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APPENDIX I

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PUBLIC HEARINGS PROGRAM

1. CANBERRA - Friday, 7 February 1992

Department of Foreign Affairs and Trade

Richard Woolcott, Secretary

Michael Costello, Deputy Secretary

Peter Field, Deputy Secretary

Geoff Forrester, First Assistant Secretary, Corporate Management Division

Max Hughes, First Assistant Secretary, Programs and Consular Division

Geoff Walsh, First Assistant Secretary, Public Affairs Division

Margaret McGovern, Principal Adviser, Corporate Management Division

John Buckley, Assistant Secretary, Resources and Evaluation Branch

Neil Mules, Director, Conditions of Service Section

Kenneth Oakman, Director, Diplomatic Security Section

Malcolm Skelly, Director, Financial Management Systems Section

2. CANBERRA - Friday, 6 March 1992

Department of Foreign Affairs and Trade

Geoff Forrester, First Assistant Secretary, Corporate Services Division

Sallie Ramsay, Family Liaison Officer

Department of Defence

David Barritt-Eyles, Senior Assistant Secretary, Human Resources and Management Division

Commodore Alan Thompson, Director-General, Service Personnel Policy

Foreign Service Families Association

Megan James, President

Jane Battersby, Newsletter Editor

Pamela Starr, Committee Member

Tamara Wilcock, Committee Member

Department of Immigration, Local Government and Ethnic Affairs

Patricia McCahey, First Assistant Secretary, Corporate Operations Branch

Eric Brookbanks, Assistant Secretary, Overseas Operations Branch

Australian Trade Commission

Terence Goss, Manager, Human Resources

Department of Industrial Relations

Rex Hoy, First Assistant Secretary, Remuneration and Conditions Division

Patrick Gourley, Principal Adviser, Remuneration and Conditions Division

Kevin Hollis, Assistant Secretary, Overseas Conditions Division

Foreign Affairs and Trade Association

Peter Heyward, Joint Secretary
Peter Shannon, Outgoing President
William Wise, Member of Executive

Public Sector Union

Sally O'Loughlin, Assistant National Secretary
Tony Ordish, Member, ACT Branch Committee, Overseas Conditions of Service
George Petrovic, National Industrial Officer
Ian Solin, Secretary, ACT Branch Committee, Overseas Conditions of Service

3. **CANBERRA - Thursday, 9 April 1992**

Department of Foreign Affairs and Trade

Geoffrey Forrester, First Assistant Secretary, Corporate Services Division
Max Hughes, First Assistant Secretary, Systems and Programs Division
Geoffrey Walsh, First Assistant Secretary, Public Affairs Division
Margaret McGovern, Principal Adviser, Corporate Services Division
William Paterson, Assistant Secretary, Overseas Information Branch
David Rutter, Assistant Secretary, Consular and Passport Branch
Peter Varghese, Assistant Secretary, Corporate Services Division

Australian Journalists' Association

Christopher Warren, Federal Secretary
Robin Hampstead, Industrial Officer, Canberra Branch
Robin Smith, Chair, Australian Journalists Association House Committee,
Overseas Information Branch

The Australian Federation of Travels Agents Ltd.

John Dart, Chief Executive

Department of Immigration, Local Government and Ethnic Affairs

Christopher Conybeare, Secretary
Eric Brookbanks, Assistant Secretary, Overseas Operations

Mr William Bush

4. **CANBERRA - Tuesday, 12 May 1992**

Department of Foreign Affairs and Trade

Geoff Forrester, Acting Deputy Secretary
Richard Smith, Acting Deputy Secretary
Geoffrey Walsh, First Assistant Secretary, Public Affairs Division
Ian Porter, Assistant Secretary, Personnel Branch

Department of Defence

David Barritt-Eyles, Senior Assistant Secretary, Human Resources
Lt.Col. Terence Watson, Assistant Director, Overseas Allowances Pay and
Conditions Branch

Department of Industrial Relations

Patrick Gourley, Principal Adviser, Remuneration and Conditions Division
Jeffrey Lamond, Acting Assistant Secretary, Overseas Conditions Branch,
Remuneration and Conditions Division
Michael Manthorpe, Acting Director, Overseas Conditions Branch
Huw Owen-Jones, Director

Employment Conditions Abroad

Peter Rogers, Managing Director

5. **CANBERRA - Friday, 5 June 1992**

Department of Foreign Affairs and Trade

John Buckley, Assistant Secretary, Resources Branch
Ian Porter, Assistant Secretary, Personnel Branch

Department of Administrative Services

Gail Alexander, Acting Director, Estate Management Section A, Overseas
Property Group
Dane Dahlberg, Acting General Manager, Overseas Property Group
John Kent, General Manager, Overseas Property Group
Dennis Wilson, Assistant General Manager, Construction and Services Overseas
Property Group

6. **CANBERRA - Friday, 26 June 1992**

Department of Foreign Affairs and Trade

Geoff Forrester, Deputy Secretary
Peter Varghese, Assistant Secretary, Corporate Services Division
Kenneth Oakman, Director, Diplomatic Security Section
Lydia Morton, Evaluation and Audit Section
Neil Mules, Conditions of Service Section
Douglas Woodhouse, Fraud Prevention and Discipline Section

DFAT Reform Group

Shane Carroll
Alastair Gaisford

Public Service Commission

Richard Harding, Assistant Commissioner, People Management and Deployment
Branch
Ian Edwards, Director, Ethics and Conduct Section, People Management and
Deployment

Australian National Audit Office

Douglas Lennie, Executive Director
Graham Koehne, Senior Director
Robert Cohen, Senior Director, Audit Operations

7. **CANBERRA - Friday, 11 September 1992**

Department of Foreign Affairs and Trade

Geoff Forrester, Deputy Secretary

William Farmer, First Assistant Secretary, Corporate Services Division

Max Hughes, First Assistant Secretary Systems, Programs and Consular Division

Margaret McGovern, Principal Adviser, Corporate Services Division

Ian Porter, Assistant Secretary, Personnel Branch

Penelope Richards, Assistant Secretary, Resources Branch

Rhonda Piggott, Acting Director, Conditions of Service Section

Gordon Selleck, York Park Project Officer

John Smith, Investigations Officer, Security

Merit Protection and Review Agency

Ann Forward, Director

Alan Doolan, Associate Director, Corporate and Policy Services

Peter Forster, Associate Director

Helen Lu, Senior Officer, Corporate and Policy Service

Department of Industrial Relations

Meryl Stanton, First Assistant Secretary, Government Authorities and Defence Division

Patrick Gourley, Principal Adviser, Government Authorities and Defence Division

Kevin Hollis, Assistant Secretary, Overseas Conditions Branch

Australian Taxation Office

James Killaly, Assistant Commissioner, International Tax Branch

Michael Monaghan, Assistant Commissioner, Revenue Collection Systems

8. **CANBERRA - Friday, 18 September 1992**

Department of Foreign Affairs and Trade

Geoff Forrester, Deputy Secretary

William Farmer, First Assistant Secretary, Corporate Services Division

Max Hughes, First Assistant Secretary, Systems, Programs and Consular Division

Margaret McGovern, Principal Adviser, Corporate Services Division

Ian Porter, Assistant Secretary, Personnel Branch

Lydia Morton, Director, Evaluation and Audit Section

Rhonda Piggott, Acting Director, Conditions of Service Section, Personnel Branch

Colin Newall, Executive Officer, Staffing Policy Section

J.W. Pritchard, Executive Officer, Systems Programs and Consular Division

John Smith, Diplomatic Security Section

Glenda Gauci, Fraud Prevention and Discipline Section

APPENDIX III

Senate Standing Committee on Finance and Public Administration

**THE MANAGEMENT AND OPERATIONS OF
THE DEPARTMENT OF FOREIGN AFFAIRS AND TRADE**

COMMITTEE DISCUSSION PAPER ON SUBMISSION BY THE DFAT REFORM GROUP

Prepared by the Committee Secretariat
June 1992

This paper was prepared as a basis for discussion at the Committee's hearing on 26 June 1992 and should be read in conjunction with the Hansard of that hearing

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INTRODUCTION: COMMITTEE STAFF REVIEW OF DFAT REFORM GROUP SUBMISSION

A written submission of six chapters was supplied to the Committee by Shane Carroll on behalf of the DFAT Reform Group. The Committee has accepted and published the introduction and summary and Chapters 1, 3 and 6 of the submission, with the deletion of some references to identifiable individuals. These chapters develop general arguments which the Group wishes to put before the Committee. In March 1992, shortly after the introduction and summary was received, the Committee sought written comment on that part of the submission from the Department of Foreign Affairs and Trade (DFAT) and the Department's response has also been published by the Committee.

Chapters 2 and 5 of the submission contain numerous claims of improper or illegal behaviour on the part of identifiable individuals. Chapter 4 contains similar claims about some identifiable individuals as well as claims about the security procedures applied by the Department of Foreign Affairs and Trade. The Committee has yet to reach a decision on whether to receive and publish all or part of these chapters.

Committee staff, at the direction of the Committee, selected a sample of the specific claims in Chapters 5 and 2 for detailed review. In 20 cases, Committee staff inspected departmental records. The Committee sought written comment from identifiable persons who had been mentioned in these and some other claims in ways that could be construed as reflecting adversely upon them. Comments were also sought from DFAT.

The sample of DFAT Reform Group claims investigated by the Committee staff covered a range of types of alleged malpractice and included cases which had previously been reviewed by the Australian National Audit Office (ANAO) with results not satisfactory to the claimants. The sample was drawn mostly from cases in which departmental files could be expected to contain evidence relevant to the claims.

Because several claims dealt with aspects of representation allowance and education assistance, Committee staff reviewed samples of one-third of head of mission representation allowance files current as at 31 December 1991 and all files on current approvals for boarding school assistance, an important component of the education assistance program.

After reviewing files on 15 cases, Committee staff asked the spokesperson of the DFAT Reform Group to nominate three claims from the submission which he considered to be strongly supported by evidence and significant. Mr Carroll supplied a list of five specific and four systemic claims, ranked in priority order in each category, which he said met these criteria. Committee staff reviewed the four most highly rated claims from the specific list as well as one systemic claim which had already been partly reviewed.

Committee staff observed nothing in their review to indicate that papers had been removed from files to conceal malpractice. In several cases (nos 6, 11, 20, 21, 24), it was clear that the papers observed on the files by the Committee staff were the papers cited in the DFAT Reform Group submission. In other cases (nos. 4, 6, 20, 25) papers on files contained information relevant to the DFAT Reform Group claims but additional to that reported in the submission and supporting different conclusions.

Five papers on issues arising from the claims which the Committee might wish to consider are attached. Also attached are summaries of the cases reviewed.

DEPARTMENTAL ATTITUDE TO FINANCIAL ACCOUNTABILITY

Several of the cases raised by the DFAT Reform Group aim to illustrate a casual attitude to financial accountability on the part of senior DFAT management.

Audit Report 15 of 1990-91 documented long standing and serious failures to monitor and recover outstanding advances and debts. One case involved a senior officer who had failed to acquit travelling allowance advances totalling \$37,502 as at February 1992 and was required to repay \$9786 when he or she eventually acquitted the advances. Departmental action on the problem of outstanding advances and debts, which followed its public exposure in 1989, has resulted in a fall in the average levels of outstanding advances and debts to about one tenth of the former average levels leading to substantial savings to the Commonwealth.

Additional cases raised by the DFAT Reform Group include:

- . a senior officer repeatedly failed to lodge quarterly acquittal forms for his or her representation allowance, citing a higher priority of the policy and substantive work of his or her mission at the time and referring in 1991 to the Department "now" placing a higher priority on acquittal documentation (case 6);
- . more than one third of Canberra-based SES officers used Government petrol charge cards while on leave in the first year that the cards were issued (1989-90), contrary to instructions (case 21);
- . there were serious deficiencies in the record keeping and management of private-plated cars issued to SES officers in the first year that the cars were widely issued (cases 21 and 22);
- . education assistance entitlements of officers posted overseas may have been administered until recently so as to allow significant obligations to be incurred on the basis of oral applications approved by a single officer (case 17);
- . until this year, significant amounts of representation allowance advanced to many heads of mission have been acquitted without any certification by the officers concerned that the expenses were incurred (case 9);
- . it is possible for meal expenses to be reimbursed twice through the meal allowance and representation allowance systems, although the scope for this in the case of heads of mission has been reduced recently (case 8).

In none of these cases was the amount of money involved large relative to the Department's budget and in all cases reviewed by Committee staff:

- . specific reported deficiencies and systemic flaws had been rectified promptly;
- . there was no evidence that deficiencies had been covered up.

The Committee could consider, on the basis of these cases, whether the management culture in DFAT has involved a low priority for financial accountability, whether this has changed significantly in the last few years and whether the intervention by the ORC was one factor which influenced any change.

SCOPE FOR SIMPLIFYING CONDITIONS OF SERVICE OR STRENGTHENING CONTROLS

Several of the cases reviewed by Committee staff appear to offer potential for minor systemic improvement although some of the potential improvements mentioned below are not those suggested by the DFAT Reform Group.

SES petrol cards: DFAT now appears to have implemented the public-service wide policy requiring SES officers while on leave to meet the cost of petrol used in the Government cars on issue to them. This policy appears to impose significant record-keeping and monitoring costs which could be eliminated if the Government were to meet the petrol costs during short periods of leave, possibly with a compensating increase in the charges levied on officers who are issued with cars (case 21).

Acquittal of representation allowance: The present methods of advancing and acquitting representation allowance impose a heavy record-keeping burden on officers in receipt of the advance and a significant clerical workload on Departments. Departments advance large amounts of money long in advance of need with consequent carrying cost. It might be possible to reduce this cost and the record-keeping burden on officers by greater use of credit cards or direct payment of expenses by the Department (cases 7 and 6). Alternatively, the entitlement might be converted to a set allowance payable to officers with representational responsibilities who would be required to pay income tax on the unsubstantiated component of the allowance.

Payments to spouses: Representation allowance conditions now permit officers entitled to the allowance to acquit part of the entitlement against payments to their spouses if the spouses assist with representational activities. This provision creates minor scope for inadvertent or deliberate underpayment of income tax and does not permit DFAT readily to monitor the extent of the practice. If spouses entitled to these payments were paid through the payroll system or otherwise directly by DFAT, with consequent reductions in representation allowance advances to officers, the taxation problem would be removed and the Department could more easily monitor use of the entitlement (case 10). The Committee could investigate how these payments fit into any general policy recognising the contributions made by spouses to DFAT's overseas operations.

Education Assistance: Several of the cases concern this set of entitlements, especially the potential difficulties of assessing entitlement in the case of a separated or blended family. The DFAT Reform Group complains about the restriction of entitlement to assistance with boarding school fees to schools in Australia and Britain, a point also made in a submission from Mr D. Townsend. The rule can, in some circumstances, impose additional costs on the Government and hardship on the families concerned. Some simplification of this entitlement might be desirable (cases 14-19, Submission 49).

Diplomatic status and entitlements: The Reform Group submission highlights perceived inequitable treatment of junior staff caused by the limitation of diplomatic accreditation to certain officers. That only some officers can profit from the sale of cars purchased duty free is a point of particular concern and US practice, in which diplomats are not

permitted to profit from the sale of such cars, is cited. Given that at least three instances in the Department's recent disciplinary records concern malpractice associated with this condition - one involving serious and widespread abuse - consideration could be given to adopting the US practice. The DFAT Reform Group has suggested as an alternative the issue of Government cars to all Australian officials posted overseas (cases 1 and 2).

STAFF SELECTION AND TRAINING PRIOR TO POSTING

Two of the DFAT Reform Group cases reviewed by Committee staff involve serious financial mismanagement at posts. In both cases persons subject to investigation or disciplinary action claimed to have had insufficient pre-posting training in financial management (cases 24 and 25). The selection of certain officers for posting at the times and to the locations in question appear in hindsight to have been inappropriate in both cases.

Two cases raised in other submissions not yet published point to other inappropriate posting decisions and/or failure by the Department to recognise at a sufficiently early stage that certain officers should be recalled to Australia.

Review of the Department's disciplinary records revealed several other cases in recent years in which negligence or poor management at posts resulted in significant losses to the Australian Government.

Some of the cases mentioned above had tragic results for some of the officers involved as well as leading to significant financial and other losses for the Government. Most occurred at posts which are probably among the less attractive which DFAT is required to staff.

In written responses to some claims and in an oral briefing of the Committee on the CAP accounting system, DFAT referred to a recent substantial increase in the quality and quantity of pre-posting training in financial management.

It could be argued that some level of managerial error and failure is inevitable in a large organisation operating in many locations around the world. **However, the Committee can consider whether DFAT has, at least until the recent past, been inclined to take excessive risks in some decisions on postings to locations that are difficult to staff and has not always supplied adequate pre-posting training in financial management to staff proceeding on postings. The Committee can consider the costs to some individuals and to the Government of these failures.**

DISCIPLINARY SYSTEM

Audit Report 15 of 1990-91 commented on several deficiencies in DFAT's handling of disciplinary proceedings under the Public Service Act. The issues selected for mention in the report included lengthy delays in handling cases, failures to obtain appropriate legal or procedural advice, deficient performance by some departmental inquiry officers, DFAT's failure to draw the Public Service Commissioner's attention to the scope for avoidance of disciplinary action available through the early retirement provisions of the Public Service Act, and inadequate follow-up action in one case. DFAT responded to the audit report with proposals for change which apparently were satisfactory to the Auditor-General.

Five of the cases from the DFAT Reform Group submission reviewed by Committee staff also involved the disciplinary system. The Department's files in those cases were reviewed together with summary records of its disciplinary files.

One general issue of apparent concern to the DFAT Reform Group in the cases that were reviewed related to insufficiently severe punishment in some cases, especially those involving financial impropriety or corruption. Other issues were that senior officers have been permitted to retire or resign with full entitlements before disciplinary action had taken its course and that junior officers are more likely than senior officers to be subject to formal disciplinary action and are likely to be treated more harshly as a result. The Group's submission contrasts the punishments accorded in various cases with recommendations for dismissal that were made in the case of a Group member who was charged with demanding advancement and a transfer and with circulating or attempting through improper means to circulate information, allegations and argument about DFAT officers and management decisions.

Analysis of DFAT's disciplinary records undertaken by the Committee's staff (see Appendix) suggests an informal hierarchy of punishment in which criminal offences and offences relating to unauthorised circulation of information are treated relatively seriously and in which negligence leading to financial or other loss is treated relatively lightly. Misconduct directed at personal gain has been treated in a variety of ways, possibly reflecting judgements on the relative severity of the offence. A major concern of the DFAT Reform Group appears to be that cases in this category have been dealt with under the Public Service Act rather than through the criminal law system and that punishments have been inadequate as a result.

One of the cases reviewed by Committee staff had been referred to the Director of Public Prosecutions (DPP) for possible criminal prosecution but the DPP recommended against that course of action suggesting action under the Public Service Act as an alternative (case 25). In case 22, which the Group suggested should have led to prosecution for fraud, the Department failed to find proof of any significant criminal activity, and, it should be noted, the initial allegation did not suggest serious fraud. In case 27, the offender's punishment under the Public Service Act was the equivalent of a heavy fine. In case 24, where senior officers were said to have been spared punishment while a middle-ranking officer was made a scapegoat, the senior and middle-ranking officers were all treated in the same way and in line with DFAT's normal response in such cases. The treatment of the DFAT Reform Group member (Case 26) does not appear to have been out of line with the Department's implied hierarchy of punishments.

One issue still unresolved from Audit Report 15 is the possibility that officers who are 55 years of age or older have a right to retire with pension entitlements before disciplinary proceedings have been completed. **The Committee could consider whether action taken so far to review and possibly change that provision has been adequate.**

Case 24 illustrates another feature of the Public Service Act which makes it difficult or impossible to lay charges under the Act against unattached officers (most HsOM) for certain offences for which other officers can be charged. **The Committee could consider the desirability of recommending changes to the Act in that respect.**

Strict privacy is usually maintained in respect of disciplinary proceedings under the Public Service Act. This is in contrast to criminal proceedings. It can lead to poorly-informed speculation about the official response to some incidents, and it might reduce the quality of investigation of and judgement on the behaviour that is the subject of the investigation. However, it can be argued that privacy is appropriate in many of the minor cases leading to disciplinary action under the Public Service Act. **The Committee could consider whether action under the Public Service Act disciplinary provisions should be more open to public scrutiny.**

The Committee could also consider whether DFAT has rectified the deficiencies in its management of the disciplinary process identified by the Auditor-General, including the question of effects of disciplinary action on the subsequent careers of officers and the procedures for making decisions on whether to deal with offences under the Public Service Act or by prosecution.

WHISTLEBLOWING AND THE DFAT REFORM GROUP SUBMISSION

Whistleblowing cases typically involve tensions between:

- the interests of the whistleblowers themselves and those of the persons and institutions they accuse;
- necessary controls on the release of information held in trust by public servants and the desirability of exposing illegal or improper behaviour;
- the fact that efficient and economical operation of public sector agencies can be damaged by unfounded or trivial allegations or improved by action taken as a result of well-founded and significant allegations.

In balancing these interests, the Committee should consider the accuracy and significance of the DFAT Reform Group claims and the possible motivation of some of its members. The availability of suitable means of redress other than publicity would be relevant to any consideration of the actions of the Group's predecessor, the Officers' Revolutionary Council (ORC).

Accuracy: The sample of DFAT Reform Group claims reviewed by Committee staff contains numerous, serious inaccuracies. In some cases the inaccuracy appears to stem from the informant's access to only part of the story, e.g. cases 2, 4, 20, 23, 24, and 25. In other cases, unduly pessimistic conclusions have been drawn from the fact that certain types of abuse could occur, e.g. cases 6, 8, 9, 16. In some cases, the Group's disapproval of certain practices have led to unduly emphatic statements that they are illegal or improper, e.g. cases 14, 15, 18, 19. **The Committee should consider whether the specific claims of illegal or improper behaviour made by the DFAT Reform Group are frequently inaccurate or overstated.**

Significance: None of the cases reviewed by the Committee staff involved waste or misappropriation of amounts of money that are large in relation to the Department's budget although, taken together, they might imply something about attitudes to financial management in DFAT. When the spokesperson for the Group was asked to nominate a small number of specific cases that were both significant and strongly supported by evidence, he nominated five specific claims and gave the highest priority to cases 25, 22, 6 and 21, in that order. Case 3 was also nominated as among those relating to systemic problems which were considered to be significant and strongly supported by evidence. **The Committee should consider whether these and other cases reviewed are cases of major significance.**

Membership and motivation of the DFAT Reform Group: Apart from its designated spokesperson, Shane Carroll, the Committee has no information on the Group's membership. It is notable that almost all the specific claims reviewed by the Committee's staff relate to information held in only three sections of the Corporate Management Division of DFAT or known to have been within Mr Carroll's personal knowledge. **The Committee should consider whether the membership of the DFAT Reform Group is large and widespread through the DFAT or small and concentrated in a few sections of the Department.** In the absence of details of the source of each claim, the possibility cannot be excluded that some of the claims are based on malice felt by the anonymous informants towards their identified targets or the Department in general.

Availability of alternative means of redress: Many of the claims in the submission have been published previously by the ORC. These include cases like 15, 17, 19 and 20 which, in the opinion of the Committee staff, are clearly incorrect. These claims were investigated by one or more of DFAT itself, the Australian National Audit Office, and the Australian Federal Police. Neither the ANAO nor the Committee's staff found any evidence of a management cover-up. **While it is not necessary for the Committee to comment on the actions of the ORC, the Committee could consider whether many of the ORC publications were inappropriate because other suitable means of redress were available.** The fact that the ORC and its successor organisation were not satisfied with the findings of the earlier reviews might not in itself justify many of the acts of publication. **The Committee could consider whether the DFAT Reform Group should be told to refer claims not yet examined by Committee staff to the appropriate authorities, regardless of whether the Group has any faith in those authorities.**

DFAT reaction: The Department has been inclined to avoid as far as possible giving credit to the ORC or DFAT Reform Group for any of the recent management reforms. While some matters were being rectified before the ORC disclosed them, several of the ORC claims were found to be factual or to have related to areas of administration subsequently found to have been defective. Some of the claims appear to have led or contributed to changes in management practices. **The Committee could consider whether the Department should have given credit to the contribution of the ORC to reforms which resulted from the investigation of a small number of ORC claims which were substantially correct.**

DIPLOMATIC STATUS AND PRIVILEGES

CASE NO. 1 - DIPLOMATIC STATUS

Claim: Diplomatic status is said to be elitist and Australia should either follow the practice of some countries of having all staff at posts accredited or seek 'ex officio' accreditation for the holder of the Head of Mission/Post and not seek diplomatic accreditation for any of the supporting staff. In particular, the restriction on importation of duty-free cars to diplomats is inequitable and discriminatory and the United States Government banned the practice for its diplomats.

Responses:

The following comments are extracts from a paper provided by the Australian Passport Service:

The Corporate Services Division determines which positions overseas are given diplomatic designations. The Australian Passport Service issues Diplomatic passports to persons designated to occupy such positions. It is normal practice for sending countries to advise host Governments of diplomatic designations accorded to their officials. The holding of a diplomatic passport is not necessarily proof that the holder is accredited with a diplomatic designation (ie a diplomatic passport is a travel document.)

A survey of 50 countries led to the conclusion that to issue diplomatic passports is normal and appropriate international practice, giving some advantage in quick identification and facilitation for the bearer, and in the issue of diplomatic visas and the prima facie establishment of representation or status.

There have been and are Posts when the judgement has been made that for personal security reasons it is considered that all officers should be accredited and issued with Diplomatic Passports.

The Department advised that there were 1132 diplomatic passports issued in 1990-91 of which about half were issued to DFAT officers. There are 38 categories of entitlement to diplomatic passports, including holders of high office, and the entitlement is not restricted to officers posted to diplomatic missions.

In relation to United States Government policy on the importation of and profit on duty-free cars, the Department advised the Committee:

We understand that United States policy is that "personal property imported into host countries by US citizen employees under diplomatic privileges and immunities must be for their bona fide personal use or that of their dependents." There is also a prohibition on the retention of any profit from the sale of such property...any such profits [are] to be donated to a charity.

CASE NO 2 - TRUST FUND OTHER TRUST MONEYS (TFOTM)

Claim: It is alleged that officers entitled to buy cars duty free (those with diplomatic status) are profiting from the sale of the cars, repatriating the proceeds, including the profits, from soft currency countries through the TFOTM and leaving the Government with unusable local currency. It is further claimed that a 1989 internal audit report on this matter was suppressed.

File Check: The file check showed that there is an early 1990 report of an audit which, among other things, tested controls intended to prevent the repatriation of profits (not proceeds) of car sales through TFOTM and found that the controls were working. However, the controls had been introduced as late as May 1988 and DFAT was asked for written comment on whether the system was abused prior to that time.

The DFAT response was to the effect that the main parts of the control system existed prior to May 1988 and that a 1987 review found only isolated cases of possible abuse. The TFOTM has long been used to repatriate proceeds of car sales up to the purchase price from some countries and the detailed review in 1987 concluded that there were good reasons for this practice. DFAT denied that there have been any write-offs of unusable soft currency as a result of the practice. The amounts cited in the 1987 review as having been repatriated are plausible and consistent with that claim.

GENERAL MANAGEMENT

CASE NO. 3 - INTERNAL AUDIT

Claim: The submission contains several claims about the Department's internal audit function, including:

- (a) audit section staff numbers have been slashed in recent years;
- (b) audit trip frequencies to overseas missions 'are now at the barest level acceptable to the Auditor-General's guideline';
- (c) a former audit chief was moved from audit duties shortly before being posted because of written complaints about Management Division interference in the audit process;
- (d) his or her successor had a first class history degree and was sycophantic and untrained and was selected for the position by a senior officer for those reasons;
- (e) in 1990 Management Division proposed disbanding the Audit Section; and
- (f) the DFAT Audit Committee is dominated by representatives of the Management Division and lacks independence.

The first two of these claims may have been derived from a memorandum signed by the former Director of the Audit Section, a copy of which was supplied to the Committee as an attachment to the DFAT Reform Group submission.

Responses: The Department responded as follows:

- (a) During 1989-90, in line with the Government's policy, it had considered the options for according priority to the prevention and investigation of fraud. In 1990 it decided to split the Audit and Fraud Section, and reorganise other functions, into two sections: the Evaluation and Audit Section and the Fraud Prevention and Discipline Section. Staff numbers in both sections have been increased.
- (b) The Department 'is not aware of any [audit] guidelines set by the Auditor-General and, indeed, the Australian National Audit Office has confirmed that there are no such guidelines.' The Department provided statistics of audit frequencies over the past three years which appear to show that the number of audits completed in 1990-91 was lower than that for 1989-90 but that audit numbers in 1991-92 were higher than in either of the two preceding years. The Department commented that the number of audits conducted each year may not be the most useful indicator of audit activity.
- (c) The Department responded that the former head of the Audit Section applied for an overseas posting early in 1990 and succeeded in obtaining a post falling vacant at the end of the year. Three months before being due to proceed on posting, when a separate Fraud Section was established, the officer was transferred to head the new Section pending the return from posting of another officer who was to head the Section.
- (d) The Department responded that the officer's replacement as head of the Audit Section has degrees in law and Asian studies and is expected to complete a Graduate Certificate in Internal Auditing at Monash University this year. The officer has been a member of the Australian Public Service for 19 years and has served in a range of areas in DFAT and other departments, including at posts overseas. The Department had considered that the new Evaluation and Audit Section had wider responsibilities than the former Audit Section and that the broader perspective required by the Government's program evaluation strategy required direction by an officer with a wide range of experience in policy and functional areas.

The Department totally rejected any suggestion that the officer was not eminently qualified for the appointment or that the appointment was on anything other than the soundest principles or not in accordance with established public service principle and practice.

The officer and the senior officer said to have appointed him or her to the position both responded, rejecting the DFAT Reform Group claims and drawing attention to the officer's degrees in law and Asian studies and near completion of formal auditing qualifications. The officer denied that there has been any attempt to prevent or otherwise influence audit review of any activity in Canberra or overseas.

- (e) The Department advised that, one of the options for restructuring the Audit Section considered in 1989-90 was contracting the internal audit function out to a private accounting firm. This option was not adopted.

- (f) The Department responded that, in the absence of a Board of Directors of the Department, the Evaluation and Audit Committee draws its members from "managers in all programs, including corporate services". The Australian National Audit Office is invited to attend meetings of the Committee.

The Department commented that internal audit is "an independent appraisal activity established by and within the Department to provide objective appraisals of the efficiency and probity of the department's operations". Audit independence is maintained, the Department said, by not assigning any line function to the Evaluation and Audit Section, by appropriate training and selection of audit staff and by top-level management support of the audit function.

CASE NO. 4: STEPLADDER ALLEGEDLY SENT SAFEHAND TO TOKYO

Claim: It is alleged that a two-metre stepladder was purchased in Canberra and sent to Tokyo by safehand bag in May 1990. The claim was one of several examples of what was said to be wasteful use of the safehand system.

File Check: Committee staff reviewed relevant files in this case. The review found that a team of technical officers had travelled to Tokyo at the time in question to install a new secure communications room. A large quantity of security equipment, supplies, tools and equipment was sent with them, part by safehand bag and part by airfreight. A DFAT officer recalled that two ladders had been purchased and sent with the consignment and that they should have been included in the airfreight not the safehand component. He confirmed that the ladders were still in the Tokyo Embassy and strongly defended the economic rationale for buying and sending them. Because of the size of the consignments, which were documented in bulk, DFAT could not prove that the ladders were not inadvertently placed in the safehand rather than the airfreight pile but officers considered it unlikely. They also pointed out that the weights of the two consignments were such that there might have been no additional cost if that had happened.

Responses: DFAT, in a later written response to the Committee, advised that the construction of a new embassy building in Tokyo had reached the stage at which a team of technical officers from the Department was scheduled to visit the project to install security and communications equipment. The technical officers required "two lightweight, ladder/scaffold units needed for the construction of certain facilities at our overseas Missions. They were available in Australia and not identified among items which could be procured in Tokyo when informal inquiries were made before the shipment was finalised." The Department informed the Committee that the weight discounting available for a consignment of the size of the one in question permitted the whole consignment to be dispatched at a rate of approximately \$5.50 per kilo.

CLAIM NO. 5 - MANAGEMENT OF COMPUTERS

Claim: Several claims relating to the recording of computers in asset registers, devolution to 113 different sections for the purchase and servicing of computers, the stealing of computers and the potential for classified material to be stolen on disks without the Department's knowledge.

Responses: The Department responded that it has a central, computerised assets register. Purchase of computers and the provision of support services is undertaken centrally by

the Information Technology Branch. Responsibility for maintaining records of computer equipment on the central Assets Register has been devolved to branches.

A 1990 internal audit found weaknesses in recording the removal of assets and improvements were made to systems. Computer equipment had been moved to another area without approval, and could not be located. As claimed in one case, a piece of computer equipment listed as stolen reappeared in the Department in the place of a similar piece of equipment which could not be found.

The Department stated that, according to its records, no computer that had been authorised for the processing of classified information has ever been stolen.

CONDITIONS OF SERVICE

CASE NO. 6: REPRESENTATION ALLOWANCE - LATE RETURNS/ALLEGED FRAUD

Claim: It is alleged that a named HOM has repeatedly lodged quarterly representation returns late (supplying returns for several quarters together at the end of a prolonged period). It is also claimed that the HOM refused to acquit his or her allowance for two postings and concocted receipts to support one set of returns. It is further claimed that a senior officer over-rode middle management objections to continue quarterly payment of advances and that the returns were acquitted by a new trainee.

File Check: Committee staff reviewed relevant files in this case. The review showed that the HOM had failed to lodge returns for extended periods during the two most recently completed postings, catching up on each occasion by lodging several returns together. He or she is now up to date with all returns, including those said not to have been lodged in relation to one posting as HOM.

Committee staff saw no reason to suspect fraud in relation to the receipts said to have been concocted. The receipts in question were consecutively numbered and dated on the same date, a considerable period after the purchases to which they relate, as stated by the DFAT Reform Group. But since they were supplied in response to a specific request from DFAT Canberra and related to easily verifiable purchases, Committee staff considered that fraud would be the least likely of several possible explanations for their having been issued together. The HOM would have obtained no benefit from fraud in relation to these receipts since he or she could have acquitted the same amount of representation allowance against other expenses that exceeded the representation allowance entitlement and were not reimbursed.

The Department's Fraud Control and Discipline Section had investigated claims that the HOM's returns were fraudulent but found no evidence of fraud. The Director of the Section told Committee staff that the fraud claim could only be investigated further through a costly visit to the post which would not be justified in the absence of any evidence.

It appears that the HOM, during an earlier posting, largely disregarded reminders from the Conditions of Service (COS) Section in Canberra that returns were late. During the three years of the most recently completed posting, the COS Section twice stopped payment of quarterly advances to the HOM until outstanding returns were lodged. This action was endorsed by the senior officer who was said by the DFAT Reform Group to

have over-ridden the middle management decision to stop payments. In resolving the most recent dispute over this matter, the HOM commented that DFAT was "now" according a very significant priority to this sort of documentation and that he or she would conform in future.

Responses: The Department confirmed that all advances at all prior postings had been acquitted and that advances to the HOM had been stopped at the last post due to his or her failure to lodge returns. The Department further responded that the HOM did submit five returns at one time in relation to his or her most recently completed posting and that reconciling that representation expenditure had involved "considerable effort, including at Executive Officer and Director level". The Department rejected claims that the returns were approved improperly by being passed to a new trainee.

The HOM responded that, during the most recently completed posting, he or she had been advised that the Department would cease quarterly advances until a previous advance had been acquitted, that had occurred, and he or she had continued to work as HOM, meeting representation costs personally. Toward the end of the posting, he or she forwarded a consolidated return to Canberra which was acquitted after he or she had provided further information required by the Department. The HOM was then reimbursed the amount determined by the Department as the correct representation allowance entitlement, this amount being several thousand dollars less than the HOM had actually spent.

The HOM informed the Committee that he or she had been late in lodging the returns because:

I gave priority to the policy and substantive work of the [mission] and pursuit of Australia's national interest [in the region]. As many know, in the period at issue that work was extensive. It meant that I, practically, assigned a lower priority to drawing up statements of acquittal of representational expenditure.

The HOM pointed out also that, in his or her view, only one such statement was late - the one which led to advances being stopped - and that all further expenditure was from his or her own resources, subject to later reimbursement.

CASE NO 7: PROCEDURES FOR ACQUITTING REPRESENTATION ALLOWANCE

Claim: It is alleged that representation allowance advances are not recorded and monitored in the same way as other advances.

File Check: Committee staff reviewed relevant files in this case. The review showed that the claim is partly true because of the special features of the allowance. There was no indication that the differences result from a tolerant attitude to abuse and there were indications that the Canberra-based staff responsible for acquittal of HOM representation allowance returns reviewed by Committee staff were diligent and honest.

Representation allowance is paid through advances to officers of significant amounts. Annual entitlements of HsOM since January 1990 have ranged from \$6100 to \$43,900. The advances at present are made to HsOM quarterly and to other officers through a fortnightly addition to salary. Action is in hand to replace the system of fortnightly

payments to officers other than HsOM with quarterly advances and responsibility for acquitting HOM representation advances was transferred from Canberra to posts from 1 January 1992. The advances are acquitted quarterly by HsOM and six monthly by other officers with a final reconciliation at the end of each posting. In the event that the allowance is significantly underspent at any time, further payments should be withheld until expenditure is close to the projected level. Committee staff found that this invariably had occurred in the sample of HOM returns that were checked. Most of the allowance is acquitted without the need for provision of proof of expenditure but expenditure must be itemised and receipts must be presented for expenditure on alcohol. A taxable supplementary allowance is also paid in recognition of a level of minor representational expenses. Expenditure of the main allowance often appears to be incurred mostly on a discrete number of relatively large representational events or purchases.

The system incorporates post audit visits to encourage compliance but inevitably relies on the integrity of participants and appears to be open to a degree of abuse. The potential for abuse might be reduced and cash management improved if the component of the advance which must be itemised were to be largely replaced by greater use of government credit cards and/or reimbursement of the larger representational costs at the time they occur from official accounts held at posts. Liquor purchases, for example, are significant, 'lumpy' purchases which might more efficiently be paid from post accounts than from advances to officers.

The Department has not informed the Committee of the approximate amount of representation allowance currently advanced to officers other than HsOM and not yet acquitted. It appears that this figure cannot be produced readily from the current recording system. Since the annual budget for this entitlement in DFAT alone is \$1.3m, the carrying costs of the advance would be significant. There might also be some reduction in the large amount of record keeping and checking associated with acquittal of this entitlement if some of the purchases were shifted into the post accounting system. However, any saving achieved by moving some of the representational expenses from an advance to a direct payment system would be offset, at least partly, by the costs of the processing a larger number of financial transactions through the official system.

Responses: The Department's responses to the various components of this claim indicated that there is no central record of the amounts of unexpended representation allowance held by officers other than HsOM. Advances to HsOM are now recorded and acquitted in the advances section of the CAP accounting system. Committee staff were told that DFAT proposes to change the system in relation to officers other than HsOM from July 1992 to one in which advances will be made and acquitted quarterly and recorded in the advances section of the accounting system.

CASE NO 8: - POTENTIAL FOR DOUBLE DIPPING: REPRESENTATION AND TRAVELLING ALLOWANCE

Claim: It is alleged that almost all HsOM, and one named example, routinely claim full travelling allowance for meals that they are also acquitting against representation allowance.

File Check: Committee staff reviewed relevant files in this case. The review revealed that double dipping could occur although DFAT has issued instructions from time to time barring the practice. It is impossible to verify any particular occurrence without obtaining

travelling allowance and representation allowance records from posts. Under the system that applied to HsOM until December 1991, representation allowance was acquitted in Canberra while travelling allowance was acquitted at posts. The acquittal process for HOM representation allowance in Canberra did not include a check for double dipping and the nature of the process was such that it would have been very difficult to do this in Canberra. Advances of both allowances to officers below HOM level have long been acquitted at posts and the extent to which checks for double dipping are applied was not clear to Committee staff. In the case of the specific HOM cited in the submission, Committee staff observed that meal expenses declared on the representation allowance acquittal form had not been reduced to offset any travelling allowance payment that might have been made.

Responsibility for acquitting HOM representation allowance was devolved to posts from January 1992. The acquittal process at posts will include a certification by the Senior Administrative Officer at each post that the HOM claims are valid.

Responses: DFAT responded that the Department has instituted procedures to guard against the potential for double-dipping:

Officers are expected to identify on their travel allowance forms any instance where meals are taken as part of the officer's expenditure from entertainment allowance. An instruction to this effect appears in the documentation provided to the officers undertaking short-term travel. In addition, all Heads of Mission were reminded in February this year that if they entertained during official travel away from the post it was not appropriate to include in their representation allowance acquittal any costs for which they had been paid travelling allowance.

DFAT officers pointed out in meetings with Committee staff that the decision to devolve to posts the responsibility for acquitting HOM representation claims places representation and travelling allowance administration in the same locations, reducing the scope for double dipping.

The HOM named as having claimed meals under both representation allowance and travelling allowance rejected this and another claim. In relation to this claim, the HOM informed the Committee of the number of nights that he or she had been away from post during the posting and the number of claims for representation expenditure associated with that travel.

CASE NO 9: SECRETARIES SIGNING REPRESENTATION FORMS

Claim: It is alleged that the majority of HOM representation returns for years have been prepared and signed by secretaries.

File Check: Committee staff reviewed relevant files in this case. The review showed that a significant number (but not a majority) of the returns in a large sample had been submitted by staff other than the HOM. It appears that, until the end of last year, there was no requirement that the returns be signed by the HOM. Arrangements for devolving acquittal of HOM representation allowance to posts, effective from January 1992, include a certification form which must be signed by the HOM and by the Senior Administrative Officer at the post.