

# 2007



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Report of the  
**Auditor General  
of Canada**  
to the House of Commons

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**Chapter 3**  
**Human Resources Management—**  
Foreign Affairs and International Trade Canada



Office of the Auditor General of Canada

*The May 2007 Report of the Auditor General of Canada comprises a Message from the Auditor General of Canada, Main Points—Chapters 1 to 7, and seven chapters. The main table of contents for the Report is found at the end of this publication.*

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**Chapter**

# **3**

**Human Resources Management**  
Foreign Affairs and International Trade  
Canada

*All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.*

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# Human Resources Management

## Foreign Affairs and International Trade Canada

### Main Points

#### What we examined

The Department of Foreign Affairs and International Trade operates in a highly challenging and complex environment that requires it to respond quickly to changing local and international circumstances. It has staff based in Canada and in over 170 missions abroad, where it also employs a culturally diverse local workforce of over 5,000 employees who are subject to various local labour laws. In the 2005–06 fiscal year, the Department spent \$830 million on salaries and benefits.

We examined whether the Department plans for and manages its human resources in a way to ensure that it has the people with the right skills and competencies to carry out its mandate. Our audit included interviews, file reviews, and data analysis at the Department's headquarters in Ottawa and at 12 of its missions abroad.

#### Why it's important

Canada relies on the people who work in its foreign missions to be its "face abroad." They represent Canada in such fields as political, trade and business relations, diplomacy, culture, and human rights. Canadians travelling abroad depend on the missions for a range of assistance, from replacing lost passports to determining their whereabouts, and seeing to their safety in emergency situations. The government relies on the Department for timely, high-quality advice on international issues to help it formulate foreign policy. The Department also has a position of leadership toward other government departments operating abroad to ensure a unified Canadian approach.

It is important to Canadians that the Department have the right people in the right place at the right time and that it be able to act quickly and decisively in a rapidly changing environment. Given the complexity of its workforce, its international role, and the demographic challenge it faces, strategic planning and management of its human resources are critical to achieving its mandate.

#### What we found

- The Department has no strategic human resources plan. It does not have a complete picture of the people, competencies, and experience it will need in the future, and it lacks basic information needed to

plan for and manage its workforce. For example, it does not have accurate information on the number of vacant positions it has to fill. Until recently, the Department has paid little attention to human resources planning. Since the 2005–06 fiscal year, it has engaged in a major effort to develop a strategic planning framework for managing its people, but much remains to be done.

- The Department has been unable through its recruitment, promotion, and assignment processes to fill its positions on a timely basis with enough people who have all the required skills and competencies. Fifty-eight per cent of its employees in the management category will be eligible to retire by 2010; for all categories combined, the figure is 26 percent. Already, departures now outnumber new hires. These are strong indications that the Department is at risk of not having the human resources it will need to carry out its mandate effectively.
- The process in place to compensate employees for living conditions abroad and provide incentives for hardship postings has not allowed the Department to respond in a timely way to changing circumstances and the problems employees face as a result. This hinders the Department's ability to assign qualified staff to some of its missions around the world. Despite concerns expressed over many years by our Office and various stakeholders, this issue has not been resolved.
- The management of locally engaged staff, who constitute half of the Department's workforce, gets little attention. The Department does not have all the information it needs to properly manage these employees and is not adequately supporting its missions in their human resources management responsibilities.

**The Department of Foreign Affairs and International Trade and the Treasury Board Secretariat have responded.** The Department of Foreign Affairs and International Trade and the Treasury Board Secretariat have agreed with our recommendations. Their detailed responses follow the recommendations throughout the chapter.

## Introduction

### The Department's role

**3.1** The Department of Foreign Affairs and International Trade delivers on Canada's international agenda by carrying out four key functions:

- leading and coordinating international policy-making for the Government of Canada;
- promoting Canadian interests, values, and expertise abroad;
- assisting Canadian business and the public by providing trade, investment, consular, and passport services; and
- providing the facilities and administrative infrastructure outside Canada that enables the global operations of the entire federal government and the provincial governments.

**3.2** In 2005 the Government of Canada tabled its International Policy Statement, which, among other responsibilities, gave the Department a clear role to play in coordinating Canada's efforts on the international scene. One of the policy's key priorities is to enhance Canada's relationship with the United States, and to broaden and deepen its ties with rising powers such as China, India, and Brazil.

**3.3** The Department is headquartered in Ottawa. It operates about 170 **missions** in 111 countries around the world to represent the Government of Canada and advance Canadian interests bilaterally with other countries or multilaterally with international organizations.

### Human resources structure

**3.4** The Department is organized into two operational and eight functional branches, as well as two administrative branches, one of which is dedicated to supporting the management of human resources (Human Resources Branch). For each mission abroad, there is a head of mission (such as an ambassador) who is responsible for the management, direction, and supervision of the official activities of the various departments and agencies of the Government of Canada at the mission.

**3.5** In the 2005–06 fiscal year, the Department spent \$830 million on salaries and benefits out of a total budget of approximately \$2.1 billion.

**Mission**—An office of the Government of Canada outside of Canada. This includes an embassy or high commission, consulate general, consulate, and mission to a multilateral organization such as the United Nations.

## Human resources challenges

**3.6** Canada relies on the people who work in its missions to be its “face abroad.” The advent of globalization, pandemics, and terrorism affects the way the Department conducts its business and manages its employees. As a result, the Department encounters growing demands for its services from other government departments, clients such as Canadian companies needing export assistance, and individual Canadians.

**3.7** Employees work out of the Department’s headquarters in Ottawa, but staff are also posted to missions around the world. These postings involve varying degrees of hardship due to health and safety concerns and living conditions for the staff and their families. Since 1991 the number of missions rated with the highest level of hardship (considered dangerous or difficult) has risen from 15 to 32.

**3.8** In addition to managing staff around the world, another of the Department’s unique human resources challenges lies with the management of the following three distinct categories of employees (Exhibit 3.1).

- Canada-based non-rotational staff are employees based in Canada who do not rotate locations. Most of these employees work at headquarters in Ottawa, and most who are non-executive are unionized.
- Canada-based rotational staff are employees based in Canada who can be required to rotate every two to four years to a position at headquarters or at missions abroad. Most of this group who are non-executive are unionized.
- Locally engaged staff (LES) are employees who work in Canada’s missions abroad who are mostly from the local workforce. They are not unionized and are subject to various local labour laws.

**3.9** Locally engaged staff are subject to local laws, but also to some Canadian laws and regulations since they work for the Government of Canada. Canada employs about 5,100 LES at its missions around the world. Roughly 1,500 of them work for programs led by Citizenship and Immigration Canada or by other government departments.

**3.10** Another human resources management challenge is presented by the *Public Service Modernization Act*, the provisions for which came fully into force in December 2005. The new legislation aims to simplify the competitive process and shorten the time it takes to fill positions. However, it requires significant adaptation on the part of both

employees and line managers in all departments to accommodate the new responsibilities and accountability. For example, managers can now take other factors into consideration when making decisions to fill positions. These include not only essential qualifications for the position, but also other qualifications considered assets for the work to be performed. Current and future operational requirements can be considered.

**3.11** Finally, the Department also had to deal with organizational issues that arose from the government's decision to split the Department in 2003 into two organizations (the Department of Foreign Affairs and the Department of International Trade) and to subsequently reunify it in 2006.

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**Exhibit 3.1** Department staff fall into three categories

	Canada-based non-rotational staff	Canada-based rotational staff	Locally engaged staff (LES)
Number of employees (as of 31 March 2006)	2,800	2,100	5,100
Location of employment	Canada	Canada and abroad	Local missions abroad
Official languages	English and/or French	English and French both required for new recruits	At least one official language usually required
Foreign language requirement	Not usually required	Required for some postings	Local language usually required
Nationality and immigration status when hired	Preference given to Canadians	Preference given to Canadians	Preference is given to Canadians, but most are foreign
Acquisition of position	Appointed to a position	Chosen from a pool of eligible staff	Hired to a position
Requirement to relocate	No expectation	Expected to relocate every two to four years	Not applicable
Eligibility for financial compensation when residing abroad	Eligible	Eligible	Not applicable
Security clearance level	Varies according to position	High level necessary	Minimal level required; higher levels difficult to obtain
Terms and conditions of employment	Collective agreement (for non-executives); <i>Public Service Employment Act</i> (PSEA)  <i>Public Service Labour Relations Act</i>  Terms and Conditions of Employment for Executives	Collective agreement (for non-executives); <i>Public Service Employment Act</i> (PSEA)  <i>Public Service Labour Relations Act</i>  Terms and Conditions of Employment for Executives	LES Employment Regulations (Canada)  <i>Staff Engaged locally outside Canada</i> (TBS policy)  Subject to local laws of country

### Focus of the audit

**3.12** This audit looked at how well the Department carries out the planning of its human resources, and then manages and supports its workforce. We took a Department-wide approach to the audit rather than focusing solely on the Department's Human Resources Branch. We focused on areas that we considered to be the most critical to achieving the Department's objectives and that presented the highest risk.

**3.13** More details on the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

## Observations and Recommendations

### Human resources planning

**3.14** Human resources planning is a process that identifies current and future human resources needs for an organization to achieve its goals. Human resources planning should serve as a link between human resources management and the organization's overall strategic plan.

**3.15** Integrating human resources planning with business planning is also important to the Department of Foreign Affairs and International Trade's understanding and assessment of current and future needs and challenges. The *Public Service Employment Act* and the Treasury Board Secretariat Management Accountability Framework point to the importance of integrated planning for departments and agencies.

**3.16** At the Department, decisions made about human resources also have ramifications on property management, relocation costs, information technology, and security and safety measures. Proper human resources planning can provide information about the level of risk involved in a variety of strategic management approaches and present senior management with viable alternatives to mitigate identified risks.

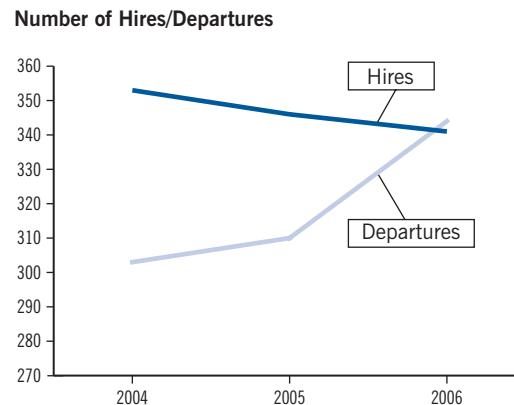
**3.17** While not unique to the Department, changing demographics also present human resources challenges. According to departmental information, 58 percent of its employees in the management category will be eligible for retirement by 2010; for all categories combined the figure is 26 percent. A recent study on human resources needs in the public service noted that “although these (public service) levels of retirement eligibility do not precisely indicate the volume of retirements to be expected in specific years, because most employees

do not leave immediately upon becoming eligible to retire, they do suggest a near-term acceleration of departures from the Public Service.” The most recent Public Service survey (2005) also showed that 37 percent of Department of Foreign Affairs and International Trade respondents said they would consider leaving the Department within the next five years.

**3.18** Departures now outnumber new hires (Exhibit 3.2). The number of hires is dropping, while the number of departures is increasing, making the need for strategic human resources planning, by using up-to-date workforce data, even more acute. If this trend continues, the situation will only worsen given the demographics already noted.

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**Exhibit 3.2 Canada-based staff departures now outnumber new hires**



Source: Department of Foreign Affairs and International Trade

### The Department has no strategic human resources plan

**3.19** We expected the Department to have a strategic human resources plan that describes the complement and competencies of its current Canada-based and locally engaged staff, and those needed in the future. The plan should also outline departmental strategies to fill its workforce gaps in the short, medium, and long term and should be aligned with departmental objectives and priorities.

**3.20** We found that the Department does not have such a plan and, as a result, does not have a complete picture of the people, competencies, and experience it will need in the future. It lacks basic information that helps to plan for and manage its workforce. Until recently, human resources planning in the Department was limited. There was no link to business planning, and it was largely not integrated with other human resources management activities.

Available human resources information was not effectively used for planning purposes and tended to focus on Canada-based staff only. As we note in later sections of this report, recruitment, promotion, and assignment processes were carried out reactively to fill immediate or urgent needs.

**3.21** The Human Resources Branch acknowledged that the limited attention paid to human resources planning activities in prior years had resulted in a number of problems, including vacancies in key occupational groups (executive, foreign services, and administrative services), a reactive instead of proactive response to needs, and overuse of temporary staffing measures (known as “acting” appointments). It also acknowledged the need for a greater focus on human resources planning due to the government’s human resources management modernization initiative, among other issues.

### The Department is developing a strategic human resources plan

#### Previous Auditor General of Canada reports on government-wide recruitment

- 2000 Report of the Auditor General of Canada, December, Chapter 21, Post-Secondary Recruitment Program of the Federal Public Service
- 2003 Report of the Auditor General of Canada, 2003 Status Report, Chapter 5, Post-Secondary Recruitment Program of the Federal Public Service

**3.22** We brought the lack of strategic human resources planning at the Department to Parliament’s attention in previous reports on government-wide recruitment. Under the *Public Service Modernization Act*, departments are expected to carry out strategic human resources planning. Under central agency guidance, the Department began to adopt the proposed human resources planning approach in 2005 and the Human Resources Branch was mandated to develop a human resources planning framework. The approved approach is extensive and guides the Department to determine its business goals, scan its environment, conduct a gap analysis, and set human resources management priorities to help achieve its business goals. Once the planning approach is implemented, its progress needs to be measured, monitored, and reported to senior management and central agencies.

**3.23** We also noted some good planning initiatives for specific groups coordinated by the Human Resources Branch. For example, in late 2005 a strategy was initiated to conduct strategic human resources planning for the Management and Consular Officer (MCO) pool. This strategy acknowledged, among other things, the importance of managers’ involvement in the success of its implementation. A standing committee was formed, which developed a strategy to address recruitment, development, and retention of staff in the MCO stream. Demographics, promotions, and assignments were analyzed and projected for MCO employees. The work also identified the critical need for the development of new recruits prior to the expected mass retirements. The committee developed an action plan with cost estimates, timelines, and deliverables. On the whole, this initiative

demonstrates the fundamental components required for sound human resources strategic planning.

**3.24** At the end of our examination, the Human Resources Branch was in the early stages of collecting data to prepare a strategic plan. However, it had not included the requirements for locally engaged staff in its planning process. In order to ensure that the Department has a sustainable workforce to fulfill its mandate, comprehensive human resources planning is fundamental to meet its demographic challenges and workforce gaps.

**The lack of workforce data is hampering human resources planning and management**

**3.25** The preparation of strategic and operational plans requires reliable data on which to base analyses and projections. Our audit work raises questions about the reliability and usefulness of the Department's human resources management information data, such as acting levels and vacancies. Some managers tend not to use the departmental human resources information that is in the departmental systems, preferring to keep their own individual records. In addition, we found a number of errors in the data provided to us, and the aggregate numbers used in reporting to Parliament did not agree with the information in the departmental systems.

**3.26** Although the Department has been aware of a number of the problems with its human resources data for some time, it has not succeeded in correcting many of them.

**3.27 Recommendation.** The Department should develop and implement a comprehensive human resources plan that clearly defines its current and future human resources needs, both for Canada-based staff and locally engaged employees.

**Department's response.** The Department agrees that a comprehensive human resources plan must be developed and implemented. In the last few years, significant progress has been made in establishing the capacity and systems necessary to plan in a complex and multi-dimensional environment. The development of a comprehensive Canada-based staff plan is in the final planning stages and is expected by spring 2007. Building on the Management Consular Officer model, the Department is developing plans for key professional groups in order to ensure that the Department has the right people in the right place doing the right job.

For locally engaged staff (LES), the Department will develop a framework by winter 2008 to guide missions with their LES planning, focusing on identifying key competencies required for its LES workforce. These mission-specific plans are based on local labour laws, and current and future human resources needs. There is little or no LES mobility between missions, the LES are not subject to the *Public Service Employment Act* (PSEA), and each country has its own set of terms and conditions of employment. As such, resourcing strategies and plans for the LES should be distinct from the Canada-based staff population, although intricately linked to the Department's current country strategy process. This process analyzes mission, policy, government, and other requirements and develops a mission-specific strategy ensuring that this is placed into an overall government context. These strategies then form part of the Department's overall business plan.

## Workforce management

**3.28** As we have noted, the Department of Foreign Affairs and International Trade faces particular human resources management challenges, especially with its demographics. This highlights the need for the Department to ensure that it is effective in filling its positions with enough qualified staff.

**3.29** We expected the Department to manage its human resources to ensure it has the appropriate number of employees with the required skills and competencies at the right time and in the right place. We also expected that the roles and responsibilities regarding recruitment, promotion, and job assignments would be clearly defined and well communicated.

**3.30** We examined three main activities—recruitment, promotion, and assignment of rotational staff—to determine whether the Department's human resources policies and practices are current and consistent with good human resources management practices, and if they support departmental objectives. In addition, we looked at the management of locally engaged staff working in missions abroad, and the process for compensating Canada-based staff posted to these missions.

**3.31** The following sections present our findings in a variety of areas. An overall recommendation is provided at paragraph 3.64.

**Relying on traditional recruitment methods might not be sustainable**

**3.32** We expected the Department to have a clear picture of the vacancies it is trying to fill and to have developed and implemented practices to ensure that sufficient candidates with the required skills are selected to meet workforce needs.

**3.33** The Department's human resources information system showed a 35 percent vacancy rate as of 31 March 2006. During the course of our audit, the Department informed us that according to its best estimate, its vacancy rate was approximately 20 percent, although about half of those positions were inactive—that is, they were considered redundant but had not been taken off the organizational charts. We could not validate those figures and the Department could not provide an exact number of vacancies for which it was trying to recruit. The impact of this estimated vacancy rate is that there are a good number of positions that do not have an incumbent to deliver services and programs to Canadians both in Canada and abroad. We found no clear link between recruitment levels and long-range planning, demographic analysis, or vacancy-trend analysis.

**Attrition rate**—The rate at which positions become vacant through means other than firing, such as resignation, retirement, and death.

**3.34** In our 2000 chapter on post-secondary recruitment, we noted that the Department did not link its recruitment with **attrition rates** and retirement data. For the 2005–06 recruitment process, we found that the Department produced some analysis of its needs for foreign service officer recruitment, but was unable to show a link between its needs and the actual number of hires.

**3.35** Historically, the Department has filled its rotational positions by recruiting candidates at the entry level and subsequently promoting them throughout their careers. It is extremely rare for non-rotational Department and other public service employees to enter the rotational stream other than through the competitive entry-level process.

**3.36** In order to meet immediate operational requirements for experienced, highly skilled officers at the more senior levels of the foreign service officer group, the Department launched a staffing exercise in December 2005. This process would have provided non-foreign service employees, both from within the Department and from other departments, with the opportunity to transfer into the foreign service group at a classification higher than entry level. This is known as lateral entry. This type of entry represented a radical shift from the traditional method of recruitment that restricted these positions to foreign service officers, and was contested before the courts by the foreign service officers' union.

**3.37** The Department's decision to conduct this exercise was set aside by the Federal Court in September 2006 on the basis that the Department had not developed its own deployment policy, as required under Treasury Board policy, and had not consulted the Professional Association of Foreign Service Officers. The Department believes it has since satisfied the court's conditions and has redeployed the affected employees under provisions of the new *Public Service Employment Act*.

**3.38** We also examined a representative number of entry-level competition files for the rotational foreign service and administrative services categories to assess the recruitment process in the 2005–06 fiscal year. The competitions were generic, allowing for one staffing process to fill similar positions within the Department. We reviewed the sources of recruitment, the qualification steps, the selection tools, and the documentation used for the staffing process.

**3.39** Overall, our sample of entry-level competition files indicated that the recruitment process was properly established and followed in the selection of candidates, although more rigour is needed in the interview process and reference checks for the administrative rotational staff. Although management roles and responsibilities were defined and well communicated, we noted instances where they were not carried out appropriately.

#### **The Department cannot fill its needs on a timely basis through promotions**

**3.40** The Department holds promotion competitions for both rotational and non-rotational Canada-based staff. While non-rotational employees are promoted to a specific position, rotational employees are promoted to a level with no predetermined job assignment. Promotions are especially important to both the Department and its rotational employees because, as previously mentioned, the Department has traditionally filled rotational positions above entry-level almost exclusively through promotions. Promotion processes intended to fill rotational assignments take the form of generic competitions.

**3.41** We expected that the Department would have a suitable promotion process that would contribute to filling the workforce gaps with qualified candidates on a timely basis.

**3.42** We examined a representative number of individual promotion files for both rotational and non-rotational Canada-based staff for the 2005–06 fiscal year. We examined whether appropriate tools

were used throughout the processes to assess the qualifications of candidates, such as position descriptions, competency profiles, interview guides, and reference checks. We found that the Department did, in fact, use appropriate tools, consistent with good human resource management practices. As well, we found that management roles and responsibilities were properly carried out.

**3.43** We also found that the competitive process took from 1 to 22 months depending on the type of competition (single actions to fill a single position, or generic staffing actions for several positions). In one third of the files examined, the process was generic and took over six months.

**3.44** In a 2006 government-wide study, the Public Service Commission estimated that the average time for promotion in the Public Service is 23 weeks. The study noted that government departments that run larger (generic) processes take longer to staff positions. We found that at the Department, such competitions require the assessment of a large number of candidates who may already be posted around the world. Other factors, such as language testing and security clearance, may also add to the length of a process.

**3.45** We also found that the Department is having difficulty filling some of its workforce gaps through promotions. For example, in April 2005, the Department launched a promotion competition for executives at the EX-01 classification level. Although it had not set a specific number of positions to be filled by this process, the Department hoped that the competition would allow it to promote as many successful candidates as possible.

**3.46** During this process, applicants were pre-screened, and 370 were found to meet the experience requirements. We noted that 132 passed the first qualifying step; however, in May 2006, only 39 successful candidates were promoted. Some unsuccessful candidates appealed the decision and at the end of our audit, there had been no final decision on the appeals. There has been no other promotion process launched for EX-01 positions since then.

**3.47** As of 31 March 2006, 116 non-executive category employees were acting in executive positions. We found that 35 of those had not demonstrated the competencies to pass the first step of the ongoing process for promotion to the EX-01 level. These results demonstrate that the Department might not be able to rely predominantly on promotions to fill its workforce gaps at the executive level.

**3.48** Several managers and employees told us that they found the various promotion processes frustrating and ineffective. Some of the factors mentioned were the length of the processes, the negative impact on morale, and the inability of candidates already in acting positions to pass the qualifying steps to be made permanent in that position and at that level.

**3.49** In 2006 many collective staffing actions were completed, a number of staffing processes were under way at the time of our audit, and several others were slated for completion by the spring of 2007. These staffing actions are due in part to the fact that the Human Resources Branch confirmed a number of shortages in key areas, in particular within the foreign service and administrative services streams, but also among several other groups.

**3.50** Given its demographic trends that predict increased departures, it will be important for the Department to ensure, as part of its human resources strategic planning exercise, that its recruitment and promotion strategies result in having the human resources it needs to carry out its mandate.

#### **The assignment process does not yield the intended results**

**3.51** All rotational staff, including executives, foreign service officers, and administrative personnel, are placed in a pool and assigned to positions abroad or at headquarters for terms of two to four years. It is important that staff meet the requirements of the positions they are appointed to. For employees, the assignment process determines where they and their families will live for a number of years and has consequences for their career paths.

**3.52** Available assignments abroad are posted once a year. Assignment decisions are to be made based on a list of key elements, including departmental need and employee preference, among others.

**3.53** The section at headquarters responsible for a given mission participates in the initial pre-screening of all applicants and interviews the candidates for a particular posting. After various consultations throughout the process, a final candidate is selected by both the corporate assignment board (a committee of senior Department managers who review and approve assignments) and the head of mission.

**3.54** At the Department, employees from the non-EX groups in acting positions receive acting pay, while those from the rotational EX group do not—which is the deputy minister’s prerogative. Given the

rotational environment, employees assigned to positions above their job classification levels are generally assigned for the number of years of the rotation, not; on a short-term basis.

**3.55** We expected that the assignment process would achieve the Department's intended results of placing the right people at the right place at the right time. We examined whether the assignment of people to rotational positions matched skills to requirements.

**3.56** We observed a practice of assigning staff to rotational positions regardless of whether their level matched the job requirements, and we found a significant number of people in acting positions for periods such as a whole posting cycle.

**3.57** We noted that as of 31 March 2006 for the whole Department, both at headquarters and in the missions, there were 917 assignments of Canada-based staff (128 executive and 789 non-executive) at a position level that did not match the employee's classification level. The positions of the FS, AS, and EX groups each had around 30 percent of acting appointments.

**3.58** As of 31 March 2006, of the approximately 900 Canada-based staff in rotational positions abroad, more than 300 were at a level that did not match the employee's classification level. About 100 of those were in assignments at least two levels above their own. The fact that there are so many Department employees in acting positions, and often for periods of up to four years, could raise questions about whether employees are fully qualified to fill their acting roles.

**3.59** We reviewed a representative sample of "acting" assignment files as of 31 March 2006, together with other assignment files. We found little or no documentation as to why the person was selected or to what extent the individual selected met the requirements of the position. We reviewed minutes of the selection board meetings and found little rationale supporting the assignment decision. In some cases, we found a statement indicating that the person was well qualified, but there was nothing on file to support this.

#### **Foreign language requirements are not met**

**3.60** In countries where French or English is not the local language, foreign language skills are key to adequately representing Canada's interests.

**3.61** We expected that the Department would have identified those positions that required foreign language proficiency and taken steps to ensure that incumbents met the requirements.

**3.62** Recently, the Department conducted an analysis of its foreign language skills requirements for each of its missions and identified 180 positions that required a general working proficiency in a foreign language.

**3.63** We found that the Department has not been able to recruit, train, and assign enough rotational staff in order to fulfill these language skills requirements. Only 16 percent of the people occupying these positions met the language requirement of their position and 33 percent of incumbents had not undergone language testing.

**3.64 Recommendation.** As part of its human resources plan, the Department should outline its strategies to fill current and projected gaps in its workforce, including how recruitment, promotion, assignment, and language training activities can best contribute to ensuring that it has qualified people in the right place at the right time.

**Department's response.** The Department agrees with the recommendation and recognizes that strategies to fill current and projected gaps in its workforce are important elements in human resources planning. Recent changes to the departmental configuration, as well as the conversion in 2005 of the Foreign Service group, have had a significant impact on data integrity. Data integrity and the management of vacant positions are key success factors in determining immediate and longer term needs. To address this, the Department has already created a unit headed by an executive to focus on human resources data integrity and anticipates that it will take up to two years to update all the systems to ensure quality data.

The Department is working with the Statistics Canada Centre for Workforce Analysis and Forecasting to modify its systems and improve its ability to address workforce gaps.

As suggested in this report, the Department agrees and will continue to use non-traditional means to staff positions, whenever appropriate. The Department agrees that foreign language training needs must be better linked to the staffing conducted by the Department and will endeavour, by winter 2008, to study foreign language training requirements and develop an action plan.

#### **The management of locally engaged staff gets little attention**

**3.65** Under Treasury Board policy, the Department uses locally engaged staff when it is practical and when it is in the public interest. Due in large part to successive budget pressures over the last two decades, the proportion of staff working in Canada's missions who are

locally engaged is on the rise. As a result, among Western democracies, Canada has one of the highest ratios of locally engaged staff in its foreign missions. We expected that under these conditions, the Department would have complete and accurate human resources information and strong management support to ensure that its local workforce was optimally employed, and that managers who rotate every two to four years would be able to manage this workforce consistently.

**3.66** We found that the Department does not have accurate and complete information to properly manage these employees. We noted instances of staff recorded as working at the wrong mission, of missions without complete employment histories of their staff on file, or of training that was not fully tracked. In addition, we found in some cases no record of an oath of office taken by local staff, as required by the LES Employment Regulations, or no record of their security checks.

**3.67** The Locally Engaged Staff Services Bureau at headquarters in Ottawa is responsible for developing and implementing the departmental policy for the management of locally engaged staff abroad, and for providing services and support to all Canadian missions. At missions abroad, management consular officers are responsible for consular and all administrative functions, including the support to the management of human resources. The day-to-day management of these employees is carried out by mission managers who are generally rotational Canada-based staff.

**3.68** We looked at how the LES Services Bureau and missions abroad carry out their responsibilities in managing the locally engaged staff. We expected that Department headquarters would provide appropriate support to mission managers. The Bureau's support and monitoring activities are particularly important because, in most missions, the manager overseeing the human resources management function is rotational and not necessarily a human resources professional aware of all the complexities of managing staff who are subject to local laws and customs.

**3.69** We found that the Bureau had difficulty in carrying out all its responsibilities and has been unable in recent years to fully meet its mandate.

**3.70** For instance, the Bureau is struggling to keep the LES handbooks up to date for each of Canada's missions. The LES Handbook developed for each mission is an essential document that provides specific terms and conditions of employment that are part of Canada's

contract with local staff. The handbooks not only provide key material concerning pay and benefits for the staff but also include crucial local information for newly arrived Canada-based managers. The Department considers that each handbook needs to be updated at least every four years. At the current rate of progress, missions can expect their handbook to be updated about once every 15 years.

**3.71** As part of its mandate, the Bureau attempts to visit missions to conduct on-site reviews of their human resources management practices and review issues such as overpayments of salaries or benefits, errors in the classification process, or poor record keeping. We noted that in recent years, the Bureau visited only four missions per year on average.

**3.72 Recommendation.** The Department should strengthen the management of its locally engaged employees and better support mission managers in carrying out their responsibilities.

**Department's response.** The Department agrees that the capacity to deliver quality services to the locally engaged staff (LES) population and their management teams needs to be strengthened. In the 2007–08 fiscal year and beyond, the Department will undertake to re-examine the current business model. As part of this re-examination, the type of support that is required and what form it should take will also be examined, and the experience of other governments will be sought in order to obtain best practices used around the world.

By winter 2008, the Department will develop a strategy to review benefits provided to LES employees around the world, including the LES Employment Regulations, terms and conditions, classification, and human resources delegation authorities.

#### **There is little flexibility to compensate and provide incentives to staff for living abroad**

**3.73** As previously noted, the Department is facing a rapidly changing environment that requires it to respond to the needs of Canadians in a timely manner. Its rotational staff are on the front lines of its program delivery and their personal situations are also affected by this rate of change. Many missions are in environments that compare poorly with Canada in their standard of living, security, safety, and health care. Missions abroad are rated on a hardship scale of 0 to 5. As a result of increasing difficulty with security and related issues, the number of Level 5 missions (considered dangerous or extremely difficult) has risen from 15 to 32 since 1991.

**3.74** We examined whether the Department has processes in place to allow it to respond in a timely manner to the changing circumstances its employees are facing. We expected the Department and the employer (the Treasury Board) to have flexible mechanisms to enable the Department to assign qualified staff to its missions around the world.

**3.75** We found that since the 1960s the Department has principally relied on Foreign Service Directives (FSDs) as an important tool to serve this purpose. The Directives address a number of issues that government departments must consider when assigning staff to missions, such as differences in living conditions, cost of living, travel home for holidays, children's schooling or day care, adequate housing, medical care, and safety and security. These issues also influence the Department's ability to assign or retain employees and deliver programs effectively at its missions.

**3.76** The FSDs are deemed to form part of the collective agreements and also apply to departmental executives posted abroad. Any changes to the FSDs must be co-developed by a sub-committee of the National Joint Council (NJC), a consultative body of 18 bargaining agents, the Treasury Board Secretariat as the employer's representative, and three separate federal agencies. They are normally reviewed every three years. The Department can influence the process through submissions to the employer and through its participation in NJC working groups.

**3.77** The effectiveness of the Foreign Service Directives processes is a long-standing issue. As far back as 1987, our Office commented on the complexity of the Directives and questioned the procedures for determining whether they were achieving their stated intent. We reiterated our concerns in our 1994 and 1997 reports, and suggested that effecting change would require that the government fundamentally re-examine the FSD system and how it is managed. Since then, a 1995 special steering committee, the National Joint Council, the Department's employees, and the Department itself have all expressed concern about the processes for developing and applying the FSDs. However, the processes have remained essentially the same to this day.

**3.78** The limitations of the FSD processes can affect the ability to deliver longer-term strategic initiatives. For example, the Government of Canada launched the high-priority Enhanced Representation Initiative (ERI) to fulfill its commitment to establishing stronger representation across the United States (U.S.). Through the ERI,

**Other Auditor General of Canada reports that refer to the Foreign Service Directives**

- 1987 Report of the Auditor General of Canada, Chapter 8, Department of External Affairs
- 1994 Report of the Auditor General of Canada, Chapter 22, Foreign Affairs and International Trade Canada—Financial Management and Control
- 1997 Report of the Auditor General of Canada, Chapter 9, Foreign Affairs and International Trade Canada—Financial Management and Control

Canada now has 22 consulates and consulates-general throughout the US, in addition to the embassy.

**3.79** The Department and other ERI partner departments are having difficulty convincing their staff to go to these missions in the US, and when they do go, some are unwilling to stay. In 2006 there were only 3.8 applicants for each US posting, compared with 9.3 for similar postings elsewhere and 6.6 overall. In recent years, 73 percent of employees who voluntarily terminated their postings early at their own expense were at US missions, which account for only about 15 percent of all Canada-based staff abroad. The allowances provided under the directives for living in the US are seen by rotational staff and their families as a disincentive to accepting a US posting (Exhibit 3.3).

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**Exhibit 3.3 Foreign Service Directives for US missions are seen as a disincentive to staff assignments**

	US missions	Other missions
Housing	Employees are usually required to arrange for their own leased housing and its maintenance. FSDs provide a rental allowance but do not cover all related costs.	Generally provided in fully furnished Crown-owned or Crown-leased housing. The Crown provides maintenance and furnishings.
Education for children	Schooling is provided by local schools, as mandated by FSDs. Quality of public schooling depends on the local school district, which depends on available housing.	Schooling is paid for by FSDs and provided at private schools also attended by children of the diplomatic community.
Cost of living	According to the Department, costs are 18 percent higher than in Canada, but employees in the US are not fully compensated under FSDs to this amount.	According to the Department, the “post living allowance” FSD adequately compensates for the higher cost of living.

**3.80** In March 2005 the Department requested changes to the FSDs to improve compensation and incentives to employees posted to the US. In its oversight capacity, the Treasury Board Secretariat requested a business case with evidence to substantiate the request. The Secretariat found that the business case did not meet its criteria. At the time of our audit, the Department was working with the Treasury Board Secretariat on a revised business case.

**3.81** The Department recognizes that the FSD system does not provide it with adequate flexibility to respond to changing circumstances on a timely basis. The Department has recently explored the possibility of working with the Treasury Board Secretariat as the employer’s representative to find alternative solutions to urgent

issues. One such issue is that few rotational employees want to go on high-risk postings, such as Canada's mission in Afghanistan.

In July 2005 the Department began making a case to persuade the Treasury Board Secretariat to help put in place special measures prior to the next cyclical review of the Foreign Service Directives. Some of the measures the Department eventually proposed in June 2006 included the following:

- The deputy minister be delegated authority to provide life insurance for employees serving in Afghanistan. Frequently, private life insurance of employees is invalid in a war zone. Consultations with employees suggested that the lack of adequate insurance against hostile acts is one of the most serious barriers to accepting high-risk assignments.
- The **hostility bonus** for the most difficult postings, such as Afghanistan be raised from 50 percent of the hardship allowance to 250 percent of the hardship allowance.
- Entitlement to full FSD compensation be given to employees who spend at least four months at a high-risk mission. Full FSD compensation is normally limited to employees who spend a minimum of one year at a mission.
- A tax exemption on their earnings be given to employees while on dangerous missions, which is consistent with the tax exemptions implemented in 2004 for the Canadian Forces.

**3.82** At the time of our audit, the Treasury Board Secretariat had just clarified that the deputy minister could use his delegated authority under the *Financial Administration Act* to purchase adequate life insurance policies. The other measures were still under discussion. While this effort shows that it is possible to find alternative solutions outside the triennial Foreign Service Directive review process, other outstanding issues have been in discussion for more than a year.

### **Barriers to spousal employment are disincentives for working abroad**

**3.83** Another issue of particular and long-standing concern is spousal employment. As far back as 1981, the Royal Commission on Conditions of Foreign Service reported that the effect of the foreign service lifestyle on employees and families was the second most common reason for resignations. The demanding nature of the posting cycles, family stresses, and the lack of employment opportunities for spouses were reasons clearly influencing decisions to resign.

**3.84** With the increase in two-income families, the issue of spousal employment has only become more acute. Staff members posted abroad often face the difficult choice of separation from their spouse or the loss of one family income, pension benefits, and the postponement or loss of the spouse's career. While there are additional amounts included in the FSD allowances when a staff member is accompanied abroad, they are not designed to address the spousal employment issue. Spousal employment abroad may be difficult to obtain due to a number of barriers, such as language difficulties at each new post, local restrictions on work permits, and lack of recognition of professional qualifications. Following the loss of Canadian employment on departure, spouses are not eligible for employment insurance while looking for a job in the foreign country (except in the United States). The impact of these barriers can be significant for the family posted abroad, as well as for programs and service delivery at missions.

**3.85** Departmental senior management recognizes this issue as a serious one. The Department has put in place some support programs and activities. It has surveyed what other countries do for their families posted abroad who face the same types of problems. Some of those countries have explored alternative solutions, such as a significant spousal allowance or reserved positions at missions for spouses.

**3.86** It is important to note that the issues raised in this and the previous section of the audit may be shared by a number of other government departments and agencies who assign staff abroad.

**3.87 Recommendation.** The Treasury Board Secretariat, with the active participation of the Department of Foreign Affairs and International Trade and other departments and agencies, should

- lead a comprehensive review of the challenges facing the Public Service in posting employees abroad; and
- ensure that appropriate mechanisms are in place, either within or outside the Foreign Service Directive (FSD) framework, to allow departments and agencies to respond in a timely and effective manner to changing circumstances affecting the assignment of qualified staff around the world.

**Treasury Board Secretariat's response.** The Treasury Board Secretariat agrees. The Secretariat is committed to establishing and leading a partnership of key departments and agencies to comprehensively identify the challenges facing the Public Service in assigning staff abroad, and to developing and implementing a reasonable and effective plan of action in a time frame appropriate

to the challenges. The Secretariat will establish this partnership and commence this work by summer 2007.

**Department's response.** The Department agrees that a serious examination of the issues facing those being posted abroad is essential. Currently, most “FSD-related” issues are considered, but few of them are resolved through the National Joint Council (NJC). This co-development process does not easily permit priority focus on one issue, but sets all issues among the total FSD package. This negotiating process has proven to be quite cumbersome and the current FSDs have remained essentially unchanged for over 40 years, despite dramatic changes in Canadian society and changing government priorities.

This framework seriously limits the Department of Foreign Affairs and International Trade’s and other departments’ ability to respond to new or evolving government priorities and programs, all the while being charged with the responsibility and accountability for the program delivery. In addition, a large number of employees unrepresented by any bargaining agent in the process find themselves subject to these regulations, although they have no appeal rights within the NJC forum.

Attempts to support Canadian government employees serving in extreme high risk operations such as Afghanistan and Haiti are still being negotiated as part of the FSD process, which began in 2005.

The Department welcomes the authority and flexibility to meet our obligations through a more streamlined and responsive FSD or other mechanism, or by obtaining separate authorities for operational needs. The Department suggests that the governance process should be re-examined.

## Conclusion

**3.88** The Department of Foreign Affairs and International Trade does not have a comprehensive human resources plan and does not have the information it needs to identify the staffing levels, competencies, and experience it requires now and in the future.

**3.89** As a result of a lack of human resources planning, management of its workforce suffers from many deficiencies that put the attainment of its objectives at risk. Recruitment and promotion processes do not ensure that the position requirements are met on a timely basis in terms of numbers of vacancies filled or skills capacity. Assignments to rotational positions result in a high number of people whose

classification levels do not match the job requirements. The Department is not paying enough attention to the management of locally engaged staff. There is little flexibility to compensate and provide incentives to staff for the cost of living and hardship while working in foreign missions.

**3.90** The Department has begun to develop a planning process for its human resources that can support its long-term management needs. It has a number of good practices to build on, but a sustained effort is required to bring modern human resources planning and management into its culture. Proper human resources planning would contribute to closing the staffing gaps and responding to the Department's immediate and longer-term needs.

## About the Audit

### Objectives

This audit assessed whether the Department of Foreign Affairs and International Trade adequately plans its human resources and manages its workforce with respect to the recruitment, staffing, and assignment of Canada-based and locally engaged staff in order to meet departmental objectives.

### Scope and approach

Our audit focused on human resources planning, key areas of the Department's workforce management (recruitment, assignment, and promotion processes, and the locally engaged staff human resources function at headquarters), as well as on the Department's efforts to modernize its human resources management.

We took a Department-wide approach to the audit rather than focusing solely on the Department's Human Resources Branch. In this audit's scope, we did not include the human resources management of Passport Canada employees and of the Canadian Foreign Service Institute, or of Canada-based staff working at missions for other government departments. Our audit also did not cover the human resources management functions of classification, training, career management, employee evaluation, or health and safety issues. We analyzed internal documentation and processes. File reviews were carried out at headquarters and at missions. Random sampling was done according to Office standards. Files reviewed at headquarters covered recruitment and promotion for several occupational groups and various elements (statement of qualifications, job description, rating guide, basic requirements, selection board composition, and so on) of the processes. We also reviewed files on acting appointments, for which a non-proportional stratified random sample was used. The population was stratified by category of classification, each of the classifications given equal treatment. We also quantified the demographic and competency shortfalls at the Department with data snapshots.

At missions, contract files as well as Canada-based staff and locally engaged staff personal and position files were reviewed. We also compared employees' foreign language competencies with position requirements.

We conducted interviews with management and employees at headquarters and in 12 missions.

### Criteria

We expected

- human resources plans to be timely, complete, integrated with the Department's business plan, and responsive to the needs of the Department;
- appropriate data for human resources planning and its management to be accurate and easily accessible;
- the Department to be able to have the appropriate number of employees with the required skills and competencies at the right time and in the right place; and
- roles and responsibilities for recruitment and job assignments to be clear, defined, and well communicated.

### **Audit work completed**

Audit work for this chapter was substantially completed on 28 November 2006.

### **Audit team**

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## Appendix List of recommendations

The following is a list of recommendations found in Chapter 3. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
<p><b>Human resources planning</b></p> <p><b>3.27</b> The Department should develop and implement a comprehensive human resources plan that clearly defines its current and future human resources needs, both for Canada-based staff and locally engaged employees. (3.14–3.26)</p>	<p>The Department agrees that a comprehensive human resources plan must be developed and implemented. In the last few years, significant progress has been made in establishing the capacity and systems necessary to plan in a complex and multi-dimensional environment. The development of a comprehensive Canada-based staff plan is in the final planning stages and is expected by spring 2007. Building on the Management Consular Officer model, the Department is developing plans for key professional groups in order to ensure that the Department has the right people in the right place doing the right job.</p> <p>For locally engaged staff (LES), the Department will develop a framework by winter 2008 to guide missions with their LES planning, focusing on identifying key competencies required for its LES workforce. These mission-specific plans are based on local labour laws, and current and future human resources needs. There is little or no LES mobility between missions, the LES are not subject to the Public Service Employment Act (PSEA), and each country has its own set of terms and conditions of employment. As such, resourcing strategies and plans for the LES should be distinct from the Canada-based staff population, although intricately linked to the Department's current country strategy process. This process analyzes mission, policy, government, and other requirements and develops a mission-specific strategy ensuring that this is placed into an overall government context. These strategies then form part of the Department's overall business plan.</p>

Recommendation	Response
<p><b>Workforce management</b></p> <p><b>3.64</b> As part of its human resources plan, the Department should outline its strategies to fill current and projected gaps in its workforce, including how recruitment, promotion, assignment, and language training activities can best contribute to ensuring that it has qualified people in the right place at the right time. (3.28–3.63)</p>	<p>The Department agrees with the recommendation and recognizes that strategies to fill current and projected gaps in its workforce are important elements in human resources planning. Recent changes to the departmental configuration, as well as the conversion in 2005 of the Foreign Service group, have had a significant impact on data integrity. Data integrity and the management of vacant positions are key success factors in determining immediate and longer term needs. To address this, the Department has already created a unit headed by an executive to focus on human resources data integrity and anticipates that it will take up to two years to update all the systems to ensure quality data.</p> <p>The Department is working with the Statistics Canada Centre for Workforce Planning and Forecasting to modify its systems and improve its ability to address workforce gaps.</p> <p>As suggested in this report, the Department agrees and will continue to use non-traditional means to staff positions, whenever appropriate. The Department agrees that foreign language training needs must be better linked to the staffing conducted by the Department and will endeavour, by winter 2008, to study foreign language training requirements and develop an action plan.</p>
	<p><b>3.72</b> The Department should strengthen the management of its locally engaged employees and better support mission managers in carrying out their responsibilities. (3.65–3.71)</p>
	<p>The Department agrees that the capacity to deliver quality services to the locally engaged staff (LES) population and their management teams needs to be strengthened. In the 2007–08 fiscal year and beyond, the Department will undertake to re-examine the current business model. As part of this re-examination, the type of support that is required and what form it should take will also be examined, and the experience of other governments will be sought in order to obtain best practices used around the world.</p> <p>By winter 2008, the Department will develop a strategy to review benefits provided to LES employees around the world, including the LES Employment Regulations, terms and conditions, classification, and human resources delegation authorities.</p>

Recommendation	Response
<p><b>3.87</b> The Treasury Board Secretariat, with the active participation of the Department of Foreign Affairs and International Trade and other departments and agencies, should</p> <ul style="list-style-type: none"> <li>• lead a comprehensive review of the challenges facing the Public Service in posting employees abroad; and</li> <li>• ensure that appropriate mechanisms are in place, either within or outside the Foreign Service Directive (FSD) framework, to allow departments and agencies to respond in a timely and effective manner to changing circumstances affecting the assignment of qualified staff around the world. <b>(3.73–3.86)</b></li> </ul>	<p><b>Treasury Board Secretariat’s response.</b> The Treasury Board Secretariat agrees. The Secretariat is committed to establishing and leading a partnership of key departments and agencies to comprehensively identify the challenges facing the Public Service in assigning staff abroad, and to developing and implementing a reasonable and effective plan of action in a time frame appropriate to the challenges. The Secretariat will establish this partnership and commence this work by summer 2007.</p> <p><b>The Department’s response.</b> The Department agrees that a serious examination of the issues facing those being posted abroad is essential. Currently, most “FSD-related” issues are considered, but few of them are resolved through the National Joint Council (NJC). This co-development process does not easily permit priority focus on one issue, but sets all issues among the total FSD package. This negotiating process has proven to be quite cumbersome and the current FSDs have remained essentially unchanged for over 40 years, despite dramatic changes in Canadian society and changing government priorities.</p> <p>This framework seriously limits the Department of Foreign Affairs and International Trade’s and other departments’ ability to respond to new or evolving government priorities and programs, all the while being charged with the responsibility and accountability for the program delivery. In addition, a large number of employees unrepresented by any bargaining agent in the process find themselves subject to these regulations, although they have no appeal rights within the NJC forum.</p> <p>Attempts to support Canadian government employees serving in extreme high risk operations such as Afghanistan and Haiti are still being negotiated is part of the FSD process, which began in 2005.</p> <p>The Department welcomes the authority and flexibility to meet our obligations through a more streamlined and responsive FSD or other mechanism, or by obtaining separate authorities for operational needs. The Department suggests that the governance process should be re-examined.</p>



# **Report of the Auditor General of Canada to the House of Commons—May 2007**

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