

**AUDIT
OF
THE CANADIAN EMBASSY

PANAMA CITY**

APRIL 2003

Audit Division (SIV)

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EXECUTIVE SUMMARY

An internal audit of the International Business Development (IBD), Consular and Administration Programs was conducted in Panama City during the period October 23 to 25, 2002. This is the initial audit of this micro-Mission which is a Spoke of San José, Costa Rica.

This Mission, which opened in 1995, is well managed and is staffed with two Canada-Based Officers and four Locally-Engaged Staff (LES). Morale is high and the Chancery premises are attractive and present a good image for Canada. Housing is adequate. While financial resources are generally sufficient, the mid-year report is seeking incremental funding of \$53,000 for such costs as the fitting-up of a second staff quarter with the departure of an employee couple. The Mission has identified a requirement for an incremental LES position to assist in Trade and Administration and should present a business case to support this.

There is a need for the relationship with San José, Costa Rica to be formalized with a Hub and Spoke Agreement. There is also a requirement for the MCO to take on added financial responsibilities and to exercise more financial independence from San José.

While the Commercial Officer is energetic and knowledgeable, it is a very difficult environment for business development given the current economic climate. Excellent contacts have been developed and there is a sound knowledge of the market place. The recent Client Survey indicates very positive results in terms of providing support to the Canadian business community. The Trade Commission Service's New Approach is very much in evidence.

With the new MCO's experience in Consular matters, the Program is being well managed. Greater efficiency is expected once Passport processing can be done electronically, which is expected in the next few months.

RECOMMENDATION STATUS

A total of 9 audit recommendations are raised in the report; all 9 are addressed to the Mission and none to Headquarters (HQ). Management has responded to each recommendation indicating action already taken or decisions made, as well as future action. Of the 9 recommendations, management has stated that 5 recommendations have been implemented. For each of the remaining 4 recommendations, management has indicated the initiatives in progress or the intended future action.

MANAGEMENT OF THE MISSION

1.1 Overview

1.1.1 This is a well managed Mission with capable staff that exhibits high morale. Although this is a small office (a micro-Mission) and there is daily interaction among staff, the HOM has recognized a need for regular staff meetings to apprise staff of all Mission activities. He plans to introduce, at a minimum, monthly meetings with minutes and to complement this with periodic informal meetings throughout the month.

1.1.2 The HOM and MCO are new to the Mission having arrived this summer, following the departure of an employee couple that had filled these positions. The HOM was not provided with a set of instructions or a Performance Management Agreement from Headquarters prior to his arrival. He will be proposing a draft for consideration by Headquarters, indicating the issues for which he will be responsible.

1.1.3 There is a need to establish an Accountability Agreement with the MCO spelling out the goals and objectives for this individual. Informal discussions relating to a proposed job package have been held but this needs to be documented. The MCO's job package embraces Administration and Consular responsibilities primarily but also will contain components of the Trade, Public Affairs and Political and Economic reporting. There is also a need for an Accountability Agreement for the Commercial Officer, an LE-09, who is in the third year of a five year contract.

Recommendations for the Mission

1.1.4 **A Performance Management Agreement for the HOM, setting out the ongoing commitments and expected results for the current fiscal year, should be prepared in draft and submitted to the Latin America and Caribbean Bureau (LGD) for consideration and approval.**

1.1.5 **Accountability Agreements for the MCO and the Commercial Officer should be prepared which delineate in measurable terms the goals and objectives for these individuals.**

Mission Responses

1.1.4 **The Performance Management Agreement for the HOM has been drafted and submitted to the Latin America and Caribbean Branch (LGD).**

1.1.5 **The Accountability Agreements for the MCO and the Commercial Officer have been completed, signed and forwarded to Ottawa.**

1.2 Hub and Spoke Agreement

1.2.1 Currently there is an arrangement with San José, Costa Rica, where San José primarily does a number of financial tasks for the Mission. These tasks include, inter alia, input into IMS, bank reconciliations, Canada Fund payments, exercising payment authority, producing mid-year financial reports, preparing rent payments, requesting fund transfers and also doing the input into PRIME. This relationship has not been formalized in a Hub and Spoke Agreement. The Mission recognizes the need to regularize this arrangement and is planning on having a signed Agreement in the next few months. The Audit is suggesting that a number of the financial tasks be repatriated to the Mission as there is no longer an employee couple at the Mission. The San José Mission is in full agreement with the proposed new arrangement.

Recommendation for the Mission

1.2.2 Initiate consultations with San José, the Hub Mission, to formalize the distribution of responsibilities between the two Missions in the form of a Hub and Spoke Agreement.

Mission Response

1.2.2 The Hub and Spoke Agreement has been drafted, submitted to Costa Rica and is now in place.

INTERNATIONAL BUSINESS DEVELOPMENT (IBD) PROGRAM

2.1 Overview

2.1.1 The Commercial Officer is dynamic and well organized. He has received appropriate training in all aspects of the Trade Commissioner Service's New Approach. This is a difficult environment for a Commercial Officer given the current economic climate in Panama. Notwithstanding, he has made excellent contacts and appears to have solid knowledge of the market place. He works closely with the HOM and consults as appropriate. The Mission has been provided \$15,000 in Client Service Funding (CSF) and a strategic plan has been prepared for CSF initiatives. This plan is sector oriented and the Program would benefit from a broader IBD plan for the Mission. Recent client survey results indicate that this Mission is in the top category in terms of providing support to the Canadian business community. To promote that this is largely a Trade Office and to identify the services that are available, the Program should consider adding materials displaying the core services under the New Approach in the front lobby.

Recommendations for the Mission

- 2.1.2 **An IBD plan should be prepared which includes specific targets, objectives and time frames for the Program to achieve during this fiscal year.**
- 2.1.3 **As this is a Trade Office, the New Approach philosophy should be better promoted by showcasing available materials from Headquarters (Trade Commissioner Service).**

Mission Responses

- 2.1.2 **An IBD plan has been developed.**
- 2.1.3 **The Mission plans to promote the New Approach philosophy by using the display currently used for Educational Promotion as a rotating display featuring different Trade Promotion activities at the Mission. As well, the Mission plans in the upcoming fiscal year, to purchase displays that will allow the Mission to showcase the trade materials from Headquarters.**

CONSULAR PROGRAM

3.1 Management of the Program

3.1.1 The Consular Program is well managed. The MCO has a strong background in Consular operations, having specialized in this function at his previous posting. He is well supported by the Administrative/Consular Assistant (LE-07). Further efficiency will be introduced when the Passport printing system is connected as passports will then be done electronically rather than manually.

3.1.2 Currently there are four Canadians incarcerated and monthly visits to prisons are undertaken in addition to other support such as supply deliveries. The MCO will be updating the Contingency Plan this fall and should also look to update the HQ Duty Officer Manual. A Registration of Canadians Abroad (ROCA) system is in place with the Receptionist doing the entries. The system has 500 family members registered (135 Registrants) and the total Canadian population in Panama is estimated between 800 and 1000. There are also seven wardens for the country. The MCO is planning to have a gathering of the wardens in the next few months. The Mission will be re-faxing to the Consular Affairs Bureau (JPD) missing COMIP reports (October - November 2001 and April - June 2002) and has started as of September 2002 to send the monthly reports electronically.

Recommendation for the Mission

3.1.3 Update the Mission's HQ Duty Officer Manual and forward it to Consular Affairs Emergency Services (JPE).

Mission Response

3.1.3 The HQ Duty Officer Manual has been updated and forwarded to the Consular Affairs Emergency Services (JPE).

ADMINISTRATION PROGRAM

4.1 Overview

4.1.1 The MCO estimates that 40 percent of his time is consumed by Administration and he is supported by the Administrative/Consular Assistant (LE-07), the Receptionist (LE-04) and the Driver. The LE-07 handles the day to day accounting, property and human resource functions. While financial resources are generally sufficient, the mid-year report is seeking incremental funding of \$53,000 for such costs as the fitting up of a second staff quarter with the departure of an employee couple and the increases following the annual salary review.

4.2 Human Resources

4.2.1 Human Resources are being well managed. Appraisals are up-to-date and personnel files are complete. There is a need for the LES Handbook to be completed and forwarded to HRL for approval. The Mission's lack of a Handbook has resulted in some misunderstanding with respect to the requirement for staff to register with the local Social Security scheme. Staff that had not been with the local Social Security scheme have submitted their documentation to the authorities. One staff member has concerns, however, with the viability of the local plan and is seeking an exemption. Clarification on this issue will be sought from HRL by the Audit Team.

4.2.2 The Mission has identified a need for an additional LES support position to assist with the Trade Program and Administration. The Trade Program, in the past, has employed half-day contract assistance through the CSF and PIBD funds over small periods of time. Not having this resource in place precludes the Commercial Officer from making what he sees as necessary out calls and cultivating contacts. Pressure by the local population is also mounting on the Mission to issue visas. Currently much time is spent by all staff in fielding visa related complaints from their contacts and the public. A business case needs to be presented by the Mission to address the overall resource issue.

Recommendations for the Mission

4.2.3 Draft the Mission's LES Handbook and forward it to Locally-Engaged Staff Division (HRL) for approval.

4.2.4 Prepare a business case for submission to the Latin America and Caribbean Bureau (LGD) to support its requirement for an incremental LES support position.

Mission Responses

- 4.2.3** **The Mission LES Handbook is in the process of being updated. Mission is currently completing a review of LES benefits requested by HRL and plans to update the LES Handbook once the benefit survey is completed.**
- 4.2.4** **The Mission agrees with the Audit Team's recommendation and is currently developing a business case for submission to the Latin America and Caribbean Bureau (LGD) to support its requirement for an incremental LES support position.**

4.3 Physical Resources

4.3.1 The CBS employees are suitably housed in apartments with appropriate security. Landlords are responsible for the overall maintenance of these staff quarters (SQs). Property files are in good order. The Hub in San José does the inputting for PRIME. Distribution accounts have been completed except for the storage which the MCO intends to complete shortly. This past June (2002), the Mission held an auction to dispose of surplus items and recently the MCO disposed of surplus telephone equipment. Proceeds from these sales will be used to procure new furniture for the HOM's SQ. A visit to the storage area suggests that there is little inventory left to dispose. Storage was neat and well organized.

4.4 Finance

4.4.1 The Mission needs to operate more autonomously in financial matters and the current process for making payments is cumbersome. Heavy reliance is placed on San José for many financial undertakings, despite the fact that this Mission has a fully qualified MCO. This is likely a carry-over from having an employee couple as HOM and MCO. Currently, spending (Section 34 FAA), and payment (Section 33 FAA) authority for a particular transaction is divided between both Missions, when this Mission is qualified to exercise these authorities. At present, procedures are such that suppliers are being paid well in advance of payment authority being exercised by the Hub Mission. Streamlining of financial processes is possible and would inject greater efficiency and result in less of an administrative burden on the Administrative/Consular Assistant. The Mission has been examining its systems and had already implemented some changes such as depositing revenues weekly rather than monthly and raising the petty cash float from \$200 to \$500. The Hub Mission should continue to carry out the bank reconciliations and input into IMS. SIVP is currently reviewing three months of accounts to ensure compliance with Departmental financial procedures and will report separately on its findings.

4.4.2 Efficiencies could be introduced through:

- Forwarding only a copy of the input document rather than this form plus all the backup documentation to San José for IMS input.
- Exercising full signing authority (Sections 33 and 34 FAA) at the Mission rather than having Section 33 exercised at the Hub Mission.
- Utilizing the petty cash fund to eliminate numerous small cheques from having to be written. The Mission is averaging around 40 cheques per month of which 25 are less than \$200. Given that petty cash funds can be set up at \$2,000 with individual financial transactions up to \$200, setting the fund to these limits would reduce the number of cheques being written. Moreover this is a cash society where receipts are provided so that control can still be sustained. The volume of cheques may be further reduced by renegotiating the frequency of rent payments from monthly to quarterly.
- Exercising both spending and payment authorities will allow the Mission to effect greater control over its finances. The MCO should assume responsibility for preparing the mid-year and third quarter reviews rather than having San José incorporate Panama's information into its report. He should also assume the role of identifying the cash requirements for the Mission rather than relying on the Hub to communicate this requirement to Headquarters.
- Assuming full responsibility for issuing cheques, including rents and Canada Fund payments. The Mission had only recently assumed responsibility for issuing the payroll cheques.

Recommendation for the Mission

- 4.4.3 The Mission should take appropriate steps to implement improved efficiency into its accounting procedures in conjunction with the Hub Mission.**

Mission Response

- 4.4.3 The first four points in Section 4.4.2 have been implemented. The fifth point will be implemented now that the Hub and Spoke Agreement with Costa Rica has been finalized.**

4.5 Information Management

4.5.1 The LES SIGNET Support Assistant (SSA) for the Mission is the Receptionist (LE-04). The new MCO is interested in information management and technology and so also assists with trouble-shooting if required. As with most micro-Missions, the Mission expresses its desire to have an increase in band width to speed up communications links and connections.

RESOURCES FACT SHEET

Personnel:

	CBS	LES	Total
HOM	1.00	0.00	1.00
IBD	0.25	1.00	1.25
Consular	0.20	0.50	0.70
General Relations	0.15	0.00	0.15
Administration	0.40	2.50	2.90
Total	2.00	4.00	6.00

Physical Resources:

Assets	Crown-Leased	Crown-Owned
Chancery	1	0
SQs	2	0
Vehicles	0	1

Financial Information 2002-2003:

LES Salaries	\$158,673
Operational	316,466
CB Salaries	188,576
Capital	14,700
Total	\$678,415