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STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL
AFFAIRS

**Reference: Hearing under Standing Order 25(2)(b) regarding the performance of
the Australian Federal Police**

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**SENATE STANDING COMMITTEE ON
LEGAL AND CONSTITUTIONAL AFFAIRS**

Monday, 16 October 2006

Members: Senator Payne (*Chair*), Senator Crossin (*Deputy Chair*), Senators Bartlett, Brandis, Kirk, Ludwig, Scullion and Trood

Participating members: Senators Allison, Barnett, Bernardi, Bob Brown, George Campbell, Carr, Chapman, Conroy, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Fielding, Fierravanti-Wells, Fifield, Heffernan, Hogg, Humphries, Hurley, Johnston, Joyce, Lightfoot, Lundy, Ian Macdonald, Mason, McGauran, McLucas, Milne, Murray, Nettle, Parry, Patterson, Robert Ray, Sherry, Siewert, Stephens, Stott Despoja, Watson and Webber

Senators in attendance: Senators Brandis, Crossin, Ludwig, Payne and Trood

Terms of reference for the inquiry:

To inquire into and report on:

Hearing under Standing Order 25(2)(b) regarding the performance of the Australian Federal Police

WITNESSES

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GAUKROGER, Mr Allan, Chief Financial Officer, Australian Federal Police..... 1
KEELTY, Commissioner Mick, Commissioner, Australian Federal Police..... 1
VAN DAM, Mr Trevor, Chief Operating Officer, Australian Federal Police..... 1

Committee met at 7.31 pm**BLAKE, Mr John, Coordinator, Workforce Policy and Planning, Australian Federal Police****GAUKROGER, Mr Allan, Chief Financial Officer, Australian Federal Police****KEELTY, Commissioner Mick, Commissioner, Australian Federal Police****VAN DAM, Mr Trevor, Chief Operating Officer, Australian Federal Police**

CHAIR (Senator Payne)—Welcome. This is a hearing of the Senate Standing Committee on Legal and Constitutional Affairs held under standing order 25(2)(b) regarding the performance of the Australian Federal Police. It arises specifically from the AFP's response to a particular question on notice, which was numbered 103, from the May 2006 budget estimates round. I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. The committee prefers all evidence to be given in public, but under the Senate's resolutions witnesses have the right to request to be heard in private session. It is important that witnesses give the committee notice if they do intend to ask to give evidence in camera. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may of course also be made at any other time.

I remind senators that the Senate has resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked to the officer to superior officers or to a minister. This resolution prohibits only the questions that ask for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. Officers of the department are reminded that any claim that would be contrary to the public interest to answer a question is one which must be made by a minister and should be accompanied by a statement setting out the basis for the claim. Commissioner, I wonder whether you have any opening remarks that you might wish to make to the committee. At the conclusion of those, we will go to questions. I anticipate that this will be a relatively informal process this evening. The AFP has provided answers to a number of questions on notice and some additional information. Further questions have been asked. A lot of information has been going back and forth, but we will try and make this as constructive as possible.

Commissioner Keelty—I wish to make some opening remarks. The first one is to introduce some new AFP people to you. Allan Gaukroger took over as the Chief Financial Officer of the AFP from June this year and this is his first appearance before this committee. Allan has only been with us for a relatively short time. John Blake, sitting on my left, is the head of our workforce policy and planning area. Given the interest of the committee, as I understand it, is in that area, I thought it best to have John with us to give you more precise answers so that we are not going off looking for them.

In continuing my commitment to this committee in preparation over the weekend but more recently—about an hour ago—I became aware of a mistake in one of the answers to a question on notice, question 103, that was asked of us on 25 May 2006. I just thought that before we start this session I should advise you of a mistake that was provided in response to that question. Our answer to the question looked at the receivable projections reported over the past four years, specifically relating to the 2004-05 portfolio budget statement and our response to that question. In a table that is provided as part of that response, which is on page 2 of our response, referring to the financial year 2003-04 of receivables of \$191.714 million, we said that a significant upward movement in receivables in 2003-04 is due to the forecast surplus of \$80 million in deferred capital expenditure of \$64 million. We then went on to explain that and said the main drivers of the surplus were delays in implementing new measures, ‘particularly recruitment activities’, which is in brackets, and an underspend of \$32 million for PNG related activities.

The first point to make is that \$32 million should have been \$62 million. That \$62 million is included in response to the additional question of 103, which is a question that was asked of us on 15 September 2006. The answer to that question has only been recently provided, so the \$32 million should have been \$62 million—I only discovered that tonight. Secondly, on reflection, the words in brackets, ‘particularly recruitment activities in relation to PNG’, are probably an overstatement because, as will probably be derived from the questions and answers provided tonight, recruitment has not been an issue for us.

The second point, with your permission, is that—obviously, I have not had a chance to discuss it with the minister—I reflected on whether providing you with our workforce planning document, which goes out to 2010, would assist the committee. The difficulty I have in doing that is that the work that we do is predicated on budget bids that we put in. Of course, there would be content in this document and figures in the tables of this document which are subject to decisions by the government in terms of not only the next budget but future budgets, so I cannot do that. I have looked at it and I cannot.

CHAIR—I understand that and I would rather you took that up with the minister and then came back to the committee. I think that would be appropriate.

Commissioner Keelty—I am sure the minister would agree that it is going to be difficult for us to do that, not that I would pre-empt a decision of the minister, of course. The other area that I wanted to be upfront to the committee about is that we have certainly made one mistake, but there are some discrepancies between what happens with portfolio budget statements, additional estimates portfolio budget statements and the annual report. I simply point out that our annual report includes the whole-of-AFP numbers, so it includes our ACT policing element as well as the other elements of the AFP staffing.

There has been a lack of consistency in some of the portfolio budget statements where we have included ACT numbers, and in others we have not. For that reason, there will be discrepancies between some of those figures, which we are happy to take the committee through as part of the answers tonight.

CHAIR—I think I recall addressing that in the chamber.

Commissioner Keelty—You did.

CHAIR—When we get to those figures I am sure you will clarify the discrepancies you have pointed out. Given that we are having this hearing while the Senate is in session, we may be plagued by a couple of divisions.

Proceedings suspended from 7.41 pm to 7.50 pm

CHAIR—We will resume. We were with you, I think, Commissioner.

Commissioner Keelty—Thank you. The final point I was going to make was about language, if I can put it that way. We will try to be as succinct as possible, but clearly there are issues about average staffing levels and actual staffing levels. For us, there is the other complexity, for want of a better word, of having been through the period post 2001, when the Protective Service came into the organisation. So the other issue with language is when we are referring to Protective Service officers in our figures and when we are referring to sworn and unsworn people. I will try to keep it as simple as possible. I think some of our answers in the past have created some of the confusion that has led to the questions that we have been receiving.

CHAIR—Hopefully, we can make this a constructive exchange and try to avoid that happening anymore. We appreciate those statements, Commissioner. Senator Ludwig, where would you like to start the discussion?

Senator LUDWIG—Probably where we just left it, in the spirit of constructive dialogue. But before I get to constructive dialogue I want to make the point that the purpose of the last estimates was to question you and resolve some of the discrepancies, particularly those that now seem plain on the record. If we had been able to do that last time, we could have perhaps avoided this hearing as well. I will not leave Senator Payne out of the loop either. If Senator Payne had managed to convince her associates to agree to a hearing or a full committee process to look at all of these issues, we might also have avoided some of the matters that now will take some time. If I do not finish tonight I will probably continue at estimates as well. I am a little disappointed about the overall process, including my view of the chair's role and the fact that we are now dealing with these matters. Clearly errors, if I can call them that, have been made.

You mentioned that some of the planning documents are current, but, if old planning documents are available, they might assist. The current one is right. It is predicated on the coming budget, but the one that has gone already is a stale document as such. If there is no confidentiality attached to it, you may be able to provide it. I will leave that with you.

CHAIR—Perhaps you would like to take that on notice and consider it, Commissioner.

Commissioner Keelty—If I can. I will also say that I accept full responsibility for anything that comes forward to the committee, and that includes any errors. The one thing I will say is that, clearly, there will be discrepancies in figures because of not only the budget cycle but the way policy is created. The AFP has been subjected to significant changes over the period of the last 5½ years, since I have been in this position. As I said at the last Senate estimates hearing, we have had some difficult things to deal with—things like unforeseen new policies coming mid-cycle in a financial year. So any workforce planning that we did, for example, before counter-terrorism became an issue for the government, quickly became a document that was not going to be used for future work. The same happened with people-smuggling. The same happened with

Timor Leste. The same happened with the Solomon Islands. It is a movable feast for us and it is one that is not easily dealt with.

With that come complications such as no win no loss provisions on money that is appropriated to us, things such as lapsing programs on appropriations. With four-year budget cycles—and I have made this point to the government through the minister—it is difficult for us in policing to get people into the organisation overnight and to have them contributing to new programs within a financial year. That is complicated, of course, by things that happen during election cycles where they will happen from 1 January rather than 1 July. So there are some inherent complications in the AFP's budget that I think lead to some confusion about the figures.

Suffice to say that we are in a position to give you predictions on what the headcount will be by the end of this financial year. One other complicating factor is things like aviation security and uniform policing at airports. When we recruit state police into the AFP for either the International Deployment Group or Airport Uniform Policing, we are subject to the vagaries—and I do not mean that in a critical way—of the recruitment processes of the state and territory police. Whilst we can do a lot in trying to assist the committee in understanding what we are trying to do here, despite our best endeavours there will always be differences that arise because of the actual people that we get into the organisation and the projected people based on the known situation at the time that we provide those figures.

Senator LUDWIG—I appreciate that. That is why we have these hearings. In question No. 103, you indicated:

The main drivers of the surplus were delays in implementing new measures (particularly recruitment activities) ...

Do you say that that is no longer the case or was not the case at that time and should not have been mentioned there?

Commissioner Keelty—There were delays in implementing the new measures and that is the start-up difficulty associated with something like a Papua New Guinea project. Where it said '(particularly recruitment activities)', we did not have difficulties attracting people into the organisation to go into those positions. It was more to do with the start-up delays in terms of the funding that was allocated to us to get the program up and running.

Senator LUDWIG—But it did say 'implementing new measures (particularly recruitment activities) and an underspend'. I did not read those together in that sense that it related to PNG.

Commissioner Keelty—What it is saying is that there was a total of \$80 million—and this is broken up in the supplementary response to that question—which was made up of \$62 million for salaries and supplies for PNG, \$7 million for the Regional Assistance Mission to the Solomon Islands, \$2 million for Protective Service that is mainly attributable to an operating surplus in the commercial area and \$9 million relating to the recovery of Bali expenditure from 2002-03 where the government appropriated that funding to us post the event.

Senator LUDWIG—I accept that. But does the phrase '(particularly recruitment activities)' only relate to PNG or does it relate to recruitment issues more generally of the AFP at that time? My point is that it says 'and'. In other words, the main drivers of the surplus—the surplus in the

general sense, not the surplus as a consequence of PNG or only in relation to PNG—and then it says, ‘and an underspend of \$32 million for PNG related activities’. The ‘and’ and the \$32 million relate to PNG and any matters that might be associated with that, including recruitment, but the recruitment phrase in the brackets seems to me—and that is why I am asking the question—to be a more general statement about the AFP at that time. Is that the case?

Commissioner Keelty—No, it is not. There was a shortfall of \$83 million: \$56 million was for PNG and \$27 million was for enabling services and intelligence and information services. It perhaps should have said ‘particularly’ and not ‘and’. It should not have joined them.

Senator LUDWIG—Do you want to correct that, then? What I wanted to know from that phrase was what the purpose of that recruitment was, how many recruits we are talking about and how much money was attached to that particular recruiting activity.

Commissioner Keelty—We can correct it now if you would like. Of course—

Senator LUDWIG—It is not a case of what I would like. It is your report. It is your answer to a question. You own it in that sense. I am just trying to establish what it relates to and what it means.

Commissioner Keelty—It is clarified in the subsequent answer that was supplied to the question dated 15 September.

CHAIR—Was that the numbers that you just read out?

Commissioner Keelty—It was the numbers that I just read out.

Senator LUDWIG—Yes, but that is the supplementary that relates to (a). It says ‘in broad terms, the estimated surplus of \$80 million’ relates to \$62 million for salaries and supplies and the other amounts of \$7 million, \$2 million and \$9 million. That makes sense of the \$80 million, but then the second paragraph says ‘the main drivers of the surplus’, so now we are talking about what drove the surplus in implementing those new measures.

Commissioner Keelty—And, as I just pointed out, the surplus there is the \$80 million and the \$64 million in capital, which is the round figure of \$145 million which is in the preceding sentence. The main drivers of the surplus were delays in implementing new measures but particularly the PNG related activities. The \$80 million is then broken down in the supplementary answer to that question.

Senator LUDWIG—If that is for that year, what about the next year? Were there any recruitment problems or delays in implementing? That is the explanation for (a) in the additional information to question No. 103. Can we now go forward to the next year?

CHAIR—So you want to move to 2005-06?

Commissioner Keelty—Or 2004-05?

Senator LUDWIG—Yes, 2004-05.

Commissioner Keelty—In 2004-05 there was a shortfall in recruitment of 123—63 of those were specialist forensic and technical staff and 60 of those were specialist intelligence staff. If I could just dwell on the specialist intelligence staff for a moment, one of the difficulties that the AFP and other similar agencies have had in recent years has been the obvious increase in intelligence staff with all of us drawing from a limited pool. We have sat down and discussed that with the Commonwealth law enforcement agencies because we are all trying to draw from the same pool of recruits. We have had a delay in recruiting specialist intelligence people. That was the delay in 2004-05.

Senator LUDWIG—If you look at the question that was originally asked, which was No. 103, the answer was the main drivers, particularly recruitment activities. You have indicated in broad terms the estimated surplus of \$80 million being comprised of those dot points. More specifically, the \$62 million is for salaries and suppliers for PNG. Which area relates to the recruitment activities? You have four dot points, so which area was it from—or was it all four areas?

Commissioner Keelty—It is the 83 that I mentioned to you a moment ago, which is made up of 56 PNG and 27 million enabling services. The dollars attached to that were \$14 million, and that was returned to budget in 2004-05.

Senator LUDWIG—What does the \$64 million in deferred capital expenditure relate to?

Commissioner Keelty—I will ask Allan Gaukroger to answer that.

Mr Gaukroger—There was a range of initiatives on which that \$64 million was based at the time. A significant portion of it related to Papua New Guinea capital funding at the time, which was some \$29.8 million. There was also at the time the Solomon Islands Regional Assistance Mission of almost \$17 million, in which there is an underspend of about \$9 million. The rest of the \$64 million relates to the internal capital budget, which includes capital works and normal replacement items. At that time it looked like we were heading for a significant underspend, which means that the receivables, which is another name for cash on call, would increase correspondingly. That cash can then be used in future years for when that capital expenditure is undertaken.

Senator LUDWIG—I am happy for you to take this on notice, but could you break down in a little more detail what that \$64 million actually relates to—which programs and under which budget? There is probably a budget statement that they would be reflected in?

Mr Van Dam—I will take that on notice.

Senator LUDWIG—That was deferred to the next year?

Mr Gaukroger—Some of it was. In the case of Papua New Guinea, PNG, it would not have been spent at all.

Senator LUDWIG—So I wonder if we could just provide a breakdown. Was it rephased in that sense?

Mr Gaukroger—There are no rephasings as such. With capital expenditure type items, once you have the cash in the bank it will be held until such time in the future that it is required. It is a little different from administered items.

Senator LUDWIG—So it is carried over?

Mr Gaukroger—Yes. You can effectively carry it over, unlike the operating statement.

Senator LUDWIG—It can either be rephased or it can be carried over—if it is a capital expenditure it can be carried over? That is what I wanted you to break down—which year it was then spent in. It can be carried over until such time as the item is spent.

Mr Gaukroger—Yes.

Senator LUDWIG—There gets to be an end point, because you then go past the out years.

Mr Gaukroger—Yes, in fact it gets used in the future; otherwise, it can be used for other priorities within the AFP.

Senator LUDWIG—That is what I wanted to look at: the original item that the capital expenditure was going to be pinned on. If it was Papua New Guinea, then in that sense it is clear—it was returned at some point so you can tell me when it was returned. If the priority for which the money was originally indented changed then you can tell me what happened to the money and how it was then spent.

Mr Gaukroger—That particular amount was not returned. It remains in our cash in bank. There was an amount of \$17 million that was returned back in 2005-06, but certainly not the \$29.8 million that is part of our cash in bank.

Senator LUDWIG—So not all the PNG money was returned?

Mr Gaukroger—No.

Senator LUDWIG—How much was not returned?

Mr Gaukroger—In 2003-04 we had \$29.8 million. There was that amount in 2004-05, and we returned just a little over a million dollars. There was an amount appropriated in 2005-06 of \$17.6 million; we returned \$17 million of that. Then there were some smaller amounts in 2006-07 of half a million dollars, which was not returned.

Senator LUDWIG—So in the order of \$23 million is still sitting in receivables.

Mr Gaukroger—It is possible we may have spent some of it because we did not go into Papua New Guinea. I just do not have that information here at the moment.

Senator LUDWIG—I am happy for you to take that on notice and clarify that. So what happens to that money? Obviously, it cannot sit there forever—theoretically, anyway.

Mr Gaukroger—It can be used for other priorities within the AFP. When we do our capital expenditure program each year, we look at the priorities of the AFP in terms of capital spends. It can be used for that or a range of other activities, but effectively it is used according to the needs of the AFP.

Senator LUDWIG—All right. Has that been earmarked for anything at this point in time?

Mr Gaukroger—Not that I am aware of, no.

Senator LUDWIG—How will that be reflected in your portfolio budget statement for this year?

Mr Gaukroger—Ultimately, that is incorporated into the other receivables amount, which is another name for cash at call. Some 94 per cent of that receivables cash is held on behalf of the AFP by the Department of Finance and Administration and we can draw down on that as we need it.

Senator LUDWIG—In your response to my additional question to No. 31, under the 2006-07 table, there is \$275 million in receivables for 2005-06. If you go to part (b) of my request for further details in relation to 2005-06 receivables, it says, if you recall—it is on the record:

... if there were any delays in implementing new measures again, those measures should be specified along with the related amount of money ...

Can I take it from the AFP's response that there were no such delays?

Mr Gaukroger—I am sorry; I missed the last part of your question.

CHAIR—You did not read the rest of it, Senator Ludwig.

Senator LUDWIG—No.

CHAIR—The rest of part (b) said:

If delayed recruitment activity forms part of the surplus again, that too should be specified.

And then your question was?

Senator LUDWIG—Were there any delays?

Mr Van Dam—With the commissioner's indulgence, there may be a slightly different way of answering that question. Mr Gaukroger can talk you broadly through how we arrived at the \$275 million, what is in there, and that will give you an indication of what has cumulatively led to that figure.

Mr Gaukroger—Senator, you need to go back a number of years with that receivables amount, back to 2002-03. The closing balance for 2002-03 was \$33.038 million. There have

been a number of ins and outs since that time—capital injection funding over that period of some \$162 million, accumulated operating surpluses of \$119 million. You have also got things like the increase in leave provisions. You have got the depreciation expense, which is an on-cash item; effectively we put away cash when we provide for the depreciation, but on the other hand we spend in terms of capital purchases. Then we have got the return of some Papua New Guinea, PNG, capital of \$17 million. So the depreciation less the capital purchases is a net decrease of some \$41 million. When you add all those together, you get roughly \$275 million.

That is doing it in broad terms, because there are a lot of interactions that can impact on the receivables amount—things like, as I mentioned, the capital injections, the operating surpluses. When the trade creditors increase or decrease, that can impact on the receivables. There are also the increase in the leave provisions and the cash at bank, which is shown in the financial statements. We have got an amount of cash at bank. That should only represent a few days working capital. Any differences there go back into that receivables amount. You might have a re-evaluation of the depreciation in some years, which can impact on it. And there are capital purchases. All that can impact on the particular estimate.

CHAIR—Commissioner?

Commissioner Keelty—In looking at the answer to Senator Ludwig's question on 15 September, I do not think we have actually answered the question.

Senator LUDWIG—No. I was going to say that you have read out the question to me again, but that is not the question.

Commissioner Keelty—No, and I apologise, Senator. The listed recruiting shortfall for 2005-06 totals 452. That is made up of 204 for aviation, and that predominantly reflects the fact that the decision on Wheeler was taken when the government implemented the Wheeler initiatives. The figure of 204 largely reflects the inability of the AFP to recruit state and territory police in the period of time before the financial year finished. The figures are 126 for PNG, 32 for specialist forensic and technical and 20 for specialist intel. I pause there to reflect on the previous answer I gave about those areas. For chemical, biological, radiological and nuclear initiative of the bomb data equivalent, the figure is nine. For Operation Wickenby, the tax investigation, it is 10. In the IDG, it is 10 for the Sudan. For base police it is 18 and for ACT policing we had a shortfall of 23. Except for aviation, PNG, the specialist forensic and technical and the specialist intel, the balance have been recruited since 1 January this year. So whilst 452 seems quite a large figure, I would ask you to focus on the 204 for aviation, 126 for PNG, 32 for forensic and technical and 20 for specialist intel. Unless someone advises me otherwise, all the others have been recruited since 1 January this year.

Senator LUDWIG—So the total was 452.

Senator CROSSIN—There is still an underspend of \$382 million—is that right? If we add up those four areas—aviation, PNG and the two specialist areas—that is an amount of \$382 million.

Mr Van Dam—That is staff numbers.

Senator CROSSIN—So that is 382 staff.

Senator LUDWIG—I was going to get to those as well. I want to come back a bit to the 2005-06 receivables. I had asked if there were any delays implementing new measures—again, those measures that should be specified along with the related amounts of money. Was there any delay in implementing any of the new measures?

Commissioner Keelty—The answer is obviously yes. The delays were partly due to the fact that we did not recruit some of those staff until January this year. The other delays are related to the ones I have already described—that is, in aviation, PNG, forensic, technical and specialist intel. The answer that was provided to you, Senator, does not give that full response, unfortunately. Again, I can only apologise for that.

Senator LUDWIG—I am happy for you to take this on notice. We seem to be getting a bit closer to where we should have been some time ago. You have articulated some of the measures, but I just want a bit more precision about the measures: how much related to each particular measure and which ones were recruitment orientated—in other words, related to recruitment or other than recruitment or, if it was a combination of both recruitment and another issue, if that can happen, what the other delay was.

Commissioner Keelty—Yes. As you can see, I have just discovered, in re-reading your question and the answer that was provided, that we clearly have not answered your question. If I can take that on notice rather than try and confuse the issue with an inappropriate answer tonight—

Senator LUDWIG—Yes. The questions that I asked were particular. I guess this is a catch-all question, but I will ask it in any event, just in case the question was seen as too particular. I will also ask you to take on notice to clarify whether there were no delays or underspends in relation to gained measures from previous budgets.

Commissioner Keelty—Yes, Senator.

Senator LUDWIG—The obvious question is: if there was not, why did the supplementary response not say so? Could you just draw that out again? If there was, then: what were the measures, how much was involved and were any in relation to recruitment or was there a combination of both? It seems there is a need to correct the record from where we started to where we are now.

Commissioner Keelty—Yes. Without pre-empting where you are heading with this, from what I had prepared out of the work that I did tonight, before coming here, I have figures that we can provide you in relation to what our expected end of financial year headcount position will be, as of 30 June 2007, and the breakdown of those figures in terms of which ones are expected to be state police and which ones will be AFP.

Senator LUDWIG—I am happy to get those in about five or 10 minutes, if that is okay. There is a bit more on the budget before I actually get to the numbers. Would that be all right?

Commissioner Keelty—Certainly, Senator. I was trying to predicate.

Senator LUDWIG—I thought you might have those as well. The answer in paragraph 2 of the additional response indicated that \$119 million of the \$275 million in receivables for 2005-06 provided for fully funded employee entitlements. I am just a bit curious about that. Could you explain when the policy position of fully funding was adopted?

Mr Gaukroger—I do not think there is a policy on fully funding, as such. When we have the amount of cash on hand, we can attribute it to a number of priorities within the AFP. For the purposes of the \$275 million, we have assumed fully funded employee entitlements. That can change: it can become lower. I guess, at its very minimum, it is the amount that is required to be paid in any particular year.

Senator LUDWIG—But that is fully funded employee entitlements. There are also the out years—future, accrued. It is not just in one year.

Mr Gaukroger—It is the amount outstanding on the balance sheet—

Senator LUDWIG—It could be different for long service leave. It has not been paid—

Mr Gaukroger—That is correct. It is payable—

Senator LUDWIG—If it is annual leave, it is the same—it may not even be payable each year.

Mr Gaukroger—That is correct.

Senator LUDWIG—But, if you have fully funded it, it seems to suggest that you have also fully funded the amount, if at that point in time it was realised—but of course it would not have been realised at that time; it will fall due over the next three to 10 years or longer. Normally I would expect you, in your budget, to only relate to the amount that is actually falling due in any particular year, rather than say that it is fully funded for the future as well. That would be a novel position for me to hear you say that that would be the case—but I am happy for you to tell me that.

Mr Gaukroger—That is the minimum that you would have to provide for each year as the amount that you expect to pay in the next financial year. So it is between that number and fully funded.

Senator LUDWIG—The answer says that it was provided for fully funding employee entitlements. That is why I asked about the policy change.

Mr Gaukroger—It is just saying that it is the assumed provision for fully funded.

Senator LUDWIG—How do you decide on the priorities with regard to what you will put the money to? You put it to that, but I guess it could have been put to anything. Is that what you are telling me?

Mr Gaukroger—With the cash on hand, there are some things that are commitments—for example, unpaid creditors. We have a commitment to pay those. There are other things that are

discretionary. There is a certain element of discretion there in terms of when you provide for it. Capital expenditure can vary from year to year. Some years it can be low; some years it can be high. It just depends on what the priorities are at the time. The essential thing with the cash on hand is that the AFP, like any other organisation, remains solvent. One of the important indicators that we have got to measure solvency within the AFP is what is called a current ratio—which is your current assets divided by your current liabilities. That is in the order of around two, which is pretty much a normal operating range for a well-managed organisation.

Senator LUDWIG—But who decides on which ones will be prioritised and put down as being fully funded? It looks to me like that money has just been parked there.

Mr Gaukroger—There is always going to be a certain amount of unallocated cash each year. In terms of deciding prioritisation, things like capital expenditure are decided within the AFP by our finance committee. That gets revisited every year. Some of the amounts will be fully expended in the year and sometimes they might not be because of different things that occur. Invoices will go up and down each year. There are a range of other things that can impact on that cash amount as well. You have a certain amount of committed cash and a certain amount of uncommitted cash. I guess the ultimate goal in terms of making sure that we have sufficient cash to remain solvent is that we have a current ratio of between one and two or thereabouts for the organisation. If it is below that, you can expect to incur some financial difficulties. If it is over that, you have to ask what use it could be put to in future periods.

Senator LUDWIG—But that is a huge amount to park, \$275 million. I have questioned a lot of departments in my short time here and I can tell you that departments do not park that amount of my money. You have parked \$275 million and put it to fully fund employee entitlements and to a range of areas which your finance committee has determined. Don't you find that extraordinary?

Mr Gaukroger—The finance committee does not determine the employee entitlements.

Senator LUDWIG—Would you say this is normal financial practice within an agency—to park \$275 million in this way?

Mr Gaukroger—You have to look at it in terms of the current ratio. That amount is included in there. When you look at your current assets divided by your current liabilities, the AFP is currently on a ratio of around two. If you look at other agencies, they are probably not that much different. From time to time annual reports report the current ratios of agencies. Between one and two is the normal operating range, and the AFP is currently on two.

Senator LUDWIG—So you are at the top end, are you?

Mr Gaukroger—It is the top end of a normal operating rate. If it was above that—

Senator LUDWIG—So your ratio is two?

Mr Gaukroger—It is currently 2.1.

Senator LUDWIG—Was the \$67 million for accumulated depreciation and the \$49 million for unpaid invoices the result of the same decision made around the same point?

Mr Van Dam—If I can touch on those figures, with the accumulated depreciation of \$67 million, what the answer is telling you is exactly what it says: that is the amount of depreciation that has accumulated to replace capital within the organisation.

Mr Gaukroger—That is correct.

Mr Van Dam—It is not a figure that we have made up; that is a figure that is based on the capital base of the organisation and the amount of money that is put away every year to replace that capital in the future. The \$49 million in receivables is clearly receivables. If I can possibly anticipate a little bit where you are going here, what this answer does not tell you is the answer to the question about where the AFP might deploy some of its available cash in the future. What I can advise you is that we have a reasonable capital acquisition program ahead of us. While we are at the top end of that ratio at the moment, you will see that come down over the next three to four years. We have a new headquarters currently being constructed which over the next two years will draw down capital capability. We then have a series of other capital investments that will be made over the forthcoming years. It is not that we just have that money parked there and we do not intend to use it. That reality is that the AFP has got a building program, in particular, ahead over the next few years that is quite substantial.

Senator LUDWIG—What ratio are you heading for, then? What is your aim? Is it your aim for it to be two?

Mr Gaukroger—It should remain between one and two to be in a safe normal operating range. If it goes below one, that can indicate that there could be some solvency issues, particularly if it goes below 0.5. They are rules of thumb, but that is generally the sort of operating range that we would normally try to aim for.

Senator LUDWIG—I would invite you to maybe pick an agency like Customs and calculate theirs. I am happy for you to take that on notice. I will challenge myself and do it as well. But I think that you will find that theirs is nowhere near two or in fact 2.1. Be that as it may—

CHAIR—Mr Gaukroger is not required to answer on behalf of Customs, only on behalf of the AFP.

Senator LUDWIG—I am asking him to calculate their ratio in comparison to his ratio.

CHAIR—I am not sure that that is Mr Gaukroger's job, frankly.

Senator LUDWIG—It is his job, because—

CHAIR—To calculate on behalf of Customs?

Senator LUDWIG—To ensure that he is within a reasonable range of other agencies.

CHAIR—That is a different question. If you want Mr Gaukroger to ensure that the AFP is in a reasonable range of other agencies, that is one thing.

Senator LUDWIG—He could do that.

Mr Van Dam—If I can comment in a broad sense, where one sits in that range is a question of a point in time and what the organisation has been doing. You would know better than I, but my understanding is that Customs have just completed a self-funded and very substantial investment in their computer capabilities. My instinct is that their ratio would be a bit lower than ours because they have just completed a major capital acquisition program.

CHAIR—My instinct is that I would rather be discussing the AFP here right now and not Customs. We will bring Mr Carmody in if we want to discuss Customs, and I am sure he would look forward to that. Let us discuss the AFP now. If you want Mr Gaukroger to do what you said in relation to comparisons, Senator Ludwig, that is one matter. Other than that, let us move on.

Senator LUDWIG—I am sure he can do the comparison. He can take that on notice.

CHAIR—Fine.

Senator LUDWIG—At one point, you were talking about fully funding employee entitlements. Now you are talking about buildings. Which is it? Is it all of the above?

Mr Van Dam—What I am trying to reflect there is that there is \$275 million there, of which an amount is allocated for employee liabilities. What I am flagging for you is that the residual of that is certainly intended to be utilised over the out years in the context of our capital acquisition program.

Senator LUDWIG—I am happy for you to break that down as well. You can take that on notice and tell me which relates to—

Mr Van Dam—I think we could provide some data to you on what our known capital outlays are likely to be over the next few years.

Senator CROSSIN—There is \$49 million for unpaid invoices. Can you give me an idea of what we might be talking about here? That seems like a pretty large amount of wanting to be paid in-tray.

Mr Gaukroger—At any point in time, there will be a certain amount of supplier expenses which are on 30-day terms. When you come to the cut-off at the end of the month we have not received the invoice for it or, if we have received the invoice, it comes after the month. Effectively, that sets aside some cash which we then acquit when we pay the invoice. If you look at, for example, the budget financial statements in the PBS, supplier expenses are in the order of \$49 million, so there is a certain amount that can be set aside each month that is unpaid.

Senator CROSSIN—What sorts of invoices would you be expecting if there is \$49 million sitting there in expected payments? What kinds of invoices are we talking about, or is this right across the agency?

Commissioner Keelty—I know that we have not had a chance to brief you previously. One of the things that the AFP finds itself doing is very significant contractual arrangements with companies such as Patricks for the provision of logistic support services to our overseas deployments in Papua New Guinea, Timor and the Solomon Islands. That includes things such as aircraft—large expenditure items. It is something that the AFP had not until recent years been involved in but we do have significant invoices, as Mr Gaukroger said, coming in, particularly given that we are into this contract arrangement with the private sector. I did not mean to cut Mr Gaukroger off but I just realised that you may not have been aware of it.

Mr Gaukroger—I was going to use the example of Patricks because that could be a fairly major one that can occur at any point in time.

Senator CROSSIN—What was the last amount that you paid to Patricks?

Mr Gaukroger—My recollection was that at the end of the 2005-06 financial statements we had something like \$15 million or thereabouts outstanding for Patricks—that was just one supply.

Senator CROSSIN—It is still a fair way short of the \$49 million in unpaid invoices, isn't it?

Mr Gaukroger—One might look at the 2004-05 financial statements, for example, and the supplier supplies on page 138: \$39 million in one year; \$32 million in the previous year. So it is in that sort of order each year and it will go up when the size of the organisation goes up.

Commissioner Keelty—If it helps, I am happy to provide a breakdown of the \$49 million. These are real invoices.

CHAIR—Is that what you are after, Senator Crossin?

Senator CROSSIN—No. You do not need to spend your time doing that. I just wanted an idea of what we are talking about here.

Senator LUDWIG—Can you break down what the \$119 million in employee entitlements covers or relates to? Is it all long service leave, annual leave?

Mr Gaukroger—It is a combination of long service leave and recreational leave, and sometimes there might be a certain amount of salary accruals at the end of the financial year, for example, which will have to be funded the following financial year.

Senator LUDWIG—The \$67 million for accumulated depreciation—are there examples of what we are talking about?

Commissioner Keelty—I think Trevor Van Dam just answered that question. The accumulated depreciation is something we are, if you like, facing in terms of the acquisition of capital and assets. As Trevor said, that figure speaks for itself.

Senator LUDWIG—The \$40 million balance—that was the previous year's operating surplus, and how large?

Mr Gaukroger—That is really just a balancing item.

Senator LUDWIG—You might have to explain that.

Commissioner Keelty—It sounded good to me!

Mr Gaukroger—That particular amount is an estimate, Senator, at the time. It is not broken down into precise detail when the budgets are done. As I mentioned before, it is really just a broad based estimate which includes a whole range of things, such as what we have detailed in that response.

Senator LUDWIG—Has the government appropriated funds specifically for the purpose of fully funding liabilities?

Mr Gaukroger—Each year there is an amount which is expensed into the operating statement for leave provisions. Effectively, when we get the appropriation from the government, that comes down as cash. If the increase in the provision is non-cash, we set aside some cash then to be able to fund that provision for the future years.

Senator LUDWIG—How much is that?

Mr Gaukroger—It depends on each year. In some years there may be virtually no movement, depending on whether there has been a wage increase and whether there have been changes in staffing numbers. It can be a whole range of things. In other years it can move significantly. For example, if you get a salary increase, that will increase the provision. If you get more staff numbers on board, that will increase the provision. By achieving a break-even operating result each year, we are effectively setting aside an amount of cash equivalent to that non-cash amount that gets charged to the profit and loss or the operating statement each year.

Senator LUDWIG—But not \$275 million.

Mr Gaukroger—No, definitely not.

Senator LUDWIG—But that is what you are doing.

Mr Gaukroger—If you look at previous years—

Senator LUDWIG—We are looking at this year.

Mr Gaukroger—In 2005-06?

Senator LUDWIG—Yes.

Mr Gaukroger—I will look at 2005-06. If employee provisions go from 119 up to 124, about \$5 million gets set aside as cash then, which would increase the receivables side by that amount.

Senator LUDWIG—Yes. The government has not wanted your attempt to fully fund those liabilities, has it?

Mr Gaukroger—None of those liabilities were fully funded when accrual accounting was implemented.

Senator LUDWIG—That is right. But you have effectively set aside the money to fully fund. At least, that is what you have told me you have done.

Mr Gaukroger—Yes, but that can be reprioritised in the future, as Mr Van Dam mentioned. With the future capital expenditure programs that we are looking at now, that can be reprioritised.

Senator LUDWIG—If there are no delays in other areas or no underspends, how do you accumulate the \$275 million? Where does it come from in that sense? You have parked it in there to fund your liabilities, although the government did not ask you to do that; there does not seem to be any statement in your answers to questions that you have simply underspent in other areas. If the government did not fund it, how do you scrape together \$275 million?

Mr Gaukroger—As in the sources?

Senator LUDWIG—Yes.

Mr Gaukroger—It actually comes from a range of areas. It can come from capital injections, it can come from operating surpluses, it can come from the movement in—

Senator LUDWIG—I am more interested in where this \$275 million came from rather than any explanation of where it possibly could come from. I am happy for you to take it on notice.

Mr Gaukroger—I can answer it now. It actually stems right back to 2002-03 where we had a range of measures come through in capital injections over the years, and we have had a number of operating surpluses over the years. If you look at the amount of capital injections over that three-year period, you will see it is \$162 million. The accumulated operating surpluses over that three years is \$119 million. The increase in leave provisions is \$27 million. If you look at our depreciation less the capital purchases, there is a net decline of \$41 million. The return of PNG capital is \$17 million and that is, as close as damn it, to \$275 million.

There is a whole range of things that can actually impact on that receivables amount, whether it be non-cash movements like leave provisions, depreciation or trade creditors. It can be cash at bank. If that moves up and down, the difference goes into that receivables amount, because it is really like a cash account. It can be the extent of your capital purchases in every year. If you get a low year of capital purchases, it can increase it. If you have a high level of capital purchases in another year, it can decrease it, so there is a range of things that accumulate in it. But, broadly speaking, the \$275 million was for the reasons that I just stated a little earlier.

Senator LUDWIG—If we look at the 2005-06 PBS, receivables were then sitting at \$49 million. Employee liabilities for the year were estimated at about \$89 million, which is above \$49 million. So, at the time of last year's budget, you were not fully funding employee

entitlements, let alone any other liabilities. Somewhere between 2005 and 2007, there was a decision made to fund those—presumably, by your finance committee—and then an extra \$226 million turned up.

Mr Gaukroger—No, it is not a decision to fund it; it is just an assumption that has been put in the budget. The receivables themselves have been fairly high over the last few years. The closing balance at 2003-04 was \$176 million. At the end of 2004-05 it was \$286 million. It suggests there are a number of assumptions put into that amount you quoted—going down to, I think, \$49 million—being returned to funding, but the reality is that it has progressively increased over the last three years for the reasons that I have mentioned.

Senator LUDWIG—So you can reprioritise these amounts at any time?

Mr Gaukroger—In terms of cash, you can.

Senator LUDWIG—According to the needs of the AFP, I guess you can change the amounts. Do you check with the Department of Finance and Administration about the way you then reprioritise those amounts?

Mr Gaukroger—You do. In terms of capital expenditure we do do that, in conjunction with the department of finance. If we have a significant item of capital expenditure, we need to get approval from the department of finance in order to go ahead with that.

Senator LUDWIG—You said earlier that you might subscribe it to capital expenditure later on, but you would then have to get approval if you decide to go ahead with the project.

Mr Gaukroger—Over a certain threshold we have to get department of finance approval—or I should say the approval of the Minister for Finance and Administration—for some of those items. For the vast majority of normal replacement capital expenditure, in terms of priority setting for the AFP, that is a matter which we look at each year.

Senator LUDWIG—What is the threshold? I am happy for you to take that on notice.

Mr Van Dam—Ten million dollars.

Senator LUDWIG—So you can use the reprioritised money to fund those purchases up to that amount.

Mr Van Dam—I am advised that capital purchases of under \$10 million are at our discretion. That is the threshold figure.

Senator LUDWIG—I am curious: when the government provide you with an advance or give you the money, if I can use those easy terms, do they do it for a specific purpose? In other words, if you are given X money for a specific purpose and it does not get used for that purpose, do you then roll it over to the next year and, if it is under \$10 million, use it at your discretion for any other capital purchase or expenditure?

Mr Van Dam—I will stand to be corrected by Mr Gaukroger but, unfortunately, the answer is: it depends. I will try to keep it simple. My understanding is that if, for example, we come in under the operating surplus that may have been allocated for a particular purpose—I am not talking about capital; let us just say we have been allocated a certain amount of money to undertake an activity, leaving aside the fact that for a range of our major initiatives moneys have gone back to government—those surpluses, as Mr Gaukroger was referring to before, become part of the receivables.

Mr Gaukroger—That is correct.

Mr Van Dam—Operating expense that is unspent goes into receivables. To give you a simple example, if you had a \$1 million underspend in salaries for a particular program, you cannot re-spend that money in future years because you are delivering to the program outcome; hence my point that it depends. An operating surplus contributes to this amount and then, in a sense, becomes discretionary for you. If it is a specific capital allocation for a purpose then the intention is, clearly, that at some point you will utilise that capital for that purpose.

Senator LUDWIG—Let us deal with the two parts of that. From the \$275 million was there any money appropriated for specific purposes?

Mr Van Dam—Clearly there were. I think Mr Gaukroger indicated that a part of that was an allocation of moneys for PNG.

Senator LUDWIG—You might have to remind me how much that was again.

Mr Gaukroger—It was \$29.8 million in the first year.

Mr Van Dam—Just by way of example, if we go to the answer we gave you to supplementary question No. 103, there was \$62 million for salaries and supplies for PNG in the \$80 million surplus for 2003-04.

Senator LUDWIG—Wasn't your initial response that the PNG money had been returned?

Mr Van Dam—No. What we said was that some PNG money has been returned and some has not.

Senator LUDWIG—How much was the amount not returned?

Mr Van Dam—I would need to calculate the total amount. I could not give you that figure right now.

Senator LUDWIG—I am happy for you to take that on notice then. Certainly, there is a balance; it is not all PNG?

Mr Van Dam—No.

Senator LUDWIG—Therefore, some of the balance—I was going to use 'amount' but clearly I cannot now—would relate to underspend?

Mr Van Dam—Yes. Some of it is past year surpluses.

Senator LUDWIG—Right.

Mr Van Dam—I think that is what Mr Gaukroger indicated in terms of the various elements that can go into that.

Senator LUDWIG—So if you do not spend the money it becomes a discretionary spending pot?

Mr Van Dam—That is correct.

Commissioner Keelty—Part of that is because of the nature of the work that we are doing. For example, if something like a Bali bombing happens, then we have to suddenly expend money and that money has to come from somewhere. That allows government to make decisions about whether we will absorb the cost or whether we will receive funding for it. If I go back some years, Senator, one of the difficulties that the AFP had prior to the Ayers review of the AFP was that it had no cash reserves. As Mr Van Dam pointed out, the AFP is at this point in time in its history going through a significant capital works program that includes not only a new headquarters but also things such as the new Australian Institute of Police Management. There are issues around where we find ourselves just at this point in time that means that any surpluses held, as Mr Gaukroger said—providing that they are within the ANAO and Department of Finance and Administration guidelines—are used to carry on with the business of what a police force does.

Senator LUDWIG—So you are in the fortunate position, if you have underspent in previous years, of being able to have accumulated assets for future discretionary expenditure. Does that hold true for 2006-07? Will you spend all the money there?

Mr Van Dam—At this point in time—if I may, Commissioner—I think we are still forecasting a zero outcome, a balanced outcome, for 2006-07. That said, there are a couple of areas where we have already flagged that we will underperform, most particularly in relation to airport policing, but it is our expectation that that money will be returned to government before we finalise our financial statements for the year. In telling you that we are expecting a balanced outcome, I am not trying to suggest to you that we will fully perform against our own objectives in relation to areas like aviation security.

Senator LUDWIG—Does that mean that you might spend the money in other areas but you might miss out in aviation security? Is there a budgeted amount for aviation security?

Mr Van Dam—Yes, there is a budgeted amount for aviation security.

Senator LUDWIG—Is that your budgeted amount or the amount that the government expects you to budget and spend on aviation security?

Mr Van Dam—If you bear with me, I can probably tell you what the government has allocated for aviation security this year. My figures suggest that in the 2006-07 year there is in the order of \$169 million allocated by government to the totality of aviation security. What I am

also flagging for you is that in the area of uniform policing we may not achieve a full expenditure of that amount of money because of the well-known and understood delays in being able to bring all of the state police required on board.

Senator LUDWIG—In your answer to question No. 103—that is, the first answer you provided—it says, under the PBS figures for 2006-07:

The reduction of \$126m for 2005-06 ... compared to the 2005-2006 PAES ... is due to the proposed return of unspent PNG funding to the budget (\$135m). The appropriation in 2006-2007 and 2007-2008 has also been reduced, in the PBS, to reflect reduced requirement for funding in PNG. This means the receivables figure has been adjusted down by a corresponding amount.

Is that still accurate?

Mr Van Dam—I think it is. Just by way of explanation, the Papua New Guinea budget for 2006-07 is about \$47.5 million, compared to last year, when I think it was in the order of \$180 million or perhaps \$170 million. Because the revised support mission to Papua New Guinea is planned to be considerably smaller than was originally envisaged, at the time when we first went into Papua New Guinea, those moneys have subsequently been reduced in the out years. That, in part this year, is counterbalanced by the government's recently announced decision to invest in the substantial increase in the capacity of the International Deployment Group over the next couple of years. So in this year's budget, for example, I think we got about \$11 million for the International Deployment Group in addition to what we had at the time of the PBS.

Senator LUDWIG—In addition, you say, to the return to the budget of the unspent PNG funding of \$135 million—yet you said there was PNG money in the \$275 million. I am not sure I can equate those two lumps.

Mr Van Dam—The appropriation in 2006-07 and 2007-08 has also been reduced in the PBS. So what I was responding to is that the appropriation for PNG in this year's budget has been reduced from about \$170 million to—I think I quoted you a figure of \$47.5 million. That reduction has occurred and will have brought the out year figures back down for 2006-07, 2007-08, 2008-09 and 2009-10. I think you wanted to know the difference between, for argument's sake, the figure of \$701 million in the 2005-06 PAES and the figure of \$334 million in the PBS.

Senator LUDWIG—Yes.

Mr Van Dam—That is then a cumulative reduction of that \$100-plus million every year.

Senator LUDWIG—So is that the \$47 million in the receivables?

Mr Van Dam—No.

Mr Gaukroger—No. The appropriation for 2006-07 and 2007-08 that appears on page 175 of the PBS has been reduced to take into account the PNG funding. For example, in 2006-07, the appropriation has already been reduced by \$123.822 million and in 2007-08 it has been reduced by \$129.477 million. So before we even start business in 2006-07 and 2007-08 our appropriation

line in the expenditure statement on page 175 of the PBS has already been reduced. It does not get anywhere at all near receivables.

Mr Van Dam—I think what I am trying to point you to, Senator, is particularly the difference between the 2005-06 PAES figure and the 2006-07 PBS figure. My understanding, and what we have said to you here, is that at the time that we did the PAES for 2005-06 nobody quite knew what was going to happen to the PNG revenues. In concert, I understand, with the department of finance, they thought that the best place to incorporate those revenues, assuming we were not going to spend them, was in those forward forecasts. What happened subsequently was that the government made its decision to reduce our appropriations by the appropriate amount, and that is now reflected in the PBS forecasts.

Senator LUDWIG—That is still consistent with your earlier statement that part of the money is in the \$275 million?

Mr Van Dam—Here we are talking about receivables, Senator.

Senator LUDWIG—Yes.

Mr Van Dam—The figure of \$275 million is for 2005-06. That is already there.

Senator LUDWIG—Have you then reduced it in the out years?

Mr Van Dam—Correct.

Senator LUDWIG—I will come back to the AFP figures, including yours, Chair.

CHAIR—For staffing?

Senator LUDWIG—Yes. Regarding the original figures, I asked the minister about the apparent decrease of 95 in AFP staffing, from 4,865 in 2004-05 down to 4,770 in 2005-06. In a subsequent debate—perhaps I can call it that—the chair was kind enough to point out that there had been inconsistencies in how the average staffing levels had been reported. The data in the 2005-06 Budget Paper No. 1 excluded ACT police numbers.

CHAIR—As I was advised.

Senator LUDWIG—I am sure. The correct figures were actually 4,778 in 2004-05 and 5,150 in 2005-06, which was an increase of 372. To clear up this matter, can you confirm that the interpretation is right, or have I missed something? While you are at it, perhaps I could give you a taste of the direction my calculation was going. Could you confirm that the figures that appeared in 2005-06 Budget Paper No. 1 also excluded the ACT numbers?

Mr Van Dam—Yes. The Budget Paper No. 1 figure of 5,191 included an amount for ACT policing.

Commissioner Keelty—The answer to your first question is yes.

Senator LUDWIG—Does the 2004-05 annual report also exclude the ACT numbers?

Mr Van Dam—No, it includes the figure—that is, 4,778. Is that the figure you are looking at?

Senator LUDWIG—It is from the annual report.

Mr Van Dam—It includes 4,778.

Senator LUDWIG—So Budget Paper No. 1 excluded the ACT; the annual report included the ACT. How was the decision made to exclude the ACT policing numbers?

Mr Van Dam—To include or not include?

Senator LUDWIG—Yes.

Mr Van Dam—It might be helpful if I made a general observation first. I would say that there has been some inconsistency over a period of time. Over a number of years, there have been a couple of areas where you would normally have expected ACT policing to have been incorporated and, for some reason, they have not been incorporated. In particular, with regard to the 2005-06 PBS figure, my understanding is that it did not include ACT policing, and the 2006-07 PBS figure did not include ACT policing, but in every year preceding those years it did. I can say that the AFP, to the best of my knowledge, made no conscious decision to change its reporting basis for the portfolio budget statements. It is an error, and we did not pick that figure up when the PBS was prepared.

Senator LUDWIG—May I say, as an aside, it has consumed a lot of my time.

CHAIR—And the committee's.

Senator LUDWIG—Could I also go to your figures, Chair?

CHAIR—Yes, Senator Ludwig.

Senator LUDWIG—I was looking at how the average staffing levels were estimated and at the measure, which is the full-time equivalent. How do you estimate those figures?

Mr Van Dam—I will pass over to Mr Blake if this is a more detailed answer than you would like. I think I said to you, the last time we met in committee, that the AFP gets an opening budget position and we project an opening budget position. We convert that opening budget position into what we believe our affordable staffing is for the organisation and we try and forward-project that. That is not a straight: 'The average cost of an AFP employee is X.' We try to work that through in the context of individual business areas.

To give you a simple example, the average cost of an employee in the international area is somewhat different to the average cost of an employee in my pay team. So we try to take the average cost and historical performance, adjusted by known factors—pay rises coming into play et cetera. We then take our available budget and we undertake a process of converting that into affordable staffing. We then take that affordable staffing and try to break that into how many

police we need and where we want them distributed and how many intelligence, forensics or technical experts are funded out of that total, and then we set about our recruitment programs to achieve against that affordable outcome.

To the extent we can, we are trying to move to a three- to four-year outlook on that. As the commissioner indicated, what occurs now and what has occurred in recent years is that there have been some fairly substantial new investments in the AFP that have occurred mid-cycle. That causes us to determine what our affordable staffing is out of those mid-cycle investments. Then, in a workforce planning context, we try and estimate what our affordable staffing position will be and head for that. But, in recognition, for example, of a mid-cycle investment, we may have started the year low and will actually aim to finish the year somewhat higher. As I know you know, Senator, the average staffing level for the year is just that—it is asking: ‘Over the course of the entire year, how many staff did you employ on average?’

Senator LUDWIG—Yes, but it is expressed in full-time equivalents.

Mr Van Dam—Yes. Correct.

Senator LUDWIG—So, if you use full-time equivalents, how does that equate with average staffing levels?

Mr Van Dam—Perhaps I will come at that from a slightly different perspective. The reason you use full-time equivalents is that a person who is part-time is, let us say, 70 per cent of a person. If you count them in a head count, they are one person. So if you did an average staffing level which was your average headcount over the year, you would not be accounting for the fact that the staff resource being delivered to you and the budget being spent was only 70 per cent of a normal full-time staff member. That is why we use FTEs, because we convert those part-time staff into full-time equivalents. So one headcount part-time staff equals 0.7. That is the difference between headcount and FTE.

Senator LUDWIG—Yes.

Mr Van Dam—I can give you an FTE at any given point in time in the AFP. We can give you an FTE figure for two weeks ago. So we are capable of giving you two figures: we can give you a headcount figure for the AFP two weeks ago and we can give you a full-time equivalent figure for the AFP two weeks ago. When we annually report, what we report on is the average number of full-time equivalent staff engaged over the period of the year.

Senator LUDWIG—Let us have a look at the 2005-06 staffing level, which estimated 4,770 in the most recent budget paper, excluding ACT policing. The correct figure that includes the ACT is 5,150. That would imply an average staffing level of 380 in the ACT if those figures are accurate. But when you read the annual report for ACT policing, you see that at page 125 it states that ACT policing has approximately 754 full-time equivalent positions housed within nine ACT government facilities, excluding ACT policing staff housed in AFP premises but including the old Woden station site. So unless there is a full-time equivalent that is more than one, there seems to be a difference. Is there an explanation for that?

Mr Blake—Yes, there is, and I will refer to the commissioner’s comments of about 15 minutes ago. The figure of 4,770 was calculated midyear, following new measures that came out of the additional estimates process. It took account of expectations about implementation plans for aviation and standby capacity for moving into PNG, as well as planned recruitment around some of the new announcements that we got midyear, like those on involvement in the Sudan and CBRN and so on. So the figure of 452 that the commissioner spoke about before in terms of our under-recruitment is really the difference between the fact that we had planned for 4,770 as an outcome 1 figure when really we ended up with about 4,369—

Mr Van Dam—That figure you will see in our annual report when it is published.

Mr Blake—So the 300 or so left over for the ACT police makes up the figure that you quoted from the ACT annual report.

Senator LUDWIG—Where does the workforce planning unit that was referred to earlier by the chair fit in the organisational chart? Where does that reside?

Mr Van Dam—Mr Blake’s area, the Workforce Policy and Planning area, sits within our people strategies branch. That sits within our human resource management division, which reports to me.

Senator LUDWIG—Has that always been there or is that a new entity?

Mr Van Dam—The workforce planning unit in its current form has been there for two years.

Senator LUDWIG—Where did the idea for that come from?

Mr Van Dam—As the AFP was growing and diversifying in its activities, we made a decision in the AFP to try and ensure, to the extent that we could, that we had a professional standing to our workforce planning capabilities. So the intention here was that, to the extent that we could, we both started to identify and anticipate new and evolving needs as well as being able to manage the budget outcomes that government expected of us.

Commissioner Keelty—The decision largely coincided with a new person taking up the position of manager for human resources. Without repeating what Mr Van Dam has just said, part of the difficulty we were facing was that at the beginning of the year—and you will be familiar with this—we have a cocktail mix of how many hours will be allocated to each area of work within the AFP. We try to translate that into staffing needs and then translate that into future recruitment. We try to get some stability around how many recruit courses we can plan for each and every year. Of course, that became more complex as other new initiatives commenced, such as the International Deployment Group. Given the complexities of all of that, we went down the path of creating the workforce planning area.

Senator LUDWIG—There was an announcement to boost the IDG; it was stated that around 2,300 people had expressed an interest in joining the AFP. I think Senator Ellison indicated that in *Hansard*. I think those 2,300 were referred to as unsolicited applicants, not the result of any recruitment campaign. Is that the figure, or is it higher or lower?

Commissioner Keelty—As of today, the figure is 2,282 applications—1,543 of those are for base policing positions, 356 are for lateral entry into the AFP and 383 are for Protective Service officer positions.

Senator LUDWIG—Are they all applicants for sworn police officer positions or are there some unsworn positions? You have included the figure for PSOs, but—

Commissioner Keelty—They are all sworn.

Senator LUDWIG—Are they all under active consideration—I am not sure of the phrase you use—or are they on file? If they are, how long have they been on file?

Commissioner Keelty—No, they are all under active consideration. In terms of base recruits, 1,258 are going through the vetting and testing process, 115 are going through the interview process and 100 are going through security and medical checks, and a group of 70 have been through all the processes and are waiting for their recruit course to start. They are the 1,543 base recruits. Of the lateral entries, 197 are going through vetting and testing, 47 are going through the interview process and 66 are going through security and medical. That leaves 46 that we can call upon to put into a lateral recruit program.

Senator LUDWIG—What do you mean by ‘lateral’?

Commissioner Keelty—‘Lateral’ means somebody with existing police experience—so they are out of a state or territory police force or they have been out of the AFP for a number of years and want to come back in. Do you need the figures for Protective Service officers?

Senator LUDWIG—No. I was merely trying to get a handle on whether there were unsworn applicants in that 2,300. I think you answered that in the negative.

Commissioner Keelty—Yes, that is right.

Mr Van Dam—The way we have been doing our non-sworn recruitment is a little different in the sense that we go out to the market. I think we have indicated to you previously that, with policing, we have not had a marketing campaign calling for people to apply for positions within the AFP. That is a different situation in relation to our non-sworn activities. If we are looking for intelligence officers, if we are looking for forensics and technical staff and if we are looking for pay team staff, we generally go out to the market and advertise positions. At this moment in time, we have about 132 advertisements out there for people to come on board and into those non-sworn roles.

Senator LUDWIG—Do you have a breakdown of those 2,282 applicants by state or territory? How long they have been on the books—that is, are they still current or have they been on the books for 12 months and been flagged as no longer current?

Mr Van Dam—We can certainly give you the lateral existing police applications by state and territory. Mr Blake tells me he can give you the figure on the 1,543.

Mr Blake—I can do that on notice.

Mr Van Dam—Are we able to give a breakdown of the 356?

Mr Blake—No, they are the lateral applications.

Mr Van Dam—We could give you those on notice.

Senator LUDWIG—What was the 356?

Mr Van Dam—That is the number of lateral police who have applied to join the AFP. That—

Commissioner Keelty—We just need to be clear on your question, because I thought that you asked—and I stand to be corrected—a question about whether we can break the—

Senator LUDWIG—Yes, I know, but a different answer came back, so I was going to explore that one, too.

Commissioner Keelty—That is why I wanted to correct it.

Senator LUDWIG—I was going to come back to it.

CHAIR—We need to get the correct answers to the correct questions on notice. Is that what you are seeking to do, Commissioner?

Commissioner Keelty—No. The senator asked a question. I thought that the question that the senator asked was about the 2,282 applications, of which 1,543 are for base police positions and 356 are for lateral recruiting. The question was: putting aside the PSO positions, of that nearly 900 police, what is the state breakdown of those applications?

Senator LUDWIG—Yes, that was the initial question.

Commissioner Keelty—That was the initial question. The answer that came back referred to laterals. You were not referring to laterals, as I understood it. You wanted a state-by-state breakdown of who wants to come into the AFP.

Senator LUDWIG—Yes, but to make it a moving feast, in the response I then sought the breakdown for that as well. Let us wrap it all up and ask: can you provide the breakdown of the answer to that question by state? Do you have that figure available? In terms of the laterals, can we have that by state? Of the laterals, can we have those who are still currently serving within a police force from that state and those who are no longer currently serving in the police force in that state? That will include both those who are serving and those who are non-serving as a breakdown by state as part of the lateral recruitment.

Commissioner Keelty—Do you want a breakdown of the 356?

Senator LUDWIG—Yes, as well as the answer to the first question, which is a breakdown of the overall figure.

Commissioner Keelty—I was emphasising the 356 to indicate that there is not a mass movement from state and territory police into the AFP just in case some state police ministers were listening.

CHAIR—They should get help with their insomnia!

Senator LUDWIG—There was a different figure mentioned at some other place.

Commissioner Keelty—I will not pre-empt the rest of the question, because I might answer a question that you do not really want answered—or that I do not really want to answer.

Senator LUDWIG—'You never know your luck in a big city' is what I always say. I will deal with it this way. You recall that we had a private meeting. I do not want to use any of that material.

Commissioner Keelty—'Private' as in—

CHAIR—As in an informal—

Commissioner Keelty—Here in Parliament House?

CHAIR—meeting between the committee and the AFP, not a hearing.

Senator LUDWIG—Has that always been 356 or has that figure fluctuated in the last six months?

Mr Blake—It did fluctuate.

Senator LUDWIG—How has that fluctuated?

Mr Blake—It fluctuates in a couple of ways. We have just brought on some laterals, so the total pool—

Senator LUDWIG—I see. How many laterals have you just employed?

Mr Blake—We have just brought on a recruit course of 18 laterals.

Mr Van Dam—We have brought in 49 this year to date. That is my recollection of how many laterals we have taken on in the first X number of months of this year.

Commissioner Keelty—I thought that the question you were asking was: has that figure of 356 been demonstrably different in recent times?

Senator LUDWIG—I was just trying to get at the answer a different way. That helps to explain that. What is your planned recruitment?

Commissioner Keelty—Planned recruitment this year will be 737, including 79 more state police for the airport uniformed policing. Of the 737, 79 will be state police, 340 will be sworn police recruits, 146 will be Protective Service officers and 132 will be in the enabling area.

Senator LUDWIG—Of the original 2,282, they have not all been vetted yet, have they?

Commissioner Keelty—No.

Senator LUDWIG—How many have passed the vetting?

Commissioner Keelty—I will add it up on the run: 285—that is for base recruits; for laterals, it is 159.

Senator LUDWIG—How many do you expect to recruit for the IDG?

Commissioner Keelty—The IDG is spread over the next 18 months. For clarification, the figures I gave you were the end of year position for 30 June 2007. I will ask Mr Blake to talk about IDG.

Mr Blake—At this stage, given that the announcement of 1,200 is being phased in over a two-year period to 1 July 2008—

Commissioner Keelty—That is a total of 1,200.

Mr Blake—we have planned, to date, 146 IDG recruits for the remainder of this financial year.

Senator LUDWIG—Are they sworn or unsworn?

Mr Blake—It will be a combination. The IDG is currently going through its planning process to identify the skills sets it needs in relation to the cabinet submission for the 1,200. A number of them will be unsworn. For example, there is a lot of capacity building in community areas tangential to policing that the IDG would like to resource.

Senator LUDWIG—Of the 1,200, is there a breakdown of how many you expect to be sworn, unsworn or PSOs?

Mr Blake—Of the 1,200, 290 are expected to be unsworn and the remainder of that are supposed to be operationally focused. There are a number of specialist skills that we bring in that supplement our operations environment that are not sworn, and that is planning that is currently under way with the IDG. So, of the 1,200, 910 are operationally focused and the bulk of that would be expected to be sworn.

Senator LUDWIG—What: 90 per cent, 95 per cent?

Mr Blake—Probably 70 per cent to 75 per cent. For instance, technical capacity would not be sworn; intelligence capacity would not be sworn; a range of policy areas and activities would not be sworn.

Senator LUDWIG—Will those 1,200 come from new recruits or from within the AFP?

Mr Blake—A number of them already exist. At the time the cabinet submission was approved, I think the IDG had a staffing level of 778, so it is expecting 422 as an addition to bring it up to the 1,200 over the two-year period.

Senator LUDWIG—Will those 422 all be sworn?

Mr Blake—Not all of them, no.

Senator LUDWIG—How many will not be sworn?

Mr Blake—That is still part of the planning process that we are working on, particularly around the specialist skills that will supplement the operational work. We are still working with the IDG to define the right number of types by skills set.

Senator LUDWIG—Is there an estimate or is it the same ratio of 75 per cent?

Mr Blake—I would expect it to be somewhere around that level. For example, of the 422, we are expecting 70 per cent to be the unsworn component, so I suspect that somewhere around 70 per cent to 75 per cent of the 422 will be sworn staff.

Senator LUDWIG—That is separate from PSOs.

Mr Blake—That is right.

Senator LUDWIG—So, in addition to the 1,200, a certain amount will be PSOs.

Mr Blake—At this stage, I think the IDG have something like 46 PSOs involved in work offshore.

Senator LUDWIG—So, of the 1,200, you would only expect 75 per cent of the additional number of 422 to be sworn officers.

Mr Blake—Yes. Given that we are still finalising that work around skills sets, I would estimate at this stage that about 70 per cent to 75 per cent will be sworn.

Mr Van Dam—Senator, if it would be helpful, I have been provided with the figures that I suspect you were relying on earlier. I think it may be helpful to outline for you that I am told that we currently have 98 recruits in training at our college. Some figures that may have been given to you some while ago—

Senator LUDWIG—I did not want to refer to them, really.

Mr Van Dam—Ninety-eight recruits are currently in the college. We have 57 Protective Service officer recruits currently in the college. I think you will find that that may help to

understand the shift that has occurred between the figures you have been given and the figures now.

Senator LUDWIG—That does balance the ledger a little bit. And the ones that are being employed up to—you indicated an intake this year—

Mr Blake—We have had three lateral intakes this year, totalling 49.

Senator LUDWIG—In terms of the IDG, then, what are the figures that you expect to meet by this year? It is over two years. In the first year, you have 1,200 in total and you are going to grow it over two years. So how many do you expect to meet in the first year?

Mr Blake—We are expecting about 146.

Senator LUDWIG—Is that the same ratio that we spoke about earlier?

Mr Blake—Yes, it will be.

Senator LUDWIG—Have you got better figures on that yet?

Mr Blake—No, it will be in the same ratio that we spoke of earlier.

Senator LUDWIG—So 70 to 75 per cent of those 146 are likely to be sworn and the remainder will be specialists.

Mr Blake—And unsworn.

Senator LUDWIG—And that excludes PSOs?

Mr Blake—Yes.

Senator LUDWIG—How many PSOs would you expect, or do they not form part of that?

Mr Blake—They do not form part of that. We currently have 46 PSOs engaged in offshore activities associated with the IDG.

Senator LUDWIG—I am happy for you to take this on notice, but in terms of the IDG—I know we are running out of time; I will not be much longer—does the UN—

CHAIR—No, but I am keen to finish.

Commissioner Keelty—I thought we were running out of time.

CHAIR—I am keen not to revisit evidence, Commissioner, so I would like to finish as quickly as we can.

Commissioner Keelty—On these figures that we are talking about tonight, on the IDG—the 422—clearly we have to plan for the next 12 months. But remember that when we were doing this 12 months ago we would not have known about things that we are doing today, such as the Sudan. I am conscious of other areas that are under consideration by government. We can spend a lot of time on this, but it will change. I know we have made some mistakes in some of the answers that have been given—and I will give you an assurance that I will personally vet the answers that come back to you on this material in the future—but some of this will change because of the type of mission that might be required. I am almost sure that the mix of PSO, unsworn and sworn will change according to the sort of environment we find ourselves operating in.

Senator LUDWIG—Commissioner, I am in your hands when it comes to that. I do not determine it.

Mr Van Dam—I also apologise, Senator, just to reinforce the commissioner's point. These are projections at a point in time. As I indicated to you, with things like our unsworn recruitment, in particular, we have to keep that constantly under review to see whether or not we are able to achieve our objectives. These are forecasts that John has been giving you and therefore will be subject to some variation over the course of the year.

Senator LUDWIG—There is really no process to correct it once it is produced in the annual report. I guess I will see that shortly and that will have figures in it, but three or six months later things can change. The figures in that, then, really do not relate to the current situation. It is really only during estimates that we get the opportunity to ask you again.

Commissioner Keelty—I guess it is a matter for the minister. I need to defer to the minister on that point because, obviously, from time to time we brief the minister on what we are doing with regard to this. I guess it is a matter of how public the minister wants those figures to be.

Senator LUDWIG—Yes. That is the spoils of government.

CHAIR—I do not think that is how it is approached, Senator, but certainly the committee can also discuss amongst ourselves what approach we might like to take to keep ourselves more regularly informed.

Senator LUDWIG—With the IDG and the operation of RAMSI and the like, do you indent the UN for the cost of supplying an AFP officer, or is that a government expenditure that is committed as part of its program?

Commissioner Keelty—I stand to be corrected on this, so if this is wrong I will let you know. Unlike some other countries the Australian government pays for the contributions we make in terms of people to the United Nations.

Senator LUDWIG—So there is no recoupment?

Commissioner Keelty—No. As far as I am aware, there is not for Australia.

CHAIR—Not that RAMSI had anything to do with the UN anyway.

Senator LUDWIG—No. There are a couple of different missions, but I was using UN missions as one example. I withdraw the RAMSI reference, then. RAMSI is an Australian commitment. In terms of states that supply secondees to the IDG, there is an MOU in place, as I understand it. Commissioner Keelty, you are nodding yes. That is commercial in confidence so you cannot provide that. I understand that. More broadly speaking, is some of the information that underpins it available, such as each state's commitment to the IDG, the general cost, who bears which cost and how that is calculated?

CHAIR—I think we have got the answers—

Senator LUDWIG—Yes, some of that is there.

CHAIR—on commitment, but the cost is not necessarily here. There are payments made to state police services.

Senator LUDWIG—Yes, but it is not broken down; it is a general figure.

CHAIR—So you want more detail.

Senator LUDWIG—That is why I left it more open ended. It might cut across the MOU itself, because then states can compare.

Commissioner Keelty—I will just point out that arrangements with states are not necessarily always the same. That relates to entitlements that are provided for under different arrangements within each state. So, necessarily, the arrangements with individual states differ, and they are commercial arrangements.

Senator LUDWIG—I might leave that then. If there is anything more, I can pick it up again at estimates. They are not that far away.

CHAIR—That is a special thought. Commissioner, I thank you and your staff for assisting the committee this evening and for providing us with that extra information. A number of matters have been taken on notice by you and your officers. I suggest that to ensure accuracy of both questions and answers, if at your end there are any questions about the precise requirements that the committee is seeking in relation to the material that is put on notice, you come back to our secretariat. We can clarify those in advance of the answering process.

Commissioner Keelty—Thank you. Once again, I apologise for some of the answers that have come back that clearly have not answered the questions that were asked.

CHAIR—Thank you. We note that and accept that.

Committee adjourned at 9.43 pm