the public reception area of the Consular Section along with a notation of the acceptable forms of payment and the Service Standards offered to the public for Consular Services.**

- 3.2.5** Consular Assistants should have access to petty cash for making change in the receipt of revenue.
- 3.2.6** Consideration should be given to offering, on a cost recovery basis, a return delivery service by commercial courier of completed passport and Consular documents to clients.

### **Mission Responses**

- 3.2.3** At the time of writing, passport examiners are still required to share certain tools needed to produce a passport because of the long lead time required for the shipment of items, such as proprietary picture cutters. The 1999 Departmental study recommended, inter alia, that individual examiners have all the equipment required to produce a passport at their workstation so that they would not have to queue in order to complete certain stages in the production process. We anticipate delivery of the final shipment of equipment in June. Thus, a full report on implementation will be undertaken in the Fall of 2002, based on three months' experience.
- 3.2.4** A bulletin board is being installed with the full list of fees posted, and the related service standards for each service provided. A note will be included indicating that individuals with particularly urgent requirements should notify the examiner and that every effort will be made to meet these needs, subject to operational requirements.
- 3.2.5** Arrangements will be made to give Consular Assistants access to petty cash in order to make change when passport services are paid for in cash. However, with the introduction of debit and credit card payment options in 2000, less than 5 percent of fees are now collected in cash.
- 3.2.6** We are exploring the option of providing a "for fee" commercial courier delivery service for passports issued to residents of the Consular territory.

### **3.3 Document Security**

- 3.3.1** The space occupied by the Consular Section of the Mission has controlled entries from the rest of the office, \*\*\*. Access is limited to Consular and supervisory staff. \*\*\*
- 3.3.2** \*\*\* The same designated employee controls the issuance of passports, ID labels and Observation labels to each Consular Assistant. An excellent system of

logs is maintained for each of the three stages of document handling from dormant storage to the working supply of documents and then to each individual Consular Assistant. Similarly, the receipt system designed by the Mission allows each passport transaction to be followed from the initial receipt of a passport application or Consular service being requested, through to the conclusion of the transaction.

3.3.3 Testing of the control of these numbered documents was conducted and found to be effective. A detailed count of controlled document holdings was conducted by the HOM just prior to the audit. This was verified and found correct. \*\*\*

### **Recommendations for the Mission**

**3.3.4** \*\*\*

**3.3.5** \*\*\*

### **Mission Responses**

**3.3.4** \*\*\*

**3.3.5** **Implemented.**

## ADMINISTRATION PROGRAM

### 4.1 Management of the Program

4.1.1 Management is experienced and this has led to a well-managed Administration Program and a “common sense” approach in dealing with issues. The Management/Consular Officer, an AS-07, heads a Program that includes three CBS and twenty LES. The work environment is positive. The quality of LES is impressive. Morale in the Program is good. A weekly staff meeting allows Program management to review priorities and to obtain feedback from the staff.

4.1.2 Since the MCO’s arrival in July 2001, his time has been dominated by a number of issues. These include the negotiation of a new Chancery lease, evaluating options for the Official Residence (OR), visiting all Staff Quarters (SQs), preparing the Mission Property Management Plan (MPMP), and preparing a new LES Handbook. In addition, normal activities include one to two hours per day for signing documents relating to more than 400 financial transactions that are processed each month at this Mission.

4.1.3 Program management’s overtime has been high over the past couple of years. It is currently averaging between 45 and 55 hours each month. The Program formerly had a junior officer position but the position was removed in 1998 and transferred to Beijing. The demands on the position become particularly acute when either the MCO or the Canada-Based Consular Officer (who is the Deputy MCO), is away from the Mission. The Audit Team believes the situation warrants a review to evaluate if the junior officer position should be reinstated.

### Recommendation for PND

**4.1.4 An evaluation should be conducted to determine the need for a Canada-Based Junior Administrative Officer to be added to Hong Kong.**

### PND Response

**4.1.4 An evaluation was undertaken which confirmed the need for a Junior Administrative Officer. A deputy MCO position was re-established at the Mission in June 2002 and the position is now staffed.**

### Management Tools

4.1.5 Program management would benefit by having a detailed work plan and an activity report. A work plan would identify and describe key operational activities,

indicate expected outputs to be delivered within a given time frame, and be used for allocating resources. This document would be continually updated to reflect changing priorities and reviewed regularly to ensure objectives are realized. Activity reports would indicate, for example, the monthly volume of staffing actions that have taken place, the status of appraisal reports, the local purchase orders processed, the amount of purchasing carried out for other Missions, the value and number of financial transactions processed, the number of leases renewed - statistical reports and information that would assist the MCO to manage his Program. This would facilitate trend analysis and allow changes to be effected, where required. It may also be used to support the requirement for incremental resources.

4.1.6 The Program is currently in the process of developing Service Standards to advise clients of the quality of service that they can expect and the time it will take to deliver the service. This is strongly encouraged. Service, by all accounts, is deemed to be very good and Program Managers and staff alike are very pleased with the quality of administration being delivered.

### **Recommendation for the Mission**

**4.1.7 The Administration Program should develop a work plan and activity reports to develop an on-going capability to analyse and evaluate performance data.**

### **Mission Response**

**4.1.7 The Administration Section agrees with the utility of a work plan and activity reports, both as a means of managing a wide range of projects and priorities and as a means of performance measurement. This issue has been discussed with Section Heads with the view to pulling the start of the process together for the current fiscal year before the end of the Summer. Similarly, activity reports will be prepared to measure progress against the work plan on a continuous basis.**

**Work continues apace on the Service Standards for each section.**

## **4.2 Human Resources**

4.2.1 Under the supervision of the MCO, the Human Resources (HR) function is headed by an LE-07 Personnel Officer who is assisted by an LE-05 Personnel Assistant. An LE-05 Administrative Assistant, located in the Accounts Section, prepares the LES payroll and leave records. He reports to the Personnel Officer for these responsibilities. There are 142 LES employees at the Mission - 134 permanent, 3 Term and 5 Emergency.



4.2.2 The Mission was visited by a team from the Locally-Engaged Staff Division (HRL) the week prior to the audit visit. HRL found the HR function at the Mission to be effectively managed. The Audit Team would endorse this finding. Morale, in general, is good and the LES are satisfied with the terms and conditions of employment. There is little turnover of staff, with only three staffing actions for permanent positions having taken place in the calendar year 2001.

4.2.3 Personnel files are well maintained. Staffing boards are held for all competitions, made up of the Personnel Officer and two officers from the hiring Section, one a Canada-Based employee. The LES leave records are maintained on a Quattro Pro spreadsheet and leave is carefully monitored. The LES can carry over a maximum of one year's leave to the following year. Job descriptions are up to date following a review two years ago. Appraisals are also generally up to date and monitored through the use of a Quattro Pro spreadsheet. A Classification Committee is in place and includes four Canada-Based Officers, each from a different Program. It has met three times in the last 15 months. The LES Handbook has recently been updated and submitted to HRL for approval.

### **LES Meeting**

4.2.4 There is an LES Committee which has met with management four times in the past year. Minutes are kept of these meetings and the LES believe the meetings to be worthwhile. The Committee's meeting with the Audit Team indicated there is concern over job security with the downturn in Hong Kong's economy. In this respect, they would welcome more information regarding the on-going negotiations of the Chancery lease. They indicated a need to better understand the staffing and classification processes at the Mission. There were questions raised concerning the possibility of adding a longevity scale to the 10 step LES salary band. There are currently 25 LES who are at their maximum. Their biggest concern revolved around the heavy demands placed on the Receptionist position and the requirement for other Sections of the Mission to back up this individual. With the planned re-configuration of the office once the lease is finalized, the MCO is looking at a variety of options to resolve this issue.

### **4.3 Physical Resources**

4.3.1 The Mission's physical resources are managed by the MCO and he is assisted by a LE-07 Property Manager and a LE-04 Property Clerk. There is also a LE-05 Purchasing/Maintenance Officer and a LE-04 Administrative Clerk involved in materiel management and daily maintenance and upkeep of the Chancery. The current property portfolio includes the Chancery, the Crown-Owned OR and seven SQs (one disposed of effective March 2002), and 19 Crown-Leased properties. There are also a Crown-Leased warehouse and a fleet of four vehicles to manage. Negotiating the Chancery lease, together with reviewing various options for the OR, have recently consumed much of the MCO's time. Overall, this function is being effectively managed.

## **Chancery**

4.3.2 The Chancery occupies four floors in one of the most prestigious buildings in downtown Hong Kong. The lease expires in March 2003 and Mission management has been actively engaged in negotiating the lease which has involved evaluating other office sites. At the time of audit, following evaluation of other options, a final proposal for renewing the lease had been sent to the landlord with the concurrence of Physical Resources Bureau (SRD). The offer proposes that additional square footage be acquired over the four floors at a cost significantly less than what is currently paid. The new lease will see the Quebec Office and the Canadian Tourist Commission (CTC) moving to another floor of the building to permit expansion of the Mission. The Immigration and Consular Sections of the Mission are presently very overcrowded.

## **Official Residence**

4.3.3 There has been much debate over whether to hold onto the OR and renovate it or dispose of it. The OR is one of fewer than 300 detached dwellings in all of Hong Kong Island. The OR is well located and offers an excellent dining and garden facility for representational purposes. If retained, renovating the OR is required although the extent to which the renovation is carried out needs to be resolved. SRD has inspected the property and there is concern regarding the safety of a retaining wall on the property and the cost associated with this, as well as the required "catch-up maintenance" of the building. The Mission is prepared to take a modest approach and have the property renovated over a period of a number of years, addressing the more serious concerns on a priority basis.

## **Housing**

4.3.4 Living in Hong Kong is exceptionally expensive but the quality of Mission housing is not over standard. Some SQs are better than others and some offer recreational facilities (at a cost to the occupant). Three of the Crown-Owned SQs are currently being considered for disposal and the Housing Committee is meeting shortly to review the situation. The Audit Team and Inspector General visited a total of 9 SQs, including the OR, and the 3 earmarked for disposal. The Team concurs that the three identified for disposal are of a lower standard than the leased SQs. Moreover, two of the owned SQs have an accommodation deficiency adjustment (ADA) of 30 percent because of incessant noise brought about by construction around and inside the building. Many apartments in older buildings undergo complete renovations when purchased by new buyers. Of the 19 SQs currently being leased, 6 are townhouses and 13 are apartments. The leases are all for a two-year period, and 14 of the 19 are coming up for renewal between June and September 2002. This will place added pressure on the MCO's time. The Mission anticipates that it may be able to negotiate the leases downwards, by as much as 10 percent. Most leased SQs are maintained by the owners, at no additional cost to the Mission. Only minor repairs have been effected over the last two years, except where there has been an occupancy turnover. It is the

Mission's responsibility to carry out the interior renovations. This exchange requires a complete coating of paint and furniture cleaning.

## **Regional Procurement**

4.3.5 Hong Kong continues to carry out purchasing for Missions in the region (Beijing, Shanghai, Guangzhou, Tokyo, Manila and Delhi) but not to the degree it did formerly. Nonetheless, the Purchasing/Maintenance Officer continues to spend a reported 20 to 25 percent of his time attending to the procurement needs of these Missions. There are only 25 to 30 purchases annually for these Missions but each purchase may result in an endless number of e-mails between both parties. With MITNET and SIGNET in all of these Missions, these Missions can now deal directly with the supplier themselves, using remote communications. Many of the suppliers in Hong Kong have internet sites. Hong Kong can be used to establish a contact for these individual Missions but, beyond this, Hong Kong's involvement should be limited to troubleshooting.

## **Recommendation for the Mission**

**4.3.6 Assess alternative purchase options and determine if there is a valid need for Hong Kong to continue operating as a procurement Hub for regional Missions.**

## **Mission Response**

**4.3.6 We have assessed the options with regard to operating as a procurement Hub and we do not see much that could be done at present to alleviate the load on Hong Kong. Our supplier of electronic devises, home appliances, and a myriad of other products is about to establish a web site but for the bulk of requests such as ceramic tiles for the pool in Delhi, personalized compliment slips for the HOM in Tokyo, and replacement parts for kitchen appliances in Manila it is very doubtful that this sort of acquisition could be done over the internet any time soon. There is also the need for competitive shopping to ensure that we get the best deal for the taxpayer and the price of Palm pilots, for example, can vary considerably between suppliers. Many competitors do not or will not have web sites which would permit Administration at other Missions to do their own acquisitions in a meaningful way. We, therefore, do not at present see any change in this function in the foreseeable future.**

## **Other Comments**

4.3.7 The property files are in good shape. A bar coding system is used to inventory Crown furnishings. Occupancy Agreements are signed by the occupant. Distribution accounts have been completed for all SQs and the Crown-Owned warehouse. The OR inventory needs to be signed and the Chancery inventory needs to be taken. Property files do not include floor plans and measurements. From a visual inspection of the properties visited, all appear to be within the Treasury Board space guidelines. These measurements need to be incorporated into the PRIME system.

## **Recommendations for the Mission**

- 4.3.8 **Complete the distribution accounts for the Chancery and OR.**
- 4.3.9 **Ensure that floor plans and measurements of SQs are contained in the property files and that PRIME is updated to incorporate this information.**

## **Mission Responses**

- 4.3.8 **The Mission has undertaken the completion of the Chancery distribution account with the help of a summer student under the direction of the LE -05 Purchasing/Maintenance Officer. The inventory at the OR was reconciled in August 2001, prior to the departure of the former HOM and it will be reviewed with the new occupant during the Summer to ensure it is reconciled and signed off without delay.**
- 4.3.9 **During the Summer of 2002, we had a student employed at the Mission who measured and drew floor plans of all the SQs and photographed them. These were placed upon our i drive and we routinely send them as a file to new arrivals in advance of their occupation of their SQ. In addition, the PRIME records are in the process of being updated to include this information and will be fully up to date by the end of November.**

## **Disposals**

4.3.10 There have been 87 items disposed of this fiscal year. Only a small number of items have attracted any resale value. Revenues generated have totalled HK \$1,000 (\$200). Most furniture and small items are taken to the dump by a hired contractor. The LES, in their meeting with the Audit Team, indicated there is a market for surplus furniture and that they believe opportunities are being lost. While signatures of the Property Manager and MCO appear on the disposal record, to improve control it

is suggested that the reason for not selling it be documented. This narrative should apply to every disposal exercise. The HOM also needs to sign the Disposal Report EXT 369.

#### **Recommendation for the Mission**

**4.3.11 All disposals of surplus items should be appropriately documented and approved by the HOM.**

#### **Mission Response**

**4.3.11 We will implement this procedure with immediate effect but at the same time, we will attempt to have more items covered by each individual disposal Certificate EXT369. We have also started a process through which LES are also advised of each disposal exercise in addition to the normal agents we have used in the past. The preliminary results have been promising as we have been able to realise a higher rate of return for items being disposed of. The downside is we are incurring costs to move the items to be disposed of to our warehouse for viewing as it is unacceptable to have 50 or more of our LES visiting the SQ from which the assets are to be disposed from as we did in the past with only a few agents involved.**

#### **4.4 Finance**

4.4.1 The Accounting Section is well managed by an LE-08 Financial Officer, a professional Accountant who reports to the MCO. She is assisted by an LE-06 Deputy Accountant, an LE-05 Assistant Accountant and an LE-04 Accounts Clerk. An LE-05 Administrative Assistant who reports to the Personnel Officer also assists the Section in preparing the LES payroll and leave records. The Mission's bank account, maintained in Hong Kong dollars, is with the \*\*\*. The Mission is satisfied with the Bank's services.

4.4.2 The Mission's budget is adequate and well managed. Quarterly reports are produced on time and proper explanations accompany these reports. Staff are knowledgeable with the Integrated Management System (IMS). Adequate controls are in place with appropriate checks and balances regarding financial transactions. A correction needs to take place to match the bank account number with the number appearing on the IMS bank reconciliation. Both numbers are different.

#### **Recommendation for SMFF**

**4.4.3 The bank account number in IMS should be the same number as that shown on the bank statement.**

## **SMFF Response**

**4.4.3            The necessary modifications have been made in IMS.**

### **Payments**

4.4.4            With the Deputy MCO heavily engaged in the Consular Section, the MCO is approving most payments under Section 33 of the FAA. Each day, he spends one to two hours approving financial transactions which total approximately 400 each month. The Mission has requested suppliers to bill on a monthly basis to reduce the administrative workload but this is not a general practice followed in Hong Kong. Many suppliers have a policy of 10 days to pay. To reduce the volume of transactions, the Financial Officer is grouping invoices such as utilities and stationary for payment. The petty cash is also effectively used to further reduce the volume of transactions. As an added control, it would be good accounting practice to stamp "paid" on the invoices at the same time as payment authority is signed under Section 33 of the FAA.

### **Revenue**

4.4.5            The Mission collected \*\*\* from Immigration, Passport and Consular fees in the initial ten months of the fiscal year 2001-2002. These fees are collected in the form of cash, certified cheque, bank draft, postal money order, credit card and electronic payment system (EPS) which is also known as the debit card system.

4.4.6            \*\*\*

4.4.7            \*\*\*

4.4.8            Despite having adequate controls in place when funds are received, the Accounting Section would benefit from having a log to record the sequential numbers of the 1203As generated by POS+2000 and EXT-119s from the Consular Section. This would allow missing forms to be immediately detected.

### **Recommendation for the Mission**

**4.4.9            A log should be introduced to record the sequential numbers of all the 1203As received from the Immigration Section and EXT-119s received from the Consular Section as an added control feature.**

### **Mission Response**

**4.4.9            The Mission considers this to be an excellent added control for the 1203As and the EXT119s. A log is being introduced in the Accounts Section with immediate effect.**

## **Right of Landing Fees (ROLF)**

4.4.10 Refunds of Right of Landing Fees (ROLF) are well documented by the Immigration Section. The proper information is included with each request for payment made by the Immigration Section to the Accounting Section.

4.4.11 When a ROLF refund cheque is not cashed by an Immigration client, the cheque appears on an IMS outstanding cheque report. When the cheque is no longer valid, it is removed from the bank reconciliation process and transferred to the Mission's impress account where it is retained, unless cashed, for a period of seven years. It is then incumbent upon the Mission to clear the amount in question. Financial, Compensation and Contracting Services Division (SMF) has not issued instructions on dealing with impress accounts.

4.4.12 The impress account, at the time of audit, had a balance of \$517,582. With the exception of a transaction of \$182,398 recorded on February 17, 1999, clients who have not cashed their cheques were properly listed and identifiable. This 1999 amount is a roll over from the time FINEX was converted to IMS and represents the balance in the account at the end of the fiscal year 1997-1998. No details of what is contained in this amount are available. It would be extremely onerous and time-consuming to reconcile this amount. SMF is aware of the problem and will be informing all Missions that amounts rolled over at the time of converting from FINEX will be cleared by Headquarters.

## **Recommendation for SMF**

**4.4.13 The Department should issue instruction on operating an impress account, indicating the transactions that should be included, the process for making payments and the method to clear amounts after seven years.**

## **SMF Response**

**4.4.13 The Mission has been advised on how to deal with the impress account. An all Mission message on this subject is included in the SMF work plan for this fiscal year.**

## **School Debentures**

4.4.14 The Mission has 24 school debentures amounting to \$354,848. Twelve debentures are not being used. Headquarters has agreed that these debentures should not be sold because of the difficulty of purchasing debentures from some schools. The Mission faces the difficulty of identifying the required number of debentures from one year to the next. According to the Mission, private companies

wishing to purchase debentures are put on a waiting list for three to four years. The Audit Team agrees that the Mission should not be disposing of any debentures at this time but should continue to monitor and report periodically to Headquarters on the situation.

### **Contract Review Board**

4.4.15 The Mission Contract Review Board consists of four members, chaired by the Deputy MCO. Members selecting the contractor are provided details of the work involved and a listing of contractors bidding on the project through e-mail. Included in the message is a recommendation on who the successful contractor should be. Each member replies agreeing or not. Completed contracts are not seen by the Contract Review Board. The Mission is not always using the DFAIT contract form which needs to be reformatted to make it applicable with Hong Kong practices and rules.

4.4.16 To assist the members making decisions, proposals should be accompanied by a draft copy of the completed contract. Instead of always corresponding by e-mail for contract approval, the Board should convene on a regular basis to review all contracts above a specific threshold (say \$5,000). This would allow for open discussion on such items as the scope of the service/work, contractor's background, feasibility of the contract, its amount, and its terms and conditions.

### **Recommendation for the Mission**

**4.4.17 The Contract Review Board should meet to evaluate the selection of contractors for all projects above a specified dollar amount established by the Mission.**

### **Mission Response**

**4.4.17 The Contract Review Board believes that by circulating the entire contract to the membership of the Committee electronically allows them to review the document when most convenient to them and in the event they have no difficulties with it, signify their approval. Only in the event that there is an issue regarding a contract which one or more members finds contentious, does the committee believe a full scale meeting is necessary. This is consistent with the e<sup>3</sup> thinking which is being developed within the Asia Pacific Branch under the direction of the Assistant Deputy Minister for (Portfolio: Asia-Pacific).**

### **Official Hospitality**

4.4.18 The Mission's hospitality guidelines, revised in May 2001, are largely an edited repetition of Chapter 9 of the Department's Protocol Manual. There are some



important omissions, however, such as the need to document disbursements with receipts. The Departmental guidelines prescribe the need to support claims when they are paid with official hospitality diaries along with supporting receipts. These forms are to be submitted to the Accounts Section for audit and issuance of cheques on a quarterly basis in accordance with Section 33 of the FAA. The Mission's current procedure calls for the diaries and receipts to be provided to the Accounts Section only at the end of an employee's assignment.

4.4.19 A review of several hospitality diaries indicated that, where approval is required from the Geographic Director General, it is not always sought. Club fees, in one case, were claimed at 100 percent while only 50 percent of this cost may qualify as an admissible expense. This same individual also approved his final hospitality claim. Other items noted included:

- Some claimants are using obsolete forms which describe expenditure limits for indirect hospitality which exceed current policy;
- Expenses incurred by LES are mixed with claims submitted by CBS and lack receipts confirming that LES have received payment for the expenses incurred; and,
- Hospitality diaries are not showing hospitality received; they only show the hospitality extended.

#### **Recommendations for the Mission**

**4.4.20 The Official Hospitality Advance and Expense Reporting form (EXT 904) along with the related Hospitality Diary (EXT 52) must be submitted to the Accounts Section for audit and cheque issue as required under 9.11.4 of the Departmental Directive on "Official Hospitality Outside Canada".**

**4.4.21 Mission specific hospitality guidelines should be limited to the detailing of appropriate cost ranges for locally encountered entertainment costs and specify whether domestic help costs are either included or excluded from the published ranges.**

**4.4.22 Claims must be approved by a person other than the claimant.**

**4.4.23 Each employee, be it LES or CBS, who extends or receives hospitality, should complete both diaries and claims and receive reimbursement for their own claims.**

- 4.4.24** Stocks of obsolete forms should be destroyed and employees should use those currently available on the Departmental intranet site.
- 4.4.25** All Official Hospitality claims on the Mission files which exceed the limitations of the Official Hospitality directive should be reassessed and appropriate retroactive approval action or recovery undertaken.

#### **Mission Responses**

- 4.4.20** The Mission has implemented new procedures through which the Hospitality Claim forms (EXT 904), together with the attendant Hospitality Diaries (EXT 52), are submitted to the Mission Accountant for settlement on a quarterly basis. These claims are reviewed by the Mission Accountant, certified pursuant to Section 33 of the FAA by the Mission Administrative Officer and Certified per Section 34 of the FAA by the Head of Mission or the Program Manager. At the end of the claimant's assignment, the original Hospitality Diaries are to be deposited with the Mission Administrative Officer, who will retain these for possible audit at the Mission, for a period of 7 years from the date the claims were processed/paid.
- 4.4.21** The Mission will shortly issue revised Hospitality Guidelines over the signature of the HOM which are consistent with this recommendation.
- 4.4.22** No claims will be approved by the claimant.
- 4.4.23** The person extending or receiving hospitality, which results in the incurrence of an expenditure, will prepare and submit the hospitality diaries and hospitality claim forms in their own name.
- 4.4.24** All stocks of obsolete forms will be destroyed and all employees instructed to use the revised forms available on jet forms.
- 4.4.25** All Official Hospitality claims on the Mission files which exceed the limitations of the Official Hospitality directive will be reassessed and appropriate retroactive approval action or recovery will be undertaken.

#### **4.5 Information Systems Management**

- 4.5.1** The Mission's Information and Communications Technologies (IT) services are well supported by a resident CS-02 Systems Administrator and his team of

three LES Assistants. Not only do they respond quickly to service requests, but they conduct regular training courses for commonly used software applications in the Mission's small but well used IT training facility.

4.5.2 Some users experience slowness of reaction time in using the network, though this may be caused by the high level of multiple tasking of individual work stations. Many of the frustrations expressed by staff about the limitations of their hardware will be addressed by the recent acquisition of over 50 new work stations which are currently being prepared for installation on the Mission's network.

4.5.3 The Mission's web site is well managed under the guidance of a local committee with representatives from all programs, chaired by the Public Affairs Officer in the General Relations Section.

4.5.4 The web site adheres to Government of Canada standards, including the use of DFAIT host servers. It shows extensive use of hot links to other sites for information such as Government forms and fee schedules, with the exception of Consular and Passport fees. The effective date of the information published, and that of the latest revision of exchange rates, might be a useful addition.

## RESOURCES FACT SHEET

<b>Personnel (FTEs)</b>	<b>CBS</b>	<b>LES</b>	<b>Total</b>
HOM Office & Residence	2	3	5
General Relations	2	4	6
International Business Development	2	17	19
Consular	1	12	13
Administrative Management Services	4	20	24
CIC	13	85	98
RCMP	2	1	3
Total	26	142	168

**Physical Resources**

<b>ASSETS</b>	<b>OWNED</b>	<b>LEASED</b>
Chancery - office - storage		1 1
OR	1	
SQS	7	19
Vehicles	4	

**Financial Information FY 2001-2002**

LES Salaries N012	\$10,444,857
CBS Overtime N011	\$ 50,000
Operational N001	\$10,749,297
Capital N005	\$ 124,500
Total	\$21,368,654