

The Parliament of the Commonwealth of Australia

**Senate Standing Committee on Finance
and Public Administration**

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

December 1992

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RECOMMENDATIONS

The Committee recommends that:

departmental reorganisation

1. if the Government decides to retain a specialist public relations capacity within DFAT, it should do so in such a way as to maintain a viable core of specialisation within a single branch;
2. that branch be given clear and unambiguous objectives related to the undertaking of specific public relations campaigns and activities (Paragraph 3.66);

allegations by the DFAT Reform Group

3. no Commonwealth investigative or administrative review agency inquire into any further allegations about DFAT made by Mr Carroll or the DFAT Reform Group unless and until they provide substantive evidence to support the allegations (Paragraph 5.35);

personnel management issues

4. DFAT bring together its various staff welfare initiatives into a specific sub-program directly answerable to the appropriate Deputy Secretary position (Paragraph 7.18);
5. DFAT adapt its *Statement of Service* publication into a skills register by seeking basic information on postings, educational qualifications and other skills in standard format from all members of its staff and by maintaining that information in a sortable format (Paragraph 7.29);
6. in its response to this report, the Government report on the effectiveness of the development diary system with particular regard to whether there is scope for making the essential components of the system mandatory and whether there is scope for extending the system to SES officers (Paragraph 7.34);
7. completion of the appraiser's self-assessment in DFAT's development diary to be made mandatory with a requirement that it be countersigned by the person being appraised, with provision for that person to comment if he or she wishes, and a requirement for review by the appraiser's supervisor (Paragraph 7.35);
8. DFAT, OPG and the Department of Finance jointly review the feasibility of allowing at least some officers to receive an allowance and rent their own accommodation instead of residing in government-supplied residential accommodation at posts where it could reasonably be expected that officers do so (Paragraph 8.17);

general management issues

9. DFAT account for passport fee revenue in a way that separates the components of the fee which apply to passport production costs, consular services, and the remainder of the fee (Paragraph 8.26);
10. Australia have a standard passport with a system of endorsements to certify the position held by or status of the person to whom the passport is issued;
11. there should also be the option of some distinctive endorsement to be embossed on the covers of passports issued to Australian officers posted overseas, especially where such an endorsement might offer operational advantage or increased safety (Paragraph 8.31);
12. DFAT comment in detail in its 1992-93 Annual Report on the measures it has taken to improve its records and information-retrieval systems and provide evidence of the success of those measures (Paragraph 8.38);
13. the Government response to this report outline the measures taken by DFAT to ensure that its methods of payment of locally engaged staff do not breach or facilitate breaches of taxation law in Australia or overseas (Paragraph 8.44);
14. DFAT, in reporting on the activities of its Evaluation and Audit Section in its 1992-93 Annual Report, comment on the extent to which its internal audit program has been aligned with the audit priorities of the Australian National Audit Office (Paragraph 8.58);
15. all cases of apparently unauthorised release of information within DFAT's area of responsibility be recorded in the Department's list of leak investigations, including the release of information on individual current or former members of the Department's staff and the release of information other than by DFAT officers;
16. summary information from the schedule be reported in the section of DFAT's annual report relating to fraud control (Paragraph 9.18);
17. DFAT adopt a policy of:
 - (a) referring to the Australian Federal Police for investigation all cases where information classified at Confidential level or higher appears to have been released without authority; and
 - (b) where appropriate, referring to the Director of Public Prosecutions for consideration of prosecution under the Crimes Act any future case in which an officer appears to be culpably responsible for the unauthorised release of classified information (Paragraph 9.24);
18. pre-posting security training be made mandatory for all officers who have not previously undergone such training and a Diplomatic Security Section briefing prior to posting be made mandatory in all cases (Paragraph 9.30);

conditions of service issues

19. responsibility for the setting and administration of overseas conditions of service be transferred from DIR to an independent body within the Industrial Relations Portfolio comprising members drawn from the overseas operating agencies, the Department of Finance and the Department of Industrial Relations (Paragraph 10.46);
20. all overseas operating agencies which do not already have a management-staff consultative body with specific responsibility for overseas conditions should establish one; this might conveniently take the form of a sub-committee of an established management-staff consultative committee (Paragraph 10.48);
21. the anachronistic general entitlement to boarding school fees at any school in the UK or Australia be replaced by an entitlement to assistance with boarding expenses associated with education at any school provided the officer can justify the need to board a child or children and subject to an upper limit on the Australian Government contribution equivalent to the limit that currently applies in relation to boarding school fees in Australia (Paragraph 10.51);
22. the Government expedite the consideration of the proposals for:
 - . a right to leave without pay so that a spouse can accompany an officer on posting;
 - . a right for a spouse on leave without pay to continue contributing to an Australian Government superannuation scheme; and
 - . remission of rent and utility contributions if an officer is required to maintain a household in Australia for a dependent family member;and inform the Parliament of the decisions in each case in its response to this report (Paragraph 11.26);
23. DFAT regard as a matter of urgency the negotiation of as many reciprocal employment agreements as possible and give those negotiations a high priority (Paragraph 11.27);
24. the family component of Overseas Living Allowance be paid directly to spouses (Paragraph 11.27);
25. DFAT ensure that the planning for the proposed York Park office building provide for the Family Liaison Officer and related advisory facilities for officers and spouses to be located in an area of the building that is readily accessible (Paragraph 11.27);
26. DFAT and the Department of Finance jointly review the possibility of improving cash management in the representation funding system by replacing as large a proportion as possible of the present representation advances with direct

payments by DFAT or with reimbursement of expenses as they are incurred (Paragraph 11.44);

27. all payments to domestic staff of Australian Government officers posted overseas be made directly by the administrative units at their posts (Paragraph 11.46);
28. the Departments of Administrative Service and Industrial Relations review the arrangements for the issue of private-plated cars to SES officers with a view to extending the entitlement to government-supplied petrol during periods of leave subject to an increase in the officers' contribution (Paragraph 11.51);
29. Australian Government officers and their dependants overseas be prevented from purchasing cars free of duty but be permitted to lease from the Australian Government cars of a reasonable but limited range of makes and styles or to participate in arrangements for the use of government cars for private purposes, subject to a contribution towards the cost of that use (Paragraph 11.64);
30. pending a decision on recommendation 29, DFAT should immediately reduce the entitlement of SES or equivalent officers, including heads of mission, to purchase cars free of duty when posted overseas from two to one per posting (Paragraph 11.65);

disciplinary system and standards of conduct

31. high priority be given to amending the Public Service Act to provide for the extension of the standard disciplinary procedures under the Act to heads of diplomatic missions and posts (Paragraph 12.24);
32. the Public Service disciplinary system be changed to provide for disciplinary proceedings to be public at least to the extent of the fact that charges have been laid, their nature and the outcome (Paragraph 12.29);
33. DFAT institute a continuing system designed to ensure that its officers at all levels are familiar with the *Guidelines on Official Conduct for Public Servants* and supplement those guidelines with material designed to relate the guidelines to its own operating environment, to impress their importance on all its staff, and to make clear to all DFAT officers the importance of consistent application of departmental and public service instructions (Paragraph 12.34).

CHAPTER 1: BASIS, SCOPE AND CONDUCT OF THE INQUIRY

Basis for the inquiry

1.1 On 19 June 1991 the Senate referred the management and operations of the Department of Foreign Affairs and Trade (DFAT) to this Committee for inquiry and report. The terms of the reference were:

The management and operations of the Department of Foreign Affairs and Trade, and whether that Department is fulfilling its role to protect and advance Australia's foreign policy interests, with particular regard to the following:

- (a) management systems and program evaluation procedures;
- (b) security procedures and custody of classified material;
- (c) overseas conditions of service and their implications for efficiency and effectiveness; and
- (c) morale, staff performance and accountability.

1.2 The reference originated from concern on the part of some senators that there had been:

- . significant upheavals and controversies within DFAT in recent years, indicated by such phenomena as leaks, public accusations of malpractice, complaints to senators, and industrial disputes (Senate Hansard 19.6.91, pp. 4954, 5028);
- . a series of reports from the Auditor-General criticising DFAT (Senate Hansard 19.6.91, p. 5023, 5027);
- . financial irregularities and serious leaks giving grounds for concern about management systems (Senate Hansard 19.6.91, pp. 5028-9).

1.3 It was also argued that senators had been unable to satisfy themselves through the normal scrutiny of estimates and annual reports as to the efficacy of corrective action taken by DFAT (Senate Hansard 19.6.91, p. 5026).

1.4 Speakers in the debate stressed that there had been few external reviews of DFAT and argued that a Senate committee inquiry could help restore confidence in the Department's management if it confirmed that appropriate corrective action had been taken and could be a catalyst for change in areas where problems remained (Senate Hansard 19.6.91, pp. 4954, 5028-9).

1.5 The reference was opposed by the Minister and some senators on the basis that it would be of limited utility (Senate Hansard 19.6.91, pp. 4952, 5022, 5024; 7.11.91, p 2619). The Minister argued that:

- . the inquiry was unnecessary because there was ample opportunity under the estimates committee procedures to explore the kinds of issues raised in the reference;
- . there was no specific matter of concern that could justify a full scale inquiry into the Department;
- . the Department was in the process of implementing a comprehensive management improvement program.

The Minister suggested that the inquiry would be regrettable because "any inquiry of this time necessarily involves a major allocation and diversion of resources which simply, in the present environment, my Department can ill afford" (Senate Hansard 19.6.91, p. 4953). It would also be regrettable, the Minister said, that the inquiry would give the opportunity for "further airing of ... antagonisms towards the Department that are notoriously held by at least some people [and] that will not do much to help the morale of a Department which has been subject to quite a battering from assaults of this kind over the course of the last year" (Senate Hansard 19.6.91, p. 4954).

1.6 It was also argued that any inquiry be conducted by the relevant Senate standing committee, the Committee on Foreign Affairs, Defence and Trade. However, the Senate resolved to make the reference and to make it to this Committee (Senate Hansard, pp. 4954, 5022-5).

1.7 DFAT and its predecessors have been the subject of numerous external inquiries over many years. Indeed, the report of one major inquiry by a Senate committee as long ago as 1979 began with a section entitled "Why another inquiry?" and identified seven other reviews of the Foreign Affairs Department in the preceding four years (SSCFAD 1979, p. 1). There have been further inquiries relevant to the management and operations of DFAT since 1979, including:

- . two wide-ranging reviews of Australia's overseas representation (Harris 1986; 1988);
- . five reports on annual reports by the Senate Standing Committee on Foreign Affairs, Defence and Trade;
- . reports by the Joint Standing Committee on Foreign Affairs, Defence and Trade on the administration of overseas aid (two reports) and on Australian diplomatic representation in Africa; and
- . reports by the Auditor-General on passport issue and control and on officers entitlements and other staff-related matters.

There have also been inquiries into aspects of Australia's foreign relations by the Senate and Joint Committees on Foreign Affairs, Defence and Trade touching on aspects of departmental administration. These have included inquiries into Australia and Latin America; Australian relations with the South Pacific; Australian relations with ASEAN; and Australia-India relations.

Scope of the inquiry

1.8 Given this extensive previous review activity and because the inquiry arose out of specific concerns about DFAT's management, the Committee's inquiry and this report do not purport to be a complete review of the management and operations of the Department. The report instead describes the Committee's review of and conclusions on the particular matters raised with it by various interested parties.

Conduct of the inquiry

1.9 At the time the Committee received the reference from the Senate it was heavily involved in its review of the Office of the Commonwealth Ombudsman, a report on which was presented to the President of the Senate on 20 January 1992. While that review continued, the Committee sought written submissions on the DFAT reference from the Department and from the community generally. A substantial body of submissions was received and the Committee began its program of public hearings in the inquiry on 6 February 1992.

1.10 The Opposition and Democrat spokespersons on foreign affairs and trade, Senators Hill and Bourne expressed interest in the inquiry and the Committee resolved to invite them to its meetings relevant to the inquiry and to make available to them the papers received by the Committee in relation to the reference. Senators Bourne and Hill participated fully in the inquiry, attending most public hearings and discussions on the draft report.

1.11 The Committee received 107 written submissions to the inquiry. It held eight public hearings at which it took oral evidence from 78 persons appearing either individually or on behalf of 16 organisations. This evidence raised various matters which are mostly discussed under the four headings of the Committee's specific terms of reference in Chapters 7 to 12 of this report. However, two substantial issues or groups of issues were raised with the Committee which crossed the boundaries of the specific terms of reference.

1.12 A significant body of evidence related to the major management changes that have taken place in the Department since 1987. The Committee has separated the matters raised in this evidence from later chapters, instead discussing them together in Chapter 3. The Committee also received a very large amount of written and oral evidence from a small group of former and serving officers of DFAT styling themselves as the DFAT Reform Group. The Committee handled most of the matters raised by the Group separately from the other elements of the inquiry and these matters are discussed in Chapters 4 to 6 of the report.

Submissions and transcripts of oral evidence

1.13 The Committee has tabled with this report the evidence that it has authorised for publication. This comprises 88 submissions from 50 persons and organisations, miscellaneous papers and correspondence, and the Hansard transcripts of eight public hearings. Lists of the submissions and witnesses appearing at public hearings are at Appendices I and II.

Acknowledgements

1.14 The Committee acknowledges that this inquiry imposed a significant workload on DFAT. As well as preparing a lengthy and comprehensive initial submission, the Department was represented at each of the eight hearings held by the Committee and responded in writing to numerous requests for information or comment on other evidence. The Committee is grateful to the Department for the considerable effort it made to assist in the inquiry. The Committee also received written and oral evidence from an unusually large number of individuals and organisations and sincerely thanks those who took the trouble to assist in this way. Four members of the Committee's staff assisted in this inquiry, Peter Hamburger, Della McCay, Michael McLean and Jean Thompson, and the Committee is grateful for their typically professional support.

CHAPTER 2: DFAT'S FUNCTIONS AND DEVELOPMENT

Organising a foreign service

2.1 The Department of Foreign Affairs and Trade, like the foreign ministries of most countries, has three broad functions. First, the Department is responsible for the practice of diplomacy, defined in *Satow's Guide to Diplomatic Practice* as "the application of intelligence and tact to the conduct of official relations between the governments of independent states" (Gore-Booth 1979, p. 3). Australian diplomats represent to foreign governments the Australian Government's position on matters of interest to those governments and establish and report to our own Government the positions of foreign governments on matters of interest to Australia. Diplomats also conduct much of the negotiation that occurs between the Australian Government and other governments. Diplomatic activity can occur bilaterally or multilaterally, the latter usually within the framework of international organisations.

2.2 The second broad function undertaken by DFAT is the support of the Government in its development of foreign policy. Since 1987, DFAT has been responsible for supporting overseas trade policy. The size and significance of this aspect of foreign policy is indicated by the Government's decision to appoint a separate minister for trade and by the fact that two of DFAT's ten divisions are mostly concerned with trade issues. Overseas trade promotion remains the responsibility of a separate statutory authority, Austrade. Foreign policy is a matter for the Government rather than the public service but in this, as in other areas of policy, the public service provides expertise and logistical support to whichever government is in power. Foreign policy development draws on aspects of many domestic policies and involves a significant coordination effort.

2.3 The third function undertaken by DFAT is the management of the resources and assets devoted to foreign policy, to the support of Australian Government activities overseas and to the consular and passport systems. This is a large task. As at 30 June 1992, DFAT employed 814 Australia-based and 1532 locally engaged staff at 89 posts overseas, 1264 officers in Canberra and 292 in seven other Australian cities. The Department's budget for 1992-93 is \$1790 million. The majority of these people and funds are employed on management and support of rather than directly on the diplomatic or policy functions.

2.4 Most countries place the three functions of foreign policy, diplomacy, and their management support within a single organisational framework but it would be possible to organise foreign relations differently. The three functions are distinct and the diplomatic and policy functions in particular, although often treated together, can be separated, both conceptually and in practice. Some separation of policy development from other functions actually occurs. Many issues of significance to foreign policy, for example, fall partly or primarily within the responsibility of ministers other than the Minister for Foreign Affairs and Trade and policy in these areas is developed in part outside the organisation that houses Australia's diplomats. Even on issues that fall mostly within DFAT's purview, policy development tends to be predominantly the task of one

set of officers in Canberra and diplomacy predominantly the task of another set of officers located overseas. The staff rotation that occurs between the two functions does not detract from the fact that they are largely undertaken in separate parts of the organisation.

2.5 This classification of DFAT's functions was useful to the Committee in its consideration of a submission to its inquiry urging the dispersal of the diplomatic, policy-development, and administrative functions to separate, specialist agencies. This and later submissions from the DFAT Reform Group, argued, in essence, that domination of DFAT by professional diplomats was detrimental to the policy-development and administrative functions and that traditional diplomacy is out of date and unnecessary. The Reform Group urged that DFAT be separated into discrete bodies, each with responsibility for diplomacy, advising on foreign policy, or the management of Australian Government employees and assets overseas. The Reform Group sought to support its argument with a large number of allegations of improper or illegal behaviour by DFAT and many named or identifiable members of its staff.

2.6 As reported in Chapters 4 and 5, the Committee concluded after thorough investigation of a large sample of the Reform Group's specific claims that the allegations lacked credibility. The Committee therefore declined to accept most of the allegations and has recommended that they not be further investigated by any other body unless and until the Group supplies evidence to support them. However, the Group's general argument about the best way of organising DFAT is one which they were entitled to put. Major elements of their general argument have been advanced by authoritative commentators from time to time although this Committee received little such evidence in its inquiry, probably because detailed consideration of the wider issue would manifestly be beyond the Committee's terms of reference.

2.7 In fact, it would have been far beyond the scope of this inquiry for the Committee to have attempted a detailed assessment of the arguments about the best way of structuring foreign relations. However, structural assumptions necessarily lie beneath any set of views on the management and operations of a particular foreign service and the Committee believed that it should provide an explicit statement of the assumptions under which it worked in this inquiry.

The Committee's working assumption

2.8 The general concerns about the traditional way of organising a foreign service that have been raised by many commentators are:

- . diplomatic practices and protocol are unnecessary, wasteful and prone to directing the attention of their practitioners away from the main priorities in foreign policy;
- . the rotation of staff necessary in a diplomatic service tends to reduce specialisation in a foreign ministry and tends to exclude specialists from employment in the service;

- diplomats may become too close to particular foreign governments or interests to the detriment of Australian foreign policy;

- diplomats and foreign policy advisers alike may lack the skills and interests necessary to the effective management of the significant resources controlled by a foreign ministry;

- particular policy or management areas - trade policy and the task of issuing and controlling passports are two commonly-cited examples - do not fit neatly with the other functions of the foreign ministry.

2.9 The Committee's working assumption for the inquiry was that there was some validity to at least the broad thrust of some of these criticisms of the standard structure. The Committee believes that the Government should be alert to the risks identified by some of the critics of the traditional approach. This assumption was based more on the experience of the Committee's members in Parliament and elsewhere than on formal evidence taken in this inquiry. It meant that, throughout the inquiry, the Committee was concerned as far as possible to test DFAT's actual performance against the types of general criticisms outlined above.

2.10 Particular issues that the Committee considered were:

- the possibility of waste from devoting too much attention to the diplomatic function in countries where a primary focus on trade and/or consular functions would suffice;

- the possible detriment to foreign policy development of limiting the public service involvement in it to persons whose main training and experience have been in diplomacy, many of whom have not specialised in the affairs of any geographic region or policy area; and

- the various management maladies likely to flow from rigid streaming of DFAT staff and also, potentially, from inappropriate measures to abolish the stream.

The specific recommendations in later chapters of this report reflect the Committee's assumption that the broad radical critique of the foreign ministry model points to some issues of real concern. But it is important to note that the Committee acknowledges significant improvement in recent years in most of the areas of possible concern. There was considerable evidence that the changes experienced by DFAT since the machinery of government reorganisation of 1987 have been large. It was also clear that the Department was aware of the need for further reform. Change has its costs and these tend to increase with the speed with which it is implemented. While sympathetic to elements of the radical critique, the Committee was generally impressed by DFAT's response to it in recent years.

From DFA to DFAT

2.11 The changes since 1987 took effect in a Department that had for many years displayed significant differences to the mainstream public service. This may have been partly the result of the policy orientation of the Department's work. The Department of Foreign Affairs was not established until 1935, international relations previously having been seen to be principally a part of the Prime Minister's political function. Even after 1935, the standard historical interpretation has it that:

professional diplomacy in this country historically has been weak ... [and] we have a marked characteristic among countries which adhere by and large to the Westminster system of a very strong Prime Minister in Foreign Affairs (Edwards 1986, p. 35).

2.12 Much of the early history of the Department involved a struggle to establish a professional diplomatic service. Leaving aside the staffing of a liaison position in London from the 1920s, professional recruitment to foreign affairs began in the 1930s and no Australian professional diplomats were considered sufficiently experienced to be appointed to ambassadorships until well into the 1940s. The practice of filling most ambassadorial appointments with public servants with experience in DFA was not firmly established until the 1950s.

2.13 From that time the Department settled into a structure that persisted with little change until 1987, despite the very considerable growth of the Department over the period. Employment streams developed in diplomatic/policy work, consular and administrative duties and, later, secretarial, communications and registry/archives functions. Entry to each stream was normally at the base level and movement between streams was rare (Evidence, p. S50). Bright graduates were recruited to the base of the diplomatic/policy stream and rose in due course to occupy the vast majority of senior positions in DFA, although consular and administrative officers were appointed to some senior management-oriented positions in Australia and at very large posts overseas. DFA was unusual in the Australian Public Service, at least until the 1960s, in its practice of recruiting graduates for employment in general duties. In most other departments, few graduates were recruited other than to work in specialist areas such as the law, medicine, or engineering.

2.14 DFA was not highly ranked in the informal Canberra public service pecking order until the 1970s. This may have reflected its late establishment and the strong influence in its area of responsibility of the Prime Minister and sometimes other ministers not its own. It may have been partly the result of the relative isolation from the domestic policy mainstream of the Department's work and of many of its senior officers at posts overseas. A strong Department of Trade, responsible for overseas trade policy represented significant competition for DFA, both in policy advice to government and in relations with the relevant domestic constituency. Another factor, cited by Bruce Juddery, a journalist specialising in the Canberra public service, was:

the "generalist" bias of Foreign Affairs. Apart from such rare exceptions as Philip Flood, head of the Economic Policy Branch in 1973, and

Michael Cook, a specialist in intelligence and defence, there were few senior men in the Department equipped to hold their own against other departments, other than on matters purely of international politics. Other representatives on IDCs considered their Foreign Affairs counterparts light-weight (Juddery 1974, p. 103).

2.15 Juddery suggested that "the application of something very like force" would have been required to break down this undesirable side effect of streaming and an attempt to do just that was made in the early 1970s. The senior management of the Department, through a process called "re-integration", sought to "end the separate caste existence of diplomats by making diplomatic postings open to any clerical/administrative employee in - or, theoretically, outside of - the Department" (Juddery 1974, p. 102). Re-integration was said to have been greeted with scepticism by DFA officers, with "many believ[ing] it only a ploy to get more money for the existing elite". However, the elite, through the Foreign Affairs Association, voted 47 to 2 against a specific proposal to appoint 13 outsiders to Foreign Affairs Officer Class 3 positions and the proposal did not proceed (Juddery 1974, pp. 102, 108).

2.16 The re-integration process came to an abrupt halt in 1974 with the appointment of Alan Renouf as Secretary of DFA. Mr Renouf (now Dr Renouf) had a low opinion of the public service outside DFA, describing it a few years later as "stodgy, unimaginative and time-serving, especially at its top levels". He came to the position with the belief that:

The Department of Foreign Affairs had always been no more than a middle-ranking department. It had, I reckoned, as did Whitlam and Willesee, to become a major department, as were all its counterparts abroad (Renouf 1980, p. 103).

Dr Renouf's preferred option for DFA was for it to be separated from the mainstream public service and constituted under its own Act. He put this view to the Royal Commission on Australian Government Administration (Coombs Commission) in 1974 (RCAGA 1976, p. 265).

2.17 The Renouf line, urging a stronger DFA, independent of the public service collided with the general inclination of the Coombs Commission to favour integration of specialised departments and agencies into the wider public service. The Commission not only employed a consultant to explore what the consultant called "inbreeding" in DFA's staffing practices, it also eventually defined the Department's role as "essentially one of coordination" of the output of domestic policy agencies (RCAGA 1976, p. 333). The Commission's report recommended more open recruitment to DFA positions, extensive rotation of staff between DFA and other departments and a thoroughgoing integration of the Department into the mainstream public service. Supporters of a separate foreign service, especially Alan Renouf, continued to argue their case through the 1970s and into the 1980s but, as shown in Chapter 3, the Department did in fact become more open to staff movements between itself and the rest of the public service.

2.18 While not achieving the status of separate service, DFA/DFAT in the fifteen years since the Coombs Report has achieved the major department status sought by Dr Renouf. The 1987 machinery of government changes brought the trade policy function within DFAT, ending a division of responsibility for international policy that had been particularly irksome to the proponents of a separate service. The 1987 changes also provided a very substantial one-off contribution to the proportion of DFAT staff with significant work experience outside DFA. This added to the effects of a small but growing number of appointments from outside DFA to above-base policy and diplomatic positions which had already begun to diversify the Department's experience base (see Chapter 3).

2.19 Immediately prior to the 1987 changes, DFA completed a major review of overseas representation instituted by its newly-appointed Secretary, Stuart Harris. Dr Harris had once been a public servant specialising in economics and overseas trade but was appointed to the secretaryship of DFA from an academic position at the Australian National University, becoming the first non-career diplomat to hold the position since the 1940s. The Harris Review canvassed many of the issues which became the subject of substantial change after the departmental amalgamations of 1987.

2.20 The scale of change in DFAT since that time is impressive and, perhaps for that reason, the separate service issue no longer appears to be of concern. Both the Department and the Foreign Affairs and Trade Association briefly raised the issue in their evidence to this inquiry only to conclude that, from their point of view, a separate service was no longer necessary (Evidence, pp. 29-31, S498). The issue had been covered in some detail in a second review by Stuart Harris, undertaken in 1988 after his return to the Australian National University, which concluded that there was no significant case for a separate foreign service provided interdepartmental coordination remained satisfactory and the special needs of service overseas were recognised (Harris 1988, pp. iii, 17-31).

2.21 The 1987 changes and their implications for the management of DFAT are discussed in the next chapter. Essentially they involved the amalgamation of two departments and an agency with significant overseas responsibilities and the final breaking down of the employment closed shop that had existed in the former Department of Foreign Affairs.

CHAPTER 3: DFAT SINCE THE MACHINERY OF GOVERNMENT CHANGES

3.1 The abolition of streaming in the context of the second tier wage agreement in 1987 and the machinery of government changes of the same year led to very large changes in DFAT's structure and operating systems. The wage agreement saw the end of separate employment streams which had maintained the former DFA as a closed shop with a highly segmented internal structure for about 30 years. The machinery of government changes brought together into DFAT the formerly separate Department of Foreign Affairs and Department of Trade and a former bureau, Promotion Australia, which had operated with a high degree of autonomy. It is now possible, five years after the changes, to draw some conclusions about their effect.

3.2 DFAT now appears to be a more open organisation than the former Department of Foreign Affairs with a staff of more diverse background and experience. While this might have advantages, it carries with it the risk that desirable specialisation in particular subject areas, countries or regions might suffer because of an excessive stress on the policy generalist in DFAT's culture. It appears that DFA in the past placed particular stress on the value of clever generalists in its policy areas. There is a risk that remnants of that attitude may have survived the incorporation of specialist trade policy and public affairs sub-units into the new Department to the detriment of those and other specialities, including the special demands of administration of overseas posts and of the overseas service generally.

Destreaming

3.3 Destreaming was described in the DFAT submission to this inquiry as "the most significant and far-reaching change we have made to our traditional staffing system" (Evidence, p. S50). The then Secretary to the Department, Richard Woolcott, told the Committee that the former system of functional employment streams had been replaced by "a system which emphasises the acquisition of a range of skills at each level - a system which is designed to give officers a wider career structure and the Department the flexibility it needs to carry it through the 1990s and beyond" (Evidence, p. 10). In effect, destreaming means that DFAT officers in some positions, especially overseas, can be expected to undertake a mix of the duties which were previously segregated into former specialist streams. They must also compete for vacancies with all other DFAT officers, regardless of their speciality as well as with suitably qualified outsiders. Mr Woolcott likened the change to a shift from a command to a mixed economy (Evidence, p. 9).

3.4 The disadvantages of streaming cited in the Department's submission to this inquiry were:

- . it was based on obsolete assumptions about technology and the affordability of specialisation of labour;
- . it stunted the management skills of senior officers;

- . it truncated the career paths of all officers except diplomats;
- . it restricted the flexible deployment of staff;
- . it placed too much emphasis on functions and not enough on skills (Evidence, pp. S50-51).

3.5 These adverse effects arose from two types of barriers which streaming imposed. The streaming system incorporated significant barriers to movement between job specialities within DFAT, particularly between administrative and diplomatic/policy work as well as barriers to the entry of qualified persons from outside DFAT to any type of work other than at the base level of any stream. In addition to these factors, officers employed in the Department had little incentive to seek experience in most types of employment outside the Department because streaming made DFA/DFAT a closed shop. Outside experience was of little or no value to career advancement within the Department.

3.6 The disadvantages of streaming had been recognised before 1987. As noted in Chapter 2, a tentative attempt at destreaming was made in the early 1970s. More determined efforts began after the appointment of Peter Henderson as Secretary to DFA in 1979. Mr Henderson told a conference in 1986:

I felt when I became Secretary that [the closed shop] was a state of affairs and an attitude of mind that could no longer be sustained. Accordingly, I set about getting it accepted within the Department that all vacancies should be advertised throughout the Public Service and that people within the Department would have to accept direct competition for promotion to those vacancies from people outside Foreign Affairs. I ran into strong resistance ... [but] my answer was that I wanted the positions filled by the best available people and I was confident that in the vast majority of cases those people would come from within Foreign Affairs from people who had the most relevant background experience, and that the fear that loyal Foreign Affairs staff would lose out to outsiders was not soundly based (Henderson 1986b, p. 32).

3.7 In the same speech, Mr Henderson noted that streaming had caused a "very real loss to the Department of talent and experience from the departure over the years of Consular and Administrative officers" who, he said, had seen promotion opportunities in departments other than Foreign Affairs. Mr Henderson expressed the hope that the process of drawing heads of mission from the consular and administrative stream, recently begun, would not be reversed (Henderson 1986b, p. 31). The weakening of strict barriers between employment streams in the 1980s was reflected in the Department's recruiting brochure. The 1982 edition stated 'entry to the Australian diplomatic service is as a Foreign Affairs Trainee'; the equivalent section in the 1986 edition read 'entry to the Australian diplomatic service *for most officers* is as a Foreign Affairs Trainee' (DFA 1982, 1986; emphasis added).

3.8 Far from being reversed, the process of change was consolidated and greatly reinforced by the adoption of destreaming in 1987 as part of an agreement between the Government and the trade union movement in the second tier wage agreement under the Accord. There now seems to be general agreement that it is irreversible.

3.9 The relative sizes of the respective streams prior to the change can be gauged from the 1985-86 DFA Annual Report which gave the following staffing statistics:

SES/HOM/HOP	163*
Diplomatic	392
Consular and Administrative	962
Keyboard	428
Technical	125

* The great majority would have been drawn from the diplomatic stream.

The 1987 amalgamation added to the former DFA:

Department of Trade	350
Promotion Australia	140.

At about the same time, the barriers between streams were formally removed.

Barriers to internal movement

3.10 The extent to which the various barriers imposed by streaming have broken down is indicated by analysis of information on the career paths of DFAT officers contained in the Department's *Statement of Service: Appointments and Biographies* (DFAT 1992a). The Committee reviewed the career paths of 150 DFAT officers who were serving at the end of December 1991 in SES positions in Australia or overseas or in head in mission or post positions. Positions in the latter group attract SES-equivalent remuneration and conditions and the sample therefore was almost the whole of DFAT's senior staff. A report on the review is at Appendix IV.

3.11 The review showed that 12 of the 150 SES or equivalent officers (8%) had joined DFAT in the consular and administrative stream. Nine of the 12 were heading missions or posts overseas and three headed branches of DFAT in Canberra with management rather than policy responsibilities. Many of the heads of mission or post with a consular and administrative background headed what appeared to be relatively minor missions or posts but one held the quite senior position of High Commissioner in Malaysia. Five were in their second or third posting in charge of a mission or post.

3.12 It is also notable that 12 senior officers who entered DFAT from the former Department of Trade at the 1987 amalgamation had moved into overseas postings by December 1991. Such officers occupied 13% of the overseas SES or equivalent positions by that time. However, only five of these occupied head of mission or post positions with the remainder holding subordinate SES positions at larger posts.

3.13 The *Statement of Service* publication lists at least 55 cases where officers secured diplomatic or policy-oriented positions in DFA or DFAT at above base level. Nineteen of these (including the 12 SES or equivalent officers mentioned above) came from the former consular and administrative stream. Three other cases were noted in which officers from the former keyboard stream had moved to consular and administrative duties. DFAT told the Committee in February 1992 that there had been considerable movement between the former streams since destreaming including, to that time, 16 officers moving from diplomatic or trade policy areas to corporate management work, 31 moving from trade to foreign relations work and 14 officers with foreign relations backgrounds moving to trade policy work (Evidence, p. 41).

3.14 These statistics do appear to confirm a substantial breakdown of the internal barriers between employment streams. When the numbers of cross-stream movements are compared to the sizes of the original streams shown in paragraph 3.9, it might appear that there is scope for more movement but it would be wrong to underestimate the extent of the change that has taken place. The purpose of destreaming was not to ensure that every officer gained experience in every stream but, rather, to remove impediments to the entry to any stream of candidates of merit. A degree of specialisation would be expected to continue and a major theme of this Chapter is that it should. If DFAT's initial recruitment processes are effective, it would be expected that many officers who have joined the department to undertake work of a particular type would enjoy successful careers specialising in that type of work.

Barriers to recruitment from outside DFAT

3.15 The second type of barrier imposed by the streaming system was to the entry at above base level of qualified applicants from outside DFAT. Peter Henderson summarised the reactions of long-serving DFA officers when he began to break down the barriers to outside recruitment:

Why, officers asked me, should we who have been successful as young men and women in open competition for places within the Department and who have had long and difficult apprenticeships in some of the less engaging capitals of the world, have to run the risk now of seeing positions which we legitimately aspire to filled by promotion of public servants from other departments (Henderson 1986b, p. 32).

3.16 Despite these objections, it appears that the external barriers imposed by streaming, like those between the streams, have come down. Of the 150 SES or equivalent officers whose career paths were reviewed by the Committee, 97 (65%) had entered the Department as diplomatic trainees but 24 (16%) had been transferred from the former Department of Trade in the 1987 amalgamation, 17 (11%) had been recruited to DFAT at above base level (one of them to the consular and administrative stream), and one (1%) had entered the Department as a graduate clerk.

3.17 Of the 16 above-base recruits to policy or diplomatic work, three had been appointed directly to their current position heading a mission or post and four had been promoted or transferred to their current Canberra-based SES position from other

Commonwealth employment (one each from Treasury, the Department of Finance, the Department of the Prime Minister and Cabinet and the Prime Minister's staff). All these had entered the Department within the past few years. Two other lateral entrants were and have remained specialists (in ADP and historical documents). The remainder had been promoted or transferred to above-base foreign policy positions in DFA or DFAT and subsequently promoted to their present SES or equivalent position. Three of these were persons with a background in the Department of Defence or the Office of National Assessments and two were lawyers, initially appointed to legal specialist positions. Other sources of one appointee each were the Public Service Board and the Bureau of Meteorology.

3.18 Lateral recruitment to policy and diplomatic positions below SES or equivalent level is continuing and this could be expected to increase the diversity of experience in DFAT's senior ranks over time. There is still scope for such improvement. The Committee drew one indication of DFAT's relative insularity from comparison with the results of a survey it commissioned in an earlier inquiry into the development of the SES (SSCFPA 1990). As shown in Appendix IV, the DFAT average on this indicator of staff mobility is well below the APS average. A recent study by the Department of Finance, based on records in the public service Continuous Record of Personnel database maintained by that Department found that DFAT SES officers had the lowest average inter-agency mobility of 14 major departments or agencies reviewed in the study (Department of Finance 1992, pp. 12-16). The study showed that the average number of other agencies in which DFAT SES officers had served was below 0.5, compared to averages of between 1.5 and 2.0 for several major operational and central coordinating agencies. The only agencies in the survey with averages below 1.0 on this indicator were DFAT, the Australian Taxation Office, the Australian Bureau of Statistics, the Australian Customs Service the Department of Defence and the Attorney-General's Department.

3.19 The low average mobility indicated by the Committee's research and the Department of Finance study still overstates the true position because the average figures used do not allow for the higher-than-average mobility of former consular and administrative officers and cases in which former diplomatic trainees worked for a short period in a department other than DFA prior to their selection for diplomatic training. An indication of the impact of those factors is available from Appendix IV. Work experience in both these categories occurred many years ago and at a junior level. It therefore makes no significant contribution to diversity in DFAT's senior ranks and is not an indicator of openness in the recruitment system.

3.20 As against those qualifications, however, it should be noted that most specialised agencies probably have lower average mobility than the public service as a whole and that diplomatic service overseas has specialist aspects. It requires, in particular, candidates with aptitude for representational work and who are prepared to undertake regular rotation between Australia and various posts overseas. For this reason, DFAT might be expected to have lower levels of interdepartmental mobility than many public service departments. It is also likely that it will take some time for the flow of lateral recruits under DFAT's recent policy of increased openness to have its full effect on the average characteristics of the senior staffing group in the Department.

3.21 The closed-shop system clearly left DFAT with an SES group relatively lacking in experience of the wider public service but the increase in lateral recruitment in the 1980s could be expected to narrow the gap between DFAT and the public service average over time. The Department informed the Committee in this regard that in the 1991 bulk promotion exercise for middle ranking positions nine of 49 promotions to Senior Officer Grade B level (18%) were from outside the Department. It was not clear, however, whether the outside recruits were predominantly to administrative or policy positions and the Committee wished to establish how the increased mobility into the Department has affected each of the former streams.

3.22 DFAT told the Committee that separate selection rounds were held for Administrative Service Officer Class 6 positions in "foreign and trade relations" and "consular and corporate services" in 1990. In those rounds, one of 20 outside applicants for 23 "foreign and trade relations" positions was successful compared to 22 of 74 internal applicants who succeeded. Five of 43 external applicants for 21 "consular and corporate services" vacancies succeeded compared to 16 of 95 internal applicants. This might suggest that positions with primarily administrative duties have become more open to competition from outside than have policy positions. However, there is a balancing effect through the advertising of middle level policy positions separately as "specialist" vacancies.

3.23 Twenty-six "specialist" vacancies at Administrative Service Officer Class 6 and Senior Officer Grade C level (excluding technical specialities like computing and electronics, which have always been relatively open to outside recruitment) were filled during 1990. Fifteen of the "specialist" vacancies were filled by applicants from outside DFAT and 11 by promotions from within the Department (Evidence, p. S1253).

3.24 Overall, the staffing statistics strongly indicate that access to middle-ranking DFAT positions has become reasonably open to applicants from outside the Department. This is a welcome trend. There is no doubt that the old DFA closed shop had outlived any usefulness it may once have had and the Committee applauds the apparent increased openness of the Department to candidates of merit from outside its ranks.

3.25 Given the special nature of both diplomatic and administrative duties overseas and the nature of DFAT as a rotational foreign service, it is likely that DFAT will remain a comparatively insular part of the Australian Public Service. The organisation needs to be open to outside candidates of merit at all levels but it will probably remain the case that most officers will join DFAT at a relatively junior level and make their careers in the Department. For this reason, the initial recruitment decisions are especially important. DFAT, like DFA before it, has given very careful attention to its choice of graduate recruits but the criteria for selection have stressed generalist abilities. Destreaming and the departmental amalgamations have combined to create a requirement that more DFAT officers than in the past be capable of combining diplomatic, policy and management skills and a possibly conflicting requirement that more officers specialise in subject areas like trade policy. The Committee would expect these changes to be reflected in DFAT's recruitment practices. In particular, the graduate intake should reflect a trend to recruit more persons with skills, qualifications and experience in management and more subject matter or area specialists. The recruitment

of experienced managers and other specialists into DFAT at middle and senior levels which has become more common in recent years would also be expected to continue.

Employment experience outside DFAT

3.26 A further effect of streaming was to discourage DFA/DFAT officers from seeking experience outside the Department. There was no reason to seek such experience while candidates for the Department's senior echelon faced no real competition from outside. There are obvious advantages for a body with representational and policy development functions in developing and maintaining a broad base of experience in its senior ranks and the relative insularity of the former DFA was clearly undesirable.

3.27 Work experience outside the public sector could be expected to be particularly useful in DFAT because of the importance of trade policy. The *Statement of Service* data is not sufficient to draw strong conclusions about this aspect of the work experience of DFAT's senior officers prior to their joining the Department. However, given the pattern of recruitment of such officers, discussed in paragraphs 3.11 and 3.16, it is likely that few have had any opportunity for significant employment experience outside the public sector. DFAT is probably similar to most APS departments and agencies in that regard but DFA/DFAT, unlike many other departments, has sought to mitigate the problem through active participation in the public service interchange scheme with the private sector.

3.28 Peter Henderson, when Deputy Secretary in DFA in 1978, took part in the scheme and subsequently promoted it vigorously in the Department. Mr Henderson described his own motives for seeking an interchange as:

Like many people in Foreign Affairs, I felt I knew far too little about Australia itself, about what the country outside Canberra looked like, and how things looked to people in the big cities, and most particularly, how the private sector actually worked. ... I also had in the back of my mind that if ... I would in due course be sent overseas again to represent Australia as Head of Mission, I would be better equipped for the job the more I knew about Australia (Henderson 1986a, p. 129).

Mr Woolcott told the Committee that the Department continues to be active in seconding its officers to the private sector through the interchange scheme although it has had some difficulty in recent years arranging for secondments of private sector employees into the Department (Evidence, p. 41).

3.29 The Committee accepts that measures like the interchange scheme have much to offer DFAT and other APS departments. This would have been especially the case for DFAT prior to destreaming but the scheme retains particular value for officers who may be required to represent Australia overseas. The Committee urges DFAT to continue to seek opportunities to second its own officers to other organisations, regardless of any difficulties it may encounter in securing secondments of private sector employees to its own employ.

3.30 One area in which a significant proportion of DFAT's SES or equivalent officers have had experience is work in the offices of ministers or senior members of the Opposition. As shown in Appendix IV, the *Statement of Service* indicates that 19 of the 150 SES or equivalent officers whose records were reviewed (13%) had this type of experience. Such experience could be expected to have value in extending the experience base of DFAT's senior staff.

Destreaming summed up

3.31 In general, the Committee concluded that streaming had all the disadvantages cited by DFAT and repeated in paragraph 2.4 of this report. It also raised unjustifiable barriers to the entry of talented persons to the Department and discouraged DFA/DFAT officers from seeking appropriate experience outside the Department. It placed most of the public service support for foreign policy development in the hands of clever generalists trained for diplomacy. These factors probably aggravated many of the types of problems discussed in Chapter 2 and the legacy of streaming is still apparent in the experience patterns of the Department's senior staffing group. However, streaming also had some potential benefits, especially its cultivation, in the form of the consular and administrative stream, of a group of specialist managers of overseas assets and activities.

3.32 The changes to DFAT's culture and structure that have taken place under destreaming are of considerable magnitude. Their effect will clearly be felt more severely by some elements of DFAT's staff than by others. This issue is dealt with in the final section of this Chapter, where the Committee also returns to the specialist-generalist issue. However, the Committee acknowledges that DFAT has made substantial efforts to reap the potential benefits of destreaming and that the Department is aware of the potential disadvantages.

Amalgamations

3.33 In July 1987 the Government announced changes to the machinery of government which included the amalgamation of 27 public service departments into 17. As part of this change, a new Department of Foreign Affairs and Trade was formed out of the previously separate Department of Foreign Affairs, Department of Trade and Promotion Australia. The Prime Minister stated that the changes were intended to achieve administrative efficiencies and savings, better policy coordination and improved budget processes for the whole public service. They were also intended to enhance ministerial control of departments by moving to a two level ministerial structure. DFAT was cited in the Prime Minister's announcement as an example of the new ministerial structure in which there would be a portfolio minister as a member of cabinet and a more junior Minister for Trade Negotiations (Hawke 1987). Responsibility for trade promotion, as opposed to trade policy and negotiations was left with a statutory authority, the Australian Trade Commission (Austrade) which was placed initially in the Industry, Technology and Commerce Portfolio but moved in 1990 to the Foreign Affairs and Trade Portfolio.

3.34 As at 30 June 1992, DFAT comprised 10 divisions of which two, the Multilateral Trade Division and the Economic and Trade Development Division are largely

responsible for functions of the former Department of Trade and one, the Public Affairs Division, has incorporated in one of its branches much of the work of the former Promotion Australia (Evidence, p. 76). Many of the staff of these divisions joined DFAT with the 1987 amalgamation from the Department of Trade or Promotion Australia but other former Trade staff were also placed in amalgamated geographic area divisions in the new Department. DFAT told the Committee that there has since been considerable movement of staff amongst the elements of the Department deriving from the three former agencies (Evidence, pp. 40-41, 76).

Trade

3.35 The Department summed up its position on the Trade/Foreign Affairs amalgamation on the first page of its main submission:

In our view, the decision to create an amalgamated Department of Foreign Affairs and Trade was conceptually sound and operationally sensible. Notwithstanding past rivalries between the former Departments, amalgamation has worked well. The integration of foreign and trade policy work has extended far into the Department's structures. "Tribalism" may not be completely dead but it is fast fading as more and more officers cross traditional work boundaries. Indeed, of all the amalgamations which flowed from the machinery of government changes of July 1987, DFAT's has undoubtedly been among the most successful (Evidence, p. S16).

The Department suggested that there is a "simple logic and common sense" in linking foreign and trade policies (Evidence, p. S16).

3.36 The Committee's terms of reference do not extend to the question of the desirability of the amalgamation of the Foreign Affairs and Trade Departments. The amalgamation was a Government policy decision taken in the context of issues much wider than the management and operations of the Department of Foreign Affairs and Trade. It is, however, within the Committee's scope to comment on the apparent effects of the amalgamation and the evidence available to the Committee supports a generally favourable verdict. One issue the Committee had to consider was the risk that necessary specialisation in trade policy might be lost or unduly diluted as a result of the survival of DFA's stress on generalist abilities. A related issue for consideration was the possibility that diplomatic imperatives could be given undue weight relative to Australia's trade policy interests because of DFA's central concern with diplomacy.

3.37 It could be expected that any deficiencies in the development of trade policy would come to public attention, especially in evidence to inquiries like this one. In fact, there was little such criticism. Most of the evidence to the Committee on this issue was favourable to DFAT.

3.38 The Foreign Affairs and Trade Association (FATA), which has about 320 members employed in DFAT (Evidence, p. 122) commented in its written submission that the amalgamation was the "successful implementation of a good idea" and that:

The integration of trade and political work in the geographic divisions has given emphasis to these linkages in bilateral and regional relationships (Evidence, p. S495).

In oral evidence to the Committee the President of FATA reiterated the Association's view that "the great majority of officers" believed that the amalgamation had been a success (Evidence, p. 205).

3.39 However, the Association also commented:

there is a concern, especially among officers of the former Trade Department, that trade policy skills are still not valued sufficiently highly by DFAT. These same officers feel that dedicated trade policy skills at senior levels are eroding as officers either leave DFAT or seek to become 'multi-skilled' with a mix of trade, foreign policy and administrative experience (Evidence, p. S496).

FATA commended the coverage of trade-related issues in DFAT's in-house tertiary training courses but suggested that there should be more ad hoc training in trade work, particularly in the commercial/business aspects, for middle and senior ranking officers (Evidence, p. S496). The Association also sought a review of the structure of the two trade-oriented divisions after the conclusion of the Uruguay Round of GATT and greater rotation of staff through those divisions at that time (Evidence, pp. S496, 205).

3.40 The Public Sector Union, the main registered staff association with coverage of DFAT staff, did not raise the issue of the amalgamation in its written or oral evidence. However, the PSU's representatives, who were present during the oral evidence given by FATA's officers, expressed no disagreement with the FATA position.

3.41 The Committee presumed that if there was serious dissatisfaction with DFAT's performance of the trade policy role it would be reflected in evidence from the business community. In fact, the Committee received submissions from BHP, OTC, the Monash-ANZ Centre for International Briefing, the Confederation of Australian Industry, and the Australia-Indonesia Business Council, all of which were generally laudatory of DFAT. The only minor criticism, in the BHP submission, was subsequently modified by the company.

3.42 It appears that at least some of these submissions, along with numerous others from non-profit and community organisations, had been encouraged by DFAT. The Australian Journalists' Association tabled at a Committee hearing a copy of a DFAT internal minute noting that the first 29 submissions released by the Committee included only one from the business community and reporting that the Secretary to DFAT was pursuing submissions from "some heavy-hitters in the private sector such as BHP, CRA, WMC and TNT" (Evidence, p. 805). Although the Department seems to have had only modest success in any approach it may have made to the "heavy hitters", it is relevant to note that the Committee received no significant criticism of DFAT from the business community.

3.43 Professor Nancy Viviani, an academic who has published extensively on DFA/DFAT, has also supported the amalgamation, commenting in 1991:

An important change in departmental culture is taking place. In place of the rival cultures of elitism and pragmatism of the former departments, the process of trade officers working side by side with foreign officers and undertaking each others' functions at home and abroad has led to some cross-fertilisation of perspectives. Many foreign officers are now as committed to promoting commercial opportunities overseas as former trade officers, and the latter have been sensitised more to political issues. In this amalgamation, Harris sought synergy, the advantages said to be delivered by the mutual reinforcement of the pursuit of objectives. He may have achieved it (Viviani, 1992, p. 54).

3.44 The only strong criticism of the amalgamation to come before the Committee was in evidence from the DFAT Reform Group. The Group claimed in its submission:

The Trade and Foreign Affairs amalgamation is a failure. There is deep-seated, philosophical and operational friction between the two areas. Trade policy still has its own separate operational and policy divisions. At senior level it has its own Minister, Deputy Secretaries and First Assistant Secretaries. This separateness continues right down the line and includes financial controls, staffing selections, postings and policy considerations. The marriage remains unconsummated and unproductive. Both are ready to go their separate ways 'tomorrow' (Evidence, p. S960).

In its written submission the Group recommended that the political and economic aspects of foreign policy development be carried out by separate "policy think tanks" in different portfolios (Evidence, p. S972). However, in oral evidence to the Committee, a member of the Group, Alistair Gaisford, suggested instead that the amalgamation "should be completed" and criticised what he saw as tardiness on DFAT's part in moving officers from the former Trade Department into non-trade policy divisions (Evidence, p. 490).

3.45 Unlike the Reform Group, the Committee has no objection to the continuation of a trade specialisation in DFAT. Its interest, rather, is in the question of whether that specialisation might have been unduly weakened. Contrary to the apparent intent of its authors, the Committee took the DFAT Reform Group evidence as indicating that a strong trade specialisation continues in DFAT. Information on DFAT's structure and staffing profile was also reassuring in this regard.

3.46 Two aspects of the portfolio and departmental structure seem likely to maintain an appropriate amount of specialisation. The area in which trade specialisation is most required - the trade promotion field - remains organisationally separate from DFAT in Austrade with policy links between the two bodies. Within DFAT, two specialist trade policy divisions continue to exist with much of their staff drawn from the former Department of Trade and with the capacity to recruit staff with specialised backgrounds. Both factors should work to promote trade specialisation.

3.47 Changes in DFAT's staffing profile since the amalgamation are also likely to have strengthened the Department's capacity to deal with trade-related questions. As shown in Appendix IV, the amalgamation provided a substantial boost in the proportion of senior officers with tertiary qualifications in economics and related areas likely to be relevant to trade policy. It appears that such officers are currently concentrated in Canberra where the emphasis is on policy development work. The pattern of lateral recruitment to DFAT documented in Appendix IV reinforces the impression that DFAT has sought to build up trade-relevant expertise, showing that a significant proportion of lateral recruits, particularly in recent years, have had backgrounds relevant to trade policy.

3.48 Many of the direct entrants of earlier years came from the Defence Officer stream in the Department of Defence which matched the Foreign Affairs Officer structure in DFA, recruited graduates and dealt with work relevant to foreign policy. However, as far as a trend can be discerned in more recent lateral recruitment, it appears to favour recruits with a background in economics or commerce. Since the DFAT Reform Group's complaint about excessive use of one-off "specialist" recruitment referred in particular to the trade divisions, it also lends support to the view that specialisation in trade policy is continuing in the Department (Evidence, pp. S1375-6).

3.49 The proportion of SES officers in DFAT with experience and qualifications relevant to trade policy is probably sufficiently large to ensure that neither diplomatic imperatives nor any residue of the DFA preference for policy generalists could over-ride national trade interests. Any failure in this direction would be more the responsibility of the Government than of public servants in DFAT and the existence of a Minister for Trade could be expected to further reduce the risk.

3.50 The Committee received no credible evidence that the amalgamation of the former Trade and Foreign Affairs departments has been other than a success. However, the Committee would be concerned if the amalgamation were to lead eventually to the loss or dilution of expertise relevant to specialist areas. It believes that it would be sensible for the Department to guard against that by taking up the suggestions of the Foreign Affairs and Trade Association to promote the trade relevant skills and sensitivity to trade issues of those of its officers not formerly employed in the Department of Trade. DFAT might wish to give priority to the trade divisions in setting its program of Divisional Liaison Visits. The Committee notes, however, that it is also important that DFAT officers specialising in trade matters should be sensitive to the broader policy implications of their work. The Committee would not wish to be understood as giving trade issues absolute priority in foreign policy.

Promotion Australia

3.51 Generalist-specialist tensions were also raised with the Committee in relation to the amalgamation of the former Promotion Australia into DFAT. Promotion Australia had been a specialist public affairs unit, employing mainly journalists, which had existed in one form or another since 1939, generally with a high degree of organisational autonomy. The functions that Promotion Australia brought to DFAT in 1987 had been carried out in a variety of portfolios other than Foreign Affairs under organisational titles

which included Australian News and Information Bureau and Australian Information Service. Promotion Australia, as it became known in 1985, had been assigned specific objectives involving the promotion of Australia's image and policies and general knowledge of Australia overseas (Evidence, pp. S442-3).

3.52 After the 1987 amalgamation, the core functions of the former Promotion Australia settled in the Overseas Information Branch (OIB) of DFAT (Evidence, pp. S442-43). The Branch initially was headed by a former officer of Promotion Australia and then by a former DFA officer who had worked as a journalist. That officer was succeeded early in 1991 by a career diplomat from DFA with no experience as a journalist (Evidence, pp. 307, 309-10). It was obvious to the Committee from an early stage in the inquiry that there were serious tensions between the specialist staff of the Branch and DFAT management.

3.53 The Committee received several written submissions and heard oral evidence from the Media, Entertainment and Arts Alliance (MEAA) objecting to DFAT's management of the public affairs function. The MEAA incorporates the former Australian Journalists' Association. DFAT responded to the MEAA's evidence at length and also told the Committee that the Public Affairs Division of the Department, of which OIB is a component, was currently undergoing a major internal evaluation of the type which DFAT calls a divisional liaison visit.

3.54 The MEAA raised three main complaints:

- . the public affairs component of Australia's diplomacy has suffered through undue allocation of priority to publicising DFAT's activities within Australia, through excessive staff cuts in OIB and through a shift in the focus of public diplomacy to cultural relations activities (Evidence, p. S424);
- . DFAT has downgraded the value and contribution of public affairs specialists and over-estimates the capacity of generalists to do their jobs (Evidence, p. S424);
- . public affairs officers are unable readily to transfer into generalist diplomatic and policy streams at an appropriate level of status and salary (Evidence, pp. 248-9).

3.55 The first and second of these were the MEAA's main concerns and it argued that DFAT should declare its unequivocal commitment to the philosophy of a specialist overseas public affairs/public diplomacy unit, clarify OIB's role, goals and responsibilities, return to the Branch a central coordinating role in Australia's international public affairs programs and retain within OIB sufficient resources for these functions. The Association suggested that if DFAT failed to take such steps, the Committee should recommend that OIB be moved to another portfolio and reconstituted as an independent specialist agency. The United States Information Service was suggested as an appropriate model for such an agency (Evidence, pp. S422-3).

3.56 The Department rejected all the MEAA's complaints, arguing that OIB's resources had not been cut inappropriately, that any change of focus to domestic publicity and cultural relations was justified, that much of DFAT's public affairs work could be and had to be done by non-specialists and that many Public Affairs Officers (the public service designation for the specialist officers of OIB) had welcomed the broader career opportunities offered by the amalgamation. The Department informed the Committee that the Public Affairs Branch, of which OIB is a component, was undergoing a major internal evaluation of the type that DFAT calls a Divisional Liaison Visit (DLV) (Evidence, p. S66).

3.57 At a late stage in the inquiry, a DFAT review team operating as part of the DLV reported on its preliminary assessment of OIB. The report, which has not been publicly released but a copy of which was supplied to the Committee by the MEAA, summarised the review team's main concerns as:

The Overseas Information Branch does not operate in a favourable environment. Too many managers in the department do not value its role and that of public diplomacy in general. The expertise of Public Affairs Officers is extensively used while notionally devalued. Clients in general value the skills of Public Affairs Officers, although mostly as one element in a mix of skills.

Different groups of clients judged the effectiveness of the Overseas Information Branch differently. But the group that placed the most importance on public affairs - heads of overseas missions - was most critical of the branch's performance. Departmental clients and external clients were less critical. The handling of visits and special events was generally praised. *Effectiveness, not efficiency is the problem: the branch is not supplying what its clients want.*

The Overseas Information Branch works for too many clients. It does not appreciate the importance of overseas posts as represented by heads of mission. *The branch needs to find out what its main clients want and to supply their needs.* It must improve its coordination with posts and with policy areas in the Department. Above all it needs to concentrate on producing the targeted material they require at the expense of general and less useful material.

The Overseas Information Branch needs reorientation and restructuring to work better. It does not have a clear understanding of its role in the department. It believes that it should select Government and departmental objectives as part of its general promotion overseas of Australia. It concentrates on wide rather than influential audiences (DFAT 1992d, p. 1, emphasis added).

3.58 The emphasised sections in the extract above raise a fundamental issue. In defining OIB's clients as heads of mission and policy branches, the review team has directed attention away from the need for the Branch, and indeed the whole Department,

to be responsive to Government. There is in fact agreement in both the review team report and in a response to it from the staff of OIB, that the Government has not set clear objectives for the Branch. Lacking such direction, it appears that OIB has attempted to continue the general promotion function that had been explicitly assigned to Promotion Australia under its various titles, while DFAT management and posts have expected the Branch to fulfil a different role.

3.59 The review team, having adopted the DFAT view of the overseas publicity role, recommended:

- . the cessation of publication of two of the general publications currently prepared within OIB;
- . the relocation of most specialised activities of the Branch to other Divisions; and
- . the formation of public affairs units in each of the DFAT's policy divisions, with the interesting exception that it is proposed that the two trade-oriented divisions share a unit.

The team also recommended that information and cultural relations positions at posts and state offices be reviewed as they fall vacant to decide whether they should be filled by Public Affairs Officers or by generalists.

3.60 A response to the review team's report from OIB staff, prepared for DFAT management but also released to the Committee by the MEAA, strongly criticised the methodology of the review but accepted that there had been confusion about OIB's role. The staff urged that the Branch be given "clear and unambiguous objectives" and suggested that the objectives be directed towards the implementation of "regional and country specific public affairs strategies in direct consultation with posts and divisions" (MEAA 1992, p. 6.). The staff position was that other functions of the Branch could be moved elsewhere in DFAT and that final decisions on the cessation of the Branch's general publications should be left until full and open surveys of all posts had been undertaken and evaluated (MEAA 1992, p. 6.). The staff were strongly opposed to the recommendation that Public Affairs Officer positions at posts and in state offices be reviewed on a case by case basis, predicting that this would lead to decisions being made "according to the vagaries of incumbent HOMs rather than on a long-term strategic basis" (MEAA 1992, p. 9). The OIB staff suggested instead that the positions be reviewed on a global basis by a team including MEAA representatives (MEAA 1992, p. 7).

3.61 DFAT informed the Committee that the review team's report was a preliminary draft and that the team was now working on a final draft. This in turn was to be followed by consultation between management and unions and a report to the Ministers for Finance, Foreign Affairs and Trade, and Trade and Overseas Development (DFAT letter to Committee dated 3.12.92).

3.62 The threshold question for the Government to consider when it decides on the future of OIB is the extent to which Australia needs overseas public relations activity. If

there is a significant need for such activity, it is likely to be more effectively carried out by specialists than by generalists, or at least by specialists working with the officers who have responsibility for the relevant areas of policy.

3.63 The Committee shares the MEAA's concern that the opinions of heads of mission and senior officers in DFAT's policy divisions may have been given too heavy a weighting in the review team's assessment. The team's report concedes that "the branch does not operate in a favourable environment - public affairs is not understood or highly regarded, and the branch itself is belittled" (DFAT 1992d, p. 20). Commenting on a recent experiment in co-locating OIB Public Affairs Officers (PAOs) in policy divisions in Canberra, the team reported that "the divisions that make best use of the co-located Public Affairs Officer want journalistic rather than specialist skills" (DFAT 1992d, p. 18). However, "only two divisions heads make full use of their co-located PAOs" (DFAT 1992d, p. 15). The team noted that, in one division, the branch heads had decided not to invite the co-located PAO to their branch meetings and that "there seems to have been some resistance in this division to the involvement of the PAO" (DFAT 1992d, p. 15). This example provides some support for an impression gained by the Committee that the relationship between former OIB journalists and the rest of the Department displayed a significant degree of mutual jealousy and disdain.

3.64 The Committee is concerned that officers in senior positions who have not made good use of a specialised resource may not be the best judges of its value. The fact that the divisions assessed as having made the best use of specialist PAOs wanted to retain specialisation adds to the concern on this issue. The review team relied to a significant degree on the opinions of senior DFAT officers drawn from generalist areas of the former DFA. The risk cannot be discounted that the opinions of the "clients" surveyed by the team were excessively biased in favour of the generalist approach. The obvious ill-feeling between OIB and other areas of the Department since 1987 is an additional possible source of bias.

3.65 The Committee had no basis on which to judge the effectiveness of OIB or the necessity for the general overseas promotion task that it carries out. It believes, however, that if there is a significant requirement for overseas public relations activity, DFAT should use public relations specialists for the task. The Committee believes also that if any specialist public relations capacity is to be retained in DFAT it would best be maintained and managed in a specialist branch. It further believes that such a branch should generally be headed by a specialist. If OIB is retained, a general practice of staffing the branch head position with a person with relevant specialist skills should help to maintain professional standards. There is now provision in the Public Service Act for the appointment of specialists to the Senior Executive Service (SES) and that provision could be used to open up competition for the OIB branch head position to journalists and public affairs specialists from outside DFAT or from outside the public service.

3.66 The alternative proposed by the review team - the dispersal of specialists across an organisation with a strong generalist culture - is likely to weaken their professional impact. The review team's proposed solution to that consequence - the recruitment of persons with public affairs skills as part of the annual Graduate Administrative Assistant intake (DFAT 1992d, p. 19) - is not likely to have much effect in the short term, if at all.

The Committee therefore recommends that, if the Government decides to retain a specialist public relations capacity within DFAT, it should do so in such a way as to maintain a viable core of specialisation within a single branch. The Committee further recommends that the branch be given clear and unambiguous objectives related to the undertaking of specific public relations campaigns and activities.

Generalists and specialists

3.67 The generalist-specialist balance is a difficult area in a broader sense than its application to trade policy and public affairs work. DFA/DFAT has traditionally stressed generalist skills in its recruitment for the diplomatic and policy stream. A generalist culture has been reflected in the Department's posting patterns which often do not appear to have been designed to build specialist knowledge in the affairs of any region or policy area. A former Secretary to DFA, Dr Alan Renouf, was reported earlier this year as commenting that the Department needed "good generalists" and that applicants should not be employed merely because of their skills in one speciality or language. People fluent in Japanese, Dr Renouf was reported as saying, "might find themselves on a permanent loop between Tokyo and Canberra" (Leech, 1992).

3.68 Dr Renouf apparently meant the last comment as an argument against specialisation. However, the Committee saw nothing to be alarmed at and, indeed, considerable merit in the idea that some officers might be on a permanent loop between Canberra and the capital of a country of great significance in Australia's foreign relations. This would seem to offer the possibility of building up specialist expertise, an institutional memory and the intangible asset of long-standing contacts with persons of relevance to the international relationship.

3.69 There are four principal arguments against too great a degree of specialisation of this type. One is that a small diplomatic service cannot carry many specialists without disrupting the pattern of staff rotation necessary to the efficient operation of the service. The second is that national priorities can change during the long period necessarily involved in developing specialist expertise. The third argument is that specialisation in the affairs of one country or region carries with it a risk that the specialist will develop too strong an attachment to the interests of the country or region of specialisation, relative to Australia's interests. The fourth argument is that the practice of diplomacy is itself a speciality and diplomats practice their craft in much the same way in any country or in relation to any policy area. None of these arguments supports the exclusion of geographic or subject matter specialists from DFAT's policy and diplomatic positions. Individually and collectively they imply that there needs to be a balance between specialists and generalists. The Committee's concern is that too strong a generalist culture in DFAT could tip the balance away from desirable and necessary levels of specialisation.

3.70 In earlier sections of this Chapter the Committee developed arguments about the importance of maintaining trade and public affairs specialisations within DFAT. These are distinct and obviously important areas in which it is relatively easy to build and maintain pools of expertise. Similar arguments apply for maintaining a degree of specialisation in the affairs of particular countries and regions and in particular subject areas but the boundaries of these areas are less easily defined and less easily ranked in

relative importance. The need for some specialisation in many of them should not be underestimated for those reasons.

3.71 The Committee believes that an important potential benefit of the 1987 changes was the opportunity it provided to break down what was probably an excessive attachment to the ideal of the policy generalist in DFA's culture. It is not clear whether that potential has been fully realised in DFAT and the Committee can only stress its continued importance. As noted in the next section, DFAT has not allowed the interests of members of the former consular and administrative stream to obstruct the movement to destreaming. The interests of generalist diplomats similarly should not be placed ahead of the need for a degree of policy specialisation in the Department.

3.72 The Committee believes that the Department should take all reasonable steps to foster and develop appropriate levels of specialisation in all high priority areas of its activities. For that reason, it applauds DFAT's practice of filling a significant number of policy vacancies through one-off "specialist" advertisements. It also notes with approval the Department's recent decision to reserve one SES position for full-time training in an Asian language. Measures like these, together with the maintenance of specialist branches and divisions within DFAT, should go a considerable way towards developing a proper place for the specialist in DFAT's culture.

Winners and losers

3.73 The changes of the 1980s clearly had significant impact on DFAT. It would be too much to expect that changes of that magnitude would not bring with them some problems. It seemed to the Committee that particular problems arising in DFAT since 1987 related to the effects on some officers of the elimination of streams for which they were particularly qualified and the problems faced by officers in planning their careers.

3.74 The Department's evidence acknowledged, as did several other submissions, that the abolition of streaming was an uncomfortable experience for many officers. DFAT, as a responsible employer, would be expected to minimise this discomfort. A particular problem for some DFAT officers arising from destreaming is that its effects appear to have fallen with disproportionate weight on some members of the non-diplomatic streams. While every clerk or typist is now free to compete for diplomatic positions, the converse is also true. Many overseas positions once reserved for consular and administrative officers are now designated as "mixed duties" and diplomats have entered the competition for them. Similarly senior administrative positions in Canberra, once largely the preserve of consular and administrative staff, are also more open to officers from the diplomatic and policy areas. Since these officers are well educated and experienced in the Department, they represent formidable competition. At the same time, cost pressures have led to DFAT using locally engaged rather than Australia-based staff for administrative duties overseas wherever possible.

3.75 Consular and administrative officers, who once had a predictable career path, with an admittedly low ceiling in most cases, now face significant competition from diplomats and from officers in other public service departments for a shrinking pool of the jobs in which they have specialised. While there have been some notable success

stories of officers with a consular and administrative background moving into policy and diplomatic work, many officers recruited to the non-diplomatic streams have probably found that destreaming has narrowed their opportunities. While some may have seen the change as a challenge, others would be justified in seeing it as a threat.

3.76 Changes in communications and computer technology also represent a threat to other support staff such as typists and communicators. Among other results of these changes has been a trend for many officers to be trained, equipped and expected to themselves undertake the majority of their own keyboard work. Members of the former keyboard stream, like the former consular and administrative officers, now face strong competition for a shrinking pool of jobs.

3.77 The problem for members of all the former streams other than the diplomatic/policy speciality is that they must make a proportionally greater investment in multiskilling to be competitive for mixed duties positions than do officers from the diplomatic/policy stream. It is understandable that some of the former should form the perception that destreaming has unduly favoured diplomats and policy advisers. The extent of the concern felt by some officers was brought home to the Committee through discussions by its Chair with officers at several Australian missions overseas in mid-1992 and by contact between other Committee members and various DFAT officers.

3.78 At least some of the change should be seen as part of a phenomenon experienced throughout the Australian workforce. Opportunities for employment in traditional clerical and middle management occupations have been reduced in many organisations in recent years. The Deputy Secretary of DFAT told the Committee:

the potential loss of jobs amongst A-based support staff, particularly overseas, is a general phenomenon across the public service as we try and reduce our corporate services costs (Evidence, p. 839).

3.79 DFAT has, through the development of an in-house tertiary training system, made some effort to assist its staff to adjust to the change. And the magnitude of the change should not be exaggerated. In DFAT, unlike some other areas of public employment facing structural change, there have been relatively few voluntary retrenchments and no compulsory retrenchments as a result of destreaming and (Evidence, p. 841).

3.80 The Committee heard no argument for a reversion to streaming. The Foreign Affairs and Trade Association, whose predecessor voted decisively against "re-integration" in 1973, described destreaming as "essential to the effectiveness of DFAT in the 1990s" (Evidence, p. S507). The argument before the Committee was over the effectiveness, pace and extent of destreaming. In the end, the Committee could not justify any conclusion other than that DFAT has handled a difficult process as well as could be expected. However, it urges the Department to take all reasonable steps to minimise the disadvantages of the process to particular groups of its officers.

3.81 A related issue is career planning. The Committee was told that a particular source of staff discomfort with "destreaming" was uncertainty over the mix of skills and

experience that will be most valued by the Department in future years. The Foreign Affairs and Trade Association, for example, commented "much of the worry that officers have with their careers at the moment arises from the uncertainty of what the Department expects of them" (Evidence, p. S506). The change that DFAT described as "a move from a command to a mixed economy" has confronted individuals with a menu of career choices which were previously made for them by the Department.

3.82 The Association acknowledged that a balance will always be needed between officers setting their own career patterns and the Department's needs (Evidence, p. S509) and the Committee accepts this. The Committee believes, however, that the Department has an obligation to plan its activities so as to minimise the impact on its long-serving staff of changes that are necessary and desirable in the national interest. An element of career planning would also help to give proper weight to the need for specialisation in a range of areas. The actual balance that will emerge from the current system will be influenced by measures the Department takes to influence the decisions taken by officers on their own career development and by the influence on officers of the general culture of DFAT. There is scope for DFAT to remain involved in the career planning of its officers to an extent greater than that required in most domestic departments.

CHAPTER 4: WHISTLEBLOWING IN DFAT

Whistleblowing

4.1 As noted in the Introduction, a major factor in the decision to initiate this inquiry was a perception in some quarters that there might be serious problems with management practices in DFAT. This perception was influenced by, among other things, various public criticisms of the management of DFAT and private approaches to some senators. Much of this activity in turn appears to have been the direct or indirect result of actions by a small group of former and serving officers of DFAT who identified themselves to the Committee as the DFAT Reform Group. One of the Group had earlier acted in the name of the Officers' Revolutionary Council. The DFAT Reform Group described itself in terms that could make it a whistleblowing organisation (Evidence, p. 467).

4.2 Whistleblowing is a commonly-used term for the reporting, from within an organisation, of impropriety or maladministration on the part of that organisation or of individuals in it who are endowed with some form of power or responsibility. The fact that the persons best placed to report improper behaviour will frequently be vulnerable to retaliation from those whose behaviour they report has led to interest in measures for the protection of whistleblowers. It is widely recognised, however, that what purports to be whistleblowing can be a cover for frivolous, malicious or culpably inaccurate claims. Also, sincere and well-intentioned whistleblowers can make genuine mistakes. In all such cases, the individuals and organisations subject to whistleblowing may be more in need of protection than the self-appointed whistleblowers.

4.3 The ideal administrative system would contain mechanisms to encourage the exposure of real impropriety or maladministration while minimising the likelihood of and the possible damage from malicious, reckless or false reports. The Committee concluded that the system currently applying in the Australian Public Service falls short of the ideal. The protection available to genuine whistleblowers is inadequate and there are few mechanisms for rectifying systemic faults identifiable from whistleblowers' reports. At the same time, malicious or wrong-headed allegations, which can lead to unjustified suffering on the part of individuals who are wrongly accused and unnecessary expense to the public and damage to government agencies, are not deterred. DFAT's experience with whistleblowing in the last decade illustrates all these deficiencies.

4.4 This Chapter concentrates on specific claims about DFAT's management made directly to the Committee by the DFAT Reform Group and on the Group's status as a whistleblower. The discussion is introduced by a brief account of an earlier whistleblowing episode in DFAT. The Committee has also chosen to draw on DFAT's experience to support some comments on whistleblowing in general and these are set out in the next Chapter.

Act 1: The early 1980s

4.5 The current episode echoes and may have been influenced by an earlier series of events which entered the public arena with a question without notice in the Senate on 25 February 1982. Senator Cyril Primmer asked Senator Margaret Guilfoyle, the Minister representing the Minister for Foreign Affairs in the Senate, about alleged embezzlement at certain overseas posts. The Minister took the question on notice and the Minister for Foreign Affairs, Tony Street MP, later wrote to Senator Primmer stating that the Department of Foreign Affairs (DFA) was not aware of any embezzlement or other financial impropriety (Senate Hansard 22.4.82, p. 1442). Shortly afterwards, a diplomat with twenty years experience in the Department wrote to Mr Street alleging improper financial dealings by another DFA officer who had been the ambassador at a post at which the diplomat had served for two years as counsellor several years earlier¹. The allegations concerned incidents which were said to have occurred between 1960 and 1978 and some of them appeared to relate to one of the matters raised by Senator Primmer. Writing separately to DFA at the same time, the diplomat claimed to have raised the matters within the Department some months earlier and to have then expressed concern that "everything would (again) be covered up and retribution (again) visited upon me and other officers involved". The diplomat assured DFA that he had no knowledge of how Senator Primmer had received his information (Senate Hansard 9.9.82, p. 839).

4.6 Mr Street passed the diplomat's letter to him, together with documents supplied with it, to the Minister for Finance and asked that qualified officers of her department review them. A team headed by a senior officer of the Department of Finance subsequently investigated the claims by reviewing DFA files and interviewing the diplomat, the ambassador and other DFA officers.

4.7 The investigation found that the ambassador had obtained benefits to which he was not entitled in two cases but that inadequate departmental systems were partly or mainly to blame. He had also employed his children at the post in a way which was legal but the exposure of which by the whistleblower led to the issuing of tighter guidelines. He had kept his representation allowance claims secret from staff at the post but was entitled to do so under the procedures then applying. The level and cost of his representational activity were not outside what DFA considered reasonable. He had signed certificates to the effect that particular records were kept in the prescribed manner and that internal control procedures were operating adequately when they were not, but the certificates were a formality taken lightly at many posts and dispensed with a few years later. The whistleblower had wrongly assumed that deductions made by the ambassador from his servants' pay were improper when the process by which they were made had in fact been approved by the Department. The investigators stated that there was no evidence to link the ambassador to the fraudulent conversion of a cheque at one of his previous posts and no reason to suspect his involvement. No basis was found to other minor claims made by the whistleblower.

¹This section is based entirely on Hansard and papers tabled in Parliament. Although the officers concerned are named in these public sources, the use of names in this account would add nothing to it.

4.8 The Department of Finance investigating team noted in the preamble to their report that their review had been limited to:

examination of alleged improper financial dealings on the part of the officer concerned, as arranged between the Ministers ... No attempt has been made to deal with wider issues of personal relationships at particular overseas posts or within the Department of Foreign Affairs generally, nor have broader issues of departmental administration been canvassed (Department of Finance 1982, p. iv).

The investigation concluded "on the evidence available, there is no basis for action against [the ambassador] by the Commonwealth in respect of the financial matters examined" (Department of Finance 1982, p. xxvi). The then Secretary to DFA referred the Finance report to the Australian Federal Police "particularly to see whether any other action of any kind was warranted" (HoR Hansard 26.8.82, p. 996).

4.9 The police investigation extended to a review of some DFA files and interviews of persons having direct knowledge of the case, including the whistleblower and persons identified by him as being his informants. The police concluded that the matters raised did not all come within the ambit of the criminal jurisdiction and that neither the whistleblower nor his informants possessed evidence in the strict sense which would support the allegations. The police reported that their inquiries revealed:

no evidence which would substantiate any of the allegations made by [the diplomat]. Indeed, there is insufficient evidence to demonstrate that [the ambassador] acted in an improper manner, let alone criminally (HoR Hansard 26.8.82, p. 996).

Neither the whistleblower nor Senator Primmer was satisfied with this outcome.

4.10 The whistleblower complained to the Ombudsman about several aspects of the police investigation and sought access to departmental files and records relevant to the case (Senate Hansard 16.11.82, 13.10.83). The Ombudsman's review provided little satisfaction to the whistleblower. While making it clear that he was entitled to complain and that the investigation had not revealed that he had acted otherwise than in accordance with a genuine sense of grievance, the Ombudsman found the whistleblower's complaints about the police investigation to be unsubstantiated (Ombudsman 1983, p.18). The Ombudsman commented:

the examples I have just cited are in my view compelling evidence, when taken with the complete lack of any evidence of criminal action, for the characterisation of the majority of his primary allegations as being in essence allegations of defective administration. In my view, the public interest would have been better served had they been treated as such from the outset (Ombudsman 1983, p. 10).

Response to the reviews

4.11 The whistleblower rejected the Ombudsman's findings and appears to have continued to press for action against what he perceived to have been criminal behaviour. Early in 1984, he was charged under the *Crimes Act* with offences related to the taking of documents out of the control of the Commonwealth or its officers (Waterford 1984). Two of the charges were eventually dismissed and the third dropped. The Acting Chief Magistrate of the ACT, in dismissing the first of the charges, commented "I find it very hard to get away from the feeling that this prosecution was conceived in prejudice and born in bias on the part of some officers of the Department of Foreign Affairs" (Senate Hansard 9.5.84, p. 1868; Campbell 1984). Costs were awarded against the Commonwealth and the Attorney-General's Department subsequently approved reimbursement of reasonable legal costs incurred by the whistleblower above the costs awarded by the court (Senate Hansard 24.10.84, p. 2409). The whistleblower remained a DFA/DFAT officer and subsequently received ambassadorial appointments.

4.12 Senator Primmer continued to cite this case together with several others to illustrate what he saw as extensive corruption at senior levels in DFA, cover-ups of that corruption and persecution of honest officers who had challenged it. His transition from the Opposition to the Government back benches in 1983 had no apparent effect on the intensity of his feelings about the management of DFA. On more than one occasion, he described senior officers of DFA as "professional liars" and on 25 May 1983 he told the Senate:

I will not rest ... while the people of Australia continue to be "represented" by a Department of Foreign Affairs run by a small group of people who could not be trusted with the petty cash, and who would sell their grandmothers, let alone the East Timorese, to get a promotion (Senate Hansard 25.5.83, p. 861).

4.13 Senator Primmer retired from the Senate in June 1985 but his dispute with DFA reappeared briefly in the Senate Hansard in 1986 when the texts of two letters signed by him on 2 October 1986 were included in notices of motion given by the then Leader of the Opposition, Senator Fred Chaney. The first letter completely and unreservedly apologised to a former Secretary to DFA, Peter Henderson, for a statement made by Senator Primmer in the course of a radio program broadcast on the ABC in 1982. The apology acknowledged that Senator Primmer had been misinformed in relation to the comments he had made about Mr Henderson in the program and that none of the statements were true (Senate Hansard 15.10.86, p. 1270). The second withdrew "without reservation or qualification all accusations, allegations or innuendos" made by Senator Primmer at any time "within or outside Parliament" against the ambassador who had been the subject of the whistleblower's complaints. The letter unreservedly accepted the findings of the various inquiries into allegations against the ambassador and apologised to "those other persons in Government service" whom Senator Primmer had criticised in the course of his accusations against the ambassador (Senate Hansard 15.10.86 p. 1270). Subsequent debate on this matter raised suggestions that the apologies were made as an alternative to defending defamation actions and were "given under substantial personal

and financial pressure against a person who would not otherwise have apologised" (Senate Hansard 16.10.86, p. 1396).

Results of the episode

4.14 The results of this whistleblowing episode were more adverse than beneficial. Ministers in both the Fraser and Hawke Governments commented on damage to morale in DFA and to the Department's reputation resulting from the persistent and intense public criticism. The expense to the public of the various responses to the criticism must also have been considerable. Foreign Minister Bill Hayden estimated in May 1983 that costs to that date would be "somewhere near a six figure amount" (HoR Hansard 26.5.83, p. 1045). Individuals involved on both sides of the dispute clearly found it extremely hurtful. The former Secretary to DFA, Peter Henderson, who had been a target of some of Senator Primmer's allegations (but not directly of the whistleblower, at least in the allegations subject to external review), devoted a chapter of his memoirs to the episode and commented:

People sought to reassure me in various ways, some saying that no one who knew me personally would believe what Primmer had been alleging, others saying that I was too sensitive to what was said in Parliament and that I shouldn't worry so much about it: after all it was only Parliament and no one took too much notice of a backbench Senator with a bee in his bonnet. None of that was much real comfort, and for the first time in my life I began to have some sneaking sympathy for Lady Macbeth's inability to rid herself of the smell, even though in her case she had inflicted it upon herself. I began to feel that the mud that had been thrown at me in a metaphysical sense was there on my face for all to see whenever I appeared (Henderson 1986a, p. 177).

4.15 The intense concern with whether or not particular individuals had behaved improperly or illegally largely overshadowed a more important issue briefly alluded to by the Ombudsman: the general standard of administration in DFA. Strong indications in some of the reviews that the Department's administrative systems were deficient were scarcely followed up, if at all. Several matters which should have been seen as warning signals were mentioned in the Department of Finance review. For example: there were no rules on the employment of relatives of heads of mission at posts; DFA's central administration had neither understood nor applied a prescribed income test on applications for reunion fares; it was considered acceptable for officers to handle payments to and deductions from the pay of their servants with little in the way of a proper accounting system; there was no system for at-post checking of head of mission representation allowance claims. In most of these and in other matters, the absence of provable criminality or improper conduct was taken as ending the matter and the opportunity for a thoroughgoing review of DFA's administrative systems was missed.

4.16 With no obvious tightening of DFA's management systems as a result of the episode, there was scope for a perception that the systems were generally lax and that many officers took advantage of that to commit minor frauds or otherwise to obtain benefits to which they were not entitled. The strength, apparent sincerity, and persistence

with which a few persons expressed the view that such things had occurred in particular cases helped to encourage a wider impression that there had been a successful cover-up of malpractice or maladministration.

4.17 Ample information was tabled in Parliament to discount the conspiracy theories. Senator Gareth Evans, representing the Minister for Foreign Affairs in the Senate, commented in 1983:

we are confronted with the situation that if there is a conspiracy or cover-up it has been one of the more successful ones in the history of public administration because so far it has succeeded in fooling the Australian Federal Police, the Department of Finance, the Ombudsman, probably the Public Service Board, the previous Government and maybe one Minister in the present Government (Senate Hansard 26.5.83, p. 864).

But, although the voluminous documentation of the various inquiries provides convincing support for the conclusions on the specific matters reviewed in the separate investigations in the early 1980s, those documents are extensive, complex and not readily accessible to those without a specialised interest.

4.18 Perhaps for this reason, conspiracy theories persist and one submission to this Committee from a member of the public arguing the need for and merits of whistleblowing in DFAT and defending the new generation of whistleblowers in the Department commented:

I am informed that there have been other whistleblowers in the DFAT. All have received summary justice at the hands of certain senior officers who believed that they could cover up the matters raised by getting rid of the accuser. I am informed that one whistleblower who had been victimised took his case to the High Court and won. He was reinstated in the Department, but only after the High Court action. I am informed that he was given an overseas ambassadorship as a sop (Evidence, p. S1352).

It is not surprising that a comparison should have been drawn between two spectacular examples of apparent whistleblowing in DFAT within a decade, especially since the complainants in each episode raised similar sorts of matters.

Act 2: The Officers' Revolutionary Council/DFAT Reform Group

4.19 The second major apparent whistleblowing episode to affect DFAT in recent years began in 1989. In late November of that year Shane Carroll, a relatively junior DFAT officer from the former consular and administrative stream who had worked in the Department for about 20 years, raised with senior departmental management and with a representative of his union several matters which he said should be investigated (Papers tabled 26.6.92). During the following five months, however, Mr Carroll failed to

supply details of his allegations or any supporting documentation to the Department, despite being instructed to do so.

4.20 On 30 April 1990, inspired, he says, by an Anzac Day address by the Chaplain of the Royal Military College, Mr Carroll wrote to the Public Service Commissioner criticising a named senior officer in DFAT and the Department's management in general. Copies of the letter were circulated within the Department on 2 May 1990 and on 4 May 1990 Mr Carroll issued a public statement announcing the existence of an "Officers' Revolutionary Council" (ORC) with membership drawn from long-serving and retired officers and with the following aims:

- " . cessation of policies and practices that waste taxpayers' money;
- . SES managers to be suitably qualified and possess demonstrated management experience and ability;
- . implementation of fully-transparent staff sensitive personnel and staffing policies;
- . implementation of job families and JSC promotion procedures for ASO 7, 8 and SES levels;
- . commitment to abolish corruption, nepotism and cronyism;
- . actual adherence to Industrial Democracy guidelines;
- . Over the past twenty years or so at least eighteen officers have been advised by SES officers to seek psychiatric counselling because of their 'attitudinal problems'. This is to cease.
- . A review by an outside authority/body of the Department's human and financial management policies" (Submission 43, attachment to Chapter 2).

4.21 Departmental file notes of conversations and meetings between Mr Carroll and various senior officers on 2 and 3 May 1990 indicate that he attempted to link the possibility of the cessation of activities by the ORC with his being promoted, paid higher duties allowance and/or transferred to the Australian International Development Assistance Bureau (AIDAB), although Mr Carroll disputes the accuracy of parts of those notes. The notes also indicate that Mr Carroll refused to supply evidence to support his claims of malpractice, citing his lack of faith in the Department's will or capacity to deal with it properly (Papers tabled 26.6.92). On 24 August 1992 the Committee sought Mr Carroll's comments on the DFAT file notes but had received no reply by 10 December 1992.

4.22 Copies of further correspondence signed by Mr Carroll and making serious allegations about named officers of DFAT were circulated within the Department later in May 1990 (Submission 20ZA). In the months that followed, Mr Carroll wrote to various individuals and authorities reporting instances of what he saw as malpractice,

some of which had occurred many years earlier (Auditor-General 1990a, p. 1). This correspondence also achieved general circulation within DFAT as did unsigned documents issued in the name of the ORC making serious allegations about DFAT management and named or identifiable officers.

4.23 The Department appointed a senior officer to investigate the claims made by Mr Carroll and the ORC. Publicity associated with the investigation produced further allegations from other sources and 77 allegations were eventually reviewed, 61 of which were attributed to either Mr Carroll or the ORC (Unpublished table supplied by DFAT). All 77 claims were subsequently investigated or reviewed by DFAT and the AFP. Fifty-three were also dealt with in a special report by the Australian National Audit Office (ANAO) (Evidence, p. S44; Auditor-General 1990a, pp. 2, 39-40).

4.24 Many of the claims were found to be unsubstantiated. A few were substantiated wholly or, more commonly, in part but none of the investigations found sufficient evidence to justify criminal or Public Service Act charges. However, the ANAO report did identify serious systemic management deficiencies in several areas associated with the Carroll/ORC claims. Systemic problems were detected in the management of debts and advances to staff, disciplinary cases, and fraud control. Other specific problems were reported in areas in which the ANAO concluded that adequate procedures were generally in place. These areas included education assistance and corporate credit cards. Although noting systemic and specific deficiencies, the Auditor-General reported that DFAT had responded to the allegations of malpractice promptly and, with minor exceptions, effectively (Auditor-General 1990a, pp. vii, 3). The internal DFAT investigation also disclosed serious problems with the management of official cars, including the problem raised by the ORC which had prompted the investigation.

4.25 The ANAO field work was completed in August 1990 and its report was tabled in the Senate on 17 December 1990. On 18 September 1990 DFAT laid seven charges against Mr Carroll under the disciplinary provisions of the Public Service Act. Three of the charges related to the circulation within the Canberra offices of DFAT between 30 April and 24 May 1990 of material critical of DFAT management and individual officers, one to the circulation of a cable to overseas posts on 3 August 1990 urging a protest against management actions, and three to demands, said to have been made on 2 and 3 May 1990, for promotion or payment of higher duties allowance and a transfer to AIDAB. In January 1991 an eighth charge was laid against Mr Carroll relating to falsification, on or about 3 July 1990, of an authorisation on a cable to be sent to overseas posts and he was suspended from duty pending the hearing of that charge (DFAT Summary of disciplinary actions).

4.26 The eight charges were heard together by an inquiry officer appointed by the Secretary to DFAT under the authority of the Public Service Act. The inquiry officer, who was selected from a department other than DFAT, considered the documentary evidence and held three hearings at which Mr Carroll had legal representation. She found all eight charges proven and concluded that, had each charge been taken alone, five would have warranted demotion and three dismissal. The inquiry officer concluded that the behaviour disclosed in the eight charges constituted a "web of misconduct" in which Mr Carroll had "made threats about further activity adverse to management's interests

if you were not given the preferment you sought" and directed in respect of each charge that he be dismissed. Mr Carroll was entitled to appeal against the directions to the Merit Protection and Review Agency (MPRA) but chose instead to resign before his dismissal could take effect (Submission 20za).

4.27 Mr Carroll had earlier lodged grievances with the MPRA in relation to what he saw as discrimination against him in the latter period of his employment in DFAT when the Department was seeking to find a suitable position for him. The MPRA found that there was "no basis to conclude that there was unjustified discrimination" in relation to Mr Carroll's redeployment in the Department. However, the MPRA endorsed the findings of an internal DFAT investigation which had found that there had been some unsound personnel management in relation to a failure to find productive work for Mr Carroll during a period when efforts were being made to redeploy him and in relation to the advertising and filling of a position to which he could have been redeployed.

4.28 After his resignation Mr Carroll continued to circulate material he had written containing serious allegations about particular officers of DFAT and departmental management in general. This material was circulated on some occasions by Mr Carroll himself handing it to persons entering and leaving the Canberra office of DFAT. There are indications that media organisations received copies of some of the documents and some of the issues raised by Mr Carroll also became the subject of questions or comments in Parliament and in hearings of Senate estimates committees (Burgess 1992; Senate Hansard 24.5.90, p. 994; 9.5.91, p. 3049; Estimates Committee B, 14.5.90, pp. 6-19; 18.9.90, pp. 104-5). A further group of allegations made by Mr Carroll were investigated by the AFP which found that "no evidence of criminal behaviour has been disclosed [and] it is the opinion of the investigating police that Mr Carroll's allegations were based on hearsay and supposition" (Evidence p. S1182).

4.29 When this Committee's inquiry was announced in mid-1991, Mr Carroll indicated an interest in providing evidence to the Committee and, over a period of several months in 1992, he supplied in the name of the DFAT Reform Group a very lengthy written submission supported by copies of a small number of departmental and other documents. The submission proposed radical changes to Australia's traditional diplomatic and foreign policy structures and argued for the changes largely on the basis that there was systematic corruption within DFAT. The submission made a very large number of allegations of illegal or improper behaviour by many named or identifiable individuals. The Group's comments on the organisation of international relations are a legitimate expression of opinion and are discussed in Chapter 2. The specific allegations of malpractice and maladministration, although advanced in support of more general arguments on the management of foreign policy and diplomacy, can be separated from those arguments and are the subject of this Chapter.

4.30 The Committee was aware that many of the allegations had already been investigated and largely discounted by the AFP and the ANAO. It was conscious of the risk that its inquiry could be used as a device for harassing individuals and was determined not to permit such a misuse of the parliamentary committee system. It was also concerned that a Committee inquiry might not be the best means of achieving the primary investigation of criminal or improper behaviour. But the Committee

acknowledged that the DFAT Reform Group submission raised issues that were clearly of central importance to the management and operations of DFAT. The Committee therefore decided initially to have its staff review a sample of the Reform Group's specific claims.

4.31 Pending the outcome of the review, the Committee deferred a decision on whether to accept most of the sections of the submission containing specific allegations about identifiable persons and it applied the same policy to later submissions from the Group. The staff review of a sample of allegations was completed in June 1992 and the Committee published a summary of the review, excluding any details that could lead to the identification of individuals (reproduced in Appendix III). On 26 June 1992, the Committee held a public hearing at which representatives of the Reform Group gave evidence at length and Departmental representatives responded. In addition, the Committee accepted and published parts of the Reform Group submissions which make general criticisms of DFAT together with written responses by the Department (Evidence, pp. S940-1114).

4.32 The Committee's conclusions on the evidence it accepted in relation to the Reform Group claims are set out in the next Chapter.

CHAPTER 5: THE REFORM GROUP ALLEGATIONS

The Reform Group allegations

5.1 The first of the Reform Group's allegations about individuals received by the Committee were in Chapter 5 of the Group's submission. The Chapter contained 96 specific claims of malpractice and the Committee's staff, at the Committee's direction, chose for review 27 cases involving 37 of these claims as well as two from Chapter 2. In 20 cases the review involved examination of DFAT files as well as the seeking of written responses from DFAT and from individuals identifiable in the submission. The other seven were assessed on the basis of written responses alone. A staff report on the review of the sample of cases was prepared, copies of it were supplied to DFAT and the Reform Group in advance of a Committee hearing on 26 June 1992 and it was authorised for general publication at the hearing. A copy of the staff report is at Appendix III.

5.2 Representatives of DFAT and the Reform Group appearing at the hearing accepted the general accuracy of the Committee staff's report, although the Reform Group witnesses expressed concern that some of the cases chosen were of minor significance relative to cases not reviewed. However, the Group acknowledged that four of the cases had been the most highly ranked in a group of nine cases nominated by Mr Carroll as being significant and strongly supported by evidence (Evidence, p. 534). As had been the case in previous investigations by other bodies of claims made by Mr Carroll or the ORC, no further documentary evidence to support the allegations was supplied to the Committee. The Group did seek an *in camera* hearing to expand on its claims but the Committee did not agree to the request for a variety of reasons including the fact that there was no indication that the Group intended to use such a hearing to supply evidence as opposed to unsupported assertions.

5.3 On the basis of the staff report and extensive Committee discussion of it with representatives of the Reform Group and with DFAT itself during the hearing of 26 June 1992, the Committee concluded that:

- . many of the specific allegations made by the DFAT Reform Group were seriously inaccurate;
- . in none of the cases reviewed by the Committee was there sufficient evidence to justify action against any individual and, in a significant number of cases, the allegations against individuals were clearly disproved;
- . those cases which were partly or largely substantiated, including one nominated by Mr Carroll as significant, were of minor significance;
- . there was no evidence of any cover-up of improper or illegal behaviour;

given all this, the actions taken by Mr Carroll and the ORC in publicising such claims were improper, reckless and likely to have damaged the reputations of innocent individuals and to have been contrary to the public interest.

The cases reviewed by the Committee are described in Appendix III but it is worth briefly recounting a few here.

Unfounded claims

5.4 In one case, the Reform Group alleged that the basis on which leave without pay was granted to an officer had been changed from "private interest" to "public interest" late in the period of leave, permitting the officer to accrue benefits in the Commonwealth Superannuation Scheme for the period of leave. This was said to have been facilitated improperly by a senior officer of DFAT. The allegation had originally been made publicly by the ORC and investigated by the DFAT Special Investigator and the ANAO, both of whom rejected it. But, despite this discouragement, the Reform Group apparently still believed that there had been improper conduct and supplied the Committee with a copy of a letter to the department from the officer granted leave which it said was evidence to support the allegation. However, while the letter was not inconsistent with the Reform Group allegation, it was also open to an innocent interpretation.

5.5 The nub of the Group's concern, based on an incorrect inference drawn from the letter, was that a reasoned decision not to grant "public interest" status to the leave had been overturned late in the period of leave. The actual course of events was different. The Committee established that the officer had been offered employment with a non-government organisation (NGO) operating in a country of significance to Australian foreign policy. DFAT was prepared to second the officer to the position on full salary but the NGO preferred that there be no formal link with the Department and asked that she take leave from the Department. The officer was prepared to accept this arrangement, although the position offered remuneration considerably lower than her DFAT salary together with the certainty of significant discomfort and some risk. But, at the time of seeking leave, the officer applied for it to be granted on a "public interest" basis because of the relationship between the proposed work for the NGO and Australia's foreign policy interests. The application was supported from the beginning by DFAT and was properly and promptly approved by the Department of Industrial Relations. The senior officer alleged to have facilitated the approval was posted overseas when the application was processed and had no apparent involvement in the case, except for the effort to which he was eventually put in denying the ORC allegation. It was clear that the only evidence available to the ORC or the Reform Group in relation to this allegation was the letter from the officer to DFAT and this fell far short of being evidence of any wrong-doing.

5.6 The Reform Group's presentation of two other cases, offered as indicative of problems with the disciplinary system, also represented only part of the story and was misleading. It was alleged that a middle-ranking officer who succeeded in gaining promotion into DFAT from another department ahead of officers already in DFAT was, in retaliation, assigned to a post where financial problems were known to exist. It was further claimed that the financial problems worsened to the extent that the DFAT Chief

Auditor recommended that two heads of mission and the middle-ranking officer be charged but that DFAT sought legal advice calculated to exonerate the heads of mission so that only their junior was charged. In the second case, it was alleged that a head of mission, with the connivance of his spouse (also a DFAT officer), defrauded the Commonwealth of a large amount of settling-in allowance and was recalled to Canberra following exposure by the ORC of his misbehaviour. It was further claimed that the head of mission was permitted to resign with full entitlements while the spouse continued to work in the Department in Canberra.

5.7 The Committee established that both cases had been the subject of internal DFAT investigations before any involvement by Mr Carroll, the ORC or the Reform Group. These investigations had produced reports which were strongly critical of management failures in the central office of the Department as well as at the posts and the reports had been accepted and acted upon by DFAT. By and large the problems detected by DFAT, although serious, were not the problems "exposed" by the ORC and the Reform Group. In particular, the persons said to have been treated with undue leniency by DFAT had not been so treated and the fraud alleged in the second case had not occurred. The publication by Mr Carroll and the ORC of garbled and inaccurate versions of each case is likely to have caused damage to the individuals involved. It was calculated to damage the reputation of the Department generally and especially to damage the reputation of DFAT management in the eyes of departmental staff not familiar with the details of the cases.

5.8 A further case, raised by Mr Carroll at the hearing of 26 June 1992, involved the claim that DFAT had intervened to prevent the prosecution of an ambassador-designate for fraud. DFAT subsequently supplied the Committee with copies of letters from the Director of Public Prosecutions (DPP) indicating that the DPP had decided not to proceed with charges in that case because of the previous good character and present state of health of the officer concerned. The amount involved was less than \$1000 (Evidence, pp. S1174-5, S1180-1). On the Committee's understanding of the facts in this case, the DPP's decision appears to have been a normal and appropriate exercise of discretion. There is no indication of intervention by DFAT and no reason to suspect such intervention.

5.9 DFAT's response in these and other cases was hampered by the impossibility of its correcting the versions of events published by Mr Carroll and the ORC while meeting its obligation to protect the privacy of some of the individuals concerned. Incidents had occurred and had been dealt with under the established procedures. Publication by DFAT of full details of the incidents to counter the lurid and inaccurate versions circulated by Mr Carroll and the ORC would have imposed a significant and unjustified additional punishment on some of the persons involved and would probably have breached privacy legislation. DFAT instead denied the allegations and sought to buttress that denial by having them reviewed by the ANAO and the AFP but this was not sufficient to deter Mr Carroll, the ORC or the DFAT Reform Group from further attacks. Nor did it persuade all the outside observers that the Department and some individuals had been unfairly treated in the published allegations.

5.10 The recklessness of many of the allegations can be illustrated with two further examples. One claim was that two officers independently had conspired with a third to extend artificially their overseas postings so as to increase their entitlement to assistance with boarding school fees. In fact, neither officer had children in boarding schools and neither had sought to have his posting extended. When told this, Mr Carroll responded that he had been further informed that the malpractice related to tuition fees, not boarding school fees, and that he had been mistaken as to the identity of one of the officers. The Committee found that there was no evidence of any conspiracy to extend the duration of either posting and considered the conspiracy hypothesis implausible. There was, as Mr Carroll had eventually conceded, no motive in one of the cases.

5.11 In another case of apparently mistaken identity, two letters signed by Mr Carroll in 1991 and subsequently given wide circulation referred in derogatory terms to the then newly-appointed Director of the Internal Audit Section. The first letter clearly described but did not name the officer while the second named her, described her as "sycophantic" and "untrained" and said that she stood "guilty and damned [of] corrupting the audit process and conspiring to hide criminal actions" (Submission 43, attachment to Chapter 5). Copies of these letters were included in the DFAT Reform Group submission to the Committee (Submission 43, attachments to Chapter 5 dated 17.4.91, 7.10.91). However, at the hearing of 26 June 1992, Mr Carroll told the Committee that his remarks had been directed at a person other than the one he had named and denied naming her. He later confirmed this advice to the Committee in writing, again (wrongly) denying that he had named the first officer and not acknowledging the extent to which his story had changed or the possible damage that the earlier version might have caused to the person he had in fact initially named. (Internal audit is discussed in Chapter 8 but it should be noted at this point that the Committee does not accept Mr Carroll's comments as accurately describing either the officer he originally named or the one to whom he now attaches his remarks.)

5.12 Some of the Reform Group's claims were based on misunderstandings. In supporting a general point about wasteful use of diplomatic bags, for example, the Group claimed that a two-metre stepladder had been sent by safehand bag to Tokyo. The Committee established that two ladders had in fact been sent but that they were part of a five-tonne consignment of security equipment, supplies and tools required by the technical officers who were then installing a secure communications room at the embassy. The total cost of sending the ladders was \$77 and DFAT had checked prior to their despatch that the type of ladder required was not readily available in Tokyo. Significant costs could have been incurred by any delay to the work of a team of technical officers on Tokyo rates of travelling allowance. In all the circumstances, the Committee considered it reasonable for DFAT to have sent the ladders to Tokyo. Although the subject matter of this allegation might appear trivial, it had the potential to secure cheap and unfair publicity for a common stereotype of public service waste.

5.13 Other Reform Group allegations raised matters in which the Group's apparent disapproval of particular practices or employment conditions led to insupportable claims of illegality or impropriety. Several allegations relating to education assistance fell into this category. The Group claimed in some cases that officers who had received assistance with boarding school fees or reunion fares had obtained the assistance improperly when

it was apparent from reviews by the ANAO and the AFP of previous ORC claims that this was not the case. One allegation made by the Group - that the Auditor-General had required a senior head of mission to repay boarding school assistance after the matter had been reported by the ORC - related to a case in which the ANAO Report in fact commented that "the [Audit] review disclosed that the documentation produced by the officer to the Department fully supported his claim for assistance" (Auditor-General 1990a, p. 14). Officers of the ANAO also pointed out to the Committee that the Auditor-General does not have the power to direct public servants in DFAT to repay monies that have been incorrectly paid to them (Evidence, p. 556).

Claims with some basis

5.14 A small proportion of the cases raised by Mr Carroll, the ORC or the DFAT Reform Group did prove to be substantially correct although in some of these cases the contribution was no more than publication of information from reports prepared within and accepted by the Department. Perhaps the most noteworthy of the ORC successes was a claim in August 1990 that many Canberra-based SES officers were misusing the petrol charge cards issued with the private-plated vehicles supplied to them late the previous year as a condition of service. The Department's investigation of the ORC's claim found it to be correct and also found other serious defects in the management of SES vehicles in the first year that they were generally issued. The Committee's review found that the management failures appeared to have been corrected promptly and there was no evidence of any obstruction of the investigation or the follow-up.

5.15 The Reform Group was strongly of the view that there should have been prosecutions in this case but the Committee could not accept that prosecutions would have been justified given the small amounts involved and the confusion surrounding the initial issuing of the cars and charge cards. It appeared, in any case, that DFAT's management of the initial issue of the cars and charge cards had been so inept as to make it difficult for individuals to be prosecuted. The officers who had incorrectly used the charge cards subsequently refunded the amounts they had incorrectly charged. This matter is dealt with in more detail in the Chapter 11.

5.16 The Group also objected to the fact that officers involved in notorious and very serious abuse of diplomatic car privileges in Indonesia in the mid-1980s, although disciplined at the time, had subsequently been promoted or posted to desirable locations. The Department confirmed that one officer who had been disciplined in 1987 had been promoted in 1989 and again in 1990. Two of the officers disciplined in relation to the matter had subsequently been posted (Evidence, p. S1268). The Department informed the Committee that the officers' disciplinary records had been taken into account in the promotion and posting decisions as had the guideline in the Public Service Discipline Handbook that "the existence of previous disciplinary actions should not unduly prejudice an officer's chance of promotion" (Evidence, p. S1268). The Committee noted that the Auditor-General's report on the ORC and other claims had criticised several aspects of DFAT's management of the disciplinary process, including inappropriate advancement of an officer who had been disciplined. In the case cited by the ANAO, an officer who had been demoted two ranks in October 1987 was, within three months, given long-term higher duties allowance at the equivalent of three grades above his new substantive level.

This clearly breached the Public Service guidelines which require that disciplinary directions be applied for a sufficient period for management to assess their rehabilitative effects before considering disciplined officers for promotion or higher duties (Auditor-General 1990a, p. 25). The issue of the disciplinary system is discussed further in Chapter 12.

5.17 Another serious management problem in DFAT raised with this Committee by the Reform Group had already been extensively dealt with at hearings of Senate Estimates Committee B and in the ANAO report on the ORC allegations. This was a long-standing failure by DFAT to monitor and control effectively advances to and debts owed by staff. The ANAO report revealed that debts recorded in Central Office as at 30 June 1990 totalled \$366,000 and overdue advances of \$400,000 were on record in Central Office in May 1990 (Auditor-General 1990a, p. 7; Evidence, p. S45). The ANAO report also revealed that one senior officer had had unacquitted advances totalling \$37,502 outstanding at February 1990 and that he was required to repay \$9,786 to the Department when the advances were acquitted (Auditor-General 1990a, pp. 30, 35). Strong criticism of DFAT's management of debts and advances, resulting from the estimates committee hearings and the ANAO report, led to rapid reductions in the levels outstanding of the order of 90 per cent and 75 per cent respectively. The figures provided in the ANAO report and in DFAT's later responses do not include debts and advances on record at overseas posts and do not include advances of representation allowance. They thus understate the cost implications of the Department's past failure to control debts and advances and the overall costs of this failure must have been significant

5.18 Another issue raised by the Reform Group was that DFAT had failed in its responsibility as an employer to ensure that locally engaged staff met their income tax liabilities, whether locally or, in the case of Australian residents employed as LES, in Australia. However, DFAT and the Australian Taxation Office had been grappling with the complexities of this issue since it was raised in a Senate estimates committee hearing in 1990. To the extent that there had been delays and errors since that time, the Australian Taxation Office accepted most of the responsibility. This issue is discussed further in Chapter 9.

5.19 But as far as this Committee was concerned the problems raised by the Reform Group had been resolved. Debts and advances in DFAT's Central Office have now been reduced to acceptable levels and debts and advances at overseas posts are now maintained on commercial accounting computer software linked to Central Office. The Reform Group raised one case of failure by a senior head of mission to acquit quarterly representation allowance advances for six successive quarters as indicative of the continuation of an unacceptable attitude to financial accountability in DFAT's senior ranks. The Committee found that the head of mission did have a lamentable record in acquitting these advances but that in the most recent episode the Department had ceased payment of advances to him until the acquittal forms were provided, shifting the carrying costs of the failure to the officer himself. The officer told the Committee that he had been late in lodging acquittal forms because he had given priority to the policy and substantive work of the mission. He commented that, since DFAT was "now" according a very significant priority to this sort of documentation, he would comply with the rules in future. Other Reform Group allegations of impropriety in this case were not supported

by the evidence. The Committee concluded that the case indicated an improvement in DFAT's management controls rather than continued failure.

The Reform Group's credibility

5.20 The Reform Group's credibility was a major issue for the Committee to consider and it suffered in the Committee's view from cases like the ones summarised above and in Appendix III. Oral evidence by Mr Carroll and another Group member, Alistair Gaisford at the public hearing of 26 June 1992 added to the adverse impression gained by the Committee. In one case, Mr Carroll told the Committee that his knowledge in relation to one allegation had been gained by his entering a room in "a public, accessible area of the basement" of the Administrative Building in Canberra where DFAT is headquartered:

You simply walk down the ramp ... a member of the public can walk down to an open door there and deliver a parcel, as many of them do. ... I, as a member of the public, walked down and had a look through the door and walked out again (Evidence, p. 531).

Mr Carroll told the Committee that he had visited the relevant area of the basement "once every few months ... [to] say hello to an old friend" (Evidence, p. 533).

5.21 The Committee established that the room in question, while not within the security perimeter of the building, is behind a gate controlled by the security guards at the main door of the building and normally kept closed. Members of the public are admitted if they have a reason for entry satisfactory to the guards but there was no indication that Mr Carroll had been granted entry by the guards during the relevant time period and this was not what he claimed had occurred. While it would have been possible for Mr Carroll or another member of the public to have gained entry to the area by following a delivery vehicle through the entry gate or by persuading a person within the basement to open the exit gate, Mr Carroll could not simply have walked down the ramp, looked through a door and walked out again, as he said he had done.

5.22 Mr Gaisford told the Committee at the hearing that he had been denied access to some documents on the personal file held on him by the Department because the documents contained references to third parties. He said that such references could be included in documents on personal files specifically to preclude access to the documents by the persons on whom the files were kept (Evidence, pp. 513-4). Richard Harding, an Assistant Public Service Commissioner, told the Committee later in the hearing that this "was not a claim that I found particularly credible" (Evidence, pp. 591). DFAT flatly rejected the suggestion that Mr Gaisford had been denied access to documents on his file, telling the Committee:

Mr Gaisford has sought and has been granted access to his CP file on several occasions. At no time were any documents withheld from him on the basis that they contained third party references.

It is the case that in July 1991 some 37 pages of documents, relating to a grievance that Mr Gaisford had lodged against certain officers of the Department, were transferred from his CP file to a separate Grievance File. ...

At no time did the Department refuse Mr Gaisford access to his Grievance File. Indeed, our records show that Mr Gaisford sought and was given access to his Grievance File in November 1991, and that he requested, and was given, copies of certain pages (DFAT letter to Committee dated 22.7.92).

Mr Gaisford acknowledged that DFAT's system of personal files had been reviewed by a member of the Privacy Commissioner's staff (Evidence, pp. 509-10). The Committee concluded that, while the possibility of a misunderstanding could not be excluded in Mr Gaisford's case, the claim that officers were denied access to papers on their departmental personal files was not credible.

5.23 In general, the Committee concluded that so many of the Reform Group's allegations were seriously inaccurate as to destroy the Group's credibility in regard to allegations about individuals. Consequently, it declined to accept the parts of the Group's submissions containing such allegations (except for the ones reviewed in the sample, to which responses were sought from persons named or identifiable in them). By not accepting the parts of the submissions containing specific allegations, the Committee removed any possibility of the allegations being protected by parliamentary privilege. It also removed the need, otherwise imposed by the Senate's privileges resolutions, for the Committee to seek responses from numerous individuals and from DFAT, a process which would have caused unnecessary inconvenience and expense to all involved.

5.24 Since the Committee reviewed only a sample of the Reform Group's specific allegations, it cannot exclude the possibility that some of the claims it declined to accept have some validity. However, the sample reviewed by the Committee was large, covered a range of types of alleged malpractice and included some cases selected to allow a review of previous investigations. The sample also included four cases specifically nominated by the Reform Group (at the Committee's request) as being strongly supported by evidence and significant but these did little to advance the Group's cause. Since the sample was drawn mostly from cases in which departmental files could be expected to contain evidence relevant to the claims, many of the allegations not reviewed by the Committee were less likely to have been provable than those selected for review. Given all this, the Committee saw no justification for committing further large quantities of scarce parliamentary and public service resources to the investigation of the Reform Group's allegations.

5.25 It is important to note, however, that, despite the unreliability of the Group's specific allegations, the Committee found that many of the claims were concentrated in areas in which there had been some serious management failures, albeit failures that had mostly been corrected by DFAT before the Committee reviewed them. The Committee will discuss general standards of management in DFAT in its main report but acknowledges here that the Group's submission was useful in giving the Committee an

insight into aspects of DFAT's management. The fact that there were genuine management problems in DFAT may help to account for the actions of Mr Carroll, the ORC and the Reform Group, even if their actions were misdirected and inappropriate.

5.26 It should also be noted in fairness to DFAT that, although a particular systemic fault in DFAT's management might appear serious in isolation, some errors will inevitably occur in any large organisation. To merely recount examples of management failure does not by itself condemn an organisation. The extent, importance and frequency of management failures have to be taken into account against some performance standard. Neither Mr Carroll nor the other known members of the Reform Group are necessarily in a good position to judge how management standards in DFAT compare with those applying in the wider public service or in large organisations in Australia generally.

5.27 A major factor in the inaccuracy of the Reform Group's specific allegations appears to have been the nature of the Group itself. In his account of the formation of the ORC, Mr Carroll wrote: "I went to see senior Departmental officers whom I knew supported deep-seated reform of the Department but who needed someone to act as a public focal point. I volunteered." (Evidence, p. S942). Until shortly before the hearing of 26 June 1992, it was not clear whether the Group's membership actually extended beyond Mr Carroll himself. Mr Carroll had been the only known member of the ORC. At the hearing, an additional member of the Reform Group, Alistair Gaisford, a DFAT officer who had been in the Department of Trade until 1987 when the two Departments were amalgamated, appeared with Mr Carroll. Mr Gaisford told the Committee that he had become associated with the Reform Group after this inquiry was established, implying that he had not been a member of the ORC (Evidence, p. 465). Two other persons were named by Mr Carroll as members of the Reform Group but they were not able to attend the hearing.

5.28 When asked at the hearing about the membership of the Group, Mr Carroll commented:

There are four people; but there are other serving officers, including two officers who are now serving overseas as ambassadors, who certainly could not afford to come forward.

...

We do not have members as such. The majority of staff in the Department have supported our activities (Evidence, p. 464).

Mr Carroll told the Committee "we know that we have had that broad base from hearing it around the departmental corridors and the embassies" (Evidence, p. 464). The ORC and its successor were thus presented to the Committee as the mouthpieces of widespread dissent rather than as a formal organisation.

5.29 In fact, analysis of the specific allegations put to the Committee by the DFAT Reform Group suggests a narrow range of information sources. Of 96 specific allegations in Chapter 5 of the Group's submission, 64 related to matters likely to have arisen in sections of DFAT in which Mr Carroll or Mr Gaisford had been employed. The Committee concluded that most of the Reform Group allegations originated with Mr

Carroll or Mr Gaisford. Other claims had probably been heard "around the corridors and embassies" along with the claimed expressions of support for the ORC or had been inferred by the few Reform Group members from the limited information at their disposal. A minor exception to this general conclusion is that the ORC and/or the Group appears to have had access to some internal audit reports and also to accurate information from the Travel Sub-Section relating to incidents occurring around 1989. Nine of the 96 Chapter 5 claims appeared to fall into these categories but there was nothing to indicate that current members of either unit had supplied the information to the ORC or the Group.

5.30 Whatever the source of the allegations, most of them proved to be, as the AFP found other allegations by Mr Carroll to be, mostly based on supposition or hearsay. In many cases they were supposition built upon hearsay.

5.31 The Reform Group's self-assigned role as mouthpiece for discontented officers is a dangerous one. It is an important principle of justice that those making allegations be required to stand by their claims. The existence of a group prepared to be a vehicle for the broadcasting of claims made by anonymous informants would be undesirable, even if the claims were generally accurate. In this case, very few of the allegations had the redeeming feature of accuracy. Mr Carroll admitted in two cases out of 30 that he had incorrectly identified the subjects of serious allegations. In many other cases where he or the Reform Group maintained that they had correctly identified their targets, the claims were simply wrong. Many of these incorrect claims had been recklessly publicised in circumstances where the victims faced serious limitations on their ability to respond.

The results of the Reform Group's campaign

5.32 While it is true that the activities of the ORC and latterly the Reform Group have brought to public notice some general deficiencies in DFAT's management systems, it is clear that in this episode, unlike that of the early 1980s, the Department itself was prepared to act on systemic problems. Indeed, in several cases, DFAT action generated the information that formed the basis for later ORC/Reform Group "exposures". Thorough external reviews of ORC/Reform Group claims by the ANAO, the AFP, and this Committee turned up no evidence of conspiracy to cover-up improper or illegal behaviour and little evidence in the legal sense of any such behaviour that had not already been dealt with appropriately by DFAT. In the end, there is little benefit to set against the costs of a series of investigations which had the potential to cause significant damage to some individuals, to management-staff relations in DFAT and to DFAT's general reputation.

5.33 Nor is it clear that this costly episode is over. The Reform Group apparently remains convinced that there is large-scale corruption and inefficiency in DFAT and that its publication of allegations about individuals is an appropriate response. In his opening statement to the Committee on 26 June 1992, Mr Carroll said:

The DFAT Reform Group's submission names many corrupt ambassadors. This seems to excite a great deal of attention. Again, this is a means to an end. We detail a lot of their activities. Importantly, we

examine and expose the motivations of the DFAT SES establishment, including the intricacies of their secret - perhaps until now - regeneration systems. ... We are happy to expand on these matters and I personally am happy to provide details of the censored chapters of this submission to the media, should the Committee decide not to accept and proceed on those chapters (Evidence, p. 458).

At a late stage in the inquiry, Mr Carroll suggested that the Committee might refer some or all of the specific allegations made by the Reform Group to the House of Representatives Standing Committee on Banking, Finance and Public Administration for review as part of its inquiry into fraud on the Commonwealth.

5.34 This Committee decided not to pass the allegations on. As noted above, the Committee does not accept that the Reform Group's specific allegations have any value other than as a rough indicator of areas in which there have been problems in DFAT's management systems. This Committee is the third external review body to reach such a conclusion. The Committee consists of Government and Opposition senators and its inquiry fully involved the Opposition and Democrat spokespersons on foreign affairs and trade. It believes that it would be better from every point of view if the DFAT Reform Group and Mr Carroll were to cease their efforts to reform DFAT. Any benefits obtainable from their campaign have long since been realised and continuation of the vendetta of the past three years can only damage all concerned in it, including the complainants themselves.

5.35 In any case, the Committee **recommends that no Commonwealth investigative or administrative review agency inquire into any further allegations about DFAT made by Mr Carroll or the DFAT Reform Group unless and until they provide substantive evidence to support the allegations.** The requirement that evidence be presented would permit the investigation of matters of genuine concern but would filter out the numerous allegations based on hearsay or supposition. The Committee will write to the relevant bodies drawing their attention to this recommendation.

5.36 None of this should be taken as indicating that the Committee would support sanctions against members or associates of the DFAT Reform Group. The Group was entitled to raise its concerns with the Committee. The Group, as distinct from Mr Carroll and the ORC, has not, to the Committee's knowledge, publicised any of its claims in any improper way.

5.37 Mr Gaisford is still an employee of DFAT. The Reform Group claims to have other members or associates in the Department. Any formal or informal sanction directed at their actions in approaching the Committee, whether by the Department or by individual officers, could be raised as involving a contempt of Parliament. Because of the inherent difficulty of proving this type of contempt, Parliament's record in protecting witnesses to its committees has not been perfect but DFAT and its officers should note that this Committee would take a very serious view of any harassment of its witnesses. Harassment of internal dissenters can be counterproductive, whatever satisfaction it might give individual harassers. There is, of course, also an obligation on those Reform Group members or associates who still work for DFAT to behave ethically and with regard for

the legitimate interests of their Department and their colleagues. The Committee believes that this case illustrates the need for a better process for dealing with whistleblowing-type complaints in the Australian Public Service and that issue is discussed in the next Chapter.

CHAPTER 6: THE WHISTLEBLOWING PHENOMENON

Lessons from DFAT's experience

6.1 DFAT's experience with whistleblowers provides important lessons which will come as no surprise to those familiar with the burgeoning literature on whistleblowing. The first is the need for a conclusive result in any whistleblowing episode. Whistleblowers, having nerved themselves to take the large and risky step of seeking an external remedy to problems they perceive in their organisation, are likely to be extremely persistent in their claims. They can expect to suffer significantly from any result short of complete victory and have little to lose by continuing to press their case until the bitter end.

6.2 Other factors combine to make whistleblowers persistent. They often begin their campaigns with over-optimistic expectations of the remedies available. If, as has been the case in DFAT, the whistleblowers' experience of other organisations is limited, they may also have unrealistic expectations of what can be achieved in the management of large bodies and an unduly low opinion of the quality of management in their own organisation. The general grievances of long-serving whistleblowers will often be intertwined with specific disputes they have had with other long-serving members of the organisation, disputes that are of little or no interest to anyone outside the tiny world in which they took place but which are difficult to separate from the substantive matters raised and which tend to aggravate already tense relationships during the whistleblowing episode.

6.3 All these factors can maintain a whistleblower's determination and determination can easily turn into obsession. Whistleblowers can become so single-mindedly focussed on the complaints they have raised that they lose all detachment and objectivity. They may then see a more balanced comment on their grievances as part of a conspiracy to conceal malpractice. The result may be a persistent campaign by an apparently sincere individual or group which can win prominence for the matters raised that is far out of proportion to their significance. But there is a public interest in reaching a definitive end even to justified cases of whistleblowing. The costs of continuing whistleblowing activity, to the individual and organisational targets, to the taxpayer and to the whistleblowers themselves can be large and will increase as the episode persists. The large number of DFAT officers who needed to attend the hearings of this Committee are only one indication of the costs of the current episode.

6.4 It is clear from DFAT's experience that, in the absence of an effective system for dealing with whistleblowing, punishing the whistleblower will not guarantee an end to the episode, even if the punishment can be justified in isolation. Nor will it always be sufficient to have claims investigated and certified groundless by external authorities. Suspicions will persist and conspiracy theories develop until, and sometimes even after, all the facts are exposed.

6.5 A second major lesson of the DFAT cases is that whistleblowers can be wrong and it is necessary to balance different interests in a whistleblowing case. Quite apart

from the possibilities of malice or mischievous intent, whistleblower error can derive from misreading of documents, misunderstanding of legislative or other rules, misinterpretations of facts, or from having access to only some of the facts. Some whistleblowers may have genuine disagreements on policy with their employers. Others may have difficulty with the concept of risk management, seeking perfection where it is more sensible to accept a satisfactory result. The whistleblowers themselves take large risks, experience serious stress, and usually face significant formal or informal penalties. Where their claims are justified and where they have behaved ethically, they deserve protection but even then their interests are not the only ones involved.

6.6 The targets of whistleblowing, both individuals and organisations, also have rights and interests that need to be protected, especially against incorrect or malicious claims. But even when accurate allegations are made, the accused have the right to have proper processes of justice observed. The reckless publication of claims so seriously inaccurate as those made by Mr Carroll and the ORC (and made to the Committee but not publicly by the DFAT Reform Group) illustrates the damage that can be done by inappropriate whistleblowing. Such incidents could discredit the concept of ethical whistleblowing and are to be deplored for that reason as well as for the immediate damage they do.

6.7 Some whistleblowers will be fully justified in exposing genuine and serious malpractice. Others will become whistleblowers as a result of sincere but misguided beliefs about the iniquity of their employer and the scope for reform through public exposure and external review. Some will be motivated mainly by malice or personal spite. The ideal balance of the various interests involved in a whistleblowing episode will differ according to the motivation and justification of the whistleblower.

6.8 Whatever the ideal balance might be in a particular case, publicity generated by the whistleblower is unlikely to be the best means of achieving it. Publicity can be justified only where a whistleblower has a reasonable basis for his or her beliefs, is broadly correct in his or her claims, and has no access to an avenue of review. Inappropriate resort to publicity is a most undesirable course because it can be difficult for individuals or organisations that are subject to whistleblowing to respond definitively to the whistleblower or to the public. Where the allegations are partly directed at individuals a full organisational response may be prevented or restricted by privacy rules. National security or other valid reasons for limiting a response may also leave individuals or organisations exposed to damage from plausible but incorrect or dishonest allegations. Even where a full response is possible, it will frequently be less newsworthy than the initial allegation and damage caused by the publicity might not be corrected effectively.

6.9 This leads to the third major lesson of the DFAT cases, the need for a proper process for dealing with whistleblowing. Publicity has undesirable side effects when used as a whistleblowing tool. However, whistleblowers are unlikely to remain silent and it may be difficult to punish malicious whistleblowing if there is no effective, visibly honest process for dealing with genuine complaints. Since a whistleblower is likely to be suspicious of internal review, involvement of an external agency in the process is likely to be required for it to be seen to be fair. Such involvement is also desirable because the targets of whistleblowing will often be expected to rectify the faults the whistleblower has exposed and, understandably, may not be enthusiastic about doing so. An effective

process for dealing with whistleblowing episodes thus will require some degree of involvement or review by an external body.

6.10 A fourth important lesson from the DFAT cases is that whistleblowing episodes can offer valuable general insights about organisations even if the whistleblower's specific claims are incorrect. The allegations in both the DFAT cases, although wrong in many particulars, were directed towards areas of management in which the Department was weak. In hindsight, it is a matter for considerable regret that the systemic flaws hinted at in reviews of the early 1980s DFAT whistleblowing case were not corrected at the time. Some of the Carroll/ORC/Reform Group allegations, although not adequately supported by evidence of wrong-doing by individuals, did indicate serious problems in DFAT's administrative systems. Although the Department had already resolved many of the problems publicised in that episode and had shown its willingness to resolve others, the allegations taken as a whole provide a useful window into DFAT's management culture up to the late 1980s and some clues to problem areas.

6.11 The general lesson is that even a misconceived attempt at whistleblowing can provide useful information on defects in management systems. The review of whistleblowing claims should never stop at the point at which the particular subjects of the claims are cleared of actionable offences as occurred in the first DFAT case. The standard of behaviour and efficiency expected of Australian Government departments and agencies is higher than mere absence of criminality. Much of the value of an effective system for handling whistleblowing cases would flow from the assurance it could offer that the broader or underlying causes of a complaint would be identified and dealt with.

The importance of process

6.12 The lessons about whistleblowing that were so painfully and expensively exposed in the DFAT cases: that whistleblowers are likely to be determined; that their interests are not the only ones needing protection; that a proper process for handling whistleblowers' reports, including the involvement of an external agency, would be desirable; and that systemic flaws may lie behind even unsubstantiated allegations, are not embodied in the current APS system for dealing with whistleblowing episodes. A recent authoritative study of whistleblowing concluded:

The desirability of reporting (of "whistleblowing" on) serious impropriety and maladministration is acknowledged in some degree in almost all Australian jurisdictions, be this in public service regulations obliging supervisors to report the misconduct of subordinate officers or in the statutory reporting obligation of designated officials imposed in New South Wales by the *Independent Commission Against Corruption Act, 1988* and in Queensland by the *Criminal Justice Act, 1989*. But no jurisdiction as yet confronts the phenomena of whistleblowing and, importantly, of whistleblower protection, in anything approaching a principled and systematic way (Finn 1991, p. 45).

6.13 Internal review apart, the present system in the APS, so far as there is one, allows for complaints to external agencies such as the Ombudsman, the Auditor-General, the MPRA or the AFP. Each review body has limited jurisdiction and complaints to any of them can fall through jurisdictional cracks or be reviewed in too narrow a context. As the system currently operates, genuine whistleblowers are inadequately protected and their complaints may not be properly investigated but genuine, misguided and malicious whistleblowers alike are still able to secure repeated, often expensive, reviews by different bodies. An individual who is prepared to act without regard for his or her public service career and who is prepared either to risk defamation action or to arrange for potentially defamatory material to be published under cover of parliamentary privilege can sustain for a very long time a campaign against a government body. The DFAT cases show that such individuals exist.

6.14 Reviews by parliamentary committees like this one, however comprehensive, do not compensate for the many defects of the current system. The choice of topics for parliamentary inquiry is not always systematic. The strengths of parliamentary committees tend not to lie in the primary investigation of malpractice and their inquiries can become politicised. A parliamentary inquiry into a whistleblowing episode can easily elevate the status and significance of the episode above any level that could be justified on its merits. Parliamentary committees, in any case, have no power to rectify any malpractice they might find. To the extent that parliamentary involvement would be desirable in a whistleblowing episode, it would best take the form of a committee review of a report on the episode by an independent body.

6.15 The absence of a comprehensive system for dealing with whistleblowing incidents probably increases the risk of improper behaviour by whistleblowers while reducing the likelihood that real malpractice will be reported. Unless there is a general perception that reports of malpractice will be competently and honestly investigated, some persons with concerns about administration will see publicity as the only way of having their concerns redressed and others will be deterred from raising them. This is not to say that the presence of effective mechanisms for review of complaints will prevent inappropriate actions by some individuals or that such actions should be condoned. A better system would, however, make it easier for unethical or improper behaviour by whistleblowers to be appropriately punished, an essential counterbalance to any systems for protection of ethical whistleblowers.

6.16 An effective system of dealing with whistleblowing episodes would also help to maintain desirable levels of individual privacy and official confidentiality. At present, if whistleblowers publish inaccurate or malicious claims, conspiracy theories can often only be disproved and public and staff confidence in a department or agency restored by the release of information contradicting the whistleblowers' claims. But in some of the DFAT cases release of the full story posed significant difficulties, not for any sinister reason but because of the potential for unfair damage to the reputations of individuals. This would not be unusual and other good reasons could exist for departments and agencies to not always respond to whistleblowing by releasing all the facts relevant to allegations. There is a public interest in individual privacy and official confidentiality which must be balanced against the interests promoted by the whistleblowers.

6.17 Whatever system applies to whistleblowing must balance competing interests. Influenced by its recent experience with the ORC, DFAT has suggested in evidence to the fraud inquiry of the House of Representatives Standing Committee on Banking, Finance and Public Administration that departments could be authorised to fund the legal expenses of officers who have been the subject of unsubstantiated allegations and who subsequently sue the person or persons who made the allegation. DFAT also suggested consideration of departments being authorised "to independently mount defamation actions where the reputation of the Department or agency itself has been defamed or impugned" (HRSCBFPA 1992, p. S362). These would be powerful anti-whistleblower mechanisms and, in the Committee's view, would be more likely to deter whistleblowers who have genuine matters of concern to raise than it would fanatics or fools. It would also pose the risk that public resources might be used to harass individuals or to suppress political or social dissent.

6.18 It is, of course, up to the House of Representatives Committee to reach its own conclusion on DFAT's submission. For its part, this Committee could not support the approach canvassed by DFAT. Where it is desirable that action be taken against inappropriate whistleblowing, that action should take the form of charges against the whistleblowers, laid and heard in criminal or disciplinary proceedings. No government should facilitate defamation actions by individuals or organisations as an indirect form of punishment of other individuals or organisations and governments should not intervene in private legal action between citizens without strong reasons to do so. In any case, the Committee would not support any measures to strengthen the direct or indirect penalties for whistleblowing unless they were part of a system that also protected ethical whistleblowing.

6.19 In its report earlier this year on its review of the Office of the Commonwealth Ombudsman, the Committee cited research by Professor Paul Finn of the Australian National University in support of the introduction of a system of channelled and confidential review of whistleblowing-type complaints, under the aegis of the Ombudsman. The Committee envisaged the Ombudsman's office filtering the complaints, referring them to other agencies when appropriate, investigating some itself and monitoring the quality of internal investigations (SSCFPA 1992, pp. 68-9). Professor Finn's proposal included provision for the making of reports known to be false or misleading to be both a criminal and a disciplinary offence. In addition, he proposed that whistleblower protection be available only in restricted circumstances to those whistleblowers who secured publicity for their complaints outside the formal review structure (Finn 1991, pp. 81-4).

6.20 The Committee is still of the view that a system along the lines proposed by Professor Finn would be desirable and is still of the view that the Ombudsman should have a central place in it and the resources and jurisdiction to do it properly. An alternative, embodied in a private senator's bill introduced by Senator Vallentine in 1991, is the establishment of a Whistleblowers Protection Agency under specific legislation. The Ombudsman, however, is an existing institution with generally appropriate powers and there might be benefits in combining the handling of whistleblower complaints with the broadly similar current functions of the Ombudsman. The Committee noted in its report on its review of the Office of the Commonwealth Ombudsman, to which the Government

is yet to respond, that the current exclusion of employment-related grievances from the Ombudsman's purview is a significant jurisdictional gap. This gap in particular is one through which whistleblower complaints could fall.

6.21 A system of this nature would provide a structure within which whistleblowing episodes could be brought to a definite conclusion with the likelihood that genuine problems would be resolved and that genuine administrative failings would not be covered up. It would have the advantage of building on established institutions rather than creating a wholly new structure. The Committee has noted above that the desirability of whistleblower legislation is part of the terms of reference of the inquiry by the House of Representatives Standing Committee on Banking, Finance and Public Administration and therefore has avoided commenting further on the issue in this report. However, it commends this report to the consideration of the House of Representatives Committee.

Costs and benefits

6.22 DFAT has suffered to an unusual extent from attacks by whistleblowers on its management systems and practices. While it would be possible to speculate on the reasons for this, the Committee's main concern was with the extent to which the attacks were justified. The Committee gave serious and lengthy consideration to the matters raised by the Reform Group and concluded that the Group's claims were, at best, seriously over-stated but much more frequently simply wrong. The Reform Group submission drew the Committee's attention to some general issues relating to DFAT's management systems and these are dealt with elsewhere in this report. The overwhelming impression associated with the successive whistleblowing episodes and the responses to them, however, was of a waste of talent, time and public money and of damage to the careers and reputations of individuals. Those raising the complaints were themselves among the victims.

6.23 There remain, nevertheless, good reasons for supporting ethical and justified whistleblowing. As one recent academic survey put it:

Whistleblowing can be a useful weapon in the armoury against corruption for personal gain and also corruption for political purposes ... it can alert the public to dangers and provide the community with the information that could not necessarily be obtained under administrative law even if one knew where to begin looking. Taking this point further, whistleblowing can be seen to contribute to the democratic process which requires citizen participation and cannot survive in an environment of secrecy. Apart from sounding the alarm on immediate dangers, whistleblowing can bring benefits to society through improving the efficiency and integrity of the public sector (Harders, 1991, p. 30).

There are costs to set against these benefits, as the same article notes. The DFAT cases give an indication of the scale and extent of those costs, both to individuals and to the Government. But the Committee believes that the costs would be reduced and more of

the potential benefits realised through the establishment of a formal process for dealing with whistleblowing.

6.24 The operation of such a process would itself have costs and these would need to be added to the balance in any decision on whether or not to establish a process for handling whistleblowing. It is particularly important in making such calculations that the scale of the possible benefits not be overlooked because they are scattered across organisational units and individuals and less readily visible to the central decision makers. The Committee's intuitive feeling is that the benefits of a proper process would outweigh the costs. The Committee was concerned also that the proper handling of whistleblowing should not be dismissed as too hard an issue to resolve. The easy alternative would be to continue with a system in which ethical and justified whistleblowing is deterred while inappropriate whistleblowing action still occurs. DFAT's experience provides full evidence of the costs of the status quo.

CHAPTER 7: MANAGEMENT SYSTEMS AND PROGRAM EVALUATION PROCEDURES: PERSONNEL MANAGEMENT

7.1 The first of the particular items in the Committee's terms of reference is management systems and program evaluation. The Committee has dealt in Chapters 3 to 6 with important issues that could have been brought under this heading. Other significant management issues can be conveniently dealt with under the two headings of personnel management and general management and evaluation. This Chapter deals with the personnel management issues raised with the Committee and Chapter 8 covers general management issues and evaluation. Some issues covered in Chapter 12 are linked to personnel management but fit more neatly under the fourth particular item of the terms of reference. The significant personnel management issues brought to the Committee's attention related to the postings process and the staff appraisal and promotions systems and these are covered below.

Postings

The posting process

7.2 The posting process is DFAT's largest and one of its most important personnel management tasks. The Department is required to organise the rotation of approximately 2400 Australia-based staff with varying skills and areas of specialisation between Australia and 89 posts overseas. This results in several hundred postings of individual DFAT officers each year. The costs of maintaining an Australia-based officer overseas are very large, sometimes amounting to several times the officer's base salary, and there is constant pressure to minimise the number of Australia-based officers at DFAT's overseas missions. The importance of effective management of the complex and expensive posting process is obvious.

7.3 DFAT told the Committee that decisions on overseas postings are made by the First Assistant Secretary, Corporate Management Division on the advice of an Overseas Transfers Advisory Committee (OTAC), which draws its members from the Staffing Branch, the Division relevant to the post in question, the Executive Secretariat Branch, and officers responsible for staff welfare, overseas conditions and resources. The Family Liaison Officer, the Medical Adviser, and the Department's EEO Coordinator also attend OTAC meetings (Evidence, p. S52). According to DFAT:

Decisions of the OTAC take into account officers' preferences, staffing requirements in Canberra, career development needs, job requirements and classifications, qualifications and experience, the Department's EEO Program, language skills, equity considerations and special considerations relating to officers' personal circumstances (Evidence, p. S52).

7.4 The Department also commented that, through the use of the centralised deployment system which uses transfers rather than promotions for posting and placement decisions, "decisions [on posting and placement] can take into account not only

merit but also global staffing requirements, officers' career development needs and personal considerations such as schooling needs and medical disabilities" (Evidence, p. S52). DFAT's Deputy Secretary, Geoff Forrester, told the Committee "all our postings overseas are initially advertised as section 50 transfers so people go overseas at their substantive level" (Evidence, p. 201). Mr Forrester added that, where positions were not filled internally, they were advertised in the *Australian Government Gazette* as open to applicants from outside the Department. Occasionally, where there was a particularly difficult post which had not attracted the usual intense competition, he had had to "direct people to go" (Evidence, p. 202).

7.5 Three aspects of the postings process came to the Committee's attention. The first was the importance of the process to individual DFAT officers. Some officers have experienced difficulties, sometimes amounting to tragedy, as a result of particular postings. Several cases came to the Committee's attention in which officers had encountered very serious problems while posted overseas and they or other officers believed that DFAT had been remiss in making the posting or had not been appropriately supportive of its staff after difficulties emerged. It was also claimed by one witness that postings to undesirable locations have been used as a form of punishment (Evidence, p. 471). It is important to management-staff relationships in DFAT that officers generally perceive the postings process to be fair, effective and directed to the national interest. It is also clear that the costs of unsuccessful postings, both to individuals and to the Australian Government, are such as to justify attention to minimising the various kinds of failures that can occur.

7.6 The second postings-related issue brought to the Committee's attention was the importance of relating a pattern of postings to an officer's career. This is relevant to the generalist-specialist issue canvassed in Chapter 3. It is also relevant to the expectations that officers have on their recruitment to DFAT and to the types of officers recruited. The third broad aspect of the postings process raised with the Committee was the effectiveness and equity of the system. The Public Sector Union, in particular, referred to there being "a veritable cast of thousands involved in the postings selections exercises" (Evidence, p. S296) and expressed particular concern that heads of mission could veto a selection decision after it had been made (Evidence, p. 120).

Difficulties associated with postings

7.7 The difficulties associated with postings may be largely intractable. The central problem is that DFAT has a certain number of vacancies in Australia and overseas to fill each year and a certain number of officers either due to return to Australia or available for posting overseas. From the Department's point of view, the problem is one of matching vacancies to officers having as much regard as possible to officers' skills in relation to the required duties, to their preferences, and to their long-term development needs. From the point of view of an individual officer, each posting offers a particular set of opportunities and risks. These apply not only during the term at the post but afterwards as well in the effect posting has on the officer's career in DFAT.

7.8 Several cases of problems with postings came to the Committee's attention. Two, which are summarised in Appendix III (Cases 24 and 25 in that Appendix), were raised by the DFAT Reform Group as indicative of mismanagement of postings by the Department. The Group claimed that inappropriate postings decisions had been made and that disastrous results had been covered up to protect officers of the former diplomatic stream. One claim in both cases was that officers were posted overseas who were not able to cope with the management requirements of the positions to which they were sent.

7.9 The Committee acknowledges that the cases cited by the Reform Group do indicate how seriously a poor posting decision can affect the officers concerned and the Australian taxpayer. It is worth noting that officers involved in both cases claimed to have been inadequately trained for the postings they secured. However, these cases do not indicate corruption in the posting or internal investigations systems as claimed by the Reform Group. There was no evidence that the postings process had been subverted and abundant evidence that DFAT had responded appropriately to the problems after they were detected. DFAT's disciplinary statistics show that several cases similar to those raised by the Reform Group, involving procedural breakdowns at posts, have been detected by the Department in the past decade.

7.10 The Committee noted that DFAT has significantly strengthened its pre-posting financial management training requirements since the resolution of the two cases cited by the Reform Group. It has also installed a computerised commercial accounting package which should improve and bring greater standardisation to post management. The element of multi-skilling implied in destreaming should mean also that officers at all posts will be able to call on more and better support from a larger number of their colleagues when they encounter difficulty in their administrative tasks. The Committee concluded that the range of significant management reforms implemented by DFAT in the past few years should reduce the rate of management failures at posts. It should be noted that the cases reviewed in this report do not by themselves represent an unacceptable failure rate in the thousands of selections for postings. Some failures will always be expected and the cost of seeking perfection would probably exceed the benefits.

7.11 No matter how careful the Department might be in its posting decisions and pre-posting training, cases will inevitably occur in which officers experience personal or other difficulties at posts which have grave effects on them and which have the potential to affect the Department in various ways as well. Three such cases were brought to the Committee's notice in submissions which it has decided not to publish. The cases are described briefly below in a way intended to protect the privacy of those involved but which permits lessons to be drawn from the cases.

Case No. 1: Problem posting

In one case, an officer posted overseas was accommodated in premises leased by the Australian Government. The officer signed the standard agreement undertaking to maintain the premises and to reimburse the Commonwealth for loss or damage to the premises and contents during the period of tenancy. The officer was accompanied on the posting by his or her spouse but the marriage broke down. At about that time, the officer was medically evacuated to Australia and was not present for the formalities normally carried out when departmental officers leave premises rented for them and the premises and contents are checked for loss or damage, although his or her spouse may have been. The Department subsequently received and paid a claim from the landlord for damage said to have been caused to the premises or fittings during the period of the officer's tenancy and sought to recover from the officer about half the amount paid to the landlord. The amount sought by the Department related to damage that it believed had been caused by the officer or spouse. The Department's attempt to recover from the officer the amount paid to the landlord in this case took place after the issue of outstanding staff debts and advances had gained considerable prominence in Senate estimates committee hearings.

The officer, who had since left the Department's employ and was seriously ill, refused to accept liability for the costs sought by the Department. The officer maintained that he or she had not been responsible for the damage claimed by the Department, other than normal wear and tear, that the undertaking he or she had signed was not enforceable, and that, if it was, the Department had not made a valid determination under it in relation to the reimbursement sought. The case was eventually decided in court proceedings in which an award favourable to the Department was made, based on findings that the undertaking was enforceable, that the determination was valid and that the departmental officer who made it had done everything reasonably possible to reduce the burden on the officer.

The person who drew this case to the Committee's attention stressed that the system of obtaining undertakings from officers placed very wide discretionary powers in the hands of those in the Department who made determinations under them. The exercise of those powers appeared to be subject to little in the way of the requirements of natural justice and due process and to little real review. The person also claimed that, in this case, Departmental officers had made gratuitous and offensive comments about the ethnicity of the officer's spouse, the Department had been unduly harsh in pursuing the debt in the circumstances and the Attorney-General's Department had given inadequate and erroneous legal advice.

Case No. 2 - Problem posting

Another case brought to the Committee's attention was that of an officer who, after a successful start to his or her career in the Department, sought and was posted to a responsible position in a newly-established mission. The officer suffered a nervous breakdown after some months in difficult circumstances at the post. He or she was eventually medically evacuated to Australia, was absent on sick leave for lengthy periods alternating with placements in various jobs within the Department over a period of several years and was then retired from the public service on invalidity grounds.

The officer claimed to have received inadequate training for his or her role at the new post, inadequate briefing about the difficulties of living at the post, and that the allowances payable at the post in the period immediately after its establishment were inadequate. In particular, the officer claimed to have been barred from attending most of the prescribed pre-posting training because of work commitments. The officer also claimed that he or she had received little or no assistance from the Department after the breakdown and not to have been given proper advice on his or her entitlements.

The officer took civil action for damages against the Department but was unsuccessful. The judgement stated that there was sufficient evidence that the conditions at the post had precipitated the officer's breakdown and that the Department had not taken reasonable steps to prepare the officer for the difficulties that he or she would face at the post. However, the court held that the Department was not liable for damages because it could not reasonably have foreseen the officer's underlying predisposition to a breakdown of the type that occurred.

Case No. 3 - Problem posting

A third case raised with the Committee was that of an officer who had satisfactorily undertaken several postings although, apparently, the officer had some attendance problems. The officer was posted, at his or her request, to a difficult location where his or her work attendance, work performance and health deteriorated and where the officer's colleagues raised with senior management at the post concerns about the officer's health. The officer was counselled by superiors at the post but they did not act on suggestions from the officer's colleagues that the officer be medically evacuated without his or her consent. The officer subsequently died suddenly at the post.

Matters raised with the Committee in this case included:

- the Department's failure to be aware of problems experienced by the officer and the resulting inappropriate posting;

- . the appropriateness of actions taken by the senior officers at the post in the months prior to the officer's death and in the period immediately after the death;
- . the conduct of the departmental investigation of the death; and
- . possible victimisation of one of the officer's colleagues in retaliation for raising the concerns.

The Committee sought responses to the initial submission in this case from those who had been closely involved. It referred all the papers to the Ombudsman, who personally reviewed the matters concerned with the Department's handling of the case. The person who claimed to have been victimised in the case lodged a grievance with the Merit Protection and Review Agency and the Committee released the papers it had obtained to the Agency at that person's request.

Lessons from the cases

7.12 These cases are not representative of the vast majority of postings of DFAT officers. The incidents described above and in Appendix III occurred during a span of years in which there were several thousand postings, most of which appear to have been completed without serious difficulty. However, lessons can be drawn from exceptional cases. In particular, these cases show that many overseas postings with DFAT are far from the champagne trail of the diplomatic stereotype. For every posting that launches an officer into a round of cocktail parties and diplomatic receptions in Paris, London or Brussels, there are many that involve unglamorous work in uncomfortable and frequently dangerous corners of the world. The cases cited above indicate the range of problems that can occur. They do not prove that the rate of severe personal problems experienced by DFAT officers is unduly high but they emphasise the need to take reasonable steps to avoid any avoidable problems.

7.13 The cases illustrate the importance of ensuring that officers and their families are properly informed of conditions at the posts to which they seek appointment. The benefits of effective pre-posting information and review processes flow to the Department and the taxpayers who fund it as well as to individual departmental officers. They also show how difficult it can be to reverse an inappropriate posting decision. It is considerably more difficult and expensive to remove an officer from an overseas post against his or her will than it is to refuse the initial application for posting.

7.14 The Committee formed the view that DFAT's systems for dealing with personal problems experienced by staff have been deficient in the past. In this as in other areas of the Department's administration, there was an impression that a largely informal and paternalistic system of managing staff welfare had existed in the Department of Foreign Affairs. One easily rectifiable problem appeared to be inadequate provision for training and briefing of staff prior to posting. The importance of proper training and preparation

before posting should be self evident. It is true that those who suffered in two of the three cases outlined above and in the two Reform Group cases cited (cases 24 and 25 in Appendix III) experienced their problems in difficult postings for which they had volunteered and DFAT's officers must take some responsibility for their own welfare. However, the Department also has an obligation to prepare its officers for posting and to make careful judgements of their capacity to cope in particular posts. The Committee was inclined to the view that the Department has been less active in the past in meeting that obligation than would have been desirable.

7.15 DFAT has recently implemented three significant changes which should improve its capacity to meet its reasonable obligations to its staff. The first, as noted above, is improved pre-posting training and preparation. It is now required that all staff proceeding on overseas postings complete a three-day financial management course prior to posting. Staff required to exercise financial delegations at posts are required also to undergo a five-day course on the Department's accounting system (Evidence, pp. 603, S1152). The second change is that DFAT now requires that officers serve for "a substantial period in one or two areas of the Department in Canberra or a State Office" prior to the posting (Evidence, p. S202). This clearly has the potential to improve the ability of officers to manage departmental systems at posts and to assist the Department in assessing officers' capacity to cope with postings. The third change is an apparently significant improvement in the extent to which DFAT officers can gain information on living and working conditions at particular posts and an apparently substantial increase in the support and information now supplied to officers and their families through a network coordinated by DFAT's Family Liaison Officer (Evidence pp. 176-183).

7.16 The Committee can only applaud the measures recently taken by DFAT to minimise the difficulties faced by its officers posted overseas but the question remains of whether more could be done. The Committee believes that pre-posting training and briefing is a critical requirement and should be given the highest priority by the Department. There is clear evidence that, at least until recently, DFAT's performance was deficient in this regard. It appeared to the Committee that DFAT's staff welfare function, although much improved, continues to be fragmented and managed at too junior a level in the Department.

7.17 The officer predominantly responsible for welfare matters, the Family Liaison Officer does not hold a senior management position. Although the incumbent told the Committee that she has ready access to any officer up to and including the Secretary, it seems unlikely that this position is well-placed to protect the interests of individual officers in particularly serious difficulties (Evidence p. 178). The Department has reinstated a position of departmental counsellor as an independent adviser on career and training needs. This is a useful development but one which, by definition, is located outside the line of command in the Department (Evidence, pp. S86, S202). The Department has a two-person Foreign Service Medical Unit "which promotes the health of officers and their families serving overseas", and a Welfare Unit which "deals with occupational health and safety issues" (Evidence, p. S86). These units have limited, specialised functions. DFAT also designates one senior Canberra-based officer as a part-time departmental ombudsman (Evidence, pp. S86-87). The ineffectiveness of this position in serious cases is evidenced by the fact that its various occupants were not

involved in any of the cases reviewed by the Committee and neither the persons involved nor the Department saw anything abnormal in this.

7.18 The Committee believes that the various measures taken by the Department to improve its responsiveness to staff welfare concerns could be strengthened if they were to be brought together and given greater standing in DFAT's senior management structure. **The Committee recommends that DFAT bring together its various staff welfare initiatives into a specific sub-program directly answerable to the appropriate Deputy Secretary position.**

Postings in the context of careers

7.19 It was common ground in the inquiry that entry to base-level policy and diplomatic positions in the Department is the subject of intense competition and the standard of recruits is extremely high. Concerns have been expressed that the successful applicants are of such high calibre that they might find that their duties in the Department, especially in the early years of their employment, fall short of their expectations (Evidence, pp. 472-3). This tendency might be aggravated by what appears to have been a strong traditional attraction in the former Department of Foreign Affairs to a practice of sharing desirable and undesirable postings between officers in a reasonably equitable way. While such an approach has some obvious advantages in terms of staff morale, it might, if applied too rigidly, lead to the loss of some of the more promising recruits as well as working against a desirable degree of specialisation.

7.20 The Committee expects that a typical career in DFAT increasingly would feature a succession of overseas postings and appointments in Canberra linked in a way designed to build on experience and to apply specialised knowledge to policy development. It should increasingly be the case that a career built around specialisation in, say, Australia's relations with Japan, should not need to include postings to, say, Africa or South America. This might reduce the extent of equity in the allocation between officers of desirable and undesirable postings. But, given a choice between this form of equity and the benefits to foreign policy development of a practice of encouraging the most efficient officers to specialise in the most important and most challenging areas, the Committee would opt decisively for the latter.

7.21 Such an approach might mean in the medium to longer term that DFAT obtains a smaller proportion of its policy and diplomatic staff through the annual intake of graduates and a larger proportion through separate recruitment of specialists. It might also mean that some officers who specialise in the practice of diplomacy without much regard to regional or policy specialisation will have very diverse posting records. Others, who choose to build their expertise in the affairs of a region or a specific policy area, might be posted to only a few countries or regions during their careers.

7.22 There are indications that DFAT has moved to emphasise the importance of patterns of postings in career development. A major statement on departmental staffing policy issued in March 1990 included the comment:

... officers serving overseas who return to Canberra will, wherever possible, be transferred to positions related to the work carried out overseas, so that the experience and skills acquired can be used effectively. Transfers, for example to broaden an officer's experience, will normally take place after this period has elapsed ... Management placement and posting decisions will take account of officers' preferences, but only as one factor in reaching conclusions as to who might best fill a particular position (Evidence, p. S202).

The Foreign Affairs and Trade Association, in its evidence to the Committee, appeared to accept the need for greater policy specialisation, noting that "the increasing complexity of policy issues, both domestically and internationally" has affected practices that "traditionally relied upon the 'generalist' officer" (Evidence, p. S506). The Association sought better guidance from the Department on its perception of the specialist-generalist balance in the career foreign service. Although this is a reasonable desire, it must be accepted that circumstances change over the span of a normal career and flexibility on the part of both the Department and individual officers is necessary.

The mechanics of the postings process

7.23 The Committee was told by one witness, Alistair Gaisford of the DFAT Reform Group, that the postings process could be used to punish officers who are out of favour with the Department's management. The Public Sector Union (PSU), which would be expected to take a close interest in such a practice did not raise this issue in its written or oral evidence to the Committee. The PSU instead raised two concerns: that postings selections exercises have involved "a veritable cast of thousands"; and that heads of mission have an effective veto over appointments to their mission (Evidence, pp. S296, 120). The particular case raised in relation to Mr Gaisford's general claim involved a transfer within the Canberra Office of DFAT rather than a posting. In any case, while the possibility of misuse of the postings system could never be excluded, the administrative law framework provides a range of remedies.

7.24 The involvement of a wide range of departmental officers and interests in the process (the PSU's cast of thousands) would be a powerful additional limitation on such misuse. For this reason, the Committee would not be inclined to support too radical a streamlining of the process. It is clear from the discussion above that there are numerous interests and issues associated with each posting decision. The decisions deserve careful consideration and it is most important that the process be open and above board. The involvement of representatives of the various interests in the process, while superficially cumbersome, is probably the most effective way of making the system open and of maintaining its integrity. The costs of this are not disproportionate to the importance of the decisions being made.

7.25 The Committee would expect that heads of mission be consulted on postings but that their contribution to the decisions be balanced against the other relevant issues. Clearly the concerns of a head of mission about possible appointments should be taken seriously. However, the overlap of his or her term with that of the other officers at the mission and the range of issues that need to be taken into account in each posting

decision argue against any full veto power. The present arrangements for posting decisions, as described to the Committee (Evidence p. S52), do not give heads of mission an absolute power of veto over appointments to the missions they head and thus it appears that the PSU's claim of a veto power involved an element of hyperbole. To the extent that the views of heads of mission are influential in posting decisions, the Committee urges DFAT to keep in mind the importance of balancing broader issues against those views.

Skills register

7.26 Organisations with a frequent need to move their employees between positions often maintain a skills register from which potential candidates can be readily identified. This also enables shortfalls in skills to be identified and training and development programs to be tailored to organisational needs.

7.27 The Foreign Affairs and Trade Association (FATA) told the Committee that, while efforts have been made in recent years to attract graduates with management and economic skills, "recruitment at all levels would be greatly facilitated by a Departmental skills register, based on short and long term Divisional needs" (Evidence, p. S508). The Committee's survey of the *Statement of Service* publication showed that it provides DFAT with the basis for a skills register. However, the *Statement of Service* is not well adapted to identifying groups of officers with particular skills nor is it easy to compile from it aggregate data on trends and stocks of particular skills. The list can only be accessed alphabetically, officers are not required to provide an entry in the publication and the entries they do provide are not prepared in a completely common format and are not checked.

7.28 The Department told the Committee that it ensures the recruitment of appropriate staff by advertising positions both within and outside the Department. It favours that approach over the maintenance of a skills register because, although a register would indicate that officers hold certain necessary skills, they might not be available to fill vacant positions if "already on posting or else doing another important job elsewhere in the Department" (Evidence, p. S674). However, DFAT recently advised all staff by circular that it saw merit in posts maintaining a skills register of spouses/family members of A-based officers at posts to "seek to ensure that those with appropriate qualifications are kept informed of any potential positions which might not come to their attention through local newspapers or noticeboards" (Evidence, p. S1113).

7.29 The Department already maintains the *Statement of Service* publication which could easily be adapted to form a skills register. The large number of postings decisions made each year and the need to cope rapidly with developments in various regions and policy areas mean that DFAT must have a significant need for information on the various skills of members of its staff. **The Committee recommends that the Department adapt its *Statement of Service* publication into a skills register by seeking basic information on postings, educational qualifications and other skills in standard format from all members of its staff and by maintaining that information in a sortable format.** Staff privacy could be protected by making publication of all or part of each entry subject to the discretion of each officer.

Other personnel management issues

Appraisal

7.30 Because of the need to make numerous posting and promotion decisions in relation to officers located in many, widely-dispersed workplaces, there is a long tradition of assessment of staff in the foreign affairs field. DFAT claimed in its submission to the Committee that there is no civilian department in the Australian Public Service with a longer tradition of formal staff assessment and appraisal (Evidence, p. S42). The length of a tradition, however, is not necessarily correlated to the effectiveness of practices adopted under it and the effectiveness of the various appraisal systems that have been used in DFA/DFAT may have been variable. In this, as in other areas, DFAT has taken recent action apparently directed at improving the system.

7.31 A major deficiency in the system that long applied in DFAT was the extent to which some assessments were kept secret from those who were subject to them. Although there was a formal annual assessment system in which officers were able to comment on appraisals of them, there also existed in the Department of Foreign Affairs until the late 1980s, a system of confidential files, called "X-files", in which material containing appraisals of officers was also held. Officers did not have access to their X-files and were not necessarily aware of the existence of particular documents commenting on their performance or perceived attributes. The X-files were available for use in the promotion and postings process. The PSU, with some justification, described this system as "infamous" in its submission to the Committee (Evidence, p. S297).

7.32 In 1989, the Department replaced the X-file system with one in which officers now have access to their personal files, now called "CP files". The system has been examined by a member of the Privacy Commissioner's staff who is said to have indicated that it was satisfactory (Evidence, pp. S1002, 509-10). The Committee believes that this change was necessary and long-overdue. It was followed by the establishment of a formal staff appraisal system described by the Department as:

shift[ing] our appraisal systems away from the grading of performance and towards the developmental needs of officers. Rather than a "report card" on the officer, it sought to focus on setting goals, performance feedback and performance improvement (Evidence, p. S42).

However, despite some training effort and other encouragement, the new appraisal forms were not used as frequently as the Department had hoped (Evidence, p. S42).

7.33 In November 1991, DFAT replaced the new appraisal system with a system of "development diaries" which are said to allow for "an honest exchange between supervisor and staff member, separated from a promotion process" (Evidence, p. S42). The development diaries also provide for a limited form of upwards assessment in the form of a checklist completed by the supervisor in each case, ostensibly after discussion with subordinates, which comments on the supervisor's own performance (Evidence, pp. S129-30). The Foreign Affairs and Trade Association, in both its written and oral evidence, stressed the value of regular and formal staff appraisal and argued that the process is

unlikely to be effective unless it is mandatory (Evidence, pp. S509, 208). The Association and the PSU both expressed scepticism to the Committee about the effectiveness of the separate appraisal system for SES officers and both urged the implementation of some form of upwards assessment (Evidence, pp. S306, S509, 208).

7.34 The reservations expressed by both bodies were in similar vein to concerns expressed by this Committee in its two 1990 reports on the development of the Senior Executive Service. In particular, the difficulties of implementing effective performance appraisal and the need for central direction of the process should not be underestimated. The Committee commends DFAT's apparent determination to improve its appraisal system below SES level and **recommends that, in its response to this report, the Government report on the effectiveness of the development diary system with particular regard to whether there is scope for making the essential components of the system mandatory and whether there is scope for extending the system to SES officers.**

7.35 The proposals for upwards assessment, advanced separately by the two staff associations, offer potential for a useful further step in the appraisal process. The checklist for appraisers already provided in the development diary could readily be converted to a simple and effective system of upwards assessment. All that would be required is provision for the appraiser's self-assessment to be countersigned by the person being appraised in each case, for that person to be permitted to comment on the appraiser's self-assessment if he or she wishes, and for this section of the diary to be inspected by the appraiser's supervisor. **The Committee recommends that completion of the appraiser's self-assessment in DFAT's development diary to be made mandatory with a requirement that it be countersigned by the person being appraised, with provision for that person to comment if he or she wishes, and a requirement for review by the appraiser's supervisor.**

Promotions

7.36 DFAT's promotions system is related to the postings and appraisals processes. The general practice followed below SES level in the Department is to advertise vacant non-specialist positions in "bulk rounds" at each of the seven above-base Administrative Service Officer and Senior Officer grades. The vacancies are open to applicants from public service departments other than DFAT and, in some cases, to persons from outside the Australian Public Service. The Department aims to complete a bulk round at each level each year but the usual gap between each round at each level is somewhat longer than a year because of the administrative complexities and delays involved in processing between 200 and 500 applications in each round (Evidence, pp. S53, S83). Specialist vacancies, mostly in the electronics, computing, economics and legal areas are frequently advertised separately from the bulk rounds. All SES vacancies are required to be advertised and are open to applicants from within or outside the public service (Evidence, pp. S53-4).

7.37 Until its recent adoption of a selection process which precludes most appeals against promotions, DFAT had a relatively high rate of appeals to the Merit Protection and Review Agency against its promotion decisions. The Department, in its written

submission to the Committee, pointed to the large numbers of applicants for its vacancies and commented:

When such large numbers are inevitably disappointed at the end of each promotion round it is not surprising that some become disenchanted with the promotion system. The competitiveness of the process, and the consequent judgements that have to be made about the relative merits of individuals help to explain complaints in some quarters that the promotion system is not based solely on merit and that to be promoted requires a high-level departmental patron (Evidence, p. S83).

The Department rejected such allegations and said that its promotion processes were strictly in accordance with public service legislation and guidelines, transparent and meticulously documented (Evidence, p. S84).

7.38 Written and oral evidence from the DFAT Reform Group alleged nepotism and corruption in the Department's selection and promotion systems. One specific claim to that effect, that only one outside applicant had been appointed to an SES position in the Corporate Management Division in the past 50 years, was refuted by the Department which was able to name four persons who had secured such an appointment from outside DFAT in recent years (Evidence, pp. 479, 626). Another specific Reform Group claim, that officers with experience in ministerial offices have been unduly favoured for promotion probably confuses cause and effect. Ministers and departments both have an incentive to ensure that officers seconded to ministerial staffs are good performers. It is not surprising that good performers with the added benefit of the wide policy experience available from secondment to ministerial staff would have good promotion records.

7.39 The PSU and FATA, who together represent a large proportion of DFAT's staff, did not complain about bias or lack of integrity in the promotion system. Both mentioned the intensity of competition for vacancies in DFAT and stressed the importance of minimising delay in the bulk promotion system. This, with the Department's evidence, persuaded the Committee that the major causes of complaints about promotions in DFAT are in fact the level of competition and the delays that occur in each promotion round rather than problems with the integrity of the system.

7.40 Recent changes implemented by DFAT, in any case, have reduced the scope for malpractice in promotion selections. Bulk round selections for vacancies at levels between Administrative Service Officer Class 2 and Administrative Service Officer Class 6 are now made by joint selection committees appointed under the Public Service Act. These committees are chaired by a nominee of the Merit Protection and Review Agency and include a nominee of the relevant staff association. This external involvement makes the system more transparent and should help to assure its integrity. It also reduces costs by limiting the scope for appeals against promotion decisions. The adoption of joint selection committees is, however, a recent development and there are indications of problems prior to the change.

7.41 A 1987 book by a former senior diplomat, Dr JWC Cumes, contained among numerous criticisms of the Department's management examples of alleged bias on the

part of promotion selection committees under the previous system, facilitated by inappropriate practices adopted by the committees (Cumes 1988, pp. 142-163). Dr Cumes drew attention in his attack on the Department to a comment in the memoirs of Peter Henderson, Secretary to the Department of Foreign Affairs from 1979 to 1984. In explaining his preference for giving oral references on job applicants, Mr Henderson commented:

In these days when candidates for positions in the Public Service can get hold of copies of references it is only the bold or even the foolhardy who is completely frank in writing them (Henderson 1986a, p. 193).

A disturbing case, which occurred shortly before the change to joint selection committees and came to the Committee's notice during this inquiry, lends support to the view that DFAT has had problems in the past with its management of promotions.

Case No. 4: Problem with the promotion system

A submission to the Committee from a person claiming to have been victimised in his or her employment as a result of reporting management problems in DFAT led the Committee to review the papers associated with the person's failure to secure a position in a departmental bulk selection round for a relatively junior position in the administrative service officer grades. The selection round had occurred not long before DFAT adopted the joint selection committee approach.

The Committee established that the person who raised the matter had been one of the applicants recommended for transfer or promotion by the Selection Advisory Committee in the selection round. The Committee made its recommendation after taking into account comment by the person's referees indicating that he or she was "forthright", "could be very aggressive in achieving [an] objective", and "got on famously with some people and not with others". Apart from these comments, which were heavily qualified when read in context, the applicant's referees were supportive of his or her application. In recommending that the Committee's selections, including that of the applicant in question, be approved, the Staff Selection Sub-Section drew attention to the referee's comments and recommended that the applicant be counselled about this aspect of his or her performance after being placed in the new position.

Formal approval of the promotion or transfer was delayed by routine administrative requirements and during the period of the delay the person wrote to a senior officer in DFAT raising matters relating to the management of an overseas post. The letter alerted the senior officer to the fact that the person was an applicant for promotion or transfer and he or she reviewed the selection documentation. Based on his or her reading of the selection papers, on the applicant's letter and on unspecified "current knowledge of [the applicant's] abilities and personal qualities as a result of [a] post liaison visit", the senior officer exercised his or her delegation in promotion/transfer matters to deem the applicant unsuitable for promotion or transfer to the vacancies in question.

Almost a year after applying for the position, the applicant was sent a short formal letter stating that his or her application had been unsuccessful. He or she was not informed of the adverse material that had been taken into account in the making of that decision.

The Committee sought comment on this case from the senior officer and the Department. The senior officer responded:

A senior officer has a duty to satisfy himself/herself that decisions being made by officers at lower levels are correct decisions, whether they be related to personnel, financial, allocation of resources, policy or operational or any other reason. ... In this case, since I felt that a group of junior officers had made a recommendation to an Assistant Secretary which was wrong, and that Assistant Secretary had agreed to that recommendation, ... I overruled that decision. ... My reading of the documents by the Selection Committee and by the officer submitting the papers to [the Assistant Secretary] suggests that there were doubts in some minds as to the suitability of [the applicant]. My view was that neither the Committee nor the Branch Head had given adequate weighting to the doubts of referees. In all these circumstances I instructed that the Department not commence the process (Submission 53A).

DFAT responded:

DFAT's current practice differs significantly. It is to provide all applicants for promotion to vacancies in the Department with a copy of all assessment documentation relating to their application soon after decisions are made and announced. ... SACs are also required to bring any adverse comment on an applicant to the attention of the applicant before the SAC makes its recommendations. The applicant then has an opportunity to respond. This procedure implements paragraph 55 (dot point 5) of the PSC Staff Selection Guidelines.

If [this] case arose now, the decision maker would be required to give [the applicant] an opportunity to comment on adverse information he or she was proposing to take into account in the decision before a decision was made (Submission 20zc, emphasis in original).

7.42 The issue in this case is not whether the final decision was correct. The Committee has no basis for judging the applicant's suitability or otherwise for the position in question. The Committee does not mean to imply either that the senior officer should not have acted when he or she believed that the applicant was unsuitable. However, it is very disturbing that a decision with serious effects on a person's life and career was made on the basis of adverse information about that person which was not disclosed to him or her, or, it appears, tested in any other way.

7.43 The Department claims that its current procedures would prevent this happening by implementing the relevant Public Service Commission guidelines but those guidelines were issued at least two years before the events outlined above. The principle that applicants who are in serious contention for a position should be allowed to respond to adverse comment on them was embodied in public service personnel procedures long before the case in question and represents no more than the application of common sense and decency. It appears that there was a lengthy and regrettable delay in DFAT's implementation of acceptable personnel management procedures in this area. An alternative, not completely excluded by the wording of DFAT's response, is that the standard public service procedures were generally applied in DFAT at the time in question but could be over-ruled in that Department by senior officers. In any case, there is no way of knowing how common it was for promotion decisions to be based on untested adverse information in the years before the Department's belated enforcement of proper procedures.

7.44 The Committee accepts the Department's statement that selection procedures have been improved and delays in the promotion process and the level of competition are now the major problems with the promotion system. Nothing can or should be done about the latter. However, the Committee urges that the Department take all possible measures to minimise delays. In particular, it should ensure that it meets its own target: the completion of one selection round at each grade at least once per year. A relatively small investment in good organisation of this process could be expected to substantially reduce staff dissatisfaction with the promotions process.

DFAT's personnel management record

7.45 It is notable that DFAT has recently reformed its systems in many of the areas of personnel management raised with the Committee. The Committee was left with the strong impression that the reform was necessary and overdue. There are strong indications that an insular and paternalistic management culture in the former DFA was jolted into modernity by the general public service changes of the 1980s. As far as the

Committee could determine, DFAT has now recognised the need for change and has acted, generally successfully, to improve its personnel management systems.

7.46 The Committee has little basis for comparison of standards of personnel management in DFAT with those applying in other departments and agencies. Such a comparison would be relevant to any definitive assessment of the Department's management performance. The Committee can say, however, that the evidence presented to it did not suggest that DFAT's current performance was seriously deficient. Particular instances of inadequate management performance were raised but some such cases can be expected in any large organisation. The number of cases did not seem excessive in comparison to the scale and complexity of the Department's operations and DFAT's responses in each case appeared satisfactory to the Committee.

CHAPTER 8: MANAGEMENT SYSTEMS AND PROGRAM EVALUATION PROCEDURES: GENERAL MANAGEMENT AND EVALUATION

8.1 Several specific management issues other than in the personnel area, which was dealt with in Chapter 7, were raised in the evidence received by the Committee. Various written and oral submissions dealt with DFAT's relationships with other overseas operating agencies, with accommodation standards overseas, with the level of charges for passports, and with DFAT's record-keeping practices. These issues are discussed in the next section. The Committee also took evidence on DFAT's audit and evaluation programs and these are discussed in the remainder of the Chapter.

General management issues

Relationships with other overseas operating agencies

8.2 DFAT has the largest Australian Government presence overseas but several other government agencies also send staff abroad and there has been a long history of tension between the foreign affairs component of Australia's overseas representation and the other official elements. Bruce Grant, an outside appointee as a high commissioner in the early 1970s, described his experience on reading his ministerial instructions to the senior staff after his arrival at the mission:

I detected inward smiles around the table in the mission conference room at the Minister's injunction that the Australian staff in New Delhi - drawn from eight agencies and departments in Canberra - should serve the one Government I represented and not their individual bureaucratic masters in Canberra. The smiles deepened as the Minister promised to back me on this question, should any serious difficulties arise. Years of experience had taught those gathered around the table to serve their department first and the Government second, on the practical ground that the Government scarcely knew of their existence, while their departments regarded them as valuable agents in the game of bureaucratic politics (Grant 1982, p. 15).

This incident occurred, it should be remembered, almost 20 years ago. It was at a time when the Royal Commission into Australian Government Administration identified policy coordination as the major foreign affairs function, a conclusion that might reflect the types of deficiencies in inter-agency coordination implied by Mr Grant.

8.3 As noted in Chapter 2, the tension between the foreign service and other overseas operating agencies was a major underlying cause of the pressure for a single overseas service in the 1970s and early 1980s. It appears, however, that the problem was much reduced later in the 1980s. The second Harris report on Australia's overseas representation reviewed the question in some detail and concluded that "the coordination of Australia's position overseas is well-developed and favourably viewed by other services"

(Harris 1988, p. 31). Professor Harris recommended against a move to a single overseas service but commented that his conclusion was conditional on the continuation of effective coordination arrangements (Harris 1988, p. 31).

8.4 The Committee found no evidence that the level of coordination had declined since the Harris review. Two agencies with significant overseas operations - the Department of Immigration, Local Government and Ethnic Affairs (DILGEA) and the Overseas Property Group (OPG) of the Department of Administrative Services - raised concerns in their initial written submissions about aspects of their relationships with DFAT. However, the matters raised were not major and seem to have been largely resolved in the period between the lodgement of the written submissions and the appearance of representatives of the two agencies at the Committee's hearings. Other agencies with overseas operations chose not to make written submissions to the inquiry and witnesses from two with extensive operations overseas - Defence and Austrade - did not comment on any problems in their relationships with DFAT. The four agencies whose representatives were heard by the Committee, together with DFAT, employ well over 90 per cent of the Australian Government officers who are deployed overseas.

8.5 DILGEA's written submission referred to four main concerns:

- . DFAT's control of common services provided to the various agencies at most posts had been exercised to the advantage of DFAT and the cost of DILGEA with a substantial level of cross-subsidisation of DFAT by DILGEA (Evidence, pp. S470-2);
- . The Standing Committee on Overseas Operations (SCOO), intended as a forum in which the various overseas operating and regulatory agencies could resolve differences, had ceased to meet (Evidence, p. S472);
- . some DFAT officers had not been adequately prepared to carry out duties on behalf of DILGEA at posts overseas (Evidence, pp. S473-4); and
- . some posts still did not have post property committees and it was possible that DILGEA officers were disadvantaged in the allocation of residential property (Evidence, p. 475).

The Committee referred the submission to DFAT and called representatives of DILGEA and DFAT to discuss the submission at a public hearing.

8.6 The Secretary to DILGEA, Chris Conybeare, a former Foreign Affairs Officer, attended with officers of his Department and reported that the matters in dispute with DFAT had been largely resolved. Mr Conybeare told the Committee that DFAT had "achieved a great deal over the past year in improving information flows on common services". He conceded also that DFAT's written response to DILGEA's submission had clarified misunderstandings on the cost base for common service provision (Evidence, pp. 256-8). Mr Conybeare also commented that, although the SCOO remained moribund:

We are very satisfied ... as to the quality of the consultation that is now taking place. There are various ways of skinning cats; standing committees among departments are, of course, one of them (Evidence, p. 258).

8.7 Mr Conybeare told the Committee that "significant progress has been made over the last few years in sensitising officers proceeding on overseas assignments to address the new demands of immigration legislation" (Evidence, p. 260). DILGEA has also improved its own arrangements for liaison with posts where DFAT officers perform DILGEA's functions (Evidence, p. 261). There was now "no particular concern about any particular post or agency performing [DILGEA] functions" (Evidence, p. 260).

8.8 As to the issue of residential accommodation at posts, DILGEA could not give any current example of a case in which one of its officers could sustain a claim of discrimination. DILGEA representatives told the Committee that from time to time at certain posts there could be a perception of unfairness in the allocation of accommodation but that the system in place was designed to prevent that (Evidence, p. 273). The main mechanism in this system is a requirement that each post establish a property committee with representation of different agencies and levels of staff. DFAT told the Committee that those posts which had not yet established property committees had recently been instructed to do so (Evidence, pp. S1020-22).

8.9 OPG, in its initial written submission, complained about:

- . the possible loss of specialist knowledge of property matters on the part of DFAT's administrative officers as a result of destreaming, with the consequent risk of poor management of Australia's overseas property assets (Evidence, pp. S388-9);
- . the removal by DFAT, with limited reference to OPG, of Building and Services Officers (BSOs) from three posts and the possibility that BSOs would be withdrawn from other posts (Evidence, p. S389-90).

OPG suggested that the BSO positions and staff, which were part of DFAT, should be transferred to OPG.

8.10 By the time the Committee took oral evidence from representatives of OPG, a decision had been taken to transfer BSOs to OPG. Representatives of that organisation expressed their satisfaction with that decision (Evidence p. 422). In regard to the property skills of DFAT officers, John Kent, the General Manager of OPG told the Committee:

The comments in our earlier submission were based strongly on the obvious point that, where an officer who had not served previously in an administrative position does so, he would lack the property knowledge of an officer who has served in several administrative posts. What has now become obvious to me is that, of the non-administrative officers placed in such a position, most have had a high capacity to

learn, have an interest in the property area and have made an attempt to do so (Evidence, p. 422).

Destreaming, it would appear, is working. In any case, OPG retracted its initial complaint about poor management by DFAT of overseas property assets.

8.11 At the core of both the DILGEA and OPG concerns were the familiar problems of generalists versus specialists and of the domination of the latter by the former. In DFAT's relationships with other overseas operating agencies, as in many other areas, there was evidence from sources outside DFAT of past problems and recent improvement in the Department's management practices. No evidence was presented to the Committee to indicate that there are serious current problems in the relationships between the various Australian Government departments with overseas operations.

Accommodation standards overseas

8.12 The Committee received evidence from the Foreign Service Families Association (FSFA) on the low standard of some residential and office accommodation provided to officers overseas. FSFA gave the Committee copies of responses to a survey of its members, extracts of responses from Islamabad are reproduced below:

Case No. 5: Difficulties with accommodation - Islamabad

"One of my main worries here re the safety in the house has been the gas. There is always a faint smell of gas around inside the house and out. Because of the poor quality of fittings i.e. the gas is connected using plastic hose (a heavy quality) but one can never feel really comfortable with these types of fittings. The way the locals try to find if there is a gas leak is by lighting a match and holding it close to the fittings" (Evidence, p. S342).

"On the 8th August 1988, my children and I visited our future residence at ... Islamabad. During our visit my son ... bumped into a table. A brass lamp on the table fell. My son reached out and caught the lamp in order to keep it from breaking. The weight of the lampshade caused the poorly-made Pakistani lamp to come apart. [My son] ended up holding the brass lamp and bare wires in his hand [the current passed] up his right arm, across his shoulders and neck and exited from his neck and chin. Fortunately the lamp was plugged into a standard Australian GPO so the fuse blew and the current was cut off saving my son's life. ... My son sustained third-degree burns to his thumb, index finger and palm of his right hand. He also sustained burns on his chin and shoulder where the electricity exited his body [and] spent five weeks in the care of a doctor during which time we were not sure whether he would retain the use of his hand or even his arm" (Evidence, p. S345).

"At the time we arrived, the Australian Police Attache, Police Liaison, and his wife mentioned that their son was sleeping on the floor in their room because they were waiting to have the air conditioner in his room replaced. It seems that just before we arrived at the post, the boy's air conditioner leaked freon gas into his bedroom during the night. ... when ... went upstairs to bed she smelled the gas and was able to get ... out before he suffered any serious effects" (Evidence, p. S346).

"Several months ago the LES electrician was working on the electrical panel at the front of the house when he cut an electrical wire that was incorrectly colour coded. The wire was in fact alive and there was a very loud bang and flash. Fortunately, and more by good luck than good management, the electrician was unhurt. ... the junction box outside my house was falling apart and was totally unprotected. The box contained exposed live high voltage bars. Advice at the time indicated that the box was extremely dangerous, especially as the area was constantly wet. Thankfully the High Commission promptly erected an enclosure to restrict access" (Evidence, p. S350).

"To rub salt into our wounds, the maintenance budget for housing this year has been cut from the \$220,000 requested to \$110,000 initially, then with another slash to \$85,000 as chancery renovations had to come from the same vote this year" (Evidence, p. S338).

"For 21 years we have been temporarily accommodated in the old aid warehouse with no windows. Because for at least 12 of those years we have been on the point of building a new chancery, no one has been prepared to commit money to make major structural improvements like windows. Why is it that Islamabad seems to be passed over year after year for more sexy places?" (Evidence, p. S338).

8.13 This case provides further evidence that overseas postings are not all champagne receptions and cocktail parties but there is no indication that the complaints from Islamabad are representative of the general standards of housing provided to officers on postings. Indeed, the responses to the FSFA survey from other posts contained few references to accommodation problems. Neither the Public Sector Union nor the Foreign Affairs and Trade Association raised accommodation as an issue in their initial written submissions. Representatives of the two staff associations and the FSFA did not convey the impression in their oral evidence that deficient residential accommodation was the major problem facing officers overseas.

8.14 This does not mean that accommodation standards are always high. It is probably the case that standards of accommodation vary markedly. Officers at some posts may be tolerating accommodation of a standard that would not be acceptable in Australia but which is the best that can be supplied in the location of the post. There may still be cases where the Australian Government has so far failed to correct accommodation defects that could be corrected, although it is heartening to note in the Islamabad case that the

problems did not relate to the management of accommodation by Australian Government agencies.

8.15 OPG informed the Committee that as at June 1991 it controlled 1311 residences, of which 820 were leased and 491 owned by the Australian Government. Officers are required to make a rental contribution in most cases. The Committee was told that there are five categories of residential accommodation supplied by OPG depending on the rank of the officer (Evidence, p. 429). The two issues of potential concern to the Committee were the necessity for the Government to supply residential accommodation to its officers overseas rather than to fund their accommodation, and the allocation of government-supplied accommodation amongst officers.

8.16 There are clearly many locations where it would be difficult, time-consuming and costly, or sometimes impossible, for officers to find their own accommodation for the duration of their posting. In such cases, it is sensible for the Government to maintain a stock of owned or leased residential accommodation at the post. In other locations, however, suitable residential accommodation can easily be rented and there might be scope for it be left to officers posted to those locations to find their own accommodation and to be paid an allowance to cover excess costs. This is already the practice in relation to some postings in North America and the UK. In cases where officers are able and willing to seek their own accommodation without undue diversion of time and effort from their work, they may be able to find housing that suits their needs better than that which would have been supplied by OPG. In such cases there might also be reduced administrative costs to the Government. There could be a significant number of posts at which it would make sense for the OPG stock of accommodation to be reduced and for a proportion of the Australian Government officers who are posted there to be allowed to find their own accommodation subject to payment of an allowance.

8.17 The Committee took no evidence on the possibility of making greater use of allowances in lieu of government-provided accommodation. It has become aware, however, that the issue has arisen in an ANAO efficiency audit which is due to be reported soon. Unless the ANAO finds definitively against the concept, **the Committee recommends that DFAT, OPG and the Department of Finance jointly review the feasibility of allowing at least some officers to receive an allowance and rent their own accommodation instead of residing in government-supplied residential accommodation at posts where it could reasonably be expected that officers do so.**

8.18 On the issue of fair allocation of residential accommodation amongst officers, the Committee believes that effective post property committees are essential. These committees are a consultative and complaints-handling mechanism and there has been an increasing trend to their establishment at posts in recent years. Given the existence of such committees and the range of other public service appeal and grievance mechanisms, particular cases of inequitable allocation should quickly be detected and remedied. The Committee accepts the Department's assurance that post property committees are now mandatory and are being established at all posts where they have not previously existed.

Passports

8.19 Two passports-related issues were raised in evidence. The Australian Federation of Travel Agents (AFTA) argued that passport charges should not be set, as they currently are, above the cost of production and the DFAT Reform Group argued that diplomatic passports are elitist and wasteful.

8.20 AFTA commended the efficiency of DFAT's passports operations but argued:

AFTA is concerned about the ever-increasing cost of obtaining a passport. While we do not object to cost recovery, we believe that the passport application fee should not become a source of profit for the government i.e. a de facto tax on overseas travel (Evidence, p. S523).

However, there has in fact been an acknowledged element of taxation in passport charges under successive governments for many years.

8.21 The fee for an adult passport was \$30 from 1981 until the 1986-87 budget, when it was increased to \$60 while the validity period was simultaneously increased from five to 10 years. The fee for frequent travellers' passports was increased to \$100 while the number of pages was increased from 48 to 60. At the same time, the Government decided to index the fees in future to increases in the CPI. The fees for 1991-92 were \$87 and \$122 respectively. Figures on passport costs in other countries supplied by DFAT suggest that the Australian charge is not abnormally high (Evidence, p. 310).

8.22 There are no published figures on the current costs of passport production. However, the Harris Report (1986, p. 51) estimated costs in 1985 as \$25 per passport at a time when the adult passport fee was \$30. The Harris Report also canvassed the possibility of increasing passport fees "to enable a fuller recovery of consular costs" (Harris 1986, p. 52). The rationale for the 1987 increase and for the indexation of charges since then has included an argument that part of the fee is to cover the cost of consular services.

8.23 The cost of consular services is difficult to separate from other DFAT costs. The Harris report estimated the consular workload in 1985-86 at 35 A-based and 71 LES staff years overseas, and 18 staff years in Australia (Harris 1986, p. 47). If this estimate remains reasonably accurate, it would suggest a total cost for consular services in the range of \$10 to 15 million, a small proportion of which would have been offset by the charges levied for certain specific consular services. If the production cost of passports has remained about the same in real terms since 1985 (it may have gone down as staff numbers involved in the process have), the production costs would be of the order of \$30 million. Passport fee revenue in 1990-91 was \$65.8 million, suggesting that the fees not only cover the costs of passport production and consular services but continue to involve an element of taxation.

8.24 To calculate the tax component with reasonable accuracy would require more up-to-date estimates of the costs of passport production and consular services. It would also be necessary to decide whether to match consular costs to passport revenue fees on

a pay-as-you go basis or whether the consular component of the passport fee should be set as an insurance premium. For this Committee's purposes, it is sufficient to note that the fee includes cost recovery for two types of service - passport issue and consular services as well as a taxation component.

8.25 The question of whether there should be any tax component in the fee is a policy question for government. Although AFTA opposed the tax, its representatives advanced no substantive arguments against it. If it is accepted that Australia faces balance of payments difficulties, there is a good argument for what amounts to a tax on overseas travel. In any case, the Committee was not disposed to reject the policy adopted on this question by successive governments.

8.26 The Committee was concerned, however, at the lack of transparency in the current charging system. An important rationale for user charging is to make use of price signals. The lumping together of charges for two separate services with a tax on overseas travel obscures the signals that might otherwise promote efficiency in production of the passports or of consular services. Transparency would be increased if the user-charge components of the fee were to be separated from the tax component in the Department's accounts and this should be possible if DFAT has an acceptable cost-accounting system. **The Committee recommends that DFAT account for passport fee revenue in a way that separates the components of the fee which apply to passport production costs, consular services, and the remainder of the fee.**

8.27 The DFAT Reform Group criticised the present practice of issuing distinctive diplomatic and official passports, claiming it is wasteful and not egalitarian (Submission 43, p. 5-18). The Group proposed instead that the standard passports of DFAT officers or other Australians with official standing overseas be endorsed for diplomatic or official use, as is the practice of the British Government. This echoes the views of a former Secretary of the Department, Alan Renouf, who wrote after his retirement:

Such a special passport has become largely useless in its purpose as its purpose is now fulfilled not by the passport itself but by the class of visa inscribed in it ... The problem is that the diplomatic passport has become a status symbol and anyone with an official connection craves for one. ... Appreciating how difficult it would be to reduce the number of such passports, I recommended that they be abolished ... While the Government agreed, the general reaction to the scrapping of the status symbol was so adverse the idea had to be dropped (Renouf, 1980, p. 146).

8.28 The Department responded to the DFAT Reform Group claims by arguing that the costs of issuing diplomatic and official passports are no higher than for ordinary passports. Increased production costs are offset by savings from the waiving of personal interviews and a less detailed investigation of applicants (Evidence, p. S1085). This does not appear to exclude the possibility that issuing a new diplomatic passport rather than endorsing an existing private, standard passport is likely to be more costly, although the Government might be required in many cases to meet the cost of the private passports to be endorsed.

8.29 The Department confirmed that the UK does not issue distinctive passports to diplomats and officials but added that a survey of the practices of 50 countries in 1986, including all the major OECD countries found that all the countries surveyed except the UK, Belize, and St Vincent and the Grenadines issued diplomatic passports (Evidence, p. S1086). The Department expressed the view 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 (Evidence, p. S1086).

8.30 In oral evidence to the Committee, DFAT's First Assistant Secretary, Corporate Services Division, Bill Farmer acknowledged that there were at least two arguments for the abolition of diplomatic passports. There had been, he said, disputes about the entitlement to various types of passport, leading to some administrative difficulties. Another consideration was that, if the holder of a diplomatic or official passport were to become involved in a terrorist incident, it would be possible that the distinctive passport could be a disadvantage (Evidence, p. 867). Mr Farmer conceded that diplomatic and official passports offer no legal protection beyond that supplied by an ordinary passport but, on balance, he supported the continued issue of the documents. Mr Farmer told the Committee:

We are talking about our understanding. ... Understandings in other places, particularly difficult places where we are asking people to serve, may be different. For example, in relation to access to airports, that can certainly be facilitated by the holding of a diplomatic passport - not in legal terms but just in terms of practice. ... at the margin, in the difficult circumstance where you are trying to say get to the airport in San Salvador, the endorsement in English may not mean much to the ... conscripted peasant soldier (Evidence, p. 869).

8.31 The Committee did not find the arguments for continuing the issue of diplomatic and official passports particularly convincing. The rare occasions when a visibly distinctive travel document might be of real benefit to a DFAT officer are likely to be offset by the equally rare occasions when it might be a disadvantage. There is clearly some administrative effort and, possibly, some additional cost associated with the issue of non-standard passports, especially as diplomatic passports are issued to a variety of persons who are not officers of DFAT or other overseas operating agencies. Although the Committee did not consider this to be an issue of much significance, on balance it **recommends that Australia have a standard passport with a system of endorsements to certify the position held by or status of the person to whom the passport is issued. The Committee also recommends that there should also be the option of some distinctive endorsement to be embossed on the covers of passports issued to Australian officers posted overseas, especially where such an endorsement might offer operational advantage or increased safety.**

Record keeping

8.32 The matter of DFAT's record keeping was raised with the Committee by the Foreign Affairs and Trade Association. In its written submission, the Association commented:

Not enough attention is paid to information retrieval systems under the new devolution arrangements. The stock in trade of DFAT officers is information. Far too much time is wasted looking for data that, in well maintained archives, should be readily available. Current problems are not the fault of registry clerks. They stem from the failure to mesh the use of computer storage systems with traditional filing systems, the apparent loss of central control over records with the devolution of archival responsibility to divisions and the careless attitude many officers have to record keeping (Evidence, p. S500).

In oral evidence to the Committee, representatives of FATA reiterated the Association's concern but commented "we note that in recent months some new energy has been put in this area; we would like to see that continue" (Evidence, p. 206).

8.33 The record-keeping issue was also raised in the submission and oral evidence of William Bush, a former Foreign Affairs Officer who had headed the Treaties Section. Mr Bush stressed the importance in international legal and treaty matters of a capacity to locate relevant records. He cited cases in his experience where the Japanese Foreign Office, during negotiations with DFA, was able to cite correspondence from the Australian Government which DFA had not located in its own records (Evidence, pp. 290-1). (Quite apart from anything that this example might mean for record keeping, it might also illustrate that lack of continuity of staffing and inadequate specialisation can produce embarrassing lapses in corporate memory.) Mr Bush also claimed that in the Nauru case in the International Court, up to three people were employed full time for a year locating the necessary records (Evidence, p. 285).

8.34 The Committee is also aware that a former officer of the Administrative Law Section of DFAT was found to be in contempt of court in 1989 as a result of documents being located in the Department's files which he had previously certified could not be found. The judgement in that case described DFAT's filing system as "ramshackle" and took into account as an extenuating circumstance the fact that "the filing system of the Department of Foreign Affairs and Trade was, at the relevant time, seriously defective" (*Ditfort v Calcraft*, NSW Court of Appeal, 22 December 1989, unreported). The Court was told that defects in the Department's system had been repaired but this Committee was told that one of the recent leaks investigated by DFAT appeared to involve the removal of an original document from a departmental file, suggesting that there is scope for additional repairs (Evidence, pp. 61-2).

8.35 There are several relevant anecdotes from the early history of the Department. Mr Bush referred to RG Casey and Keith Officer on one occasion in the 1930s being almost buried in an avalanche of unfiled correspondence (Evidence, p. 281). Sir Paul Hasluck, writing about the 1940s, and describing himself as "something of a pedant

regarding documentation" (Hasluck 1980, p. 31) has six entries on departmental filing (all disapproving) in the excellent index to his memoirs. These include references to the discovery of urgently needed papers on Syria in the Tasmania file (Hasluck 1980, p. 4).

8.36 DFAT, in response to Mr Bush's submission, acknowledged that "there is room for considerable improvement in the current arrangements" but claimed to have taken measures to enhance information retrieval and that "improving our information retrieval system is accorded a high priority" (Evidence, p. 283). However, there are echoes of the Casey/Officer incident in the Department's response to the DFAT Reform Group's claim that money was wasted on a consultancy. One of the consultant's duties, according to the Department, was to help to develop "a strategy to clear a backlog of over seven kilometres of files awaiting archiving" (Evidence, p. S1001). DFAT officers also alluded in their evidence to the extension of a contract for "sentencing" of departmental files after 86,700 files had been "sentenced" in a nine month period (Evidence, p. 284).

8.37 Mr Bush acknowledged to the Committee that the general standard of records management in the Australian Public Service is reputed to be low and cited comments by the Coombs Commission in 1976 to that effect (Evidence p. 289). The Royal Commission into the Australian Meat Industry, which reported in 1982, was also extremely critical of the standard of records management in the then Department of Primary Industry. That Commission rejected allegations that incriminating documents had been shredded by public servants partly on the grounds that "in so far as there were apparent gaps, these were just as serious in files having no relevance to the Commission's work as they were in relevant files" (RCAMI 1982, p. 319). It was similarly the case that the members of the Committee's staff who reviewed DFAT files in this inquiry found numerous examples of misfiling and of broken sequences of documents but saw no indication that the faults were systematic or deliberate. Folio numbering, where it had been attempted, which was probably in the minority of files reviewed, was often inaccurate, making it impossible to definitively rule out the possibility that the files had been illegally culled although the overwhelming impression was of bad rather than dishonest record keeping.

8.38 Whatever may be the general standard of record keeping in the public service, the Committee was strongly of the view that DFAT should improve its performance in this area. It agreed with Mr Bush that the quality of its records is a particularly important matter for a foreign service. The Committee was heartened by evidence from both DFAT and FATA that past neglect has been at least partly rectified in recent times. **The Committee recommends that DFAT comment in detail in its 1992-93 Annual Report on the measures it has taken to improve its records and information-retrieval systems and provide evidence of the success of those measures.**

Taxation of locally engaged staff at posts

8.39 The DFAT Reform Group claimed to the Committee that DFAT had been party to tax evasion by some of its officers and locally engaged staff (LES). The Group asserted that no member of the LES had been issued with a group certificate or statement of earnings in the last 50 years (Evidence, p. 538). As a result of this, the Group claimed, Australians employed as LES, including the spouses of DFAT officers, had been able to

not declare payments in respect of that employment in their income tax returns. The Group also alleged that some officers evaded Australian income tax by failing to report their spouses' incomes when claiming their spouses as dependants for income tax purposes (Evidence, pp. 537-8; Submission 43, pp. 5-11/12). Related claims by the Reform Group about payments to spouses from representation funds are discussed in Chapter 11.

8.40 The general issue of tax liability of LES was raised by Senator Chapman at an estimates committee hearing in September 1990, shortly after the ORC had commenced its activities, when he asked DFAT to comment about a "tax rort" arising from LES not having tax deducted from their wages (Senate Estimates Committee B Hansard, 18.9.90, p. B104). At the succeeding round of estimates committee hearings in May 1991, DFAT officers conceded that not all Australians employed as LES had had tax deducted at source and group certificates issued. The problem had arisen from confusion about the role of DFAT in collecting tax on behalf of the Australian Taxation Office (ATO). DFAT told the Committee that the problem had been resolved with the ATO agreeing that DFAT should deduct tax from all Australian employees (Senate Estimates Committee B Hansard, 1.5.91, pp. B126-7).

8.41 This Committee raised the issue of LES taxation with DFAT which responded that the action taken in 1991 in relation to Australians employed as LES had been almost immediately superseded by an amendment to the Income Tax Assessment Act affecting tax liability for income earned outside Australia (Evidence, p. S1015). While the implications of the change were being assessed, DFAT had advised its officers that spouses and dependants seeking employment with Australian missions overseas should contact the ATO directly regarding their possible liability for Australian income tax (Evidence, p. S1015). The Department also told the Committee that:

In terms of LES who are not considered to be Australian residents (and who are normally citizens of the host country) the Department's policy and practice has been to observe the requirements of local law, which of course varies widely from country to country (Evidence, p. 1016).

8.42 Officers of the ATO were asked at a subsequent public hearing to explain to the Committee DFAT's responsibilities under Australian taxation law in relation to payments to LES employed at missions overseas. The ATO made it clear that the 1991 legislative change had substantially reduced the number of cases in which there might be an Australian taxation liability (Evidence, p. 715). The ATO representatives were of the view that there might be cases "very few in number" in which DFAT should be making pay-as-you-earn income tax deductions from payments to Australian residents employed as LES and "some cases" where statements of earnings should be issued (Evidence, pp. 713-4). However, the scope for tax evasion by Australian residents employed as LES now appeared to be small.

8.43 The ATO accepted a substantial share of the blame for the delay in clarifying what is admittedly a complex area involving relatively small amounts of possible revenue. Assistant Commissioner Michael Monaghan of the ATO told the Committee:

There certainly has been advice through our offices which has led DFAT to believe that it has been doing the right thing. It has been trying to get the right advice and do the right thing. I accept that we in the Tax Office have probably not helped them as much as they might have liked, and we are trying to put all that onto a proper plane now (Evidence, p. 715).

8.44 The Committee accepts that the system prior to 1990 was one in which DFAT's administration of its taxation responsibilities as an employer, both in relation to Australian and overseas taxation legislation, could easily have fallen short of the ideal. However, the Department's attempts to rectify the problem in relation to Australian resident LES after the issue arose in Senate estimates committee proceedings in 1990 were clearly hampered by the contemporaneous change to Australian taxation legislation and the low priority accorded the matter by the ATO. A particular complication lay in the identification of which members of the LES might have an Australian income tax liability. The situation in regard to non-Australian resident LES is less clear but the Committee believes that DFAT should be a model employer in the countries in which it operates. One implication of this is that its system for paying LES should not be such as to transgress local taxation law or become implicated in practices in relation to income tax which would not be acceptable in this country. **The Committee recommends that the Government response to this report outline the measures taken by DFAT to ensure that its methods of payment of locally engaged staff do not breach or facilitate breaches of taxation law in Australia or overseas.**

Use of telephone message system

8.45 At a late stage in its inquiry, the Committee received a short written submission from a Canberra-based lobbyist, L.G. Stroud. Mr Stroud, noting that his frustrations had overcome his hesitation at raising a comparatively minor matter with the Committee, complained about excessive use of the telephone message system by DFAT officers. Mr Stroud wrote:

My company represents a number of tourism organisations. I frequently have to contact DFAT on a range of issues and speak to officers at all levels within the Department. It seems that in about 80% of the calls I make I get a recorded message. When I leave a message, my call is returned in about half the instances.

There have been occasions when I have gone into the Department and the attendants at the counter have had great difficulty in making a call to an extension that is answered by a real live human being who can come down and sign me in. It must make their job very difficult (Evidence, p. S1346).

The telephone system in DFAT's Canberra office incorporates an electronic message system. Several members of the Committee were aware from personal experience that Mr Stroud's complaints of excessive or inappropriate use of the system are well founded. It is important that all public sector agencies project a professional image and telephone

answering technology can be managed so as to avoid the types of problems identified by Mr Stroud and also experienced by some Committee members. It should be possible for DFAT to specify basic rules for the management of the message system and to ensure that its officers comply with them. While this clearly is not a major issue, the Committee commends it to DFAT's attention.

Internal audit

8.46 The internal audit function in DFAT is combined with internal evaluation. It is the responsibility of a section with 12 staff. The Evaluation and Audit Section is located in the Resources Branch of the Corporate Services Division of DFAT but the Section reports to the Departmental executive through an Evaluation and Audit Committee, chaired by a Deputy Secretary who does not have line responsibility for the Corporate Services Division and comprising "managers in all programs" (Evidence, p. S1018; DFAT 1992b, p. 79).

8.47 DFAT removed the responsibility for fraud prevention, a closely related area to internal audit, to a separate section in 1990 (Evidence, p. 606). The Committee was told that this was partly to ensure that the large number of allegations raised by the ORC were dealt with seriously and partly so as to give proper attention to the education of DFAT staff on fraud issues. The Department was of the view that most Australian Public Service departments now have separate fraud control units (Evidence, p. 606). The Department told the Committee that the Fraud Prevention and Discipline Section and the Evaluation and Audit Section work closely together (Evidence, p. 621) and there was evidence in at least one of the cases raised by the DFAT Reform Group and investigated by the Committee's staff that this was the case.

8.48 The DFAT Reform Group expressed serious criticisms of internal audit in DFAT in its evidence and the Committee reviewed the claims in some detail. Some of the Reform Group claims and DFAT's responses are summarised in Case 3 in Appendix III. The Group's concerns involved perceptions of

- . a lack of independence of the Evaluation and Audit Section;
- . inadequate and inappropriate staffing of the Section; and
- . inadequate scope and conduct of audits.

As reported in Chapter 5, specific, serious Reform Group criticisms of the head of the section were subsequently withdrawn and directed against another person who had not worked in the Section. This called into question the credibility of the Group.

8.49 The claims by the Reform Group that DFAT's Evaluation and Audit Section lacked independence from management appeared to be based on a misunderstanding on the part of Group members of the status and function of internal audit. The Group's submission incorrectly claimed that "internal audit is, in fact, legally responsible to the Auditor-General, not DFAT management" (Submission 43, p. 2-23). The Group provided the Committee with an exchange of correspondence between a former head of the then

Audit Section and a senior officer in the Corporate Management Division which it said was illustrative of improper management interference in the audit function (Submission 43, attachment to chapter 2). The Committee concluded that the Reform Group had misunderstood both the content and significance of the exchange of correspondence it supplied with its submission. There was nothing improper in the correspondence provided by the Reform Group and no other indication of improper management interference in the audit function. The management arrangements for internal audit in DFAT did not appear to be significantly different from those applying in most departments.

8.50 In fact, internal audit sections throughout the public service are created by and answerable to the management of their departments or agencies. They are expected to report to top management and to be free of management intervention in their day-to-day activities. However, they clearly are not independent of the department or agency in which they are created. Internal audit sections are not in any sense legally responsible to the Auditor-General.

8.51 The Reform Group had complained that inadequate numbers of qualified staff were employed on internal audit in DFAT. However, the Committee was told that, of the 12 staff of the Evaluation and Audit Section, three are qualified accountants and five have accounting training and wide experience in financial management in Canberra and overseas. Four were said to have many years of experience in internal and external audit and three experience in a wide range of policy areas in the Department (Evidence, p. S1018). Given the dual responsibility of the section for evaluation and audit, this appears to be an appropriate mix of skills and experience. The size of the Section's staff in relation to DFAT's total staffing and the proportion of internal audit staff with formal accounting qualifications closely match the Commonwealth public sector averages revealed in the Auditor-General's 1989 survey of internal audit (Auditor-General 1990b, pp. 38, 59). The Committee could find no reason to believe that the Evaluation and Audit Section is inadequately or inappropriately staffed.

8.52 The question of the effectiveness of internal audit in DFAT was more difficult to resolve. Apart from its denunciation of an apparently unintended victim, most of the Reform Group's specific criticisms of DFAT's internal audit performance related to perceived failures to detect particular instances of fraud or to audit areas that the Group considered prone to fraud. This criticism is unfair. Detection of particular instances of fraud or maladministration is not the primary role of internal or external audit. Internal audit is expected to test systems to an extent sufficient to reasonably assure the absence of fraud and to ensure that management systems are such that any fraud will require the collusion of at least two people. However, it is many years since auditors were expected to check every voucher and only such a check can assure the detection of specific cases. Internal auditors should detect particular cases of malpractice and fraud but should not be expected to detect all such cases.

8.53 DFAT has conceded that there were significant management systems problems in the Department in past years. However, the Department's internal auditors did not appear to have played a leading role in exposing these problems. The Reform Group's complaint that internal audit had failed to audit effectively the most vulnerable systems therefore had substance.

8.54 At a public hearing of the Committee, Douglas Lennie, Executive Director, and Graham Koehne, Senior Director, of the ANAO, repeatedly declined to give their opinions of DFAT's internal audit processes on the grounds that the ANAO had not specifically evaluated the processes and had not used the output of the internal audit section in their recent audits of DFAT's financial statements (Evidence, pp. 557-561). In later written evidence, the ANAO clarified this point, commenting that no internal audits had taken place in 1990-91 in the passports and contributions to international organisations areas, which accounted for 70 per cent of the Department's revenue and 72 per cent of its expenditure in that year. The ANAO therefore focussed on those areas in its financial statements audit for the year. DFAT and the ANAO have since had discussions on areas that internal audit could address to reduce the ANAO's workload (Evidence, p. S1410). Nevertheless, the ANAO's evidence was of concern to the Committee.

8.55 The Committee's Deputy Chair, who has accounting qualifications and experience, and its Secretary, while reviewing departmental files relevant to some of the Reform Group allegations, examined a sample of internal audit working papers. These appeared to be complete and of an acceptable standard, although parts of the summary report of one audit could have been expressed in terms that would have allowed greater reliance to be placed on it by external audit. The Deputy Chair wrote to DFAT on that matter and was later informed by DFAT that the Department was considering seeking professional advice on that aspect of internal audit work.

8.56 However, the Committee believes that the quality of internal audit in DFAT is now of an acceptable standard. It is true that none of the large number of flaws in departmental management that have come to light in recent years and are documented in this report appear to have been exposed by internal audit. That is disappointing but it is predictable that an internal audit section will be influenced by the culture of the department of which it is a part. There is ample evidence that the management culture in DFA/DFAT has not until recently been one in which the types of systemic problems outlined in this and other reports would be given the degree of attention required. The Committee accepts that recent changes in relation to internal audit, including the grouping of the function with evaluation, are intended to rectify past weaknesses.

8.57 The recent actions to devolve various aspects of management to overseas posts and to organisational units in Australia increase the need for an effective internal audit system in DFAT. It may be too soon to tell whether the recent changes to internal audit in DFAT have been sufficient to assure the future effectiveness of the function. The Committee notes in this regard advice from the ANAO that it would consider, after its review of the 1991-92 financial statements, whether there is any need for a full review of internal audit in DFAT (Evidence, p. S1410).

8.58 The Committee acknowledges that internal audit is primarily a service to management but considers it most important that the results of internal audits be in a form that will facilitate the investigations made by external auditors. It appears in DFAT's case that the priorities and expectations of internal and external audit have not always matched as closely as could reasonably have been expected. Discussions that have now occurred between DFAT and the ANAO on this issue, and the representation of the

ANAO on DFAT's Audit and Evaluation Committee, could be expected to resolve this problem. To ensure that this is the case, **the Committee recommends that DFAT, in reporting on the activities of its Evaluation and Audit Section in its 1992-93 Annual report, comment on the extent to which its internal audit program has been aligned with the audit priorities of the Australian National Audit Office.**

Program evaluation procedures

8.59 The Committee's terms of reference specifically mention program evaluation procedures but the Committee received little in the way of complaints about DFAT's program evaluation system. However, DFAT provided the Committee with extensive material on its evaluation systems and officers described them to the Committee with evident pride (Evidence, pp. S58-66, 877-87). Because the inquiry developed into a review of criticisms of the Department rather than a complete review of its management and operations, the Committee has not devoted much space to this issue but notes that DFAT believes its performance in this area is good.

8.60 The Department pointed out to the Committee that it has a long tradition of formal evaluation of the work of individual officers and work units (Evidence, p. S58). The structure that has evolved to meet that function has now been integrated into a broader system which incorporates the new public service-wide system of program evaluation. DFAT appears to have made a shaky start in program evaluation. The ANAO, in its submission to this inquiry commented that one of its audits in 1990-91 had disclosed that:

Foreign Affairs and Trade initially resisted the strategy and lacked understanding of, and commitment to evaluation. As a result it made very little progress with the evaluation strategy during the early years. ... In terms of accepting and implementing program evaluations, the Foreign Affairs and Trade portfolio was a late starter compared with the other portfolios examined by the ANAO (Evidence, p. S405).

The Department, in a recent report on a major program evaluation, commented on its evaluation performance in a way not inconsistent with the ANAO finding:

DFAT drew up a probably over-ambitious schedule of portfolio evaluations to meet the [Financial Management Improvement Program] requirement that evaluation be carried out on a program basis. The Department fell behind in the timetable of portfolio evaluations it had set itself and when the steering committee for this first evaluation was set up in early 1991, was already nearly two years behind schedule in its evaluation plan (DFAT 1992b, p. 73).

8.61 It appeared to the Committee, however, that the early difficulties had been overcome. DFAT's first major evaluation report on a policy program - the Relations with Asia Sub-program of the Asia Division - appears to be thorough and methodologically sophisticated. DFAT pointed out to the Committee that this report was the first such

evaluation of a policy division in the Australian Public Service and its approach to the task has been of interest to other departments and agencies (Evidence, p. 10).

8.62 The PSU, in its initial submission to the Committee complained about lack of consultation by DFAT management in most areas of evaluation (Evidence, pp. S296-9). However, some of these complaints appear to have been resolved with the PSU describing a departmental invitation that the Union put its views to Post Liaison Visit teams as a spin-off from this inquiry (PSU 1992, p. 19). No other complaints about the evaluation processes were received except the DFAT Reform Group evidence on internal audit discussed in the preceding section.

8.63 Evaluation in DFAT now appears to be a process which integrates the pre-existing evaluation systems listed below with program evaluation (DFAT 1992b, pp. 73-79):

- . post and divisional evaluation reports;
 - a series of self-assessments, annual for posts and biannual for divisions, used in the budget process;
- . post and divisional liaison visits;
 - large, one-off reviews of the performance of posts or divisions usually undertaken when there are perceived management or resource problems but notionally covering the full range of posts and divisions on a cyclical basis;
- . policy reviews;
 - undertaken as required to test the appropriateness of policy objectives and the effectiveness of policy strategies;
- . staff resource reviews;
 - undertaken biannually in respect of posts;
- . compliance reviews by the internal auditors and the Fraud Prevention and Discipline Section;
 - typically on a cyclical basis for audits and in response to perceived problems in the case of fraud reviews.

In addition, as noted in Chapter 7, DFAT has a well-developed staff appraisal system.

8.64 This range of evaluation processes appeared to the Committee to be rather more comprehensive and better co-ordinated than is common in APS departments. In particular, the system of post and divisional liaison visits and the formal staff appraisal system are of longer standing and wider scope than the equivalents, where they exist, in

other Australian Public Service departments. It appears that DFAT has confronted and overcome the initial difficulties it faced as a policy department in implementing the new program evaluation requirement and has improved the extent to which it consults with its staff on evaluation matters.

CHAPTER 9: SECURITY PROCEDURES AND CUSTODY OF CLASSIFIED MATERIAL

9.1 The raw material of DFAT's business is information. Its functioning as a policy development and policy coordinating agency depends on the flow of information for its effectiveness. By virtue of the nature of the information it is dealing in, much of it advice to the government of the day with international ramifications, there is often a high degree of confidentiality.

9.2 One of the more significant reasons advanced for the Committee to undertake the current review of DFAT arose from a concern that there had been breaches of DFAT's security procedures. Sensitive information which had the potential to embarrass Australia's international standing had appeared in the media. The Committee therefore examined the adequacy of DFAT's security procedures and sought to ascertain whether the incidence of leaks of classified information indicated low morale or other difficulties in the Department's operations.

9.3 The physical security of its staff and property are also major issues for an agency such as DFAT. Departmental employees are dispersed in many locations where they and their families face greater risks than would be accepted by most Australian employees. That officers accept such postings as part of their professional responsibilities is commendable. However, DFAT as their employer has a responsibility to ensure that it acts to protect its personnel. The Committee reviewed DFAT's performance both in Australia and overseas in this respect.

Leaks

9.4 In his opening statement to the Committee, former DFAT Secretary Richard Woolcott emphasised that "the Department views very seriously the leaks to the media of classified information that have occurred over the last 18 months" (Evidence, p. 11). However, he stressed that this was neither a new phenomenon for the Department nor was DFAT unique in the public service or internationally in this respect. Mr Woolcott told the Committee:

I think the motivation for people who leak material is quite wide. It can relate to policy disagreement: somebody disagrees with a particular policy, sees a piece of information which questions that policy, and thinks it might bring pressure on the Government to move the policy if the material were leaked. Some people have leaked for financial reasons; others presumably for reasons of disenchantment; others to gain favour with certain journalists; and others perhaps for reasons of disillusionment. It is a very complex picture (Evidence, p. 33).

9.5 The Department recognised that leaks could be damaging not only to the Department and the government of the day, but also could adversely affect the ready flow of information between countries. The Committee strongly endorses this view.

However, DFAT sought to place the issue of leaks in perspective against the volume of material generated through its processes, a point also made by the Foreign Affairs and Trade Association (Evidence, p. 206). Mr Woolcott informed the Committee that between the beginning of July 1990 and the end of November 1991 there had been 32 identified leaks, of which 18 were of classified cables. However, he claimed that during the same period the Department had processed 272,000 classified cables, each distributed to an average of 25 internal addressees. The rate of leaks was thus one in 15,000 classified cables (Evidence, pp. 11, S209-13). When allowance was made for the number of copies of classified cables which circulated inside and outside the Department, the rate of leaks was one in 375,000 (Evidence, p. 12). In making these calculations, DFAT identified as a leak any media publication of information which appeared to have been released without authority. That definition has also been used by the Committee in this section of the report.

9.6 The Department later provided the Committee with updated copies of its schedule of leak investigations, showing an additional 16 leaks between the end of November 1991 and early September 1992 (Evidence, pp. S1201-1212). Of the 48 leaks listed in the final schedule supplied to the Committee, one had later been determined to have been a duplicate entry and two not to have been leaks. Six of the other entries were believed by DFAT to have resulted from two identifiable leaks. Adjusting for these factors, the schedule therefore records 41 leaks over a period of 2 years and two months.

9.7 The classifications of the documents involved in the 48 entries on DFAT's schedule of leak investigations are summarised in Table 9.1. It should be noted that the seven recorded leaks involving information classified at levels of Secret or above were believed to be derived from only three incidents with multiple media stories having been drawn from two of those leaks. Any unauthorised release of confidential official information has the potential to damage the public interest. The number and severity of leaks investigated by DFAT since the middle of 1990 are summarised in Table 9.1. There may also be a widespread recognition that some level of leaking will always occur and this recognition can reduce the potential damage. In discussion on a particular leak of correspondence between the Australian Foreign Minister and the United States Secretary of State, Mr Woolcott made the point that:

I think that in the United States, of course, the leakages are probably somewhat higher, so they are not unused to that sort of situation (Evidence, p. 32).

Having noted these arguments, the Committee is of the view that any leak should be considered to be a serious breach of trust and any person found responsible should be dealt with under the public service disciplinary procedures.

9.8 The Department has sometimes reacted to leaks by restricting the distribution of information (Evidence, pp. 34, S68, S216). This practice has its own costs. FATA, for example complained that "officers without access to all relevant information are clearly going to be hindered in their efforts to produce detailed and well-founded policy advice" (Evidence, p. S501) and the Department accepts that point. Then DFAT Deputy Secretary, Michael Costello, told the Committee:

There is this tremendous tension between making available to the people information they need to do their work, not only in our Department but also in other departments, and the need to ensure that you do not have these things appearing in the papers. It is always hard to define the line (Evidence, p. 35).

The effect on policy development of restrictions on the general flow of information within the Department to guard against leaking is an additional and potentially large cost of leaking.

Table 9.1
Classification of DFAT Documents Leaked
1 July 1990 to 9 September 1992

Classification	No. of Leak Investigations
Secret or above	7 *
Confidential	22
Restricted	6
Unclassified	8
Not specified	2
Duplicate entry/not leak	3
Total	48

* resulting from 3 leaks.

9.9 DFAT commented "in a system where information sharing is essential to good government, it is impossible to guarantee 100 percent security 100 per cent of the time" (Evidence, p. S68). The Committee accepted this but was concerned to assess whether the Department had established adequate processes for minimising the risk of leaks and for identifying and dealing with offenders.

Strategies for controlling leaks

9.10 Several strategies are available for minimising the risks of classified material being leaked. These include reducing hard copy distribution, improving hard copy filing practices, reforming the classification system to limit the amount of restricted material, and ensuring through training that managers and staff are fully aware of their responsibilities.

9.11 Representatives of DFAT's staff favoured the last two approaches. FATA suggested to the Committee that too many documents are over-classified, and audits could be undertaken to ensure that appropriate standards are being applied. The Association also argued that a more informed public debate on foreign and trade policy would result if more information that is currently classified was made generally available (Evidence, pp. 207, S501). The PSU, with FATA's support, urged the upgrading of

security training and for pre-posting training to be made mandatory for all A-based officers going overseas (Evidence, pp. 212, S300-1). Both FATA and the PSU emphatically expressed their opposition to leaking by DFAT officers (Evidence, pp. 212, S501, S300).

9.12 The Department indicated that only 37% of its cables are classified now (Evidence, p. S70) and that it aims to improve the security of the hard copy distribution of cables through electronic distribution. However, the upgrade to its ADCNET communications system for this purpose has not yet been funded, although it has been identified as a priority in the Department's information technology strategic plan (Evidence, pp. 36, 220, 836). The Committee notes that this proposal, if and when it eventually proceeds, will have the additional benefit of a reduction in waste of paper. DFAT told the Committee that four tonnes of classified waste is disposed of each calendar month (Evidence, p. S71).

9.13 DFAT stated that, until electronic distribution is available, it has adopted other strategies to minimise the risk of leaks. These include restricting the distribution of certain material, issuing a security manager's handbook, issuing jointly with its unions a circular on security, and involving the Fraud Control and Discipline Section in fraud investigations. It has also urged officers to avoid over-classifying documents (Evidence, p. 835). The Committee is unable to suggest any additional steps that should be taken.

9.14 The Committee acknowledges that the rate of leaks is low relative to the total volume of sensitive material. The rate, however, is only part of the story. Even a single leak can cause serious damage to Australia's interests and the number of leaks recorded on DFAT's leak investigations schedule might not be fully indicative of the situation. DFAT should not allow these statistics to encourage complacency about the problem of leaks. Having said that, there is no indication that the pattern of recent leaks reflects low morale in the Department. Most of the reported leaks concern policy matters rather than departmental administration (36 of 42 cases) and cover a range of policy areas with no apparent areas of concentration in subject matter. The Committee expected that some pattern would have been discernible and more of the leaks would have concerned management issues if low morale was a causal factor. There could, however, be a causal connection in the other direction. As FATA pointed out in its submission, "the vast majority of officers are tarred publicly with the same brush as the few who leak classified information" (Evidence, p. 501). That factor might contribute to some lowering of morale.

Leak investigations

9.15 The Committee questioned DFAT on its processes for investigating leaks and the results of the investigations. A particular matter of concern was that apparent leaks known to members of the Committee or to other senators did not appear on the schedule of leaks investigated by the Department. For example, the apparent leaking in mid-1991 of sensitive information on Australia's position on the Cambodian peace negotiations was not listed nor were several leaks on a current disciplinary case. However, other apparent leaks raised by senators proved to be cases where unclassified material had been reported in the media in a way which wrongly suggested that it had been leaked.

9.16 The Department argued that, in the case of the Cambodia leak, it had satisfied itself at an early stage that any release of information by DFAT officers had not been a leak and the case was not included on the schedule of leak investigations because there had been no need for a formal investigation (Evidence, pp. 805-6). The Minister confirmed in a letter to the Committee that the release of information by DFAT officers had been authorised and regulated by a framework of authority determined by him (Evidence, p. S1217). The Department told the Committee that it considered this to be a unique case (Evidence p. 818). However, its omission from the schedule for the reason stated was not consistent with the inclusion of other leaks on the schedule where no substantial formal investigation had taken place and where the disclosures in question were not actually leaks.

9.17 The leak of information on a disciplinary case apparently was the subject of legal action at the time the Committee questioned DFAT officers on it (Evidence, p. 865) but seems to have been regarded by DFAT as being in a different category. None of the leaks listed on the Departmental schedule appeared to relate to issues of individual privacy and none of the matters publicised by the ORC and Mr Carroll was listed.

9.18 The Committee had no basis for believing that large numbers of leaks had been omitted from the Department's schedule of leak investigations. It would be expected that significant omissions would have come to the Committee's attention during the inquiry as did the two noted above. The Committee believes, however, that the Department should attempt to maintain a comprehensive register of leaks and investigations. Both the cases discussed above would have been listed in such a register as would some of the disclosures by Mr Carroll and the ORC. Some of the information from the register should be reported in any case in the Department's annual report under the fraud control heading of the annual reporting guidelines. **The Committee recommends that all cases of apparently unauthorised release of information within DFAT's area of responsibility be recorded in the Department's list of leak investigations, including the release of information on individual current or former members of the Department's staff and the release of information other than by DFAT officers. The Committee further recommends that summary information from the schedule be reported in the section of DFAT's annual report relating to fraud control.**

9.19 The Department's process for the examination of leaks begins with an in-house investigation of the possible source of any leak, conducted by the Diplomatic Security Section (DSS). If DSS considers that there should be a further investigation by the Australian Federal Police (AFP), it must recommend to that effect to the relevant Division Head and that officer must agree before the matter is referred, through the relevant ministers, to the AFP (Evidence, pp. S204-6).

9.20 Of the 41 leaks recorded in the DFAT leaks investigation schedule for the period 1 July 1990 to 9 September 1992, 19 had been referred to the AFP. These included all three leaks involving documents classified as Secret or above, 13 of the 19 cases involving Confidential documents, none of the six cases involving Restricted documents and one of the 8 cases involving unclassified documents. The one case involving a classification below Confidential which was referred to the AFP involved the release of a document in which the Minister expressed a low opinion of this inquiry.

9.21 Although 19 cases were referred to the AFP in a period of more than two years, none of the referrals led to the detection of the person or persons responsible for the leak. DFAT argued that the principal problem in finding the source of any leak is the large volume of material in circulation. For example, the 32 entries on the leaks investigation schedule for the period July 1990 to November 1991 involved 51 separate documents, 68% of which were cables. DFAT informed the Committee that the material was distributed on average to 76 addressees in DFAT, 24 posts and nine other agencies. The average number of hard copies of each cable was 126.

9.22 Whatever may be the reason, it has been the case that neither DFAT nor the AFP have had much success in establishing the origins of leaks. The Committee's examination of DFAT's disciplinary records reported in Appendix III showed only three cases of officers (one of them Mr Carroll) having been identified as releasing or circulating information without authority in the last 10 years.

9.23 On the rare occasions when officers have been proven to have released information without authority, the penalties are severe. The outcomes of disciplinary action in the three cases listed in the Department's disciplinary statistics were that two officers were recommended for dismissal and one was transferred with a reduction in salary. These punishments are at the upper end of the penalty scale under the public service disciplinary system. However, more severe punishments are available under section 70 of the *Crimes Act 1914*.

9.24 The deterrent effect of any punishment system is a function of both the likelihood of detection and the severity of punishment. The Committee acknowledges that leak investigations will frequently be fruitless. Nevertheless, there would be value in the Department indicating to its staff that it will endeavour to identify the source of leaks in the future with the greatest vigour, and that any offender will be dealt with as severely as possible. **The Committee recommends that DFAT adopt a policy of:**

- (a) referring to the Australian Federal Police for investigation all cases where information classified at Confidential level or higher appears to have been released without authority; and**
- (b) where appropriate, referring to the Director of Public Prosecutions for consideration of prosecution under the Crimes Act any future case in which an officer appears to be culpably responsible for the unauthorised release of classified information.**

The latter policy would not preclude alternative or additional proceedings under the Public Service Act but would indicate the significance attached by the Department to the leaking of information. The decision on whether to act against offenders in leaking cases under the Public Service Act or the Crimes Act should be made in the light of the degree of the culpability in the particular case and having regard to the possibility that the prospect of too severe a penalty might reduce the chances of detection in some cases.

Personal security and security of assets

Personal security

9.25 The Committee heard a variety of criticisms of DFAT's arrangements for the personal security of its staff. The Public Sector Union (PSU) expressed particular concerns in this area, arguing that there was no more important issue than the safety of officers and their families (Evidence, p. 212). The PSU complained that, because of resource constraints, DFAT had had to cut corners on security. It called for:

- . all officers serving overseas with security responsibilities to have mandatory pre-posting security training;
- . a minimum standard of protective security to apply to missions and residences commensurate with the assessed level of threat;
- . the inspection of security at posts to be targeted more at the high threat posts;
- . the level of security training and awareness to be increased and given a continuing priority (Evidence, p. S300).

FATA agreed with the PSU that "security training...seems not to have been pursued as vigorously as it might have been" (Evidence, pp. 206-7).

9.26 DFAT responded to the points made by the PSU and FATA, stressing its commitment to personal security matters. In relation to post security, DFAT said that it systematically undertakes threat assessments of posts and seeks additional resources where the need is recognised. In this respect it cited the speed with which the Government had responded to problems in Port Moresby (Evidence, p. 219), where the security threat had led to the construction of a housing complex within a security compound (Evidence, p. 879).

Security of assets

9.27 DFAT indicated that its general strategy was to try to make the management of security a function of its senior officers and heads of mission. In 1991 it had reviewed the management and delivery of security services, including personal security of officers at posts, security passes, emergency planning for posts, security inspections and contingency planning. The review drew on the way security services are provided by foreign ministries of selected countries, including the United States, the United Kingdom and Canada. One of the major outcomes of DFAT's review was the reorganisation of the Diplomatic Security Section (DSS) into what the Department called a "one-stop shop". DSS officers were nominated to assume responsibility for security matters for a group of posts. Each such officer would be the single point of contact for posts and for officers proceeding on postings and would ensure that new officers and heads of mission were fully briefed on the security situation at the post and their security responsibilities (Evidence, pp. 217-8).

9.28 The Department did not accept that its security training was inadequate, although it commented that resource constraints did limit its capacity to conduct pre-posting security courses to four or five times a year. These courses were also attended by officers of other overseas operating agencies and spouses. With the introduction of the DSS one-stop shop concept, it was felt that a pre-posting interview one-on-one with the relevant DSS contact officer was an effective adjunct to any security training given in the past. However, not all officers will have had any security training in the past. Rather than pre-posting security courses being mandatory, DFAT requires all officers going on posting to sign an acknowledgment which includes that they have been told to seek advice from DSS about personal security at the post to which they are going (Evidence, pp. 218-9).

9.29 The DFAT Reform Group alleged a generally poor standard of security both at missions and at the Administrative Building in Canberra. The Group claimed that there were many deficiencies in the supervision of visitors to secure areas, in the supervision of security passes, in the supervision of computers, and in the management of the international safe-hand courier system (Evidence, pp. S962-5). Specific accusations related to the theft of personal computers and the ease with which some visitors and support personnel were able to move within the building. The Department responded to those of the Group's claims that were referred to it by the Committee, generally rejecting the claims (Evidence, pp. S999-1027).

9.30 The Committee has no reason to doubt DFAT's claims that its security procedures are sound. The Committee visited the Administrative Building on 12 May 1992 and was able to observe the security procedures at first hand. While security procedures appeared adequate, the references in evidence to resource constraints in this area are of concern, however. Of greater concern is the decision not to make pre-posting security training mandatory. **The Committee stresses the importance of the security of Australian personnel operating overseas on behalf of their country and recommends that pre-posting security training be made mandatory for all officers who have not previously undergone such training and for a DSS briefing prior to posting be made mandatory in all cases.**

Office accommodation in Canberra

9.31 The PSU also raised its concerns about the state of DFAT's Canberra headquarters, the Administrative Building, which it said was the cause of health problems arising from its poor design and construction (Evidence, p. 213). The Committee visited the Administrative Building on 12 May 1992 and was able to gauge the state of the building. Committee members were concerned to note that parts of the building had been allowed to deteriorate to a shabby state. The front reception area in particular was of a lower standard of appearance than is desirable for an organisation with important representational functions. During the inspection a Committee member also observed a "graffiti wall" near the Communications Centre in the basement of the building. The Committee was told that space had originally been allowed for graffiti as art. A DFAT officer expressed objections to a Committee member about the nature of some of the items of graffiti that had been added to the wall. The Department later advised the Committee that it had had the offensive comments removed (Evidence, p. S701).

9.32 The Government announced in the 1992-93 Budget that DFAT's central office will be moved to a new 47,000 square metre building at York Park, Barton, ACT, a site to the east of Parliament House, at a cost of \$187 million. The proposal is currently before the Joint Committee on Public Works and it would not be appropriate for this Committee to comment on it.

Security of foreign diplomatic missions in Australia

9.33 During the Committee's inquiry a violent incident involving injury to persons and considerable damage to property occurred at the Embassy of the Islamic Republic of Iran in Canberra. The incident raised questions about the efficiency of arrangements for the security of diplomatic missions in this country. Criminal cases were before the courts at the time this report was prepared and it would be inappropriate for the Committee to discuss the matter in detail.

9.34 However, the Committee notes that two extensive reviews of the incident produced results reflecting on the operations of the protective security system. DFAT shares responsibility for this system with other Australian Government agencies charged with roles including the Australian Protective Service, the Australian Federal Police, the Australian Security Intelligence Agency, and the Protective Security Coordination Centre (Evidence, p. 349).

9.35 Australia has obligations under the international conventions to take appropriate measures to prevent attacks on the persons and protect the premises of diplomatic agents, and to apply the full force of the law where protective measures fail (Evidence, pp. 349-50). At the time of the incident, April 1992, DFAT was responsible for the security of foreign diplomatic and consular missions in Australia. The failures of DFAT and other agencies with security responsibilities at the time of the incident and the changes to procedures for diplomatic security that were subsequently introduced are detailed in a report tabled in the Senate on 28 April 1992 by the Minister for Foreign Affairs and Trade. The report was incorporated in the Senate *Hansard* and in the Committee's transcript of evidence at pages 349-54. Senator Evans told the Senate that the report on the incident:

makes it clear that no one agency or department was totally responsible for the failure to adequately protect the Iranian Embassy. The fact is that they all bear some degree of responsibility for what happened. The key conclusion...is expressed in a single paragraph as follows:

...the major reason for the failure of protective procedures was that critical information was not communicated promptly enough or in sufficient detail to the right people to trigger appropriate responses, and that as a result the decisions made and actions taken by those to whom information was provided, in the event, were either insufficient or inappropriate (Evidence, pp. 353-4).

9.36 The inadequacies of the then counter-terrorism plans and arrangements exposed by this incident led the Government to ask Michael Codd, former Secretary of the Department of Prime Minister and Cabinet, to undertake a comprehensive review. Mr Codd's report has not been published but all its recommendations were reported to have been endorsed by the Government in June 1992 (Attorney-General's Department, 1992, p. 170). One outcome was disclosed in DFAT's Program Performance Statements for 1992-93, with the comment that "operational responsibility for provision of protection was transferred from the Department to Attorney-General's Department" (DFAT 1992c, p. 283).

9.37 Since DFAT no longer has operational responsibility for the protection of foreign missions, the issue is largely outside the scope of this inquiry. The Committee points out, however, that DFAT necessarily remains involved in the protective security system and should draw the appropriate lessons from the Iranian Embassy incident.

CHAPTER 10: OVERSEAS CONDITIONS OF SERVICE AND THEIR IMPLICATIONS FOR EFFICIENCY AND EFFECTIVENESS: THE INSTITUTIONAL FRAMEWORK

10.1 The terms and conditions of employment of Australian Government officers overseas clearly have important implications for DFAT's efficiency. The Committee received evidence on this issue relating to the institutional framework for overseas conditions of service and to several specific conditions. The institutional framework is discussed in this Chapter while the matters related to specific conditions of service are dealt with in Chapter 11.

The institutional framework for conditions of service

10.2 Terms and conditions of employment for officers of the Australian Public Service serving overseas are determined under section 82D of the *Public Service Act 1922* by the Overseas Conditions Branch of the Department of Industrial Relations (DIR). A similar function is conducted for officers of the Australian Defence Force under the *Defence Act 1903*. DIR took over this role from the Public Service Board when the Board was abolished in the machinery of government changes of 1987.

10.3 In its written submission to the Committee, DIR described its role as to:

- . enable the conditions to be most effectively related to domestic conditions and also to the wider industrial relations interests for which the Department of Industrial Relations is responsible;
- . provide a disinterested authority to settle issues, after full consultation, for a range of employing agencies; and
- . provide a single point of responsibility and accountability for decisions (Evidence, p. S541).

10.4 The Department described its broad policy framework as:

The objective of the Department of Industrial Relations is to determine conditions overseas which reflect employment conditions and standards of living in Australia and which compensate for the additional costs that staff incur in undertaking duty overseas in order to enable overseas posts to be properly and adequately staffed (Evidence, p. S544).

This is generally understood to mean, DFAT said, that an officer should be neither advantaged nor disadvantaged by overseas service (Evidence, p. S575).

10.5 DIR has the authority to make overseas conditions determinations which are binding on overseas operating agencies and their officers. These are published in Volume

9 of the *Personnel Management Manual* (PMM), a lengthy and complex document. The Department exercises its authority in consultation with the overseas operating agencies and representatives of their staff.

10.6 The consultative arrangements are still officially governed by a Cabinet decision in 1960 which ordered the creation of a Policy Committee on Conditions of Service (PCCOS) and an Operational Committee on Conditions of Service (OCCOS). PCCOS was to operate at departmental secretary level and discuss broad policy issues while OCCOS representatives were to be drawn from operational areas of the major overseas operating agencies and to discuss matters of detail. Both bodies were to advise the Public Service Board, and now DIR, on overseas conditions of service matters. However, the Committee was informed that in 1986, in response to pressure from the unions and the Joint Council of the Australian Public Service, OCCOS was effectively replaced by the Consultative Forum on Overseas Conditions of Service, which included union representation. The Committee also heard that PCCOS has not met since 1986 (Evidence, p. S74, 567). The new Forum meets quarterly.

10.7 Despite the consultative arrangements, it nonetheless falls to DIR alone to make the final decisions on conditions of service, decisions which impact directly on the operations of other agencies like DFAT. The Committee heard argument to the effect that this should be changed. Various participants in the process argued that separating the control of overseas operations from the control of overseas conditions of service:

- . makes the conditions of service too complex, too inflexible and too slow to change;
- . allows conditions to be varied with insufficient consultation; and
- . places control of conditions of service in the hands of only one of the parties involved.

10.8 DFAT, for example, told the Committee:

The prescriptive approach which DIR is obliged under current arrangements to adopt denies a vital link between operational requirements and overseas conditions of service (Evidence, p. S75). ...

Under the current arrangements DFAT must cope with the operational consequences of conditions of service issues, but with little opportunity to have a substantive input into determining those conditions (Evidence, p. S77).

The Public Sector Union (PSU) complained that "one of the players is also the umpire" (Evidence, p. 105).

10.9 The system is one in which there is no easy access for consideration of individual cases and grievances. The involvement of several departments and agencies in the process can greatly hamper and delay the resolution of problems affecting individuals.

Although there is a right of formal complaint about individual grievances to the Merit Protection and Review Agency, this is often not an appropriate mechanism for resolving the difficulties facing individual officers in relation to their conditions of service.

10.10 It was suggested to the Committee that responsibility for overseas conditions of service be moved from DIR to an independent bureau. A range of possible structures for the proposed bureau were suggested, mostly involving a body governed by representatives of the main stakeholders. Several witnesses also urged on the Committee the desirability of devolving more responsibility in conditions of service matters to operating agencies.

10.11 Complaints of complexity, inflexibility, inadequate consultation and mean-spirited central agency control are not new in the overseas conditions area. The Senate Standing Committee on Foreign Affairs and Defence in its 1979 report of its review of Australia's overseas representation commented:

The determination of conditions of service for officers serving in Australian posts overseas is a complicated process which is constantly under review ... There is no doubt that inequities exist and that regulatory authorities are often not able to respond to rapidly changing circumstances as quickly as desirable. (SSCFAD 1979, p. 57).

10.12 The Foreign Affairs and Defence Committee commented critically on the consultative arrangements then in place. In particular, it urged the regulatory authorities to give due recognition and consideration to the input from the departments and staff associations with first-hand knowledge of overseas operating conditions so that a "co-operative effort based on widely canvassed facts would result in fair and appropriate treatment for Australia's representatives overseas" (SSCFAD 1979, p.60).

10.13 In his 1988 review of his earlier report on Australia's overseas representation Professor Harris noted that, despite recent institutional and allowances changes, "there seems to be an above normal level of unease among officers about conditions of service" (Harris 1988, p. 37). Professor Harris referred to "a belief, valid or not, that the overseas service has borne a disproportionate share of the government's economy measures, and that decisions affecting conditions of service are being made more on the basis of cost savings than on principle" (Harris 1988, p. 37).

10.14 This Committee has found itself revisiting not only the issues raised for attention in 1988 by Dr Harris but also those referred to by the Senate Foreign Affairs and Defence Committee in 1979. The submissions of both the Public Sector Union (PSU) and DFAT made the point explicitly that the problems and issues raised 12 years ago remain today (Evidence, pp. S302 and S78). This persistence of similar complaints over a long period may indicate that, to a considerable degree, the problems are intractable. The Committee was concerned, however, to establish whether any feasible alternatives existed.

Stakeholders' views

DFAT and other overseas operating agencies

10.15 DFAT commented in its initial written submission that it was unconvinced that the existing machinery of government arrangements are the most efficient and cost-effective way for the Government to set and manage overseas conditions of service (Evidence, p. S78). Particular concerns raised by the Department during the inquiry were:

- . the need for flexibility to enable overseas operating agencies (OOAs) to react quickly to changing needs at posts, and not to have to go through a "prescriptive and excessively bureaucratic" determination process (Evidence, p. S77); and
- . that any new conditions of service approved by DIR have to be funded and "[a]t present,...one-off amendments are not supplemented by the Department of Finance" (Evidence, p. S77).

10.16 One of the major complaints raised with the Committee under this term of reference, a point made with some force by DFAT itself, is that the overseas operating agencies such as DFAT have no discretion over the conditions they are able to offer their staff. It was suggested that this ran counter to the general trend of devolving managerial responsibility to line departments and was inefficient in preventing departments faced with variable demand for particular overseas postings from tailoring conditions packages sufficient to attract suitable officers to difficult posts. DFAT told the Committee:

In terms of conditions of service issues, we see the need to have the flexibility built into the arrangements to allow us to tailor conditions of service overseas to the needs of particular officers (Evidence, p. 756).

10.17 The Department suggested that one possible improvement would be the establishment of an autonomous interdepartmental bureau with responsibility for setting policy on overseas conditions. At the same time, OOAs would be given greater responsibility in the administration of the conditions (Evidence, p. S78). DFAT saw the bureau as including representation not only of the major OOAs but also of the Department of Industrial Relations to ensure consistency with other public service conditions and the Department of Finance to ensure that financial implications and funding arrangements were taken into consideration. The Department was non-committal about whether the bureau should include representation from either the staff associations or a spouses' organisation, but strongly supported consultation with these groups (Evidence, p. 39).

10.18 In its summary submission to the Committee in September 1992, the Department set out a specific proposal for an independent bureau to replace the parts of DIR currently responsible for overseas conditions of service. The proposal was that the bureau set and administer service-wide core conditions for all overseas officers (Evidence, p. S1251A). The core conditions which would be central matters for consideration by the bureau would be "maintaining the real value of disposable salaries against the local cost of living in a post and, secondly, meeting the additional cost associated with an overseas posting, and that includes education, personal security, travel, storage and removals" (Evidence, p. 184). The bureau would also consult with the OOAs about devolved conditions to encourage consistency and make decisions in individual cases which did not fit within the rules but were nonetheless desirable (Evidence, p. 755). As noted below,

other evidence supporting some form of bureau came from FATA, FSFA, PSU and the DFAT Reform Group.

10.19 The other major OOAs consulted by the Committee - Austrade, DILGEA, the Department of Defence, and the Australian Defence Force - were less critical of the present arrangements. David Barritt-Eyles, Senior Assistant Secretary, Human Resources, in the Department of Defence, told the Committee "there have been occasions when we have wished for quicker decisions ..." (Evidence, p. 186) but the OOAs other than DFAT generally seemed satisfied with DIR's management of the present system. With the exception of Austrade, opportunities for overseas posting in these organisations are infrequent and are therefore sought after. Few if any of their officers could be classified as career overseas officers and conditions of service tend not to be a major factor in the decisions of their officers to seek what will probably be the only overseas posting in their careers (Evidence, pp. 185-87).

10.20 Austrade, which does operate a career overseas service, told the Committee that it determines its terms and conditions subject to DIR's confirmation that they are broadly within Government guidelines. Austrade stressed that it seeks people with particular skills and claims to have coped reasonably well within the existing system although it would support changes in the direction of more flexibility, simplicity and transparency (Evidence, p. 190).

10.21 Representatives of the OOAs generally appeared to appreciate DIR's role as an honest broker in setting overseas conditions (Evidence, pp. S78, 185-190). Mr Barritt-Eyles told the Committee that any proposed new system would have to have a "guarantee of an improvement in the way they [setting overseas conditions] are done" (Evidence, p. 187).

DFAT staff

10.22 The Public Sector Union (PSU), the registered union representing some 1399 members in DFAT (Evidence, p. S292), criticised the dominant role of DIR in the current system, citing inadequate consultation, over centralisation and arbitrary decision-making. The PSU recommended that the overseas conditions package be placed in an award format; a demand which it had been pressing since at least November 1990 (Evidence, p. S304). The PSU saw a range of options for the award format: a specific award for overseas conditions; an addition to the existing General Conditions of Service Award; or an agreement referred for certification to the Australian Industrial Relations Commission under section 115 of the *Industrial Relations Act 1988*.

10.23 The PSU suggested that the award should contain only the "spine" conditions - the core or basic elements which make up the framework of the package of conditions - which could then be changed only after consideration by the independent arbiter, the Industrial Relations Commission. The award format was seen as offering the benefits of applying the key conditions across all OOAs while still providing desirable flexibility to bring in different conditions as necessary (Evidence, p. 103).

10.24 The PSU also expressed strong support for better consultative mechanisms, seeking a situation "where all the players in the game are represented" (Evidence, p. 105). It saw a tripartite agency to regulate overseas conditions of service as "a way of achieving this goal" (Evidence, p. S304). In particular, the PSU criticised the limited role of the Consultative Forum on Overseas Conditions of Service (CFOCS), which acts only in an advisory capacity to DIR. The Union described the Forum as "little more than a talkfest", (Evidence, p. S303) essentially because DIR convenes and chairs the meetings, and is not required to take its advice into account in its determinations. DFAT had also commented that advice from CFOCS was "frequently not accepted" (Evidence, p. S74). The PSU suggested that CFOCS might be made a sub-committee of the Joint Council of the Australian Public Service, the body established by the *Public Service Act 1945* as the joint staff and management consultative body (Evidence, p. S303). The PSU saw the Joint Council as a body in which consultation between the OOAs, the central agencies and the unions could appropriately take place (Evidence, p. 105).

10.25 The PSU also supported greater devolution of authority for overseas conditions. The Union argued that decision-making should be "further placed into the hands of people who are closest to the knowledge that you need to have to make appropriate decisions and who have the ability to make those decisions stick once they are made" (Evidence, p. 104).

10.26 The Committee also took evidence on conditions of service from the Foreign Affairs and Trade Association (FATA), the Foreign Service Families Association (FSFA) and the DFAT Reform Group.

10.27 FATA described the current system as "excessively regulatory and centralist and ... running against the tide of agency autonomy and the thinking about enterprise bargaining" (Evidence, p. 126). The Committee noted, however, that FATA referred approvingly to the way in which DFAT and DIR had negotiated a special arrangement for reunion between an officer posted to Port Moresby and his spouse who chose to stay in Australia because of concerns about security conditions in Papua New Guinea (Evidence, pp. 125-6). It therefore appears that the current system, while at times not as quick as agencies may have liked, has shown itself capable of appropriate speed and flexibility in emergencies. (The PSU complained, however, (Evidence, p. 204) that it had not been consulted about the Port Moresby allowance.)

10.28 FATA endorsed the concept of a bureau setting the broad parameters of policy and acting as a forum for the exchange of ideas. FATA also urged that at the departmental level, where it would like many of the conditions to be worked out in practice, consultations would take place not only with the registered staff associations but also with the staff themselves (Evidence, p. 127).

10.29 FSFA similarly supported the idea of a bureau in the expectation that it would lead to a better standard of setting of conditions overseas by including:

people who actually know what it is like to live under these conditions.
We do not believe that this happens with DIR (Evidence, p. 193).

10.30 The DFAT Reform Group was critical of DFAT's proposal for an interdepartmental bureau, expressing concern that the Department would seek to use its pre-eminent overseas role to dominate the bureau's operations (Evidence, p. S966). Instead, the Group favoured the creation of a separate Directorate of Overseas Management, within the Minister for Finance's portfolio, which would include a Conditions of Service unit. The unit would, however, comprise representatives of the same agencies that DFAT had proposed for its bureau (Evidence, p. S966).

10.31 The Reform Group also argued strongly for a package approach to conditions of service. It suggested that its proposed Directorate of Overseas Management should set differential package 'band levels' for each level of officer. Individual OOAs would then negotiate with officers for a package of conditions that met their requirements for each posting (Evidence, p. S966).

The private sector

10.32 The Committee took evidence from Dr Peter Rogers, Managing Director of Employment Conditions Abroad Limited (ECA), a private sector overseas conditions specialist. ECA has been engaged in a pilot study with DIR to compare external price data sources used for setting levels of allowance with the data DIR collects itself. While Dr Roger's evidence was mostly directed at the content and calculation of the conditions of service package, discussed below, he argued that the Australian Government's system is too complex and that it "should be geared to the special requirements of the Foreign Service and not tied to a system which aims to cover all Government employees" (Evidence, p. S756).

10.33 Dr Rogers told the Committee that private sector employers posting an employee overseas would usually negotiate a package of mutually acceptable conditions direct with the employee. Unions would not normally play a role in such negotiations, because they would take place outside of an award ambit (Evidence, p. 392). According to Dr Rogers, a private company sending the occasional employee overseas could often afford to tailor a package to the needs of the individual. However, where the requirement for such postings was frequent, there was a greater need for standardisation, especially of a well defined core policy for salary and allowances. Some flexibility could exist around that core (Evidence, pp. 392-3). Dr Rogers advocated changing the current public service system to provide the maximum possible decentralisation of conditions to individual agencies so that they "can then determine the special requirements that they may have which will be different in each location" (Evidence, p. 394).

The Department of Industrial Relations

10.34 DIR provided the Committee with considerable material explaining its role and the philosophy behind its determinations. It also sought to demonstrate as the inquiry proceeded that it was making determined efforts to respond to the concerns of the OOAs and their staff. Many long-standing issues, which had been either deferred or given low priority, were resolved. In its final written submission to the Committee, DIR drew the Committee's attention to a comment by Ian Porter, Assistant Secretary, Personnel, in DFAT, at one of the Committee's later hearings: "over the last six months or so the

response time and the flexibility shown [by DIR]...are pointing clearly in the right direction in terms of having these more flexible and responsive conditions of service packages' (Evidence, pp. 759, S1280).

10.35 It is possible that the forum for publicising of complaints which this inquiry provided might have encouraged DIR to respond more quickly and effectively to those complaints than it would have at another time. The appointment of a senior officer of DFAT as Secretary to DIR during the period of the inquiry might also have directed more attention to overseas conditions of service. The changes that have occurred might simply have reflected the early stages of the introduction to the Australian Public Service of workplace bargaining. The Minister for Industrial Relations, Senator Cook, wrote to the Minister for Foreign Affairs and Trade, Senator Evans, early in 1992 to propose that the two departments begin discussions on the impact on the overseas service of workplace bargaining (Evidence, pp. 126, 168). In any case, DIR rejected the arguments for radical change in institutional arrangements, suggesting that it was actively pursuing changes which would meet the future requirements of its clients.

10.36 DIR pointed to the ways in which it seeks to gain input into its processes from officers serving overseas, such as:

- . an intensive overseas visits program, to enable it to review the operations of its conditions package at posts and to institute changes in appropriate circumstances (Evidence, pp. 162-3, S1280); and
- . the regular secondment of DFAT officers to its Overseas Conditions Branch, who contribute insights from their experience as career overseas officers (Evidence, p. S543).

10.37 DIR defended the operation of the Consultative Forum which, it said, "is an important means for enabling the Department to assess and discuss the views of the different players on particular proposals, to respond to the concerns of agencies and associations, and to report on progress with outstanding matters" (Evidence, p. 162). DIR emphasised that it seeks to consult fully with agencies and unions about changes to overseas conditions (Evidence, p. S1280).

10.38 DIR informed the Committee that a recent stress on devolution, identified as a priority by its Minister, had already produced results and detailed 22 powers previously exercised centrally that were now exercised by agencies (Evidence, pp. S562-3). These powers included to authorise additional fares in compassionate circumstances, to approve assistance with medical expenses, and to reimburse officers for losses or costs associated with an overseas posting. DIR also claimed to have set in train consultative mechanisms directed at identifying core conditions, and a process and timetable for advancing the devolution of other conditions.

10.39 DIR informed the Committee in November 1992 that it had received a formal proposal for an overseas conditions award from the PSU and that this was being examined in the context of the devolution proposals. It also stated that general agreement

had been achieved between agencies and the Department of Finance about the structure of future funding arrangements (Evidence, p. S1278-9).

10.40 In summary, DIR stated:

As well as seeking to increase operational flexibility for agencies, in our view devolution would aim to balance the need for the maintenance of a fair, reasonable and coherent conditions package for staff, with the objective of ensuring that decisions about overseas conditions can be taken in a timely manner and by the most appropriate body. To these ends, some basic conditions issues would continue to be determined centrally, while others would be set and administered at agency level subject to specified policy and legal parameters (Evidence, p. S1278).

10.41 DIR argued against the establishment of an independent agency to set and administer overseas conditions of service. The Department argued that this proposal would detract from ministerial responsibility (Evidence, p. 169). It also pointed to the advantages of retaining a link between overseas and Australian conditions of service of Australian Public Service officers, a link that it currently provides (Evidence, p. 169). DIR, while acknowledging the need to consult unions, questioned the propriety of direct union involvement in decision making on conditions of service as proposed in some of the suggested models for an independent bureau (Evidence, p. 169).

The Committee's view

10.42 The Committee sees little merit in DIR's first argument. Overseas conditions were managed for many years by the Public Service Board which was not subject to ministerial direction. The other arguments are more substantial. A more important argument still for leaving control of overseas conditions with DIR, raised by the DFAT Reform Group and OOAs other than DFAT, is the importance of independent review. To give DFAT or its staff the final say, or even a dominant position, in the setting of overseas conditions of service would create an obvious conflict of interest, a conflict recognised by DFAT itself in its first written submission in which the Department commented that it did "not seek itself to have total control over its conditions of service" (Evidence, p. S78). This is a problem that limits the scope for effective devolution in the conditions of service area where there will always be a need for an independent, arms-length arbiter. However, it is clear that wide consultation with interested parties and the involvement of officers with first hand experience of overseas service are two essential components of an effective process for setting overseas conditions. Both components appear to have been absent to some degree in the processes applied in the Australian Public Service to date.

10.43 There ought to be scope for a compromise which would increase consultation and involve more officers with first hand experience, but still retain the independence and integrity of the process. The Committee believes that the establishment of an independent group to determine overseas conditions of service could represent such a compromise if it were to be located within the Industrial Relations Portfolio, serviced by and largely staffed from the Department of Industrial Relations. This would differ from the present arrangements in two main ways:

ad hoc secondments of DFAT officers to DIR would be replaced with a requirement that the OOAs and the Department of Finance be involved in the operational aspects of the setting of conditions of service;

that requirement would take the form of the membership of officers of the OOAs and the Department of Finance in the part-time executive of the body which determines conditions although some secondment of full-time staff from the OOAs to the body might continue.

10.44 This structure would give the OOAs a greater capacity than they currently enjoy to influence priorities in the overseas conditions area and would allow managerial responsibilities for overseas service to be better matched to the setting of conditions. It would reduce the scope for the emergence of unnecessary differentials between the conditions applying in different agencies, as could easily occur with the present stress on devolution. It would also have the important advantage of being open to direct submissions in relation to particular cases from individual officers, the DFAT Family Liaison Officer or a union representative.

10.45 It is clear that individual cases which raise unusual issues currently face unpredictable treatment and often lengthy delays. Delays can occur because an individual case does not have sufficient priority relative to the general issues facing the decision-making bodies or because the broader implications of the case require consideration and consultation. Concentrating responsibility for the consideration and determination of overseas conditions in one, representative body should remove many of the disadvantages of the present fragmented system and reduce the potential for delays. These disadvantages are graphically illustrated in the case study below. Officers and their families who are sent overseas by the Government should not suffer because specific difficulties they encounter are unusual or not easily handled in the official system.

10.46 Locating the body within the Industrial Relations Portfolio would retain a connection between Australian and overseas conditions and the independence from DFAT necessary for the proper setting of overseas conditions. DFAT suggested that the Department of Finance be represented in the body that sets overseas conditions and other parties either supported this suggestion or expressed no objection to it. **The Committee therefore recommends that responsibility for the setting and administration of overseas conditions of service be transferred from DIR to an independent body within the Industrial Relations Portfolio comprising members drawn from the OOAs, the Department of Finance and DIR itself.**

10.47 The Committee noted that there was universal agreement, including from a private sector expert, on the desirability of standardising core conditions. Achieving standardisation through the establishment of an award, as suggested by the PSU, would have the advantage of using the same mechanisms in relation to overseas conditions of service as are used to standardise Australian conditions.

10.48 Lack of consultation was a widespread complaint about the current arrangements. The complaint was voiced mostly in the context of inadequate past consultation between DIR and the OOAs, although the PSU also complained strongly about internal

consultative arrangements in DFAT and DILGEA. The establishment of an independent body to determine overseas conditions would improve consultation between the OOAs and central agencies but the need for consultation within the OOAs will remain and increase to the extent that devolution also takes place. **The Committee recommends that all OOAs which do not already have a management-staff consultative body with specific responsibility for overseas conditions should establish one. This might conveniently take the form of a sub-committee of an established management-staff consultative committee.**

Case No. 6: DIR/DFAT relationships in conditions of service

One case raised with the Committee illustrates the way in which the concerns of individuals about aspects of conditions of service can become caught up in interdepartmental negotiations.

Douglas Townsend, Australia's ambassador to Hungary, raised with a joint DIR/DFAT inspection team in 1990 his concern with a rule that restricted assistance with boarding school expenses of children of officers posted overseas to schools in Australia or the UK. Mr Townsend's problem was that the only international school in Budapest did not offer a curriculum past grade 8. It was therefore necessary for him to arrange for his two eldest children to attend a boarding school. He had suggested two options to DFAT: weekly boarding at a school in Vienna, which had the advantages of proximity to Budapest and of being co-educational, or full board at a school in Dublin, also co-educational and having a curriculum similar to that in which the children had already been educated. He was told, however, that he could only receive assistance with boarding expenses if the children were to attend a school in Australia or the UK.

In the event Mr Townsend secured boarding school places for his two older children and, in due course, the two younger children as well, in the UK which allowed better prospects for family reunion than the Australian alternative. However, this involved placing the children in single sex schools and, in the case of the three older children, the need to repeat one year of schooling as a result of the change of curriculum.

Mr Townsend argued that, whatever may have been the historical reasons for restricting assistance to British and Australian schools, "one might have thought that, in these deregulated days, the officer could have been provided an amount (equivalent to that for the 'marker' school) to be applied to the education of his/her child wherever was optimum from the family/child perspective" (Evidence, p. S917).

The Committee sought comment on this case from DIR and DFAT. DIR responded that it had been agreed following the visit of the DIR/DFAT team to Budapest that, because of the wider policy implications of the issue, DFAT would examine it initially and make a submission to DIR if it considered the case had merit. No such submission had been made but DIR in 1992 had extended the assistance provisions to cover schools outside Australia or Britain in special cases following representations in respect of another case made by the Australian Defence Force (Evidence, p. S1223). DFAT's written response was uninformative (Evidence, p. S1160) but the Committee established at a subsequent public hearing that the Department had not pursued the matter with DIR because:

the existence of a provision for boarding school in England was seen to be open to threat because there was an argument at that stage that we should only have boarding school provisions for people to be educated in Australia. The concern at that stage was that if this was raised as an issue, one of the obvious solutions was to rule out England as an option for boarding schools. It was considered that, not so much for people in western Europe but for people in eastern Europe at that time, that would present a real difficulty for our officers (Evidence, p. 749).

10.49 This case points to the difficulties that can arise in the three-way relationship amongst officers, the agencies that employ them and the central agencies. The sensible solution from the point of view of Mr Townsend, his family and DFAT would have been approval of assistance with boarding costs in Vienna. Not only would there have been obvious advantages for the family concerned but such an arrangement could well have cost the Government less than the unsatisfactory compromise that was eventually made. Part of Mr Townsend's problem arose because he had accepted a posting to Budapest from another overseas post at which his children had been receiving education as day students at an international school. Since DFAT often expects its officers to undertake sequential postings, any factors likely to affect the willingness of officers to do so could be expected to have adverse effects on the Department's operations. A sensible arrangement could certainly have been made in this case with costs limited to those that were eventually incurred in any case.

10.50 DFAT's attempt to preserve the anachronistic entitlement to boarding school assistance in the UK, admittedly for reasons of contemporary value to some of its staff, had detrimental effects on at least one officer and his family. DIR's passive acceptance of DFAT's decision not to pursue a matter originally raised with both departments does it no credit. The public service system for dealing with the conflict of interests in cases like this can clearly be cumbersome, slow and insensitive to the concerns of individuals. In the event, Mr Townsend was fortunate that he was able to find an acceptable option, albeit an inconvenient and disruptive one, for educating his children before they had grown up while waiting for DIR/DFAT to resolve the issue. It appears, in any case, from

the results subsequently achieved by the Australian Defence Force that DFAT's tactical decision not to support Mr Townsend's request was ill-judged. The case indicates the importance of establishing more effective mechanisms for responding to the concerns and problems of individual officers and their families, a role which the Committee believes would be appropriately filled by the independent body proposed above.

10.51 On the substantive matter raised in this case, the Committee believes that DIR acted correctly in extending to departmental secretaries the flexibility necessary to meet the needs of individual officers, subject to an appropriate cost limit. However, as is always the case when such powers are devolved, the potential now exists for officers to be treated differently depending on the department or agency in which they are employed rather than the circumstances of their case. The Committee believes that the rules relating to educational assistance could be standardised in a way likely to be more satisfactory to all parties. **The Committee recommends that the anachronistic general entitlement to boarding school fees at any school in the UK or Australia be replaced by an entitlement to assistance with boarding expenses associated with education at any school provided the officer can justify the need to board a child or children and subject to an upper limit on the Australian Government contribution equivalent to the limit that currently applies in relation to boarding school fees in Australia.**

CHAPTER 11: OVERSEAS CONDITIONS OF SERVICE AND THEIR IMPLICATIONS FOR EFFICIENCY AND EFFECTIVENESS: SPECIFIC CONDITIONS OF SERVICE ISSUES

11.1 As well as the issue of the institutional framework for the setting and administration of overseas conditions of service, the Committee received evidence on several specific conditions of service issues. These included overseas living allowance, spouses' entitlements, representation funds, payments to domestic staff, senior executive cars and the entitlement to purchase cars free of duty during overseas postings.

Overseas living allowance

11.2 The centrepiece of the overseas conditions package is the Overseas Living Allowance (OLA). All Australia-based personnel, both civilian and Australian Defence Force members, who are posted overseas are paid OLA. Its function is to maintain the purchasing power of an officer's disposable salary by indexing it to costs at the overseas post. OLA also compensates for any additional costs associated with living overseas. The allowance reflects each officer's individual circumstances in relation to salary, length of overseas service, posting circumstances, family circumstances and post conditions.

11.3 The Committee heard no complaints about the general adequacy of allowance levels. DFAT told the Committee in its initial written submission:

The prosaic truth is that officers serving overseas live neither a penurious nor a luxurious life (Evidence, p. S73).

Since the underlying philosophy of the overseas conditions of service structure is "to determine conditions overseas which reflect employment conditions and standards of living in Australia and which compensate for the additional costs that staff incur in undertaking duty overseas" (Evidence, p. S544), it would appear that the levels of OLA are appropriate.

11.4 This is not to say, however, that there are not problems with OLA. All parties heard by the Committee commented on the complexity of the current overseas conditions package. DFAT and several other witnesses raised with the Committee their concerns about complexity, with DFAT also complaining about the administrative demands on its officers as a result of the need to collect price data and in managing allowance payments. Even DIR conceded that while the concept of OLA is simple, its "practical working out is, in some ways, complex" (Evidence, p. S546). In its initial written submission, DFAT commented:

the current system requires considerable duplication of effort in the collection of data and is characterised by a lack of transparency in the methodology involved. The methodology is, moreover, complex

and difficult to understand. The overall result is a resource intensive and overly complicated process (Evidence, p. S75).

11.5 FATA referred to the system of setting overseas conditions generally as "complex beyond description, mathematical or otherwise. Its methods of calculation are opaque" (Evidence, p. 123). The FSFA described the whole conditions structure as "cumbersome, opaque, very difficult to understand" (Evidence, p. 139). Concerns about OLA were prominent in the list of complaints of both bodies.

11.6 The issue of transparency is important. DFAT's Deputy Secretary, Geoff Forrester, stressed to the Committee the importance of OLA being based on data that "has credibility in the eyes of the organisation and staff ... [to] save a lot of unnecessary argumentation and dispute" (Evidence, p. 414). However, the present system does appear to be an improvement in that regard on its immediate predecessor.

11.7 Deficiencies in the OLA system applying in the late 1980s contributed to major industrial action by PSU members in 1990. DIR told the Committee that in December 1990 this led to "a number of changes which generally enhanced OLA..., although the basic structure remained unchanged" (Evidence, p. S546). DIR added that:

Whilst...changes [over the last three years] undoubtedly improved the situation of staff serving overseas, the possibility of achieving a simpler and more easily understood overseas allowance scheme needs to be pursued. The Department's current study on the feasibility of using external price information sources provides a starting point in this area (Evidence, p. 164).

11.8 Reform of OLA appears to be a recurring theme in the management of overseas conditions. The Committee heard from David Barritt-Eyles, Senior Assistant Secretary, Human Resources, Department of Defence, who had been head of the Overseas Branch of the Public Service Board when the OLA system was changed to the present index-based system. He told the Committee that that change from a budget-based system "which had the appearance of a black box calculation" (Evidence, p. 408) was made because of criticisms that the old system could not be understood. Mr Barritt-Eyles noted the complexity of the current cost of living index and observed that, with the new calls for simplicity, "we appear to have gone full circle in the last 10 years" (Evidence, p. 186).

11.9 It is understandable that there should be a cycle in the changes to OLA. There are only three broad approaches to reimbursement of excess costs incurred by employees in the course of their work:

- . specific reimbursement of all individual additional costs;
- . provision of standard periodic payments from which officers are expected to meet all the additional expenses; or

. a combination of the two.

The OLA system falls into the last category for good reason. A system of specific reimbursement of additional costs, although equitable, implies a very heavy administrative workload. It is unlikely that it would be cost-effective for the Australian Government, with more than 2000 officers posted overseas, to move to such a system. Reimbursement through regular, standard payments greatly reduces the administrative burden but at the cost of some equity and by creating the difficult problem of establishing rules for setting the amount of the periodic payment. Although manageable when the number of officers posted is small, this problem becomes very significant in an operation as large as Australia's overseas representation.

11.10 Dr Peter Rogers, a private sector expert on overseas conditions, told the Committee that private firms are more inclined to standardise their overseas service packages as the scale of their overseas representation increases (Evidence, pp. 392-3). OLA is a standardising approach and the compromise involved in it appears the only viable course for the Australian Public Service. This does not mean, however, that the present compromise cannot be improved upon. The Committee accepts the evidence presented to it to the effect that OLA is still complex and lacking in transparency to some degree. Although an improvement on its immediate predecessor, OLA could be further improved.

11.11 The Committee was told that DIR has recently taken measures in two areas to improve the OLA system. First, DIR informed the Committee in November 1992 that it had engaged the services of Employment Conditions Abroad Ltd (ECA), Dr Rogers's company, to provide it with world-wide cost of living data as a basis for the calculation of OLA. DIR stated that the use of ECA data for OLA calculations would result in:

- . an impartial source of pricing for the calculation of allowances;
- . a reduced need for detailed scrutiny and validation of prices;
- . the application of a shorter, simpler price regimen;
- . more effective overseas visits by DIR/DFAT inspection teams because of the greatly reduced emphasis on pricing as a component of the visits; and
- . savings in staff time for DIR and agencies, and for staff at many overseas posts (Evidence, p. S1279).

ECA provides a similar service for many Australian companies with staff overseas and is linked to a British firm which provides similar services. It therefore has long-established data sources and techniques for collecting price information. A condition of membership of ECA is that the member organisation's staff assist in the collection of price data but, since Australian Government employees overseas were required to do that under the previous system, there will be no additional effort required and, it

can be presumed, some reduction in effort as the workload will be shared across ECA's full membership.

11.12 The second recent major change flows from DIR's devolutionary initiatives. In its final written submission, DIR told the Committee that devolution to agencies of responsibility for reimbursing certain costs that are currently met through OLA or through various post-specific provisions will produce a simpler, more transparent overseas conditions package.

11.13 The Committee noted also that DIR has increased its efforts to ensure that officers posted overseas are aware of their entitlements. One example of this approach which was shown to the Committee was a videotape and accompanying booklet on OLA which provides an accessible overview of the allowance.

11.14 The Committee endorses the steps already taken to simplify and make more transparent the OLA system. It received no evidence suggestive of scope for any other major reforms to the system and can only urge that DIR continue to seek opportunities to simplify and open up the system to the maximum extent possible. The Committee notes that DIR has considered the possibility of undertaking an evaluation of the system towards the end of 1992 (Evidence, p. 746) and sees some value in the Department doing so.

11.15 The Committee acknowledges that DIR has responded positively to the major complaints raised before the Committee. Clearly, there will always be friction between the parties over the quantum of the conditions themselves but, if the calculation processes are comprehensive and comprehensible and the processes transparent, the scope for officer dissatisfaction is minimised, which can only have favourable implications for such OOAs as DFAT.

Spouses' entitlements

11.16 A major and recurring theme in the evidence was the inadequate recognition by the Australian Government of the contribution made by spouses of DFAT officers. For example, FATA referred to "a significant body of people who feel that their needs are not being adequately met...the spouses of officers" (Evidence p. 123), while FSFA complained of DIR's slowness "to respond to the changing needs of our members in the context of the profound changes in Australian society...[conditions are] based on a 1958 standard of the nuclear family" (Evidence, p. 139). FSFA further commented:

In the past, spouses of DFAT officers have made enormous contributions to the successful performance of overseas missions. Because these contributions cannot be quantified in hard numerical terms, they have been under-valued and their worth discounted (Evidence, p. S320).

11.17 The Association claimed that the government was frequently getting two employees for the price of one (Evidence p. 140) and it went on to say that 'in the

"user-pays" society there is an erosion of spouses' willingness to fill in the gaps as they used to' (Evidence, p. S320). In oral evidence, the Association alluded to an attitude persisting at posts that spouses ought to contribute (Evidence, p. 148). The Public Sector Union similarly referred to "[f]amily life in Australia now is quite different to what it was, say, 20 years ago" in the context of conditions not reflecting current societal developments (Evidence, p. 105).

11.18 The importance of spouses to effective diplomatic representation and the stresses they face as a result of postings are very common themes in the diplomatic memoirs. Sir Keith Waller, for example, who was Secretary to DFA from 1969 to 1974, commented on the role of the foreign service wife (after expressing the view that women who want a foreign service career should "in the nature of things" decide not to marry):

a foreign service officer can be aided very greatly by the help and support that he gets from his wife. If she is a good hostess, she can often overcome the disadvantages of her husband. She can make the Embassy or the second secretary's house, whatever it is, a place to which the nationals of the country in which they are stationed come in cheerfully and feel that they are having an enjoyable experience.

Waller also commented:

When an officer is posted he leaves a desk in Canberra and goes to Singapore; he's immediately put behind another desk there, it has an 'In' and an 'Out' tray, there's a secretary or stenographer, and he goes on automatically doing the sort of things he did in Canberra. In other words his working conditions are generally taken care of. But his living conditions are an entirely different thing, and these impose an immense burden on the wives (Waller 1990, p. 26).

11.19 One important change from Waller's era is that there is now a significant number of male spouses (Evidence, p. 138). There remains, however, a high degree of agreement in the evidence presented to the Committee with Waller's two basic points: that spouses contribute in a material way to diplomatic activities and the lot of the foreign service spouse is difficult.

11.20 In almost all cases, the spouse is required by the nature of a rotational foreign service, to give up or severely curtail an independent career (Evidence, pp. S242, S329). Related concerns expressed to the Committee were the frequent loss of a second income during postings and the loss to spouses of potential superannuation benefits which would otherwise have been obtainable from their employment (Evidence, pp. S242, S328, 124, 145). Several minor problems relating to entitlements on posting were also raised: there is no compensation for losses incurred on the sale of a second car, Australian family allowance entitlement ceases after three years overseas, there is no provision for assistance with expenses related to post-secondary dependent children, there are difficulties associated with renewing membership of private medical insurance funds on return to Australia, and reunion entitlements in

respect of blended families are inadequate (Evidence, pp. S330-334). Lifestyle problems, which tend to be stressed in the memoirs of retired diplomats, were less to the fore in the Committee's evidence, probably reflecting changes in social attitudes, but some such problems were raised (Evidence, pp. S242, S337-68).

11.21 DFAT has recognised the difficulties it faces in this area. The Harris Report on overseas representation, commissioned by the second last Secretary to the Department and issued in his name, commented:

Most overseas services face the same problem. Some have introduced special allowances or payments for services in various forms. In Australia, a number of ameliorating steps have reduced some of the worst features of past experience for spouses and provided some limited expansion of opportunities. Despite the obvious problem of spouse allowances in some form, this nettle will, in due course, need to be grasped (Harris 1988, p. 40).

Mr Woolcott, in his opening address to the Committee, referred to "the serious problem faced by spouses overseas ... many make a dedicated and unpaid contribution to the representation of this country which, in my view, is rarely recognised" (Evidence, p. 14).

11.22 Similar problems are also acknowledged in the private sector. A September 1992 report on expatriate employment by the Arthur Andersen accounting firm commented:

We believe, however, that the issue of spousal income and in particular dual income and career couples will become a significant issue in future expatriate transfers (Arthur Andersen 1992).

Nor is the problem unique to expatriates. As Mr Barritt-Eyles pointed out to the Committee, many of the problems faced by DFAT spouses apply equally to the spouses of ADF personnel on frequent posting within Australia and "this is a major problem and a growing one" (Evidence, p. 187).

11.23 DFAT has taken "ameliorating steps" of the type referred to by Professor Harris, including:

- . the appointment of a Family Liaison Officer in Canberra and the appointment of Community Liaison Officers from among the spouses at 16 of the largest or key posts;
- . payments to spouses from Representation Allowance for their involvement in organising representational functions;
- . training courses organised by the Department (Evidence, pp. S503; S1213);
- . negotiation of reciprocal employment agreements with some countries; and

. access by spouses for locally engaged staff (LES) positions at posts on merit.

11.24 Various additional measures to benefit spouses were suggested in evidence. These included:

- . payment of a spouse allowance in recognition of the spouses' contribution and, in return, establish an obligation on those accepting it to contribute to Australian diplomacy (Evidence, p. 743);
- . providing access by all spouses to the Public Service Superannuation scheme (Evidence, p. 124);
- . allowing spouses who are currently members of a Commonwealth Government superannuation scheme to continue to contribute to the scheme while on leave without pay (Evidence, p. S503);
- . providing a guarantee of leave without pay to spouses who are Commonwealth Government employees to accompany officers posted overseas (Evidence, pp. 740-1);
- . more aggressively pursuing reciprocal employment agreements with other countries (Evidence, p. 124);
- . abolishing rent and utility contributions for officers who maintain a residence in Australia for dependent children in post-secondary education (Evidence, pp. 124-5);
- . increased funding for health, security and welfare of posted officers and their families (Evidence, p. S317);
- . improving the quality of information on posts that is available to spouses and improve their opportunities for access to it (Evidence, pp. S323-8);
- . paying the family component of Overseas Living Allowance directly to spouses (Evidence, p. S329);
- . improving the access of spouses to employment as LES (some countries give spouses preference, Australia requires them to compete on merit) (Evidence, p. S504); and
- . covering medical costs incurred during transition periods when officers rejoin private health funds on their return to Australia (Evidence, pp. S331-2).

11.25 Some of these proposals would have relatively minor cost and appear amenable to a simple solution. To institute a right to leave without pay to accompany a spouse on an overseas posting, for example, would merely make mandatory what is now a common and sensible practice. It would have no cost implications but would remove one possible cause of uncertainty and occasional dispute. Other proposals

could have major significance. Allowing unlimited access by spouses to a public service superannuation scheme regardless of whether they are public servants, for example, would have very large cost implications. It would also be contrary to the underlying philosophy of superannuation, which is a benefit related to employment.

11.26 DIR and DFAT informed the Committee of recent measures that have been taken to meet some of these concerns. DFAT has now asked the Public Service Commissioner to amend the APS leave provisions so that a member of the Australian Public Service seeking leave without pay to accompany a spouse on an overseas posting is entitled to the leave as of right (Evidence, pp. 757-8). Senator Evans has written to the Minister for Finance on the possibility of spouses who are members of the APS being permitted to continue contributing to the any public service superannuation scheme of which they are members while they are on leave without pay (Evidence, p. 758). An agreement has been reached between DIR and DFAT to remit rent and utilities contributions where officers are required to maintain a household in Australia for any dependent family member. However, this condition has not yet been implemented because negotiations have to be completed with the Department of Finance about supplementary funding (Evidence, pp. 753-4). **The Committee recommends that the Government expedite the consideration of the proposals for:**

- . **a right to leave without pay so that a spouse can accompany an officer on posting;**
- . **a right for a spouse on leave without pay to continue contributing to an Australian Government superannuation scheme; and**
- . **remission of rent and utility contributions if an officer is required to maintain a household in Australia for a dependent family member;**

and inform the Parliament of the decisions in each case in its response to this report.

11.27 Three of the other matters raised by various witnesses appear amenable to early resolution. In particular, DFAT's performance in negotiating reciprocal employment agreements with other countries has fallen short of that of some other countries. These agreements permit the dependants of Australian Government officers overseas to work in the host country subject to a similar entitlement being available in Australia to dependants of host country officials. The Committee was told that Australia has negotiated only five or six reciprocal agreements with host countries compared to Britain's achievement in negotiating 23 such agreements (Evidence, pp. 146, S839). The proposal that the family component of OLA be paid directly to spouses would have minimal cost implications and would represent a recognition of the role of spouses. The present information services for spouses provided by the Family Liaison Officer could be made more accessible if the Department's central office moves, as is proposed, to a new building in Canberra. **The Committee therefore recommends that:**

DFAT regard as a matter of urgency the negotiation of as many reciprocal employment agreements as possible and give those negotiations a high priority;

the family component of OLA be paid directly to spouses;

DFAT ensure that the planning for the proposed York Park office building provide for the Family Liaison Officer and related advisory facilities for officers and spouses to be located in an area of the building that is readily accessible.

11.28 Other specific suggested reforms have larger implications. On the most significant of these, the Committee was not disposed to recommend that Australia lead the world in establishing the principle of payment of an allowance to spouses. It appears that few if any foreign services make such payments although it was suggested that the USA and some of the Nordic countries may have established such a system (Evidence, p. 131). DIR told the Committee that the principle involved was the extent to which the Commonwealth as an employer should make remunerative payments to a person who is not in an employment or a contractual relationship to it and commented:

spouses of staff serving overseas are not the only Public Service spouses who provide valuable assistance to staff in carrying out their official duties, nor are all spouses overseas actively involved. There is a variety of reasons for a lack of involvement such as paid employment obtained by the spouse during a posting, lack of opportunities where the staff member does not have a representational role or in some cases simply a decision to opt out of the role.

It is our view that it would not be appropriate to move in the direction of compensating spouses for work performed outside any employment or contractual arrangement (Evidence, p. S1274).

11.29 Dr Peter Rogers of ECA, stated that he knew of no Australian organisation which compensated spouses for loss of income but indicated that firms would often assist spouses in seeking employment or undertaking further study (Evidence, p. 395). The Arthur Andersen survey cited above identified spouse income as an emerging issue in the private sector but did not suggest that any practice of compensating for that factor was widespread. The results of a similar survey conducted by New York-based Organisation Resources Counsellors Inc. involving expatriate couples employed by 160 American, Australian, Canadian and European multinational corporations, showed 90% declining to compensate for loss of spouses' income. (Reynolds & Bennett 1991).

11.30 DIR also pointed out that the existing conditions of service provide a wide range of extra payments for officers accompanied by spouses. Officers with children also receive various types of assistance with their education and reunion costs. Thus,

the additional costs of taking family overseas are recognised although contributions made by family members at posts are generally not the subject of payment and losses they incur through restrictions on future careers, reduced superannuation, or inability to work at the post are not reimbursed. The introduction of an allowance to compensate for the last factors would necessitate a review of the whole conditions structure and the net benefit to families posted overseas might be less than its proponents expect.

11.31 Preference for employment as LES is superficially attractive but could have detrimental effects on DFAT's operations. One important role of the LES as a group is to provide continuity and corporate memory in posts where A-based staff come and go. This could be lost if LES positions were staffed in large numbers by the spouses of A-based officers. Any departure from the merit system also raises the risk of nepotism, which could easily go undetected in the DFAT environment of numerous, widely-dispersed workplaces, as well as the likelihood of reduced efficiency. The current arrangements allow spouses to compete for LES positions on merit. The Committee is not prepared to take the additional step of supporting a departure from the merit principle in recruitment. It would, however, support a policy of preference for the spouse of an Australia-based officer where merit was assessed as equal.

Representation funds

11.32 The Finance (Overseas) Directions permit an advance to be made to cover representation funds for officers on long term postings overseas. Items which are admissible for expenditure purposes are set out in guidelines issued by the Department from time to time. All heads of mission and most overseas personnel above the Administrative Service Officer Class 4 level have in the past been provided with advances against the costs of "representation". Representation funds were also available from a post pool to lower level officers according to their duties and responsibilities. The term "representation allowance" was commonly used to describe all these advances.

11.33 A recent DFAT circular has reminded officers that expenditure on representational activity is seen as a "tool of the trade" and is intended primarily to facilitate contacts with politicians, government and civic officials, business contacts, etc. in the host country (Evidence, pp. S725, S732). To stress this, DFAT has instructed that the term 'representation allowance' no longer be used and that the funds be called 'representation funds' or 'representation expenditure'.

11.34 The system until the end of 1991 was that heads of mission received quarterly advances of representation funds which were acquitted quarterly by the submission of returns to Canberra. Substantial under-expenditure or the failure to submit acquittal forms on time was supposed to lead to the withholding of subsequent advances. Enforcement of the latter measure, at least, may have been inconsistent until recent years. The Auditor-General reviewed procedures for payment of representation funds in July and August 1990 and found instances where acquittals were late, but advances had not been withheld (Auditor-General 1990a, p. 17). However, a review by Committee staff of a random sample of one-third of the head of mission

representation allowance files as at December 1991 found no cases where the Department had failed to apply its rule in this regard.

11.35 Eligible officers below head of mission level received fortnightly instalments of representation allowance with their salary. These were acquitted at post with six monthly returns to the head of mission. Over- or under-expenditure was reconciled only at the end of a posting with any under-expenditure being recovered from the officer at that time.

11.36 A component of representation funding separate from the former representation allowance was called 'representation supplement'. This component, which was only payable to officers who received annual representation funds exceeding \$250, was an entitlement under DIR rules and, being intended to meet small, ad hoc, out-of-pocket type expenses, was not vouchable. The supplement was taxable.

11.37 Cases 6 to 13 in Appendix III describe the results of a review by the Committee's staff of head of mission representation allowance files following the Committee's receipt of allegations from the DFAT Reform Group. The Reform Group claimed that the representation funding system was open to extensive abuse, had been extensively abused and would be abused even more following recent changes to the way it was administered. The staff review found little of significance to support the Reform Group claims but pointed to two features of the system:

- . much of the expenditure on representation activities was lumpy so that cash management could probably be improved if the large advances currently being made to officers long before the need for expenditure were to be replaced by direct payments from post funds for many items and activities as the costs were incurred;
- . the system of acquitting advances imposed an excessive administrative burden on both officers and the Department.

These were features of the system that operated until December 1991 but large changes were made in 1992.

11.38 In the first six months of 1992, the following changes were made to the representation funding system:

- . the system of paying representation funds and supplement with officers' salary ceased on 30 June 1992 and posts are now forwarded an amount for the posts' total officer representation funds. The amount for each post is determined taking account of the overall level of DFAT representation funds, post staff numbers, position levels, OLA post indices and post activity ratings;
- . heads of mission are responsible for approving levels of representation funds to individual officers and/or a pool of representation funds. Their approvals

must be based on a post Representation Expenditure Committee, which must contain a balanced representation of levels and gender of officers at the post;

. the Chief Accounting Officer (CAO) of each post will decide on suitable procedures to pay officers their representation funds and supplement. Thus payments could be made quarterly or biennially, advanced or reimbursed for specific large functions, reimbursed up to the approved yearly representation funds level, or the CAO may choose any combination of these options;

. acquittal of all representation advances, including from 1 January 1992 those to heads of mission, is now done at post;

. representation supplement remains an entitlement but vouchers are now required for expenditure above the petty cash limit, currently \$30, a change intended to make the supplement no longer taxable.

The Committee discussed this new representation funding system with departmental officers at a public hearing and was told that these changes greatly reduced the administrative burden of the system and reduced the scope for abuse (Evidence, p. 647). DFAT rejected the suggestion that the system could be improved by the direct payment of expenses by the Department, the greater use of government credit cards or by converting the representation advances to a taxable allowance, leaving verification of expenditure to the Australian Taxation Office. However, the Department's arguments against these proposals were mostly directed to the issue of administrative convenience and efficiency. The possibility of further improving cash management was not addressed in DFAT's evidence (Evidence, pp. 646-7).

11.39 The Committee accepts that diplomatic activity necessarily involves a degree of discretionary spending by its practitioners on representational activity. The Committee also acknowledges that the changes to the system recently introduced by DFAT, particularly acquittal at the post where the expenditure is being incurred, rather than at a desk in Canberra, are sensible. It remains concerned, however, that the system of advancing large amounts to heads of mission and officers in advance of the need for expenditure involves poor cash management.

11.40 At a late stage in the inquiry, the Australian Taxation Office (ATO) told DFAT and the Committee that the current system of payment of representation funds may create an income tax liability for officers and/or a fringe benefits tax liability for the Department. This is because representation funding is mostly an "entertainment expense", which is expressly non-deductible. If the representation payment to an officer is vouchable, it falls within the fringe benefits tax provisions; if it is non-vouchable, the officer would incur personal income tax liability. Since, in most circumstances, representation funding is vouchable, the Department appears to be liable for payment of fringe benefits tax (Evidence, p. 721).

11.41 The taxation issue is further complicated by DFAT's approval in 1990 of payments to spouses from representation funds of \$15 per hour up to a maximum amount of 20% of an individual officer's funds for assistance provided to the officer's

representational activity. It had been suggested to the Committee that such a payment should be taxable income of a spouse. However, according to the ATO, the representation payments would either be regarded as income of the officer or be taxed as a fringe benefit paid by the Department. Either approach would represent a change from what had been believed to be the taxation position.

11.42 DFAT claimed to have undertaken extensive consultation before introducing the recent changes, including discussions with the Public Sector Union, the Australian Taxation Office and the Department of Finance but it appears that the tax problems did not arise in these discussion. The ATO accepted responsibility for that omission (Evidence, p. 715). It now appears that it will be necessary to again review the representation funding system to take account of taxation issues.

11.43 In any case, the recent changes were directed at "more focussed allocation and efficient use of representation funds, ultimately...to officers' professional advantage" (Evidence, p. S728). Cash management does not appear to have been a major factor in their design. This is particularly evident in the continuation of the system of quarterly advances to heads of mission, who may for lengthy periods retain large sums of representation funds in their private bank accounts which, for a variety of sound reasons, they have been unable to use.

11.44 The Committee notes that one option for DFAT to prevent its officers incurring an income tax liability and to reduce its own fringe benefits tax liability while also improving cash management would be for it to reduce the representation payments to officers and to meet as many entertainment expenses as possible direct from departmental funds. As well as simplifying the taxation issue, such an approach would replace a system in which large amounts of money are advanced by the Government well in advance of need with one in which government expenditure would be deferred until it was needed. Cash management would also be improved by greater reliance on reimbursement of officers' representation expenses. **The Committee recommends that DFAT and the Department of Finance jointly review the possibility of improving cash management in the representation funding system by replacing as large a proportion as possible of the present representation advances with direct payments by DFAT or with reimbursement of expenses as they are incurred.**

Payments to domestic staff

11.45 The system for meeting the costs of officers' domestic staff, like that for meeting representation expenses, appears ripe for reform. While the system began as one in which officers were paid approved amounts from which they were expected to use in full to meet the costs of domestic staff, it now also allows for reimbursement of actual expenses or for posts to pay domestic staff directly. Any or all of the three approaches can be adopted at any post. DFAT told the Committee that a distinction between domestic staff and staff of a mission is made in the Vienna Conventions and that this distinction was the reason for the original approach of having officers make the payments to their own domestic staff (Evidence, p. S1193). This clearly is no longer necessary to meet the terms of the Conventions.

11.46 The Committee believes that it would be preferable for a standard system to be adopted in which all domestic staff would be paid directly by the Australian Government in a way which retained the Vienna Conventions distinction. This would reduce the scope for fraud and for erroneous perceptions of fraud. It would remove an administrative burden from officers and their spouses and would consolidate payments to domestic staff into the relatively secure commercial accounting package now used at posts. It would also reduce the risk of Australia transgressing local employment laws or becoming implicated in employment practices which would not be acceptable in this country. **The Committee recommends that all payments to domestic staff of Australian Government officers posted overseas be made directly by the administrative units at their posts.**

Senior Executive Service cars

11.47 All members of the SES are entitled to a private-plated car as part of their remuneration package. The entitlement includes fuel supplied at government expense except during periods of leave. Officers who take up their entitlement to a car are required to make a contribution of several hundred dollars per year, with a scale of contributions depending on the type of car.

11.48 As noted in Chapter 5 and case 21 in Appendix III, a large proportion of DFAT's SES officers used their government fuel charge cards while on leave during the first year that the cars were on issue, contrary to the rules applying to their issue. After the Officers' Revolutionary Council drew attention to this in a public circular, DFAT developed a system to ensure that the charge cards were not misused. The Committee notes that in this, as in other cases, DFAT's administration of entitlements relied too heavily on the honour system. If SES officers had been properly briefed on the entitlement to cars at the time it was introduced and if an administratively simple system for managing the entitlement had been implemented from the beginning, DFAT's senior officers would not have been placed in a position where their integrity could be questioned.

11.49 That aside, the system now in place for managing DFAT's SES cars includes a moderately labour-intensive check on use of fuel cards while on leave. Even if the system is only applied on a spot check basis, as would seem reasonable, it represents a heavy commitment of resources relative to the small amounts of money involved in the abuse it is intended to prevent (the average amount of incorrectly charged expense in the DFAT case was \$100). Since the entitlement to government-supplied fuel applies up to the day before proceeding on leave and from the day of return, the restriction probably has inequitable effect in any case. It can be presumed that the same problems occur across the public service as the car entitlement is identical for the whole SES and is administered centrally by the Department of Administrative Services (DAS).

11.50 Two approaches are available which would eliminate the need for checking. The first would remove any entitlement to free fuel for SES officers, with an appropriate reduction in the officers' contribution for the use of a car. The other would extend the entitlement to government-supplied fuel during periods of leave

subject to an increase in the officer's contribution. Removing the entitlement to government-supplied fuel would have the advantage of making officers responsible for their own fuel purchases and enhancing their awareness of their petrol consumption. This might, however, work against the present policy of requiring SES cars to be available for official use by non-SES officers during working hours, assuming that the policy is in fact implemented to any degree. The Committee recognises also the difficulty of removing an established condition of service. The alternative of permitting the use of government charge cards during periods of leave while increasing the officers' contribution would clearly be more easy to implement.

11.51 DFAT responded favourably to the suggestion that the entitlement be extended, with a compensating increase in officer's contribution to make the change revenue-neutral. However, the Department pointed out that the matter was one for the Departments of Administrative Services or Industrial Relations rather than DFAT (Evidence, p. 645). **The Committee recommends that the Departments of Administrative Service and Industrial Relations review the arrangements for the issue of private-plated cars to SES officers with a view to extending the entitlement to government-supplied petrol during periods of leave subject to an increase in the officers' contribution.**

Duty-free cars

11.52 One condition of official service overseas is a right to purchase some items free of local taxes and duties. This right is provided in accordance with the underlying principle of the Vienna Conventions on Diplomatic and Consular Relations that no sovereign state should tax the sovereign activities of another state, including that state's official representatives. The preambles of both Vienna Conventions expressly state that exemptions from local taxation laws are not granted for the personal benefit of individual officers (Evidence, p. S1259). However, in the case of purchase of cars duty free, the potential can exist in some countries for later resale at a profit.

11.53 The opportunity to profit in this way has led to notable scandals in Australia's diplomatic service. As noted in Chapter 12, there are two current cases in which the purchase of cars free of duty by heads of mission have led to public disputes and probable damage to Australia's reputation overseas. These cases occurred despite the detection of widespread and serious abuse of the duty-free privilege by Australian officers in Indonesia in the mid-1980s and the subsequent punishment of a large number of DFAT officers. In the Indonesian case, 11 DFAT officers were charged with misconduct under the Public Service Act for their actions in relation to the import and disposal of vehicles duty free. All the charges were upheld. Seven of the officers were fined the maximum amount possible in respect of the charges - then \$500 for each charge - and three were demoted. One officer who had been charged was counselled. Fifteen other officers whose conduct was considered to have probably constituted misconduct were not charged because of mitigating circumstances but were counselled. One case involving a member of the Australian Defence Force was referred to the police of the relevant armed service for action (Evidence pp. S702-17). It is likely that Australia is not alone in experiencing problems with this condition of diplomatic service.

11.54 The DFAT Reform Group complained to the Committee that the entitlement to purchase of cars duty free was open to abuse and inequitable. The potential for abuse has been amply demonstrated in the cases mentioned above. The perceived inequities cited by the Reform Group were:

- . accredited diplomats are entitled to purchase cars free of duty while posted overseas and other DFAT officers are not;
- . more senior DFAT officers are able to afford a larger investment in, and subsequent profit from, the purchase of a car (Submission 43, p. 5-27).

In fact, all officers attached to Australian diplomatic missions have some entitlement to duty-free purchase but the scale of the entitlement varies (Evidence p. S1171-3). In any case, the Group suggested that the entitlement to duty-free purchase of cars be replaced by a provision for the Australian Government to issue cars of a common standard to all officers posted overseas (Submission 43, p. 5-28).

11.55 The Group had also complained that the Trust Fund Other Trust Moneys (TFOTM) system, which allows official accounts to be used for approved private transactions, had been used improperly to repatriate private profits from the sale of cars. As reported in Appendix III, this claim was discounted. However, an internal DFAT review of the TFOTM system in 1987 showed that DFAT itself conceded the potential for private profit from resale of cars purchased free of duty. The report of the review included the comment:

From the analysis it is also very clear that in certain posts, where resale is potentially very attractive, officers have chosen to invest in vehicles that offer the best rate of return on such an investment, either to reduce a potential depreciation situation (loss) or to maximise a potential profit (Evidence, p. S1056).

11.56 Although the Vienna Conventions provide for duty-free purchase as a right, the application of that right is subject to regulation by both the host country and the country represented by the mission. DFAT supplied the Committee with the results of a survey of its posts, with 67 respondents, which showed that all host countries other than Singapore allow all officers at a foreign mission to purchase at least one duty-free vehicle during their posting (Evidence, p. S1171-3). The survey further showed that at 25 posts the host country makes no distinctions between officers at different levels. The Department indicated that the duty-free privileges accorded and received by Australia were broadly standard but that a degree of reciprocity exists in the entitlements permitted by different countries. Ros McGovern, Principal Adviser in DFAT's Corporate Service Division, told the Committee: "what we receive overseas is broadly similar to what we are offering" (Evidence, pp. 872).

11.57 Regardless of the host country requirements, it is open to a country to place limits on its officers' use of the entitlement. DFAT has promulgated directions for its staff which limit their access to purchase of vehicles (and currency, alcohol and cigarettes) using diplomatic privileges. Thus, while a small number of countries will

allow Ambassadors to purchase three vehicles duty free, DFAT issued instructions in 1987 that its representatives should not purchase more than two vehicles under diplomatic privilege in the course of a posting, but with a discretion to seek Canberra's approval for a third vehicle in "exceptional circumstances of family need" (Evidence, p. 847). The United States has banned its officers from deriving profit from the sale of cars that were bought duty free and requires that any profit that is received be donated to charity (Evidence, p. S1020).

11.58 The Committee was disturbed by what appeared to be an excessive focus on the issue of the duty-free car entitlement in some of the evidence it received. The issue required consideration out of proportion to its importance. In any case, the Committee sees no reason for the current arrangements to continue. The Vienna Conventions make it clear that the right to buy goods free of duty is not intended to provide profit to diplomats or other officers. The profits that can be derived in some cases are of a windfall nature, inequitably distributed and with the potential to distort posting patterns and to bring Australia into disrepute. The potential for abuse of the system is obvious and has been demonstrated in notorious cases. This abuse, when it does occur, clearly reflects on Australia's international reputation. The Committee therefore believes that the potential for officers to profit from the resale of cars purchased free of duty should be removed.

11.59 This could be achieved by following the practice of the United States in preventing officers from retaining any profit gained from the sale of a car that was purchased free of duty. An alternative is the DFAT Reform Group suggestion that the Government supply cars to officers posted overseas. Such a system would effectively be an extension of the scheme presently applying to SES officers, including most heads of mission and some other officers posted overseas. These officers currently may opt to pay the officer's contribution and receive private use of the head of mission vehicle or a car from the post pool to the same extent that SES officers in Australia have private use of a government car (Evidence, p. S1417). DFAT also allows officers of below SES or equivalent rank to use official vehicles on a short-term basis during the periods of settling in to a posting and immediately before departure (Evidence, p. S1173). Another alternative, recently considered by DFAT, would be for the Department to lease vehicles to staff posted overseas.

11.60 DFAT pointed out to the Committee that profits are by no means assured in the sale of cars overseas. The Department argued that any move to prevent officers profiting from such sales would open the question of compensation for the losses that can also occur (Evidence, p. 653). There is already a provision for compensation for excess losses incurred on the sale of cars prior to leaving Australia on posting (Public Service Board 1985).

11.61 The Department also told the Committee that it had investigated the feasibility of issuing cars to officers posted overseas. DFAT supplied the Committee with a copy of a February 1990 report which favourably assessed the feasibility of DFAT purchasing vehicles and leasing them back to officers overseas. The study was confined to a region in which the prospects of individuals profiting from the resale of cars were relatively poor and was said to have been prompted "by concern at the

rising costs of purchasing/selling motor vehicles faced by all officers overseas, viewing this as a major but hidden cost of overseas service" (DFAT 1990, p. 2). The study assessed the feasibility of standardising vehicle pools at posts and providing similar if not the same model to officers under a lease agreement.

11.62 Although the study concluded that a leasing scheme of the type considered could become self-funding within three years and would ultimately produce a small profit to the Australian Government, DFAT advised the Committee that the proposal had not been pursued. It was considered that the start-up cost of \$5 million was too great an obstacle to initiating the scheme (Evidence, pp. 847-8). The Committee believes that this decision should be reconsidered. A system in which the Australian Government leased vehicles to its officers and dependants overseas would remove the problem of excessive losses on resale suffered in some countries as well as removing the scope for serious abuse that now exists in other countries. Purchasing and maintenance arrangements for official vehicles are already needed for post vehicle pools and the operation of a pool of vehicles for lease to staff would not create any need for a new administrative structure.

11.63 The operation of a leasing scheme would raise the question of whether a separate vehicle is in fact required for each officer and dependant of driving age. In many countries, it might be preferable if the number of vehicles assigned to individuals were kept to a minimum and a larger pool of vehicles maintained for use by officers and dependants as required. A pool system would have the additional advantage of allowing vehicles to be held for the optimal period prior to replacement, regardless of the duration of individual postings.

11.64 DFAT's feasibility study suggested that a leasing scheme would eventually become self-funding but, if it were possible for the Government itself to lease vehicles for re-leasing to staff, the scheme might break even from the beginning. Such a system would eliminate the disadvantages of the present duty-free purchase system while ensuring that officers would not be disadvantaged by the possible loss of access to a car while on posting or by the limits to access that exist in posts where car ownership is likely to lead to financial loss on resale. **The Committee recommends that Australian Government officers and their dependants overseas be prevented from purchasing cars free of duty but be permitted to lease from the Australian Government cars of a reasonable but limited range of makes and styles or to participate in arrangements for the use of government cars for private purposes, subject to a contribution towards the cost of that use.**

11.65 Given the entitlement of SES officers to the private use of a government-funded vehicle, there is no reason for such officers to be allowed to purchase as many cars free of duty during a posting as are officers who do not have private use of a government car. **The Committee recommends that, pending a decision on the recommendation in the previous paragraph, DFAT should immediately reduce the entitlement of SES or equivalent officers, including heads of mission, to purchase cars free of duty when posted overseas from two to one per posting.**

CHAPTER 12: MORALE, STAFF PERFORMANCE AND ACCOUNTABILITY

12.1 The Committee's fourth specific term of reference covers the issues of morale, staff performance and accountability. Many issues which could fall under these headings have been discussed earlier in this report. This chapter briefly reports on the Committee's conclusions on morale in DFAT. It also deals with the disciplinary system, with DFAT's management of the Government's equal employment opportunity and industrial democracy policies and with proposals that there be a code of conduct for DFAT officers.

Morale

12.2 Morale is an intangible quality which may be assessed in various ways. DFAT, acknowledging that "like all organisations" it has its "share of internal complaints", suggested that:

The acid test of morale in an organisation is not so much what its members say but what they do (Evidence, p. S79).

The Department cited major achievements in recent years as demonstrating its effectiveness and, by implication, the absence of serious morale problems. Achievements cited in this regard included: laying the groundwork for the successful Asia-Pacific Economic Cooperation (APEC) initiative; support of the internationally acclaimed Australian initiative on Cambodia; leadership of the Cairns Group in the Uruguay round of multilateral trade negotiations; successful collaboration with France and other nations in negotiating a 50-year ban on mining in Antarctica; its efforts on chemical weapons; its work on human rights; its performance during the Gulf war; and DFAT's widely acclaimed efforts in public diplomacy (Evidence, p. 8).

12.3 As more specific indicators of morale, the Department suggested to the Committee the following range of measurable indicators:

- . rates of resignation and transfer;
- . number of formal grievances;
- . number of disciplinary cases;
- . rates of promotion;
- . levels of absenteeism; and
- . level of interest of outsiders in joining the organisation.

On all these indicators, the Department argued that its performance was not indicative of low morale (Evidence, pp. S79-84, S645).

12.4 Other possible indicators of morale mentioned during the inquiry were the level of leaks and the level of staff complaints about the Department. As noted in Chapter 9, DFAT suggested a range of possible motivations for leaking other than low morale and argued that morale was not a major factor in recent leaks. The Committee concluded in paragraph 9.14 of this report that there is no indication that the pattern of recent leaks reflects low morale in the Department. The issue of complaints as an indicator of morale is more complex.

12.5 DFAT argued that there are particular factors which affect the level of internal complaints in the Department (Evidence, p. S79). While there is competition for promotion within all public service departments, DFAT officers face significant competition in the additional important area of postings. The unusually high level of internal competition in DFAT inevitably produces disappointment and complaints in some cases. The special difficulties for both officers and their families associated with overseas service are another common cause of staff complaints. DFAT pointed out that of the top 40 most stressful life events listed in one academic study of stress, 18 correspond to the types of changes associated with an overseas posting and most DFAT officers undertake several postings during their careers (Evidence, p. S79).

12.6 The Committee accepts that these factors could be expected to account for a relatively high level of internal complaints in DFAT at any time. An additional factor operating since 1987 has been the extent and pace of change described in earlier chapters of this report. The departmental amalgamations and destreaming in particular could be expected to have had some adverse effects on morale. Such effects are an inevitable cost of all government decisions of this type and should be taken into account in the balance of costs and benefits when the decisions are made.

12.7 A further factor likely to have damaged morale in DFAT has been the campaigns of the ORC, Mr Carroll and the DFAT Reform Group. Public criticism of the type, extent and duration involved in these campaigns must have some effect on its targets. As noted in Chapter 5, DFAT's ability to respond to these criticisms was limited by privacy and other considerations.

12.8 Given all these factors, it is not surprising that a high level of staff dissatisfaction has been apparent in DFAT in recent years. This inquiry itself can be seen as one response to that dissatisfaction. Almost all the evidence from organisations and individuals with inside knowledge of DFAT including, the PSU, FATA, the FSFA, the DFAT Reform Group, Jirra Moore and the Foreign Affairs Defence and Trade Subcommittee of the ACT Branch of the ALP (whose submission was based in part on interviews and discussions with current and former DFAT staff members) all referred to morale problems in DFAT. On the basis of this evidence, the Committee is satisfied that low morale was a serious problem in DFAT at least in the late 1980s.

12.9 Most of the evidence, however, indicated recent improvement. The PSU and FATA, who together represent a large proportion of the Department's staff, both

indicated that this was the case. The submission of the ACT Branch of the ALP similarly concluded that there have been significant improvements (Evidence, p. S279). The bedding down of the major structural changes of the late 1980s could be expected to have produced some improvement in morale and the progressive removal of many specific management defects documented in earlier chapters of this report should also have had a beneficial effect. A strong general impression conveyed by much of the evidence on the issue of morale is that further improvement will require specific action to improve DFAT's management in areas with direct impact on staff, such as conditions of service and staff selection practices, and to ensure that a consistent management approach is established and communicated to staff. It would be useful too, as proposed by the ACT Branch of the ALP:

for DFAT to more clearly explain the sacrifices that are required from anyone wanting to join the Foreign Service. There is also a need for an induction process which outlines responsibilities and the possible exposure to harsh conditions and an acceptance of possible adverse posting (Evidence, p. S279).

12.10 The Committee also gained the impression that DFAT remains a strongly hierarchical organisation. Hierarchy has a place in public service departments and is particularly important in relation to DFAT's policy development and diplomatic roles, in which it must be responsive to direction from the Government. Likely side-effects of excessive hierarchy, however, are alienation and low morale on the part of lower-ranking staff. This is aggravated when, as is often the case in a security-conscious organisation, there is an unwillingness to share information. Excessive hierarchy and poor information flows may have contributed to morale problems in DFAT.

12.11 As far as the Committee can discern, the current state of morale in DFAT does not indicate a crisis but there is scope for improvement. The Committee would expect further improvements in morale to occur as specific management problems like those discussed elsewhere in this report are confronted and dealt with.

Discipline

12.12 The disciplinary system in the Australian Public Service is established under the *Public Service Act 1922* which provides for quasi-legal proceedings involving the laying and hearing of charges. The Act provides for a scale of penalties ranging from admonishment to dismissal. Like any employer, government departments may also refer matters to the police for investigation of alleged criminal misconduct by an officer and the Director of Public Prosecutions may institute criminal prosecution if a sufficient case exists.

12.13 DFAT's application of the public service disciplinary system was one area of significant criticism in the Auditor-General's report of December 1990 on officers' entitlements and other staff related matters. The auditors found shortcomings in more than half the cases they examined. These included:

- . delays in processing cases to finality (lengthy delays were found in four cases);

- . the need to obtain reliable advice on processes to be followed (in two cases DFAT's Administrative Law Section, without apparently seeking adequate advice from the DPP or referring a case to the AFP, had advised that disciplinary procedures be used when the cases might have been referred for criminal prosecution);
- . inquiry officer performance (in one case an inexperienced inquiry officer had been appointed and complications were experienced as a result);
- . instances where retirement of officers precluded any further disciplinary action under the Public Service Act (in two cases officers past the minimum age of entitlement for superannuation had exercised their right under the Public Service Act to retire before disciplinary proceedings could be brought to a conclusion);
- . inadequate action to ensure that a direction was implemented (in one case an officer who had been demoted two levels was placed on higher duties allowance levels above his new grade within three months of the demotion and another case was detected in which disciplinary records were retained on a personal file after the date specified for their removal (Auditor-General 1990a, pp. 19-25).

DFAT assured the Committee that changes had been made to remedy all these types of defects and provided a copy of its detailed response to the Auditor-General's report (Evidence, p. S580-2).

12.14 References in the written submissions of both the PSU and FATA implied past problems in the disciplinary area. The PSU wrote:

The application of acceptable standards of accountability, applied uniformly to all officers in the Department, is to be applauded. Officers who rort the system can expect to be punished. It is lamentable that this kind of attitude did not prevail in DFAT ages ago (Evidence, p. S305).

FATA commented in its written submission "we support the vigorous pursuit of wrong-doers, without favour or discrimination" (Evidence, p. S500).

12.15 The Committee questioned representatives of FATA and the PSU at a public hearing and concluded that neither organisation believed that DFAT still had problems in this area. The outgoing President of FATA, when asked whether the Association had meant to imply that DFAT had failed in the past to pursue wrong-doers without favour or discrimination, responded:

No, we are not. I think one can say that prior to the last two years we did not have the systems in place to identify and chase up with the rigour that is now available people who were not paying their debts (Evidence, p. 226).

The PSU Liaison Officer in the Department, however, told the Committee that he believed there had been a lack of uniformity in the Department's past application of disciplinary procedures but that:

I believe, now that the Department has been fair dinkum about fraud, that that lack of uniformity has disappeared (Evidence, p. 227).

12.16 The DFAT Reform Group also strongly criticised DFAT's management of the disciplinary system. The criticisms related to alleged failure by the Department to take disciplinary action against senior officers combined with an alleged excessive propensity to take formal disciplinary action against junior officers. The Group also claimed that DFAT had been prone to initiate less rigorous Public Service Act proceedings when criminal proceedings would have been more appropriate. Other complaints by the Group related to the subsequent advancement of officers who had been subject to disciplinary action and a perception that some officers had been allowed to retire with full benefits prior to the conclusion of disciplinary action.

12.17 The Committee's staff reviewed DFAT's disciplinary statistics and the result of that review is summarised in Appendix III. The Public Service Commission also compiled for the Committee comparative statistics on disciplinary actions taken in some other departments (Evidence, pp. S1288-1300). The number of disciplinary cases in DFAT and in the other agencies surveyed by the Public Service Commission were too small for any definitive conclusions to be drawn but DFAT's performance did not appear unusual in that comparison. The Committee also took oral evidence from officers of the Public Service Commission and the Merit Protection and Review Agency who had not discerned any unusual trends in DFAT's disciplinary experience (Evidence, pp. 587, 687-8).

12.18 As noted in Chapter 5, the Committee also reviewed several of the specific discipline-related allegations of the Reform Group. The Committee found that the Group's presentation of the cases was inaccurate and its perceptions of DFAT's actions in them were wrong. In particular, there was no evidence that senior officers had been treated with greater lenience than more junior officers. The specific cases cited by the Reform Group in this regard suggested the opposite conclusion when closely examined. The claim that officers had been able to retire or resign before the conclusion of disciplinary action, while true, was irrelevant since the evidence from the Public Service Commission showed that, with one exception, there is no advantage for an officer in adopting such a course (Evidence, pp. 584-5). The exception, that an officer aged 55 or older may retire with superannuation benefits before disciplinary action is complete, was raised by the Auditor-General in 1990 and has been under review by the Public Service Commissioner since then (Evidence, p. 585). It is a service-wide condition.

12.19 The Reform Group also claimed that officers who had been disciplined for serious offences were subsequently promoted or given desirable postings. If the promotions or postings occurred shortly after the disciplinary action it could be a matter of concern. However, this issue had also been raised by the Auditor-General and the Group provided no example of such action having occurred since the audit report.

12.20 The Reform Group claims did direct the Committee's attention to other defects in the general disciplinary system discussed below. Some of the broader issues flowing from the Reform Group claims were also brought to the Committee's attention in other evidence relating to misuse of entitlements to purchase duty-free cars. The Committee questioned DFAT representatives on the Department's handling of irregularities in duty-free car purchases by the former Ambassador to Ireland, Brian Burke. This matter was canvassed in much more detail at about the same time in the proceedings of Estimates Committee B and this Committee did not attempt to draw conclusions on the facts of the case. During the inquiry the Committee also received a written submission from a career diplomat concerning his or her treatment by DFAT in relation to apparently similar matters. The latter case was the subject of litigation throughout the period of the inquiry and the Committee did not deal with the case at any of its hearings or review it in detail. However, both cases raise issues of broader significance to the disciplinary system.

12.21 The Burke case did not involve a formal disciplinary investigation. In the other case, also involving a head of mission, reports of breaches were first investigated by the Fraud Control and Discipline Section (FCDS) and charges were laid and dealt with under the Public Service Act on the basis of the FCDS investigation. Every disciplinary case has its own special features and comparisons can be risky, but one obvious difference between these cases, discussed below, is the fact that the Public Service Act disciplinary provisions do not apply to a person appointed as an ambassador from outside the public service, as Mr Burke was. The Committee notes that current litigation in relation to the second case involves, among other issues, alleged deficiencies in the departmental investigation and the Committee is not in a position to comment on that issue. However, as a matter of principle, the desirable approach in disciplinary cases is clearly that they be professionally investigated and that charges be laid and heard if the investigation discloses that a case exists. The Committee believes that allegations against officers should be investigated and resolved without regard to the rank of the officer in question. Leaving aside the disputed issue of the quality of the investigation in the case of the career diplomat, the broad process followed by DFAT fits the desirable model and the case is a further indication that the Reform Group allegations of favouritism towards senior officers in the disciplinary process are, at best, out of date.

12.22 An important issue raised in both cases was the extent to which heads of mission are subject to the public service disciplinary system. The Committee was informed that Mr Burke, because he had been appointed to an ambassadorial position from outside the public service, was not subject to the disciplinary provisions of the Public Service Act at all (Evidence p. 854). Public servants who are appointed to head missions, as had occurred in the other case raised with the Committee, are designated as unattached officers under the Act. As a result, they are subject to disciplinary provisions which differ significantly from those applying to other officers, including all or almost all of their subordinates. This is despite the different provisions having been intended to apply to officers on leave without pay or who have been seconded to organisations outside the public service and not to those who in practice are still occupying a public service position.

12.23 Until recently, there were three main differences between the treatment of unattached officers and of other public servants in relation to discipline:

- . only departmental secretaries could act as inquiry officers in disciplinary cases against unattached officers;
- . the range of offences for which such officers could be charged was less than that applying to other officers; and
- . the penalties available were limited to counselling or dismissal while other officers face a wider range of possible penalties (Evidence, p. 586).

The first of these differences was removed by changes to regulations in 1991, having been brought to attention as a result of the case discussed above. The other differences remain in effect (Evidence, pp. 586, 589).

12.24 The different disciplinary conditions applying to heads of mission has been an issue from time to time in DFA and DFAT but dealing with it appears not to have been seen as a high priority until recently. This may be because most or all of the particular cases that brought the issue to attention would not have justified stronger action than counselling and it is possible to counsel officers, unattached or otherwise, outside the disciplinary process. An alternative possibility is that DFA and DFAT did not until recently see it as appropriate to treat heads of mission in the same way as other officers. Whatever the reason, the Committee is strongly of the view that heads of mission should be subject to the standard Public Service Act disciplinary provisions. This should be the case regardless of whether a head of mission is an unattached public servant or not a public servant at all, although some Public Service Act provisions such as a penalty of demotion may not be applicable to a head of mission who is not a public servant. DFAT told the Committee that it has now sought to have the disciplinary provisions applying to heads of mission standardised (Evidence, p. 856). The Committee supports that approach and **recommends that high priority be given to amending the Public Service Act to provide for the extension of the standard disciplinary procedures under the Act to heads of diplomatic missions and posts.**

12.25 A further issue relating to discipline, which arose particularly in relation to the Reform Group evidence and the prior actions of Mr Carroll and the ORC, is the issue of privacy. Disciplinary actions under the Public Service Act are private matters between the officers concerned and the department or agency employing them unless an officer who has been disciplined proceeds with an appeal. Proceedings of Disciplinary Appeal Committees are the only part of the process which are public (Evidence, p. 589). This system differs from that applying in the criminal jurisdiction where proceedings are normally public from the point that charges are laid.

12.26 There is an argument for privacy in relation to disciplinary matters. The Committee was told by Richard Harding, Assistant Public Service Commissioner, that the purpose of the disciplinary system is correction rather than punishment (Evidence, p. 586). The transgressions dealt with by disciplinary action under the Public Service Act are usually less serious than those that lead to criminal action. Such cases can often be dealt with between an officer and departmental senior management in a way which corrects the problem without any need for the considerable additional punishment implied in

publicising disciplinary proceedings. The prospect of publicity might lead to supervisors being less prone to initiate necessary disciplinary action because of concern at this aspect.

12.27 There are also strong arguments for a policy of openness concerning disciplinary proceedings. One is the desirability of preventing the circulation within a department of false and damaging rumours of the kind passed on to this Committee by the DFAT Reform Group. Publicising disciplinary action taken against an officer could also serve to deter future misbehaviour by other officers and to establish and reinforce benchmarks for staff behaviour. An important argument for publicity is its potential for reducing the scope for inappropriate decisions by departments and agencies themselves. In the absence of public information on disciplinary decisions, there may be undue differences between the treatment of similar cases and excessive lenience or rigour in disciplinary decision making may escape attention. Decisions as important to officers and their employers as those relating to disciplinary action should be made openly to help assure their integrity.

12.28 A possible compromise would be the publication of information on disciplinary cases without details that would identify the persons involved. Although identities would often be easily guessed by the colleagues of those involved, publicity outside the organisation of the identities of those who have been disciplined would be inhibited. A considerable potential disadvantage, however, would be the likelihood that speculation about the identity of persons who had been disciplined would sometimes centre on innocent parties. Another compromise approach would be to require departments and agencies to publish statistical summaries of disciplinary action in their annual reports.

12.29 On balance, the Committee believes that the case for publicity is stronger than that for privacy, especially for the more serious offences. Public accountability is a condition of public sector employment and at least the fact of charges having been laid, their nature and the outcome ought to be a matter of public record. **The Committee recommends that the Public Service disciplinary system be changed to provide for disciplinary proceedings to be public at least to the extent of the fact that charges have been laid, their nature and the outcome.**

Codes of conduct

12.30 Both the PSU and FATA suggested to the Committee that it would be desirable for DFAT to promulgate a code of conduct for its staff. The PSU raised this issue in two contexts: failings on the part of some heads of mission who, "as representatives of the Governor-General should have always set the highest standards", and a perceived tendency on the part of some heads of mission to ignore departmental or public service requirements with which they disagree (Evidence, pp. S305-6, 211). The Union saw a formal code of conduct as likely to be effective in encouraging the more uniform application of rules and of high standards of behaviour. FATA argued that a "charter of good management" which it proposed would:

articulat[e] ethical standards that are expected of people who have financial responsibilities or responsibilities for the welfare of staff ... [and be] a reference point for the junior officer who feels that he or she does

not know precisely what are the reference points that a manager operates under (Evidence, pp. 229-30).

12.31 DFAT responded to these suggestions by drawing the Committee's attention to the *Guidelines on Official Conduct for Public Servants*, which were issued by the Public Service Board in 1979, were revised in 1986 and which remain current. Peter Varghese, an Assistant Secretary in DFAT's Corporate Services Division, told the Committee that the Department had looked very carefully at whether the comprehensive public service guidelines needed to be supplemented in any way for DFAT's purposes. The Department had concluded that this was not necessary. In reaching that decision, the Department had regard to the opinion of the Bowen Committee, which was responsible in 1979 for producing the first edition of the guidelines, that it was advisable to have a single code of conduct applying to all public servants. Mr Varghese told the Committee that the guidelines are drawn to the attention of heads of mission as a matter of course when they are appointed (Evidence, p. 230).

12.32 The Committee acknowledges the force of the argument that there should be a single set of guidelines. However, there are special features of DFAT's overseas operations which would seem to make some supplementation of the public service-wide rules appropriate. Most of the Department's staff are dispersed among a large number of missions and posts, geographically remote from its central office. The missions and posts are headed by officers holding a special legal status and title and who traditionally have been treated with an unusual degree of deference. Drawing the attention of those officers to the guidelines without also ensuring that their subordinates are fully aware of them may not be sufficient to ensure the consistent application of the rules. The problem of staff awareness of the guidelines was illustrated at one of the Committee's hearings when the representative of the PSU who spoke on this matter, an assistant national secretary of the union, was not sure whether the guidelines were still current (Evidence, p. 229).

12.33 Much of the work of the overseas staff of the Department is in fields of activity posing a high risk of breaches of important parts of the guidelines. As noted elsewhere in this report, such breaches have occurred on occasion. The issuing of supplementary guidelines on conduct by DFAT could assist in spreading the message that, whatever may have been the past attitude to lapses in official conduct, such lapses are not now taken lightly.

12.34 The Committee believes that DFAT should ensure that the public service guidelines are more widely known among its staff and that the Department should supplement those guidelines with a code of conduct of its own. Since the Public Service Board guidelines are comprehensive, the extent of any supplementary material issued by DFAT could be limited. **The Committee recommends that DFAT institute a continuing system designed to ensure that its officers at all levels are familiar with the *Guidelines on Official Conduct for Public Servants* and that DFAT supplement those guidelines with material designed to relate the guidelines to its own operating environment, to impress their importance on all its staff, and to make clear to all DFAT officers the importance of consistent application of departmental and public service instructions.**

Equal employment opportunity and industrial democracy

12.35 DFAT, like the rest of the Australian Public Service, is bound by Government policy on equal employment opportunity (EEO) and industrial democracy (ID). DFAT dealt with both issues under the morale heading in its submission on the basis that both can have an important impact on morale (Evidence, pp. S84, S88). In both areas, the Government has laid down minimum structural and procedural requirements.

Equal employment opportunity

12.36 DFAT conceded in its written submission that in recent years the Department has come under criticism because of the relatively small number of women in its senior ranks (Evidence, p. S84). The Department accepted that the number of women at SES level and in the feeder groups for the SES is lower in DFAT than the public service average but commented that DFAT was by no means the only or even the worst offender in the Australian Public Service (APS) in this regard (Evidence, p. S85). DFAT also has fewer staff from a non-English speaking background (NESB) than the APS and considerably fewer persons of Aboriginal or Torres Strait Islander (ATSI) descent than the public service average. The percentages of DFAT's staff from each of these groups and of persons with disabilities (PWD) are set out in Table 12.1 below with a comparison to the APS average for each group. The Table distinguished between staff at or above Senior Officer Grade B level (SOG-B) and those below. While the comparison of particular figures with averages can be misleading, DFAT conceded to the Committee that its EEO performance could be improved (Evidence pp. S84-86).

12.37 DFAT argued that it falls short of the public service average for the employment of women in senior positions partly because its recruitment was unbalanced in gender terms until the late 1970s and partly because of the "added burden which overseas service places on female officers balancing career and other aspirations" (Evidence, p. S85). The Department listed a range of actions recently initiated to improve the conditions of service during postings related to spouses and told the Committee that the proportion of women in the graduate recruit intake now commonly exceeds 50 per cent. DFAT also reported that the gender balance in its training courses, which it said are crucial to career development, is approximately equal (Evidence, pp. S85-86).

12.38 In relation to the low proportion of officers with an ATSI background, the Department commented:

Despite a concerted effort over the last several years, the Department has not been successful in attracting suitable ATSI applicants for our graduate recruitment. In part, this reflects a view that it is more difficult to retain links with the ATSI community from a job in DFAT. The Department is seeking to overcome this image by encouraging ATSI officers from other agencies to transfer to the Department - two at the Senior Officer Grade C level commenced in this way this year - and by continuing to target ATSI groups at universities and elsewhere. The Department has also awarded two Aboriginal Undergraduate Study

Awards to enable two of our officers to enhance their skills through full-time studies (Evidence, p. S86).

12.39 The Department also told the Committee that 30 per cent of the 1991 intake of graduate recruits was from an NESB background and that a higher percentage was expected in 1992. The Department also participates actively in the Intellectual Disability Access Program and was a nominee for the Prime Minister's Employer of the Year for its work with that program (Evidence, p. S86).

Table 12.1
Representation of EEO Groups: DFAT compared to APS
30 June 1991

EEO Group	% of DFAT	% of APS
Women		
SOG-B and above	11.5	15.4
Below SOG-B	48.1	47.9
Total	41.3	46.1
NESB		
SOG-B and above	4.7	10.3
Below SOG-B	8.3	12.6
Total	7.8	12.4
ATSI		
SOG-B and above	0.0	0.4
Below SOG-B	0.5	1.3
Total	0.4	1.3
PWD		
SOG-B and above	2.5	4.8
Below SOG-B	3.4	4.4
Total	3.3	4.4

(Sources: DFAT 1991, p. 223; Department of Finance 1991, p. 99)

12.40 Other evidence to the Committee supported DFAT's concession of past failings in the EEO area. FATA described the Department's EEO performance as "relatively poor to date" and expressed hope that the new and ambitious program would improve it (Evidence, p. S510). The PSU told the Committee that the relative independence enjoyed by heads of mission has made it hard to enforce service-wide standards in EEO and similar areas across all the work units in DFAT (Evidence, p. 211).

12.41 The Committee also received a written submission from Jirra Moore, a former DFAT officer who is an Aboriginal Australian. Mr Moore was named by Mr Carroll as a member of the DFAT Reform Group but was unable to attend the public hearing at which the Committee took evidence from the Group. Mr Moore stated in his submission

that he had left DFAT more than two years ago and most of his comments related to the period up to the time that he left the Department, a period he saw as characterised by turmoil, low morale, and inadequate overseas conditions of service. He also made the point, which the Committee accepts, that it is important that indigenous Australians be involved in DFAT's diplomatic and policy development roles (Evidence, p. S925).

12.42 Mr Moore expressed the opinion that persons of ATSI background "will never receive a fair go in this Department" (Evidence, p. S924). He suggested, however, that the system could be made more fair if DFAT were to adopt a policy for the future recruitment of persons of ATSI background direct from other departments as well as through the normal recruitment process (Evidence, p. S924). As noted above, DFAT has recently begun to do this.

12.43 The Committee accepts that DFAT recognises its past failures in the area of EEO. Patterns of employment of EEO groups tend to change slowly because a change to recruitment practices can be expected to take years to have a large effect on the staffing profile of a large organisation. The effects of recent improvements in DFAT's management of EEO could be expected to be more prominent several years from now. The Committee can only endorse the changes and urge DFAT to ensure that they continue to receive appropriate priority.

Industrial democracy

12.44 DFAT's industrial democracy systems are in line with the policy of the current Government. They include:

- . formal recognition of the role of unions;
- . facilitation of the involvement of staff in a wide range of management issues through joint management-union consultative bodies;
- . ad-hoc management-union reviews of policy on specific issues of interest to staff;
- . the employment of a full-time Public Sector Union Adviser as a member of staff; and
- . encouragement of regular staff meetings in all work units (Evidence, p. S88).

12.45 The written submission from the PSU contained numerous complaints about past failures by DFAT management to consult with staff and referred to the persistence of a "big stick" management culture (Evidence, p. S305). However, both in its written submission and in oral evidence from national and DFAT branch officers, the PSU indicated that there had been a considerable improvement in industrial relations in the Department in recent years. Sally O'Loughlin, PSU National Assistant Secretary, told the Committee that "PSU would say that DFAT would come within the top 20 per cent or so of departments in terms of our ability to consult meaningfully and to work through issues in those forums" (Evidence, p. 209). DFAT pointed out to the Committee that the

Department had lost no time in industrial disputes since November 1990 (Evidence, pp. S88, 455).

12.46 The Committee devoted some time at public hearings to questioning of PSU and DFAT representatives about the position of PSU Adviser in DFAT. Some senators expressed concern at the concept of such a position but both DFAT and the PSU argued that the position produced significant benefits (Evidence, pp. 112-118, 232, 455). The Committee was told that the position was modelled on a similar position in the Australian Taxation Office (ATO) and was established in April 1991 (Evidence, p. S294). The ATO, like DFAT, has a distinct organisational culture, historically low rates of mobility between itself and other areas of the public service and has recently undergone extensive change. DFAT's Deputy Secretary, Geoff Forrester, told the Committee:

We have a very positive industrial atmosphere in our organisation, and this particular position, which costs us very little, contributes greatly to that. ... This particular position is of vital importance to the effective running of our operation (Evidence, p. 455).

12.47 Some members of the Committee wish to record their concern at the principle of establishing taxpayer-funded union liaison positions in the Australian Public Service. It is clear that DFAT's establishment of such a position is within the framework of current government policy but some members of the Committee strongly dispute the merit of that policy. The Committee notes that both DFAT and the union with the largest membership among its staff believe that the position has value.

CHAPTER 13: CONCLUSION

13.1 In conducting its inquiry into DFAT's management and operations, the Committee believed it had a responsibility to address the obvious undercurrent of innuendo which had the potential to undermine the reputation of DFAT, to damage morale in the Department and to affect adversely the reputations of some of its staff. This made the inquiry essentially reactive. The Committee provided an opportunity for critics of DFAT, both internal and external, to put their cases and for the Department to respond. This approach led to the Committee considering a wide range of issues across the span of DFAT's management and operational responsibilities. As well as being the vehicle for the general assault on the Department by the DFAT Reform Group, which the Committee largely discounted, the inquiry produced evidence worthy of serious consideration on thirty-three specific issues covered in the preceding chapters. Wherever possible, the Committee sought empirical evidence on these issues rather than opinions.

13.2 The first broad theme to emerge from the Committee's review was the extent and pace of change to which DFAT had been subjected in recent years. Many changes in DFAT's management and operations were brought to the Committee's attention in the context of complaints about past problems which DFAT had recognised and dealt with, or which the Department was at least in the process of addressing. In other cases, complaints related to the consequences of changes like destreaming which had been initiated by the Department or the Government as part of a conscious policy.

13.3 Many of the Department's actions reflected apparent changes to the culture that DFAT inherited from the former DFA. For instance, Mr Woolcott told the Committee:

When I joined the then Department of External Affairs over four decades ago, it was a very different place. It was much smaller; it was less complex. It was really more like an extended family than a department of state. Everyone knew everybody else: it was small enough for relationships between individuals rather than management systems to be a principal means of management (Evidence, p. 6).

It was clear to the Committee that much of the change of the past few years had been associated with a move in the Department from reliance on personal relationships to the use of more formal management systems. This cultural change in DFAT differed from and was additional to the extensive general change in attitudes and approaches to management that occurred across the Australian Public Service at the same time. Being added to the wider public service reform, the specific cultural change within DFAT must have added considerably to the stress experienced by many officers and by the Department as a whole. Many traditionalists may have found it hard to cope with the shift to modern management systems.

13.4 DFAT did not manage aspects of the process of change in a satisfactory manner and this undoubtedly contributed to the DFAT Reform Group's concerns. However, it

is clear that the changes have been large and rapid and DFAT must be given credit for the progress it has made. Surprisingly few substantial criticisms of the Department were sustained.

13.5 It is always possible to argue that particular changes should have gone further or faster. There is an obligation on those who advance such arguments to produce evidence rather than anecdotes and stereotypes, and to show that their preferred change could have been achieved without offsetting costs or delays in other areas of reform. Those who argued that DFAT had not changed sufficiently or sufficiently fast generally failed to meet that obligation.

13.6 The paternalistic management style of the old DFA with its reliance on individual relationships still has its supporters. It is understandable that a degree of nostalgia for the old days of the DFA family remains. However, the Committee could not endorse such a position.

13.7 The second broad theme of this report is that the changes should not be reversed. While there can be debate over the optimal pace of change, none should be entertained on its necessity or its general direction in recent years.

13.8 The third broad theme of the report is that the most serious faults that DFAT's critics were able to expose to this independent external review were relatively minor. The Committee's recommendations relate mainly to housekeeping issues. Its criticisms of DFAT do not go to any major aspect of the Department's management and operations.

13.9 Nevertheless, the incidence of management failure in DFAT described in this report should remind the Department not to be complacent. DFAT should continue to make rigorous efforts to improve its administration and should be continually alert to areas of potential regression or management failure.

13.10 While recognising the additional workload that this inquiry placed on DFAT, the Committee believes that the inquiry acted as a catalyst for the reaching of satisfactory outcomes to some issues confronting the Department. This appears to have been especially the case where issues were in dispute between DFAT and other departments or agencies. But the inquiry did also bring other matters of concern to light and, in the Committee's view, facilitated their solution. Other issues placed on the agenda by the recommendations in the report are also worthy of attention.

13.11 Overall, this report should not be interpreted as being severely critical of DFAT. The cumulative effect of the descriptions of minor faults that make up a large part of the report could produce an excessively adverse impression. As a result, the generally laudatory comments that the Committee received from many organisations that have dealt with DFAT have been overshadowed in the report. So too have been the many areas of the Department's management and operations about which there were no complaints.

13.12 In previous reports, the Committee has commented favourably on the general high standard of the Australian Public Service. Nothing that it has seen of the management and operations of DFAT in this inquiry has caused it to doubt the general validity of that position.

John Coates
Chair

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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.

CASE NO.10: PAYMENTS TO SPOUSES

Claim: It is alleged that DFAT approved a payment to spouses of \$15 per hour from representation allowance in a way that would permit tax evasion.

File Check: Committee staff reviewed relevant files in this case. The review showed that DFAT officers in receipt of representation allowance may now acquit payments to their spouses at the rate of \$15 per hour up to a limit of 20% of the representation allowance. The payments to spouses are acquitted in relation to services provided by the spouses to assist in officers' representational activities. The Department does not regard itself as the employer of the spouses who receive this benefit and does not maintain consolidated records of the payments to spouses or issue group certificates or statements of earnings to them.

In the sample of HOM quarterly representation acquittal returns reviewed by Committee staff, 12 of 29 HsOM claimed for spouse payments, claiming amounts ranging from \$30 to \$450 in a three month period.

Australian tax might be evaded in these cases through those spouses who have income above the tax free threshold and who are liable to pay Australian income tax not declaring payments received, or through officers not declaring spouses' incomes when claiming dependants' rebates. In either case, the amounts of money involved would be small.

It appears that representation allowance entitlements were not increased when the provision for spouse payments was introduced in 1990. This could imply some diversion of representational expenditure towards support activities which were previously provided free of charge by spouses. DFAT officers suggested to Committee staff that any reduction in some forms of representational activity consequent on that diversion, if it occurred, might have been more than offset by an increase in representational activity through home entertainment.

CASE NO. 11: ALLEGED INCORRECT PAYMENTS UNDER REPRESENTATION ALLOWANCE

Claim: It is alleged that a HOM has been allowed incorrectly to acquit expenses outside his or her area of accreditation.

File Check: Committee staff reviewed relevant files in this case. The review showed that the HOM had acquitted expenses outside his area but did so in accordance with rules that allow such acquittal where the activity relates to the area of accreditation.

Responses: Both the Department and the HOM responded that the expenses in question had been legitimate representational expenses acquitted in accordance with the provisions for that entitlement.

Mr Carroll told Committee staff that he was aware of the possibility that such acquittals could be legal but had assumed in this case that they were not. He expressed disquiet at the existence of the provision allowing for acquittal of expenses incurred outside the area of accreditation because of the possibility of fraud.

CASE NO. 12: ALLEGED FAILURE TO STOP REPRESENTATION ALLOWANCE

Claim: It is alleged that a HOM has continued to receive representation advances despite his or her returns failing audit review each quarter.

File Check: Committee staff reviewed relevant files in this case. The review showed that most of the HOM's returns since June 1989 have been accepted without question. Minor queries were raised about some and two sets were returned because they were not typed and photocopies rather than original receipts had been supplied for some purchases. The HOM then engaged in a written exchange with an officer in the Conditions of Service Section in which he or she accused the latter of nit-picking. All the queries which had led to the return of the documents were resolved. A number of the HOM's advances were withheld over the period because he or she was under-expended and he or she offered at one point to return some of the under-expended advance to the Department.

Responses: The Department confirmed that the HOM's returns had not been regularly queried and had not failed audit scrutiny every quarter. DFAT advised that it is not unusual for advances to be withheld due to underspending. The HOM responded to the claim, stating that he or she was not aware of and had not been advised of any failure of his or her representation allowance returns. The HOM commented:

Representation funds have for a number of reasons been underspent (there is no obligation to spend such funds for the sake of it - nor any sense in doing so).

CASE NO. 13 - REPRESENTATION ALLOWANCE: ALLEGED UNJUSTIFIED CHANGE

Claim: It is alleged that a senior officer increased the HOM representation allowance entitlement at a post prior to taking up the position of HOM at that post, taking the allowance for that post above that applicable to a more important post in the region.

Responses: The Department responded:

The base for Head of Mission representation allowance was established some years ago using a methodology which includes a 'post activity rating' and actual per capita local costs for a set regime of representation functions and guests. The rates are reviewed periodically, and were last adjusted in 1990.

The Department informed the Committee that the HOM representation allowance at the post in question was increased prior to the officer's taking up duty there but that the increase was the result of a global review which led to an across-the-board increase for all HsOM.

The Department denied that the post in question attracts a higher HOM representation allowance entitlement than the neighbouring post mentioned in the claim but pointed out that a comparison in Australian dollars will, in any case, not be a particularly accurate reflection of the relative importance of posts because of differing local costs.

The officer also responded, recalling that there had been a world-wide review of representation allowances in 1989 or 1990. The review had increased all rates in line with a CPI index set by the Department of Finance and they then had been reduced by the

amount of the Government's imposed efficiency dividend. Neither of these factors had been set by the officer.

The officer stated that he or she had done nothing to vary the relative rating of posts for representation allowance purposes.

The officer commented that his or her former duties in relation to disciplining, instructing and counselling officers had led in the past to "similar unsubstantiated and malicious allegations made by similarly anonymous officers with a grievance against me because I did my job honestly".

CASE NO. 14: ALLEGED ABUSE OF BOARDING SCHOOL ASSISTANCE - GENERAL

Claim: It is alleged that young children living with the divorced spouses of DFAT officers suddenly return to the officers' custody when they reach the age at which boarding school entitlements begin.

File Check: Committee staff reviewed relevant files in this case. The review of the 56 current boarding school approvals revealed two cases where officers had taken responsibility for children who had previously been the responsibility of their divorced spouses and the children had subsequently been placed in boarding school. The approvals in both cases were in accordance with the rules.

CASE NO. 15 - ALLEGED SPECIFIC ABUSE OF BOARDING SCHOOL ASSISTANCE

Claim: It is alleged that a HOM conspired with a senior officer in Canberra to gain illegal approval to boarding school assistance, overriding the objections of the officer normally responsible for approving the entitlement. The HOM was directed to repay all monies by the Auditor-General after the matter was reported to the Auditor-General and the Australian Federal Police by the ORC.

Responses: The Department responded that a materially different claim regarding the same approval of boarding school entitlement was raised by the ORC and is described as Case 63 in Audit Report 15 of 1990-91. The current claim differed from the earlier one in that a different senior officer in Canberra was described as having approved the claim over the objections of a different middle-ranking officer. The Department stated that the officer now claimed to have objected to the approval was in fact on an overseas posting at the relevant time and the application was actually approved without objection by the then Director of the relevant section.

The Department said that it was unaware of any ANAO direction that monies be repaid, and that such a direction would be surprising in view of the ANAO's conclusion in Audit Report No.15 of 1990-91 that the papers submitted by the HOM fully supported the claim for education assistance.

The HOM described the claim as 'entirely unfounded' and stated that the basic facts in the claim are wrong. He or she is not in receipt of boarding school assistance, but receives education assistance for one child who attends a government school. He or she had no discussions or correspondence with the senior officer prior to the approval of the

claim, has never received a direction from the Auditor-General on this matter, and had been advised by the Department at the time of the ORC allegation that the ANAO had examined the papers and found them to be in order.

CASE NO. 16: ALLEGED SPECIFIC ABUSE OF BOARDING SCHOOL ASSISTANCE

Claim: It is alleged that two officers at different posts conspired with a third in Canberra to delay their return to Australia until after the end of January 1992 to accrue entitlement to an additional year of assistance with boarding school fees.

File Check: Committee staff reviewed relevant files in this case. The review showed that neither of the officers said to have delayed their return had done so and that neither has or ever had children in boarding school.

Responses: The Department and the officers concerned denied the claim and pointed to the obvious inaccuracies in it.

Mr Carroll subsequently informed Committee staff that he had been further advised that the conspiracy related to extension of entitlement to tuition fees, not boarding school fees, and that he had been misinformed as to the identity of one of the officers. He expressed concern that the Department had not responded to the Committee in relation to possible fraud by the officer who should have been named in the submission, saying that he believed that the identity of the real offender would have been obvious to the Department from the context of the claim.

The claim had named a fourth officer as having been disadvantaged by the alleged malpractice and Mr Carroll believed that the Department should have responded to the claim in relation to the officer who had been replaced by the fourth officer as well as responding in relation to the officer wrongly named in the submission. However, the Committee Secretary, in seeking comment from the Department on the claims about the officers who had been adversely mentioned, had not referred to the part of the claim in which the fourth officer was mentioned so that the Department did not have that basis for recognising the mistake in the submission.

CASE NO. 17 - ALLEGED SPECIFIC ABUSE OF BOARDING SCHOOL ASSISTANCE

Claim: It is alleged that three officers gained illegal approval for boarding school assistance. One was said to have made a telephone application for the assistance and to have had the application approved by senior officers over the objections of the officers with operational responsibility and to have received the entitlement for six years.

Responses: Committee staff did not review files in relation to this claim. The Department informed the Committee that the same claim had been made by the ORC, thoroughly investigated by the Department and the Australian Federal Police and found to be unsubstantiated. In addition, the Department stated, the Australian National Audit Office had reviewed the Department's handling of education assistance payments and had concluded that entitlements were correctly calculated and approved and paid to officers.

DFAT informed the Committee that, at the time of its investigation of the previous allegations, it had thoroughly reviewed the legislative and administrative provisions relating to education assistance and the decision making process in general. The review

had concluded that the provisions were generally being applied appropriately but that in some cases documentation had been incomplete. The Department said that procedures have now been changed so that applications for education assistance prior to commencement of posting are made in writing and any change of circumstances which could affect entitlement is notified to the Department. The new procedures involve a checking mechanism to ensure that two officers are involved in verifying entitlements to education assistance.

Two of the three officers named in the submission responded to the claims. Both pointed out that the claims had been made previously and refuted and both denied any improper conduct. One officer supplied details of the assistance he or she received with boarding school fees. These details differed in material respects from those provided in the DFAT Reform Group submission, especially as regards the duration and cost of the approval and the likely costs of the alternative suggested by the DFAT Reform Group.

CASE NO. 18: ALLEGED ABUSE OF REUNION TRAVEL - GENERAL

Claim: It is alleged that reunion travel entitlements are widely abused to allow officers to "swan around international resorts".

File Check: Committee staff reviewed all approvals for reunion travel on the files relating to the 56 current boarding school approvals. The review showed that the entitlements are occasionally used to allow parents and children to meet in a location other than Australia or the post but always on the basis that there is no additional cost to the Commonwealth. Two cases were observed where officers had broken their journey on reunion trips, possibly in breach of the spirit but not the letter of the reunion fare entitlement.

CASE NO. 19 - ALLEGED SPECIFIC ABUSE OF REUNION TRAVEL

Claim: It is alleged that an officer used a number of his or her child's reunion travel entitlements for holiday trips through world holiday resort locations.

Responses: The Department responded that allegations about this officer had been investigated and refuted by the Department and the Australian Federal Police. The officer responded with details of reunion travel by him or her and his or her children during the posting in question. This information indicated that all reunion travel had been to Australia (by the officer), to the country of residence of the officer's parents (by officer and children) or to the post (by the children). The officer argued that there had been no additional cost to the Commonwealth through the arrangements that had been made and that there had probably been savings. He or she had made the arrangements to avoid subjecting young children to lengthy and arduous travel to a hardship post and to take the opportunity during the reunion to discuss matters with his or her former spouse or to allow his or her children to spend time with his or her parents.

In discussion with Committee staff, Mr Carroll did not classify this use of the reunion entitlements as a breach of the law but rather as an excessively generous entitlement.

CASE NO. 20: CHANGE OF STATUS OF LEAVE WITHOUT PAY

Claim: It is alleged that the status of an officer's leave without pay was changed retrospectively and improperly from "self interest" to "public interest" to the officer's

benefit. This claim was previously made by the ORC and investigated and rejected by the DFAT Special Investigator and the Australian National Audit Office.

File Check: Committee staff reviewed relevant files in this case. Review of the files showed that the change of status occurred relatively shortly after the grant of the leave. The officer had applied for leave without pay to work for an organisation not listed in the Personnel Management Manual as attracting "public interest" status and special approval from DIR was therefore required for it to be so classified. The officer applied for this to be done and the leave appeared to have been granted initially on a "self interest" basis only because DIR approval for "public interest" leave could not be obtained quickly enough. There was no unreasonable delay in seeking DIR approval and the change of status was approved by DIR on the basis of a convincing and apparently factual case put forward by DFAT.

The Special Investigator speculated that the ORC claim might have been based on a misinterpretation of part of a letter written by the officer to the Department. A copy of the same letter was supplied to the Committee as an attachment to the DFAT Reform Group submission. One inference which could be drawn from the letter in the absence of any other knowledge of the case is that a reasoned, initial decision not to approve the leave in the "public interest" was reversed towards the end of the two-year period of leave. This did not happen nor is it the only way in which the relevant part of the letter can be read.

MISUSE OF OFFICIAL VEHICLES

CASE NO. 21 - ALLEGED MISUSE OF PETROL CHARGE CARDS BY SES OFFICERS

Claim: It is alleged that an audit check of an ORC allegation found that 54% of SES officers were incorrectly charging petrol and other items to their "Comcar credit cards" and that the cost of the incorrectly charged petrol was recovered at the duty free rate.

File search: Committee staff reviewed relevant files in this case. The review showed that on 16 August 1990 a DFAT auditor was instructed to investigate a claim made the previous week by the ORC to the effect that SES officers had used Government-issued petrol credit cards for private holiday travel and that leave records were not being checked to prevent this practice.

The auditor checked the credit card petrol purchases of a sample of 14 SES officers based in Canberra during 1989-90, found several irregularities and recommended corrective action. The recommendations were promptly accepted by Departmental management. The auditor then checked all commercial credit card purchases of petrol for cars on issue to all SES officers based in the Department in Canberra for the whole of 1989-90 and who took leave during the year. He or she found that a large proportion of these officers had used their credit cards to buy petrol while on recreation leave. This was contrary to the conditions of issue of private-plated cars and to departmental instructions.

The initial audit report on this matter stated that 54% of the 51 officers whose records had been reviewed had used their charge cards incorrectly. A later revision to the report

reduced the proportion incorrectly using the cards to 37.25% of the sample or 26.7% of all Canberra-based SES officers. The purchases incorrectly charged totalled \$1895.68 and, since they were made on government charge cards, reflected duty free prices.

While noting that there would be a loss of Commonwealth revenue associated with recovery of purchase costs at the duty-free rate, DFAT subsequently recovered the duty-free cost of the purchases from the officers concerned. One factor in this decision appears to have been a survey of practices adopted in other departments and agencies which found that SES officers in the Attorney-General's Department were permitted to use their petrol charge cards while on leave, subject to their later reimbursing the Department. Another was the difficulty of settling on any alternative recovery rate for numerous small purchases that would have attracted a wide range of full retail prices.

The audit detected other serious flaws in the management of private-plated cars. Bills from one oil company were insufficiently detailed to allow proper monitoring, the Pay and Conditions Section had not always received the advice of the issue date of cars required for the commencement of salary deductions, salary deductions had not always been backdated to the necessary extent, the Travel sub-section rarely received advice of leave approvals and the records of SES cars had not been properly maintained.

There was no indication on the files of any attempt by any officer of DFAT to hinder the investigation of the ORC claims or to prevent recovery of the cost of the incorrectly charged purchases. The investigation appeared to have been thorough, effective and completed in a reasonable time.

Departmental response: The Department informed the Committee that private-plated cars had only been an entitlement for SES Band 1 officers in the Public Service for just over a year when the ORC made its allegations. The Department had begun an audit review of its guidelines on the use of SES vehicles, including petrol card usage, five months before the claims were made. (It should be noted here that the Committee staff reviewed the file on this audit and found no indication that the Department was reviewing the main issue raised by the ORC prior to publication of the ORC allegation.) Revised guidelines for the use of SES cars, issued by DFAT in December 1991, include the statement:

Officers are required to meet fuel, oil and servicing costs whilst on recreation leave. TSG, Shell and Ampol cards are not to be used when on recreation leave, even on the proviso that the officer will reimburse the Department at a later date. Such action constitutes an offence under Section 64A of the Audit Act and is punishable upon conviction by a fine of \$20,000 or imprisonment for a period not exceeding 5 years or both.

CASE NO 22 - ALLEGED MISUSE OF PRIVATELY-PLATED CARS

Claim: It is alleged that a non-SES officer fraudulently issued a private-plated departmental car to him or herself for approximately one year. The fraud is said to have been proven by an internal audit investigation but the officer is said to have escaped with an admonishment after intervention by a named SES officer.

File search: Committee staff reviewed relevant files in this case. The files show that a DFAT auditor investigated a similar claim in conjunction with the claim of misuse of SES

petrol charge cards which was made in an ORC newsletter in August 1990 (see claim 21). The newsletter accused an officer of having issued private plated cars to two other officers and claimed that the three had "regularly taken cars home in recent months". The investigation was undertaken promptly and at the direction of the named SES officer alleged to have intervened to minimise the punishment of one officer.

The officer accused of wrongly issuing the cars made a short written statement at the beginning of the August 1990 DFAT investigation admitting to having given permission for the other two persons to use SES cars after hours on occasions when they had worked late and otherwise would have been entitled to a Cabcharge voucher or transport by Comcar. The officer admitted also to making use "on occasion" of a private-plated car when he or she would otherwise have been entitled to a more expensive form of official transport home.

The auditor found that there was no approved procedure by which non-SES officers could take private-plated government vehicles home. Based on the admissions by the officer, he therefore found the ORC claim to be substantiated. No documentary records of usage of the relevant SES cars were located in the audit.

The audit report was submitted to the SES officer named by the DFAT Reform Group who responded that available private-plated cars should be used in lieu of Cabcharge or Comcar bookings if it was more economical to do so but that no officer should be able to authorise his or her own use of a car. Procedures were then established permitting the use of available SES cars in lieu of Cabcharge vouchers or Comcar transport subject to proper approval and documentation. The procedures preclude an officer authorising such use in his or her own case. The officer who had done so in the case raised by the ORC was counselled.

The DFAT Reform Group submission to this Committee differs from the original claim in stating that the officer issued him or herself a car for "approximately a year" and that the SES officer intervened to reduce the officer's punishment. The records of the original DFAT investigation, while sufficient to establish the veracity of the original claim do not permit a conclusion on whether the officer misused a car or cars for a lengthy period. There is no indication in the records of any intervention by the SES officer to prevent or reduce the punishment of the non-SES officer. The files contain at least one statement by the SES officer criticising the other officer's action.

Responses: In responding to the new claim, DFAT commented "records of SES car usage kept at that time are, regrettably, incomplete. They do not provide sufficient information to prove or disprove the allegation".

The Department claimed that detailed running sheets of SES car usage by other than the person to whom each car is assigned are now kept and audited. The Department defended the actions of the SES officer involved, stating that the officer had initiated the investigation of the original claims and had initiated the action that led to the non-SES officer being counselled.

DFAT reported that the non-SES officer had denied the new claim completely to the Department's Fraud Control and Discipline Section and had provided a statutory declaration to that effect.

The non-SES Officer, in a letter to the Committee "categorically den[ied] the allegation that I issued an SES car to myself for a period of one year". The SES officer rejected the claim that he had intervened in the disciplinary process and stated that he or she was instrumental in ensuring that follow-up action was taken, including the counselling of the non-SES officer.

CASE NO. 23: ALLEGED MISUSE OF SES CARS

Claim: It is alleged that the sons of two SES officers had been permitted by their parents to drive private-plated Commonwealth cars while unlicensed, contrary to the conditions on which the cars are issued, had three expensive accidents while doing so and that one of the accidents may have involved drink driving. This claim was previously made by the ORC, investigated and rejected by the DFAT Special Investigator and the Audit Office.

File Check: Committee staff reviewed relevant files in this case. The review found that the Special Investigator's file contains photocopies of documents indicating that the youths concerned held current drivers licences, had been properly nominated as alternative drivers, had reported their accidents to the Australian Federal Police and were not charged. The youths were involved in two accidents and the spouse of one of the officers in a third.

DISCIPLINARY SYSTEM

CASE NO. 24: FINANCIAL MISMANAGEMENT AT A POST

Claim: It is alleged that a middle-ranking officer who succeeded in gaining promotion into DFAT from another department ahead of officers already in DFAT was, in retaliation, assigned to a post where financial problems were known to exist. It is further claimed that the financial problems worsened to the extent that the Chief Auditor recommended that two HsOM and the middle-ranking officer be charged but that DFAT sought legal advice calculated to exonerate the HsOM so that, in the event, only their junior was charged.

File Check: Committee staff reviewed relevant files in this case. The review showed that the officer was assigned to a post where financial problems had been identified and was advised of the problems prior to his or her posting. The posting occurred within six months of the officer commencing employment in DFAT and the officer did not complete the full financial management course offered before posting although he or she did pass the examination at the end of the course. The financial problems at the post continued and may have worsened during the posting and a member of the Audit Section, acting as an Authorised Officer (AO) under the Public Service Act and not as an auditor, investigated the problems and laid four charges of negligence against the officer.

The AO concluded that the two HsOM who had supervised the officer should face similar charges. However, the AO was aware of past legal advice to the Department that an anomaly in the Public Service Act prevented the laying of charges under that Act against ambassadors (because they are unattached officers) for anything short of improper conduct that brings the Public Service into disrepute. Believing that negligence might not be improper conduct of this kind, the AO sought legal opinions on the possibility of charging the HsOM. As two opinions suggested that charges were unlikely to succeed, the AO did not lay charges against the HsOM.

The AO also concluded that the Staffing Branch was at fault for posting an inexperienced officer as Senior Administrative Officer at the post in question and a financial management branch was at fault for not noticing and acting on obvious financial lapses.

One of four charges against the middle-ranking officer was upheld and he or she was counselled and required to undergo training as a result. The two HsOM were not charged but were counselled and required to undergo training. The records suggest that the counselling received by the HsOM was more severe than that received by the middle-ranking officer and that the Department considered stronger action than counselling in the case of one of the HsOM. Several mitigating factors were taken into account in the case of the middle-ranking officer, including Departmental management failures and the effects on him or her of the publicity accorded the case by a former colleague.

Counselling and, sometimes, additional financial training appear to have been the standard DFAT punishments for negligence leading to financial loss at posts. Officers of varying ranks, most if not all of them long-serving DFAT officers and some of them HsOM, have been dealt with in this way for this sort of negligence on several occasions since the mid-1980s.

Responses: The departmental response was consistent with the outline above and also reported that disciplinary action in the form of counselling was also taken against a fourth officer in relation to the case. The Department informed the Committee:

Current departmental policy encourages newly recruited officers to remain in Canberra for at least two years before being posted overseas. All officers are also required to undertake and pass the Finance Course and officers with financial delegations at the post are required to complete and pass the Commercial Accounting Program (CAP) course before proceeding on posting.

Committee staff were told by DFAT officers that the question of disciplinary action against unattached officers has been taken up by the Public Service Commissioner as part of a review of the Public Service Act that is currently underway.

CASE NO. 25: ALLEGED INADEQUATE DISCIPLINARY ACTION

Claim: It is alleged that a HOM, with the connivance of his or her spouse (a DFAT officer), defrauded the Commonwealth of a large amount of settling-in allowance and was recalled to Canberra following exposure by the ORC of his or her misbehaviour. It is further claimed that the HOM was permitted to resign with full entitlements while the spouse continues to work in the Department in Canberra.

File Check: Committee staff reviewed relevant files in this case. The review showed that the HOM was recalled for consultations at about the time of receipt in Canberra of at least one report of inappropriate behaviour by the HOM. The report came from an expatriate Australian in the country of posting and there is no indication on the file of any involvement of the ORC at that time. The first recorded ORC comment was made several months later when DFAT action in the case was well advanced, although that comment included a claim that DFAT management had acted in response to earlier, private ORC intervention.

Following the recall for consultations, the HOM asked for his or her appointment as HOM to be terminated for personal reasons. The Evaluation and Audit and the Fraud Prevention and Discipline Sections investigated several matters, including a possibly excessive claim for settling-in allowance. In relation to the settling-in allowance claim, the former HOM argued that his or her actions under investigation were legal. The former HOM also argued that he or she and the spouse (who had been recruited to DFAT to occupy the only Australia-based position at the post other than HOM) had only modest accounting experience relevant to management of a post and, due to time constraints, did not attend any overseas finance course prior to departing for the post.

At a late stage in the investigation, the former HOM ceased to attend for duty without applying for leave and, after the period specified in the Public Service Act, was deemed to have retired. No money was recovered from the former HOM in relation to the settling-in allowance but debit advice notes were raised in relation to other moneys which the Department considered to be owing by the former HOM.

DFAT referred a matter not related to the settling-in allowance claim to the DPP for advice on whether to prosecute and accepted the DPP's conclusion that prosecution would not be warranted in the public interest. The DPP raised the possibility of charges under the Public Service Act but such charges were not possible by that time as the former HOM was no longer a public servant.

The HOM and spouse had separated shortly before the HOM was recalled for consultations. The spouse subsequently faced a DFAT disciplinary investigation, was counselled in relation to certain matters and continues to work in DFAT.

Responses: DFAT informed the Committee on 4 June 1992 that no final payments have been made by the Department to the former HOM pending resolution of the debts the Department believes are owed to it. In relation to settling-in allowance, the Department concluded:

The fact that approval was not sought from the Secretary to continue receiving Settling In Allowance beyond the normal period of entitlement (6 weeks) does not detract from the fact that an entitlement existed. Had [the officer] sought approval to receive the allowance beyond the 6-week period, the Secretary would almost certainly have approved the request - it was on this basis that the Department did not pursue recovery action for these amounts.

The spouse of the former HOM responded to the DFAT Reform Group claim, providing evidence of difficulty in securing suitable permanent accommodation at the post at the time in question. The spouse informed the Committee that he or she had been told by the HOM that extension of the settling-in allowance had been sought and he or she had been left with the impression that indefinite approval existed. DFAT Canberra had processed the usual documentation and reports on the allowance for more than a year without drawing attention to the absence of approval. There had been extensive negotiations with the Overseas Property Group about permanent accommodation at the post and it could be presumed that DFAT Canberra would have been aware of this. The spouse rejected any suggestion of wrong-doing on his or her part.

CASE NO. 26: DISCIPLINARY ACTION AGAINST AN OFFICER

Claim: It is alleged that a member of the DFAT Reform Group was charged with demanding higher duties allowance and was recommended for dismissal. This claim is made to contrast the treatment of the officer with the treatment of other officers charged with various forms of financial or other malpractice. In other parts of the submission, it is noted that the officer also faced charges other than those related to demanding higher duties allowance.

File check: Committee staff reviewed a summary of departmental disciplinary records with names deleted for privacy reasons. It was clear from the summary that the officer in question faced 8 charges. Three related to demanding promotion, higher duties allowance or transfer to another agency, four related to circulation of letters containing claims and information about departmental officers and management and one related to falsifying the authorisation to send a cable. The charges were heard by an Inquiry Officer appointed from a department other than DFAT who found all of them proven, found that the charges together comprised "a web of misconduct" and recommended in respect of all 8 charges that the officer be dismissed. The officer resigned prior to the end of the statutory appeal period.

Responses: The officer was not identified in the submission and no responses were sought in this case.

CASE NO. 27: MISCLASSIFICATION OF A CASE IN AN EARLIER INVESTIGATION

Claim: In the review of the 77 cases raised in 1989-90, the Department falsely identified a case as "previously investigated and devoid of evidence" when there was evidence.

File Check: Committee staff identified this case from a summary of disciplinary cases provided by the Department. It appears that the case in question would have been better classified as "previously investigated and action taken". An officer had been charged and punished under the Public Service Act for doing what the ORC said he or she had done (although the ORC appears to have had nothing to do with his or her detection or punishment).

A DFAT circular and Audit Report 15 of 1990-91 both grouped this case and, apparently, others like it with cases that were "previously investigated and devoid of evidence" and presented them together under the latter heading. Careful reading of the text of Audit Report 15 suggests that the appendix to the report groups two dissimilar types of case under the heading in question but a casual reader could easily infer that all the ORC claims in that category were without basis.

DISCIPLINARY RECORDS

The Committee sought statistics on disciplinary action taken against DFAT officers in recent years. DFAT provided a folder of case summaries, with names deleted for privacy reasons, concerning disciplinary cases since 1979. The case files summarised in the folder appeared to be a recent compilation of records. Cases were numbered consecutively but it appears that they are not a full record of the Department's disciplinary experience.

One case reviewed by the Committee's staff (Committee's case 22) did not appear to be included and another was only recorded in part (Committee's case 25). Although DFAT advised the Committee that disciplinary action had been taken against four persons in the Committee's case 24, the summaries only recorded action in three cases. The omission of Committee's cases 22 and part of 24 from the folder could be explained in the adoption of inconsistent approaches to classifying counselling as disciplinary action. However, Committee staff are aware of other cases which do not appear to be included in the summaries supplied to the Committee.

The pattern of cases by year in which action was taken varies over time and may indicate differing attitudes to the taking of formal disciplinary action at different times or gaps in the record. Since time limits are often applied to the keeping of records of disciplinary action, it would not be surprising if there are gaps in the records of earlier years

Nature of offences

The summaries recorded disciplinary action taken against 59 officers. Using the brief descriptions of cases in the summaries, Committee staff categorised the offences for which action was taken as follows:

Nature of offence	No. of cases
Misconduct aimed at personal gain	34
Negligence/incompetence leading to loss to the Commonwealth	15
Release or circulation of information without authority	3
Criminal activity outside employment	1
Other	6
TOTAL	59

Of the 34 cases of misconduct aimed at personal gain, 21 were connected with the importation of motor vehicles into Indonesia under diplomatic privilege during the 1980s.

Hierarchy of punishments

When punishments were correlated with categories of offence, the following pattern emerged:

Misconduct aimed at personal gain: 16 counselled, 1 admonished, 8 fined, 2 salary reduced, 4 transferred with salary reduction, 2 prosecuted, 1 resigned before action taken (the Indonesian car cases accounted for 12 counselled, 7 fined, 1 transferred with salary reduction and 1 who resigned).

Negligence or incompetence leading to loss to the Commonwealth: all 15 were counselled while some in more recent years were also required to undergo training in financial management.

Release or circulation of information without authority: 2 recommended for dismissal and 1 transferred with reduction in salary.

Criminal activity outside employment: 1 dismissed.

Other: 5 counselled, 1 transferred with reduction in salary.

Numbers of punishments

Of the 59 officers disciplined, 36 were counselled, 1 was admonished, 8 were fined, 8 were transferred with a reduction in salary, 2 were prosecuted, 3 were recommended for dismissal and 1 resigned before action was taken. Two of the three officers recommended for dismissal resigned before the recommendations took effect. Both officers who were prosecuted resigned while disciplinary action was pending as did one officer who was recommended for transfer with reduction in salary. One officer retired with disciplinary action pending.

Punishments by year and type

The disciplinary cases in the summary involved departmental action in the following years:

1979	2 cases of misconduct aimed at personal gain.
1982	1 case of misconduct aimed at personal gain.
1983	1 case of misconduct aimed at personal gain*.
1985	3 cases of negligence or incompetence leading to loss.
1986	1 case of releasing or circulating information.
1987	25 cases of misconduct aimed at personal gain (19 from the Indonesian car sales), 3 cases of negligence or incompetence leading to loss, 3 other cases.
1988	2 cases of misconduct aimed at personal gain** (1 from the Indonesian car sales), 4 cases of negligence or incompetence leading to loss.
1989	2 cases of misconduct aimed at personal gain, 2 cases of negligence or incompetence leading to loss, 1 case of criminal activity outside employment and 1 other case.
1990	1 case of releasing or circulating information without authority 1 other case.

1991 1 case of misconduct aimed at personal gain***, 3 cases of negligence or incompetence leading to loss, 1 case of releasing or circulating information without authority+.

* Case also in "other category".

** One case partly in "other" category.

*** Also involved "negligence/incompetence".

+ Case partly in "other" category.

APPENDIX IV

BACKGROUNDS OF SENIOR DFAT OFFICERS AND EXTENT OF LATERAL RECRUITMENT SUMMARY

The attached paper reports the results of a survey of biographical notes on senior members of the DFAT staff provided in a departmental publication. The survey showed that senior DFAT officers, as a group:

- . have less experience than SES officers in the Public Service as a whole of work outside their own department;
- . appear to have relatively little work experience outside the Public Service;
- . are older than the SES as a whole;
- . are less likely to have tertiary qualifications in economics, commerce or business than the SES as a whole;
 - and much less likely to be so qualified if former Trade officers are excluded.

Canberra-based SES officers, when compared to their counterparts at missions overseas, are more likely:

- . to be younger;
- . to have served in a minister's office;
- . to have recent service in a minister's office;
- . to have had fewer postings as head of mission or post (this is true even when the former Trade officers are excluded);
- . to have tertiary qualifications in economics or a related field (this is true even when the former Trade officers are excluded);
- . to have entered DFAT as a lateral recruit above base level in a policy stream or with the amalgamation of Trade and Foreign Affairs.

They are less likely to:

- . have entered DFA/DFAT as a diplomatic cadet or in the consular and administrative stream;
- . to have had public service experience outside DFA/DFAT.

The survey was based on information in a departmental publication giving biographical notes on DFAT officers. Entries in the publication are prepared by officers themselves and are not compulsory. Inconsistencies and omissions can be expected to have affected some of the results of the survey.

The sample

Most DFAT officers supply brief biographical notes for inclusion in a departmental publication called *Statement of Service, Appointments and Biographies*, colloquially known as the Stud Book. Entries were surveyed for all officers listed in the December 1991 issue of the Commonwealth Government Directory as occupying a position of Head of Mission or Post or a Canberra-based SES position. In a few cases where the officers were not listed in the Statement of Service, details were sought from DFAT. The names of officers occupying SES positions below HOM/HOP level overseas were also obtained from DFAT and details on those officers were obtained from the 'Stud Book'. The final sample represents most of DFAT's SES and SES-equivalent officers.

The 'Stud Book' entries are completed by their subjects and officers are not required to submit an entry. It could be expected that different officers would adopt different approaches to reporting their career information, especially on such matters as work experience within or outside the public service, educational qualifications and higher duties experience. The absolute numbers reported in this paper should be read in that light. However, the aggregate picture presented by the paper is likely to be at least indicative of DFAT's senior staffing profile.

Method of entering DFAT

Table 1 shows the way in which the current crop of senior DFAT officers entered the Department.

Table 1
Method of Entry to DFAT

Method of Entry	Overseas (n = 96)		Australia (n=54)		Total (n = 150)	
	No.	%	No.	%	No.	%
Diplomatic Cadet	67	70%	30	56%	97	65%
Consular & Admin.	9	9%	2	4%	11	7%
Other base-level entry to DFAT			1	2%	1	1%
Direct entry above base level	8*	8%	9	17%	17*	11%
Trade Amalgamation	12	13%	12	22%	24	16%

* Includes one direct entrant to consular and administrative stream above base level.

The proportion of senior officers who entered the Department through the consular and administrative stream (8% of the whole sample) is larger than would be expected in the light of some of the 'elitist' claims that have been made about DFAT. Although many of these officers head what appear to be relatively minor missions or posts, one holds the quite senior position of High Commissioner to Malaysia. Relatively few hold SES positions in Canberra.

It is also notable that many senior officers acquired from the former Department of Trade following the 1987 amalgamation had moved into overseas postings by December 1991, representing 13% of the overseas SES officers by that time. Only five of these occupied HOM/HOP positions with the remainder holding subordinate SES positions at larger posts.

Sixteen of the senior officers in the survey entered DFA or DFAT above base level, other than in the consular/administrative stream. Three of these had been appointed directly to their current HOM/HOP position and three had been promoted or transferred to their current Canberra-based SES position from another Commonwealth department (Treasury, Finance and PM & C). Two others were and have remained specialists (ADP and historical documents). The remainder had been promoted or transferred to above-base foreign policy positions and subsequently promoted. Three of these were persons with a background in Defence or ONA, two were lawyers, initially appointed to legal specialist positions. Other sources of one appointee each were the Public Service Board, and the Bureau of Meteorology. One was a former ministerial staffer. The 16 outside appointments, the 12 former consular/administrative and the one other base level entry (as a graduate clerk) together account for 19% of the sample, compared to 65% who entered as diplomatic cadets and 16% who entered with the 1987 amalgamation.

Age distribution

The age distribution of the sample is shown in Table 2 with comparative data for the SES as a whole.

Table 2
Age Distribution of Officers Surveyed

Age Group at 30.12.91	Overseas (n = 96)		Australia (n = 54)		Total (n = 150)		Whole SES* (n = 1735)	
	No.	%	No.	%	No.	%	No.	%
Not reported	-	-	1	2%	1	1%	-	-
<35	-	-	-	-	-	-	51	3%
35-39	1	1%	4	7%	5	3%	221	13%
40-44	11	11%	7	13%	18	12%	520	30%
45-49	22	23%	30	56%	52	35%	478	27%
50-54	24	25%	4	7%	28	19%	289	17%
55-59	29	30%	7	13%	36	24%	153	9%
60-64	9	9%	1	2%	10	7%	38	2%

* As at 30 June 1991.

The age profile of SES officers in Australia is markedly lower than of the SES officers overseas and, although more strongly peaked in the 40 to 45 age range, is not too dissimilar to the age profile of the SES as a whole. However, the age profile of DFAT SES and SES-equivalent officers overseas is markedly skewed towards the older age groups. As a result, the SES age profile for DFAT as a whole is older than for the full SES.

No. and nature of previous postings

Tables 3 (a), (b) and (c) show the pattern of previous postings as HOM/HOP of the sample.

Table 3 (a)
Previous Postings as HOM/HOP (including periods as Charge)

No. of Postings	Overseas (n = 96)		Australia (n = 54)	
	No.	%	No.	%
Nil	39	41%	26	48%
1	22	23%	17	31%
2	15	16%	9	17%
3	8	8%		
4	7	7%	1	2%
5	3	3%	1	2%
>5	2	2%		

SES officers currently overseas have more experience in heading missions overseas than do their counterparts located in Australia. However, Table 3(a) includes some relatively short periods of acting as Ambassador/High Commissioner or Charge and, as reporting practices may have varied in respect of these periods, they are removed in Table 3 (b).

Table 3 (b)
Previous Postings as HOM/HOP (excluding periods as Charge)

No. of Postings	Overseas (n = 96)		Australia (n = 54)	
	No.	%	No.	%
Nil	43	45%	28	52%
1	24	25%	16	30%
2	16	17%	10	19%
3	9	9%		
4	3	3%		
5	1	1%		
>5				

When only longer periods as HOM/HOP are counted, it still remains the case that the SES group currently in Australia is less experienced in this area than the current group of SES officers overseas. Because former Trade officers might have had less opportunity to head missions or posts and because these officers are still concentrated in Canberra, it is interesting to compare the experience patterns of the two groups excluding former Trade officers. This is done in Table 3 (c).

Table 3 (c)
Previous Postings as HOM/HOP (excluding periods as Charge and
excluding former Trade officers)

No. of Postings	Overseas (n = 78)		Australia (n = 42)	
	No.	%	No.	%
Nil	31	40%	19	45%
1	21	27%	14	33%
2	15	19%	9	21%
3	7	9%		
4	3	4%		
5	1	1%		
>5				

Further disaggregation shows that the pattern still exists at the more senior level in Canberra. Of 12 officers at Deputy secretary and First Assistant Secretary for whom data was available, one had headed two DFA missions, one had headed one, two had each headed one Trade mission, one had spent one lengthy period as Charge at a DFA mission and had headed a DFA post while another had headed a DFA post. Six had no experience other than short periods in an acting capacity as head of any mission or post. Of the four former Trade officers in that group, two (50%) had headed a mission while 4 of the eight former DFA officers (50%) had the same experience.

Other public service experience

Table 4 (a) shows the levels of experience in other public service departments, as reported in the 'Stud Book', of the officers other than former Trade officers whose records were surveyed. It is likely that the 'Stud Book' significantly understates the true position in this regard but these figures are at least indicative.

Table 4 (a)
Work Experience in Other Australian Public Service Agencies
(Excludes former Trade Officers and Service Prior to
Joining DFA/DFAT at Base of C&A or Policy Streams
as well as service in ministerial offices)

Department	Overseas (n = 78)		Australia (n = 39)		Total (n = 117)	
	No.	%	No.	%	No.	%
Office of National Assessments	6	8%	4	10%	10	9%
Public Service Board	9	12%			9	8%
Prime Minister and Cabinet	7	9%	2	5%	9	8%
Defence	1	1%	1	3%	2	2%
Other	9	12%	2	5%	11	9%

Thirteen of the 24 former Trade officers also had experience in other Australian Public Service agencies. The experience ranged across a broad range of agencies but in a large majority of the cases, at least some of the experience was in commercially or economically-oriented agencies. Eleven of the 12 officers who had entered DFA/DFAT in the consular and administrative stream had prior service, typically of several years, in a range of departments. Initial recruitment to the consular and administrative stream has long been to a level above the public service base so as to attract experienced and mature applicants.

There are no published statistics comparing the work experience of the SES cadres of various departments. This Committee, in its 1990 report *The Development of the Senior Executive Service*, published the results of a survey of data from the Department of Finance's Continuous Record of Personnel. These are presented in Table 4 (b) below with the comparable DFAT results.

Table 4 (b)
Australian Public Service Experience: DFAT Compared
to the Service Average
(Excludes Short Secondments)

No. of Departments Served in (Former Trade)	Overseas (n = 12)		Australia (n = 10)		Total (n = 22)		APS Average %
	No.	%	No.	%	No.	%	
1	7	58%	4	40%	11	50%	50%
2	3	25%	4	40%	7	32%	24%
3	2	17%			2	9%	17%
4							4%
5			1	10%	1	5%	3%
>5			1	10%	1	5%	2%
(Former C&A)	(n = 9)		(n = 2)		(n = 11)		
1	1	11%			1	9%	50%
2	4	44%			4	36%	24%
3	4	44%			4	36%	17%
4			1	50%	1	9%	4%
5			1	50%	1	9%	3%
>5							2%
(Other)	(n = 69)		(n = 37)		(n = 106)		
1	39	56%	28	76%	67	63%	50%
2	24	35%	5	14%	29	27%	24%
3	4	6%	3	8%	7	7%	17%
4	1	1%			1	1%	4%
5			1	3%	1	1%	3%
>5	1	1%			1	1%	2%

(Total over page)

(Total)	(n = 90)		(n = 49)		(n = 139)		
1	47	52%	32	65%	79	57%	50%
2	31	34%	9	18%	40	29%	24%
3	10	11%	3	6%	13	9%	17%
4	1	1%	1	2%	2	1%	4%
5			3	6%	3	2%	3%
>5	1	1%	1	2%	2	1%	2%

While the DFAT average on this indicator of staff mobility is well below the APS average, the departmental average is itself boosted by the above average mobility of former Trade and consular and administrative officers. In addition, the departmental average reflects seven cases where diplomatic cadets are counted as having worked in two departments because they worked in the APS other than in DFA/DFAT for a short period before being selected for diplomatic training. Classifying these cases as service in one department only would increase the proportion of DFAT senior staff with no experience in other departments from 57% to 62%, compared to the APS average on this indicator of 50%.

Other work experience

Table 5 categorises reported work experience outside the APS by type of experience. The 'Stud Book' entries are likely to significantly understate the extent of external work experience because of inconsistencies in the practices adopted by officers in compiling their entries. There is no way of knowing whether the entries summarised below are representative or not but the aggregation may be indicative.

Table 5
Work Experience Outside the Australian Public Service
Former Trade Officers Included in Total but
Separately Identified in Brackets

Type of Employment	Overseas (n = 96)		Australia (n = 54)		Total (n = 150)	
	No.	%	No.	%	No.	%
University teaching	7 (1)	7%	6 (1)	11%	13	9%
School teaching	3 (1)	3%	7 (0)	13%	10	7%
Journalism	3 (0)	3%	5 (0)	9%	8	5%
Private sector	6 (1)	6%	3 (1)	6%	9	6%
Armed service	1 (0)	1%	3 (0)	6%	4	3%
State public service	4 (1)	4%	3 (2)	6%	7	5%
Law	2 (0)	2%	2 (0)	4%	4	3%
International Org.	1 (0)	1%	3 (1)	6%	4	3%
Foreign gov't	2 (0)	2%	2 (0)	4%	3	2%
Commonwealth stat. authority			3 (1)	6%	3	2%
Rural sector			2 (1)	4%	2	1%
Political party	1 (0)	1%	1 (0)	2%	2	1%

A significant number of the entries recorded periods of service in the offices of ministers or senior members of the opposition. These entries are summarised in Table 6.

Table 6
Work Experience in a Ministerial Office

Prime Minister	Overseas (n = 96)		Australia (n = 54)		Total (n = 150)	
	No.	%	No.	%	No.	%
Pre-Whitlam	4	4%	1	2%	5	3%
Whitlam	1	1%			1	1%
Fraser	2	2%	2	4%	4	3%
Opposition office in Fraser period	1	1%			1	1%
Fraser/Hawke			1	2%	1	1%
Hawke	2	2%	5	9%	7	5%
TOTAL	10	10%	9	17%	19	13%

Of the 7 officers who had served in minister's offices only during the Hawke Governments, five had entered DFA/DFAT as diplomatic cadets, as had the officer who worked in the office of an Opposition member during the Fraser period. One of the other ministerial staffers of the Hawke period had entered DFA as a Graduate Clerk and one was a lateral entrant to DFAT after serving in a ministerial office.

Lateral recruitment

A review of all entries in the Statement of Service book to identify cases where officers had entered DFA/DFAT above base level in any stream and subsequently moved to a policy or diplomatic position or where officers had switched between any of the streams identified a significant number of such cases. Information provided by DFAT on a few officers not listed in the 'Stud Book' identified a few additional cases. Tables 7 (a) and (b) summarise the 55 cases of lateral recruitment to policy or diplomatic positions by decade in which the recruitment occurred and the specialities or areas of background experience of the recruits:

Table 7 (a)
Lateral Recruitment to Policy or Diplomatic Positions

Decade	No. of Lateral Recruits*
1960s	5
1970s	14
1980s	31
1990s	** 5

* No information is available on the size of the cohorts of staff from each decade still serving in the department.

** 'Stud Book' data was compiled in early 1991 so that this figure represents about one-tenth of the decade.

Table 7 (b)
Specialities/Backgrounds of Lateral Recruits

Defence/intelligence	15	27%
Trade/economics	11	20%
Law	6	11%
Journalism	2	4%
Recruited to head Joint Foundation		
Australia and Another Country	2	4%
Foreign aid	2	4%
Other/unspecified	17	31%

There has thus been some movement into policy or diplomatic work by officers who have entered the Department other than as diplomatic cadets or in the consular administrative stream. This type of entry appears to have been more common and to have drawn on more diverse sources in recent years. Many of the direct entrants of earlier years came from the Defence Officer stream in the Department of Defence which matched the Foreign Affairs Officer structure in DFA, recruited graduates and dealt with work relevant to foreign policy. As far as a trend can be discerned in more recent lateral recruitment, it appears to favour recruits with a background in economics or commerce.

The survey also identified 15 cases where officers had entered DFA/DFAT in the consular and administrative stream and had subsequently transferred to policy or diplomatic work and three cases where officers had entered the Department in keyboard positions and had transferred to consular and administrative duties.

Tertiary educational qualifications

Tables 8 (a) and (b) show the pattern of tertiary qualifications in the sample of SES officers as shown in the 'Stud Book'. This information will be affected by inconsistent reporting practices and is no more than indicative.

Table 8 (a)
Tertiary Qualifications Held

Credential	Overseas		Australia		Total	
	No.	%	No.	%	No.	%
B.A.	65	68%	29	54%	94	63%
L.L.B.	14	15%	5	9%	19	13%
B. Ec.	8	8%	17	31%	25	17%
B. Com.	3	3%			3	2%
B.Sc.	2	2%	3	6%	5	3%
B. Eng.	1	1%			1	1%
B. Ed.			1	2%	1	1%
Service College	1	1%			1	1%
M.A.	8	8%	7	13%	15	10%
M. Ec.	3	3%	2	4%	5	3%
Grad. Dip. Ec.	1	1%			1	1%
Post. Grad. Management	1	1%	2	4%	3	2%
Dip Ed.	3	3%	4	7%	7	5%
M. Phil.	1	1%			1	1%

Credential	Overseas		Australia		Total	
Li. M.	2	2%			2	2%
Post-Grad Law Dip.	1	1%			1	1%
Post-Grad. Defence Studies	5	5%	2	4%	7	5%
M. Litt.			1	2%	1	1%
Doctorate	4	4%	2	4%	6	4%

(Percentages of whole population in each case; because many individuals hold more than one credential, the sum of the percentages exceeds 100%)

Table 8 (b)
Tertiary Qualifications Held in Selected Fields
(Former Trade Included in Total and
Shown Separately in Brackets)

Field of Study	Overseas		Australia		Total	
	No.	%	No.	%	No.	%
	(n = 96)		(n = 54)		(n = 150)	
Economics/business commerce	14 (7)	15%	18 (10)	33%	32	21%
Law	15 (2)	16%	4 (0)	3%	19	13%
Defence	4 (0)	5%	1 (0)	2%	6	4%

It is likely that at least some of the qualifications listed as being in arts or science would in fact be economics qualifications so that the figures in tables 2.3 (a) and (b) probably understate the true proportion of the department's staff so qualified. Even allowing for this factor, DFAT would have fewer senior staff with qualifications in economics or related fields than the public service average. Data supplied to the Committee from the Department of Finance's Continuous Record of Personnel in 1989 indicated that 37% of the SES at that time held such qualifications compared to the 18% for DFAT. A survey conducted in the mid-1980s by Dr Michael Pusey (whose sample identified economics majors in arts and other degrees as economics qualifications and drew heavily from economic departments) classified 54% of the SES as having had economics or business-oriented tertiary training (Pusey 1991, p. 59).

It is notable that there is currently some concentration of the DFAT officers with economics, business or commerce qualifications Canberra. Law graduates, in contrast, are more likely to be in the diplomatic role overseas than in the policy role in Canberra.

Glossary of Acronyms

ADF	Australian Defence Force
AIDAB	Australian International Development Assistance Bureau
AFTA	Australian Federation of Travel Agents
AFP	Australian Federal Police
ANAO	Australian National Audit Office
APEC	Asia-Pacific Economic Cooperation
APS	Australian Public Service
ASO	Administrative Service Officer
ATO	Australian Taxation Office
ATSI	Aboriginal and Torres Strait Islander
BSO	Building and Services Officer
CAO	Chief Accounting Officer
CFOCS	Consultative Forum on Overseas Conditions of Service
CP File	Confidential Personnel File
CPI	Consumer Price Index
DAS	Department of Administrative Services
DFA	Department of Foreign Affairs
DFAT	Department of Foreign Affairs and Trade
DILGEA	Department of Immigration, Local Government and Ethnic Affairs
DIR	Department of Industrial Relations
DLV	Divisional Liaison Visit
DPP	Director of Public Prosecutions
DSS	Diplomatic Security Section
ECA	Employment Conditions Abroad Ltd
EEO	Equal Employment Opportunity
FATA	Foreign Affairs and Trade Association
FCDS	Fraud Control and Discipline Section
FSFA	Foreign Service Families Association
HOM/HOP	Head of Mission/Head of Post
HRSCBFPA	House of Representatives Standing Committee on Banking, Finance, and Public Administration
ID	Industrial Democracy
IDC	Interdepartmental Committee
JSC	Joint Selection Committee
LES	Locally Engaged Staff
MEAA	Media, Entertainment and the Arts Alliance
MPRA	Merit Protection and Review Agency
NESB	Non-English Speaking Background
NGO	Non-Government Organisation
OCCOS	Operational Committee on Conditions of Service
OECD	Organisation for Economic Cooperation and Development
OIB	Overseas Information Branch
OLA	Overseas Living Allowance
OOA	Overseas Operating Agency

OPG	Overseas Property Group
ORC	Officers' Revolutionary Council
OTAC	Overseas Transfers Advisory Committee
PAO	Public Affairs Officer
PCCOS	Policy Committee on Conditions of Service
PMM	Personnel Management Manual
PSU	Public Sector Union
PWD	Persons with Disabilities
RCAGA	Royal Commission into Australian Government Administration
RCAMI	Royal Commission into the Australian Meat Industry
SES	Senior Executive Service
SOG-B	Senior Officer Grade B
SSCFAD	Senate Standing Committee on Foreign Affairs and Defence
SSCFPA	Senate Standing Committee on Finance and Public Administration
TFOTM	Trust Fund Other Trust Moneys

MINORITY REPORT

Whilst agreeing with much the majority report, the evidence requires qualifications to some of the more important findings.

The majority report asserts that DFAT has been the subject of numerous reports in recent years. It fails to make clear that DFAT management and operations, as distinct from foreign policy, have not been the subject of an *independent* inquiry since 1979. The report by Dr Stuart Harris in 1986, as Secretary for Foreign Affairs, covers the subject matter but cannot be considered independent.

Many of the conclusions expressed in the majority report express an opinion that there have been problems in the past but there has been 'recent' improvement. Such judgements, on the evidence, may be considered generous in that it is too early to judge whether changes that have been made will be effective in the longer term.

It is interesting that all 34 promotions at Senior Officer Grade C level gazetted on 10 December 1992 were from internal candidates at DFAT. This clearly conflicts with statements in the majority report about opening the 'closed shop' at DFAT. The practice of promoting almost exclusively internal applicants raises concerns as to the quality of advice the Department is capable of giving in the absence of fresh perspectives from external recruits.

The 'recent improvements' assessments also overlook the role of external stimulus in leading to changes in DFAT management. The allegations made by the Officers Revolutionary Council and the investigation by the Australian National Audit Office (ANAO) uncovered weaknesses in DFAT's management systems. Other reforms have been implemented since the reference of DFAT's management and operations to the Standing Committee on Finance and Public Administration focused attention on criticisms of DFAT's management.

The making of unfounded allegations against individuals by the Officers Revolutionary Council cannot be excused. However, their role in initiating investigations should be recognised and the accuracy of some allegations should be acknowledged. The rapid restoration of officers found guilty of serious offences in relation to duty free cars in Jakarta, for example, which was criticised by the ANAO in December 1990, in relation to higher duties, had never been admitted.

The Department's failure to use internal audit to investigate the allegations raised by the ORC has also not been explained. There is little point in referring to the fact that many of the allegations were subsequently found to be without substance. The point is, why did senior DFAT management fail to involve internal audit when the allegations were first made? Maybe it was because of the failure of internal audit to uncover the problems in the first instance.

MANAGEMENT SYSTEMS AND PROGRAM EVALUATION

The Committee's approach to the terms of reference has given priority to the examination of the many serious allegations made against DFAT by the Officers Revolutionary Council/DFAT Reform Group. A major research effort by the Committee Secretariat and much of the time of the Committee in public hearings has been devoted to examination of the allegations.

Management systems have not been examined comprehensively by the Committee. The investigation of allegations led to the examination of a range of systems, but it is doubtful whether this provides an adequate basis for an authoritative assessment of DFAT's management systems overall.

The Australian National Audit Office (ANAO) in its examination of 77 allegations in 1990 reviewed a wide range of DFAT management systems. It concluded that DFAT's systems were basically sound, though there were several specific areas of weakness which needed to be rectified. It recommended taking another look at DFAT management systems in 12 months' time. However, this was not followed-up.

Personnel management, which is closely related to the fourth component of the terms of reference, dealing with morale, was given substantial coverage by the Committee. Particular systems dealing with control of resources were also given some coverage, but they had been dealt with more extensively by the ANAO.

Resource allocation was not examined by the Committee. In the submission by the Foreign Affairs and Trade Association (FATA), however, some important points were made about resource allocation. 'We are not sure we can identify in DFAT's management systems where strategic priority setting is made and, at the same time, resources reviewed and allocated - ie, the point where judgements are made about the effectiveness of programs, their relative priorities and how much of the Department's resources each

should receive.' (FATA Submission, p.7.)

Evaluation systems, which are closely related to the issue of resource allocation, are also given very brief treatment. The Committee noted the criticisms by ANAO of DFAT's initial resistance to the introduction of program evaluation. However, the Committee observed that DFAT had made considerable progress since then and did not dispute DFAT's own very positive assessment of its new evaluation capacity.

The Committee did, however, have available to it at least one useful example of DFAT's evaluation process. The Divisional Evaluation Report (DER) on the Overseas Information Branch, in relation to which the Committee had a variety of points of view to draw on, provides a basis for making a more independent assessment of the effectiveness of DFAT evaluation.

The comments on the draft DER by the staff of the OIB cast serious doubt on the approach by management to portfolio evaluation. They argued that the report was 'fundamentally flawed'. 'The widespread view within the branch is that many of the team's recommendations were pre-determined and superimposed on the data, rather than flowing directly from the team's findings'.

No member of the review team had expertise in journalism or any other aspect of public affairs and no member of OIB was invited to participate in the review. OIB staff have pointed to what appear to be serious methodological flaws in the selection of assessments of the Branch's function by its 'clients'.

The Committee has also queried the DER's findings regarding OIB: 'The review relied to a significant degree on the opinions of senior DFAT officers drawn from generalist areas of the former DFA'. The Committee, however, did not want to make its own assessment of the effectiveness of the OIB. Nevertheless, the evidence provided by the DER on OIB raises serious questions about the approach taken by DFAT management to evaluation.

The allocation of resources between trade and wider foreign policy objectives should also be questioned. The majority report stated that the Committee received 'no credible evidence that the amalgamation of the former Trade and Foreign Affairs departments has been any other than a success'. (Para 3.50.)

It would be more accurate to state that there was no suggestion that the Department

should be split up. This cannot be equated with a positive endorsement of the amalgamation. This was not considered by the Committee.

A proper judgement about this issue would need to look carefully at the role of the separate trade department before amalgamation and the trade policy development and implementation since amalgamation. Only then could an assessment be made of the success or otherwise of amalgamation.

Trade has two divisions devoted to it under DFAT. Prior to amalgamation, the Department of Trade had 6 divisions plus an additional officer at division head level in charge of a Coordination and Review office. One division was dedicated to bilateral trade relations. The status of bilateral trade relations under DFAT is open to serious question. The submission by the Foreign Affairs and Trade Association (FATA) reported that former trade staff felt that trade skills were undervalued in DFAT.

DFAT managers admitted that trade functions could be handled more effectively if greater resources were devoted to them. (Mr Woolcott and Mr Field, pp 77-81, February 7, 1992.) However, they did not explain how the balance of resources between trade and other functions within the Department is presently decided.

The Committee did not look at the issue of the way in which Austrade fits into the amalgamated structure. Austrade management structure differs significantly from that of DFAT. It is 'flatter' but has a substantially greater number of officers at the level equivalent to Deputy Secretary. Trade policy in DFAT has one officer at this level.

SECURITY PROCEDURES AND CUSTODY OF CLASSIFIED MATERIAL

Answers by DFAT staff to questions regarding one highly visible leak were evasive. The explanation provided by the Minister, hinting that another government may have been responsible for the leak, was unsatisfactory.

The lack of success of DFAT in discovering the source of leaks, apart from whistleblowers, is recorded by the Committee but attracts little comment. The Committee concluded that it 'has no reason to doubt DFAT's claim that its security procedures are sound'. DFAT pointed to a review of security procedures in 1991 and a new approach that was being implemented as a result. This was one of several instances of DFAT claiming the problem was in hand and there was no need to worry.

The view put forward by DFAT and accepted by the Committee that the level of leaks is tolerable because it represents only a small percentage of the volume of documents within the Department, misses the point. It must be acknowledged that leaks are damaging to Australia's interests and all efforts should be made for their prevention.

A leak on 27 May 1991 revealing DFAT speculation about the role of Singapore in giving military backing to the present military dominated regime in Burma is embarrassing to Australia and could undermine trust in Australia by the Government of Singapore and other governments in the regime.

A leak on February 5, 1992, caused serious embarrassment to Australia by revealing that DFAT considered that other ASEAN foreign ministers did not take seriously the views of the Philippines Foreign Minister, Raul Manglapus. There are numerous other examples that can be cited of such damaging leaks where Australia's credibility or reputation has been impaired.

A complacency in relation to preventing leaks is evident in a statement by Senator Evans on April 28, 1991: 'I've, of course, asked for a full report and I guess the usual suspects will be rounded up - with the usual results'. (Sunday Program, Channel Nine, April 28, 1991.)

Much more serious efforts are need to prevent leaks and to ensure those leaking suffer the consequences. The existing procedure described to the Committee had the appearance of going through the motions. The involvement of the Australian Federal Police gave the impression of dodging responsibility on the grounds that leaking was a crime. The AFP can act only on the information available from DFAT's systems and that seems inadequate.

OVERSEAS CONDITIONS OF SERVICE

It was clear from much of the evidence given to the inquiry that conditions of service overseas were a major cause of discontent within DFAT. There was consistent advice from FATA, the PSU and FSFA that lack of transparency in the basic allowance, the Overseas Living Allowance (OLA) was a fundamental problem that needed urgently to be addressed. The slow and cumbersome bureaucratic process for making changes in response to needs was also mentioned as a fundamental problem for morale by all parties.

Like DFAT, when faced with criticism of its performance, DIR's response was to point to recent changes already underway which would solve the past problems, which they seemed to reluctant to admit.

Within the constraints of the present Government approach to industrial relations within the public sector, the establishment of an independent bureau with representation from Overseas Operating Agencies and DIR, as recommended by the Committee, has some merit. It may avoid the cumbersome bureaucracy that has characterised DFAT's dealings with DIR which has no particular interest in the conduct of foreign policy. It would be preferable, however, to require DFAT management to set the terms and conditions of its staff serving overseas, subject to certain constraints, and to ensure that it can do this efficiently and effectively.

MORALE, STAFF PERFORMANCE AND ACCOUNTABILITY

The issue of morale was an important part of the terms of reference for the inquiry. DFAT's submission claimed that there was no morale problem in DFAT.

It argued that morale was much more complex than the level of 'internal complaint'. Rather, morale should be seen in terms of objective indicators such as rates of separation, lodgement of grievance appeals, levels of absenteeism etc. On the basis of these indicators, there appeared to be no problem (DFAT Submission, p.p. 72).

The submission by the Foreign Affairs and Trade Association (FATA) was in no doubt about the morale problems. FATA specifically blamed DFAT's management for the problems. It was 'largely from management's slowness to respond to change that most of DFAT's morale problems stem'. (FATA Submission, p.15.)

The FATA submission linked morale to the obvious issues arising from major changes affecting the Department over the last decade. The amalgamation with Trade and the abolition of streaming were two of the more obvious changes.

The PSU submission argued that 'morale among PSU members serving in DFAT is not particularly high'. (PSU Submission, p.17.) The PSU cited a long list of factors that could contribute to poor morale. Most consisted of the normal range of issues that any group of employees might expect management to be responsive to. Personnel management practices were given particular emphasis (PSU Submission, p.2).

The Foreign Affairs Families Association (FSFA) informed the Committee: 'FSFA does not believe that morale in DFAT is good, and to substantiate this claim relies on information from its highly developed network'.

In other words, both major staff organisations representing DFAT staff and the organisation regarded by DFAT as representative of DFAT families asserted that there were morale problems in DFAT. The fact that DFAT management tried to ignore or downplay such perceptions is itself an important part of the overall management problem in the Department.

In the course of the Committee's hearings DFAT made much of steps it had taken to improve personnel management and the statements from witnesses about improvements were taken by the Committee to mean that the situation had improved substantially. 'Most of the evidence, however, indicated recent improvement'. (Para 10.9)

DFAT and the Committee have agreed that morale is intangible. There is little point in trying to assess it through personnel statistics, which could reflect the influence of a wide variety of more tangible factors, not the least of which is the unemployment trend over the last two years. The question that needs to be addressed is whether the fundamental problems that gave rise to questions regarding morale have been addressed.

The reference of the problems concerning DFAT management to the Senate Standing Committee on Finance and Public Administration was moved two years ago, in December 1990. Since then, DFAT management has spent considerable effort in responding to problems. The inquiry itself seems to have spurred responses on many issues, not only by DFAT, but also by other agencies such as DIR. It is less clear, however, that the fundamental problems which were at the root of the low morale have been addressed.

The two fundamental problem areas which need to be addressed are:

- (i) Conditions of service issues, in relation to which the Committee has made recommendations to achieve improvements.
- (ii) Personnel management issues relating to recruitment, promotion and personnel development, which are dealt with further below.

Recruitment and Promotion, the Specialist/Generalist Debate

Much of the Standing Committee's inquiry has been devoted to the issue of destreaming. Undoubtedly, it is closely related to the issue of morale and the role of recruitment and promotion practices in the Department. However, it is important to be absolutely clear as to what is meant by destreaming and multiskilling.

Destreaming in DFAT may refer to:

1. The removal of distinctions between keyboard staff and general clerical officers.
2. The abolition of the Consular and Administration (C&A) stream and the Diplomatic stream.

The first change was a service-wide reform, embodied in the Office Structures Review, the second entirely a DFAT phenomenon, with many more implications for the management and operation of the department than the keyboard staff changes.

The term multiskilling is sometimes applied to both forms of destreaming but it means quite different things in the two contexts. In the one case, it refers to all staff learning some keyboard skills and specialist keyboard staff expanding their range of skills to cover a broad range of clerical skills. The merits of this change have to be looked at service-wide and it seems to have had little special impact on DFAT.

The breakdown of the 'caste' distinction between C&A and Diplomatic officers involves Diplomatic officers learning management skills, while C&A officers take up political analysis. As the Committee report observes, the catch-up task is considerably easier for the Diplomat. Not surprisingly, not all C&A officers have made the transition to multiskilling and many of those who have may now be finding that their promotion prospects are not good. There is little point in quoting average promotion statistics to these individuals.

The majority of the former C&A stream who have witnessed Diplomatic officers taking up key senior positions in the Canberra administration that would formerly have been reserved for candidates from their ranks, are understandably concerned.

The fact that DFAT management has failed to recognise this problem has exacerbated

its severity. At best it has led to a belief that DFAT management does not care. At worst it has fostered the paranoia reflected in DFAT Reform Group allegations.

To cater for former C&A stream officers wishing to up-grade so as to qualify for policy positions, DFAT has sponsored the Associate Diploma in Foreign Affairs and Trade. (It is based on similar units to those undertaken by DFAT graduate intake recruits for the award of a Graduate Diploma.) Some officers may have doubts, however, about the recognition a TAFE-level qualification will be given in a department with a past history of elitism based on high academic qualifications.

There is a danger that many of the management skills and experience of former C&A stream officers may be undervalued. Some issues examined by the Committee cast doubt that former Diplomatic stream officers were adequately equipped to handle senior administrative functions.

The handling of the breach of duty free car purchases by former Ambassador Brian Burke revealed poor management skills by very senior DFAT managers. Procedures adopted were clearly different to those followed in relation to allegations concerning at least one other head of mission. The account of the handling of the Burke allegations given by senior management to the Senate Estimates Committee was misleading and concealed serious deficiencies in DFAT's handling of the matter.

Similarly, the account by DFAT senior management of its role in the provision of security to foreign diplomatic missions following the attack on the Iranian Embassy on April 6, 1992, was evasive and failed to recognise DFAT's responsibilities.

The Committee recognised the problem of the perception by C&A officers that their career prospects have been eroded. What is needed is a clear indication by DFAT management of the value it places on the current skills of all DFAT officers, the additional skills they need to attain to further their careers and guidance on how they might be able to achieve their goals.

The FATA submission recommended the establishment of a 'Departmental skills register, based on short and long term Divisional needs'. Such a register would allow Management to gear its recruitment and promotion practices to transparent objectives. From the individual's point of view, career development decisions could be based on a clear understanding of the requirements for various career options.

At present, DFAT fills some specialist positions on the basis of specialist qualifications -

for example, positions requiring legal training - but most are filled by the 'bulk promotion' rounds. The latter are filled on the basis of generalist qualifications. Given that the successful promotees will be part of a pool from which they may be assigned to a wide variety of positions in Canberra or posted, the need is for versatility and adaptability.

Within this system, no explicit recognition is given to skills relating to geographical specialisation, trade policy or consular functions. When positions overseas calling for these skills are filled, some consideration may be given selecting candidates on the basis of such skills, but they are not a formal part of the promotion assessments.

The career development structure included in DFAT's submission (Annex 2) makes no reference to specific skills relating to geographical knowledge, trade policy or consular functions. They are generic public service criteria with almost no reference to DFAT's functions. At the Senior Officer C and B levels there is reference to ability to 'develop and implement strategies for the Government's trade and policy goals'.

The language skills of DFAT officers as recorded in the 1990/91 Annual Report give some insight into the results of lack of career planning. In 1991, DFAT had 142 officers with professional proficiency in French and 48 in German, but only nine with that level in Thai, eight in Korean and two in Vietnamese.

Trade skills are harder to check, but the FATA submission recorded the impression of many DFAT officers that 'trade policy skills are not valued sufficiently highly by DFAT and that 'dedicated trade skills at senior levels are eroding as officers either leave DFAT or seek to become "multiskilled" with a mix of trade, foreign policy and administrative experience'. (FATA Submission, p.5.)

Consular skills are also not documented. DFAT's submission mentions training for consular work, but it does not say anything about the role of experience in this area. There is clearly a danger that consular skills will slip in priority with the abolition of the C&A stream.

Consular functions are important. As Australians travel overseas in increasing numbers it is vital that we have a highly competent consular service. The provision of such services requires knowledge of a wide range of legal and practical matters grounded in extensive experience. This calls for carefully structured training programs and taking steps to ensure that there is a cadre of officers with sufficient experience to fill senior consular

jobs overseas.

There is nothing to indicate that DFAT now places adequate value on specialist skills or that it has any systematic approaches to encouraging officers to make career development decisions which will increase the stock of key skills in the Department.

The need for specialist skills should be part of a far more transparent approach by DFAT management to personnel management.

The PSU submission said to the Committee: 'Personnel management practices in DFAT must be improved to ensure fairness, uniformity and compliance with equal employment opportunity principles'. (PSU Submission, p.2)

The DFAT staff circular attached to DFAT's submission to the Committee made clear the importance to DFAT management assigned to versatility and generalist skills. The circular also announced that, contrary to an earlier undertaking to promote all candidates selected by Selection Advisory Committees, the Secretary would ask for a list of candidates with strengths and weaknesses identified, rather than 'a list in strict order of merit'.

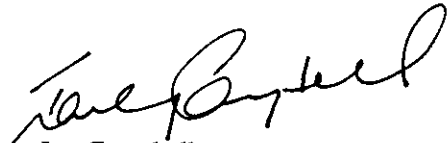
The Secretary acknowledged that 'officers will be concerned to know, to the greatest extent possible, the details of how this system would operate'. An undertaking was given that measures 'for ensuring broad confidence' would be considered. The possibility of the addition of a 'skill-based' criterion to ensure 'there can be no doubt that different types of functional expertise have equal weight in our promotions process' was also flagged.

It is clear from this circular that there is an awareness of the problems facing DFAT which have been the source of some signs of poor morale. However, it makes promises rather than providing clear guidance as to how the promotions process will be managed.

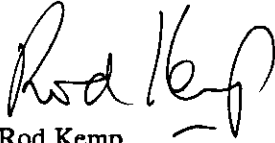
While not recommending a return to streaming, DFAT needs to take steps to ensure that it has at all levels a balance of the specialist skills needed to operate efficiently and effectively. DFAT management should ensure that DFAT staff have access to clear guidance in relation to all personnel management issues, including the following:

- the linkages between personnel development and recruitment, promotion and placement (including posting) of officers;

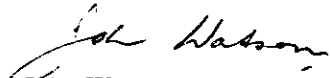
- . the balance of skills which the Department considers essential for professional performance;
- . the role which a 'skills register' plays in all aspects of personnel management;
- . job specifications as these relate to the Department's functions.



Ian Campbell
Senator for Western Australia



Rod Kemp
Senator for Victoria



John Watson
Senator for Tasmania