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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SIXTH REPORT.

DEPARTMENT OF EXTERNAL AFFAIRS.

By Authority :

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

(Appointed 25th September, 1952.)

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NEIL R. CAFFIN,
Secretary,
Parliament House,
Canberra, A.C.T.

THE DUTIES OF THE COMMITTEE.

Section 8 of the *Public Accounts Committee Act* 1951 reads as follows:—

8. The duties of the Committee are—

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (1) of section fifty-three of the *Audit Act* 1901-1950;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question, and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

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DEPARTMENT OF EXTERNAL AFFAIRS.

INTRODUCTION.

1. The Committee examined the accounts of the Department of External Affairs on 18th August, 1953, in Canberra.

2. The Committee noted that the Auditor-General had certified to the correctness of the accounts and, in accordance with its practice outlined in earlier reports, the Committee selected specific features of the Department's administration for investigation.

3. The Department submitted a number of statements to the Committee which are included as exhibits^(a) in these proceedings. Other statements were obtained from the Public Service Board, the Department of Commerce and Agriculture and the Treasury.

HISTORY OF THE DEPARTMENT.

4. The history of the Department is set out in a statement presented to the Committee^(b) and is summarized in the following paragraphs:—

As the question of the security of the Australian Colonies was one of the most important factors in the forces making for Federation, the Department of External Affairs was renamed soon after the first Federal Government took office in 1901. Its functions included dealing with the relations of Australia with the United Kingdom, and matters arising out of Australia's position in the Pacific such as mail services to the Pacific Islands and the administration of Papua. It also handled immigration, the issue of passports and the naturalization of aliens.

During the first World War, in 1910, the Department as a separate entity was abolished, and its work was handed over to the Prime Minister's Department, which took over external affairs, and to the new Department of Home and Territories, which handled passports, naturalization and Territories. In 1919 a Pacific Branch of the Prime Minister's Department was formed to deal with matters relating to the Pacific and the Mandates under the League of Nations.

In 1921 the Department of External Affairs was re-established, but only as an adjunct to the Prime Minister's Department, whose Secretary was also Secretary for External Affairs. It was concerned principally, at that time, with League of Nations activities, including those of the International Labour Organization.

In 1924, following the Imperial Conference of the preceding year, which had very fully discussed the foreign policy of the British Commonwealth, the Department was reorganized and for this purpose Mr. Allen Leeper, an Australian-born member of the Foreign Office was made available for consultation. The staff at this time was very small administratively—small—there were only four clerks in the administrative service—and a newly appointed Liaison Officer (Mr. R. G. Casey) in London, who had established a direct channel of communication between the Australian and United Kingdom Governments on matters affecting Australian interests.

It was not until 1935 that, consequent upon a rapid increase in the volume of work handled, the Department again became a distinct entity, and Lieutenant-Colonel Hodgson was

appointed Secretary. In 1936 the Department was expanded and re-organized, being divided into two sections—the Political Section and the International Co-operation Section. Thus constituted, the Department comprised its Secretary, four officers of the Political Section, three officers of the International Co-operation Section and two Records officers—a total staff of ten.

Until this time, indeed until 1940, Australia had not appointed her own Ministers to foreign capitals and instead preferred to rely on a system of liaison through British representatives. In May, 1937, an Australian Counsellor took up duty with the British Embassy in Washington, becoming the first Australian diplomatic representative in a foreign country.

In January, 1940, an Australian Minister was appointed to Washington, and in the same year representatives were accredited to Canada and Japan. Hereafter, under the stress of new forces, our representation overseas and particularly in nearby countries grew rapidly. As the situation in the Pacific deteriorated, posts were established in New Caledonia (1940), Portuguese Timor (1941), Malaya (1941), China (1941), and subsequently to Holland (1942), the U.S.S.R. (1943), India (1944), and New Zealand (1944).

The present position is that in addition to Australian High Commissioners in London, Ottawa, Wellington, Cape Town, United Nations, New York, Australia now has diplomatic missions in the Middle East (Egypt and Israel), in South Africa, in the United States (Washington, San Francisco and Honolulu), in Canada (Vancouver and Toronto), in India, and also in China. There are Consulates-General in New York, San Francisco and Geneva, as well as Consular posts in New Caledonia and Portuguese Timor.

The expansion of the foreign service necessitated a considerable development of the internal organization of the Department at Canberra. In May, 1946, approval was granted for the appointment of two Assistant Secretaries (Administrative and Political), while the activities of the Department were to be grouped into four divisions—(Administrative and General; European, American and Middle-East; Pacific and United Nations and International Organization), the Heads of which were to be raised to the rank of Counsellors.

While the Organization of the Central Office has developed broadly along the lines laid down in 1946, the very nature and scope of the Department's work requires that the continuous review of the administrative organization is necessary to meet changing needs and growing responsibilities. The present actionalization of the Department admits six main Divisions, the Administrative and General Division, United Nations Division, Geographical Regions Division, Legal and Treaty Division, Overseas Diplomatic Staff Division and the Antarctic Division.

The creation of the Antarctic Division dates back to July, 1948, and since that time the Department has been responsible for the scientific research and investigation work carried out at Heard and Macquarie Islands. Based on experience gained at the Sub-Antarctic-Island stations, an expedition is currently being raised to establish a permanent base on the Antarctic Continent in 1949. Upon the scientific results which the various expeditions achieve, depend the national prestige and political advantages which follow from Australia's occupation of the Islands, and Antarctic.

By 1951, there were 751 persons employed by the Department but with the introduction of the retirement programme in September of that year, the staff was reduced to 683 persons. Of necessity this figure has been gradually increased and at present the Department has a staff ceiling of 735.

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FUNCTIONS OF THE DEPARTMENT.

5. The statement of functions of the Department is set out in the Administrative Arrangements Order, an extract of which is contained in Appendix No. 1 to this Report. The Secretary of the Department stated that he regarded this statement as the "basic charter" of the Department, although the inclusion of a function in it would not be taken to entitle the Department to ask for staff and funds to carry it out. That would require first a Government or Ministerial decision.

6. The Committee pointed out that, as in the case of other departments whose accounts it had examined, there were weaknesses in the statement of functions of the Department. For example, some of the function-listed duplicate others, some are not defined in sufficiently precise terms and others cover fields of activity which are also claimed by other departments.

7. The Committee inquired whether the employment of the Department as the official channel of communication for all matters with foreign governments led to any duplication of effort by the Department and other Commonwealth departments. The Secretary of the Department of External Affairs informed the Committee that this did not happen. The Department had its overseas posts which communicated with foreign governments and was responsible for the Government's cable service and from Australia. Again since the Department was responsible for the administration of the foreign policy of the Government, it tended to act (a) as a supervisor of the external communications of other Government departments, and (b) as a co-ordinator of the methods and communications of other Commonwealth departments that were concerned with external relations or international associations or organizations.

8. A further reason advanced for the absence of duplication of the work of other departments was that those departments were concerned with the technical aspects of international organization, whereas the Department of External Affairs was concerned with the broad issue of relations with foreign governments and international organizations. The Secretary did, however, agree that the statement of functions of the Department should be studied with a view to clarification.

ESTABLISHMENT AND STAFF OF THE DEPARTMENT.

9. The Committee was informed that the establishment and staff of the Department since 1950 have^(a)—

	30th June, 1950	30th June, 1951	30th June, 1952	30th June, 1953
Establishment— Number of Positions in—				
Australia* ..	270	312	289	310
Overseas ..	437	470	463	474
	707	782	764	783
Number of Staff— In Australia* ..	248	285	205	271
Overseas ..	408	422	438	456
	656	707	703	727

* Including Antarctic Division

10. It will be seen that, as in the other departments reviewed by the Committee, there is a wide disparity between the staff actually employed, and the establishment strength approved by the Public Service Board. The system of authorizing the creation of positions that are not filled from year to year could lead to a loss of control over staffing.

(a) Exhibit No. EA/6.

11. The Committee discussed the movements in the numbers of staff revealed by those figures with the Secretary of the Department. He stated that, in spite of the Government's policy of staff refreshments, the Government had decided to increase the Australian representation in South-East Asia and that had meant an increase in staff. There had also been an increase in the staff required for representation at international conferences. He emphasized the view that, although the stationing of staff at some posts may not seem to bring in its train, or to be supported by, immediate tangible benefits to Australia, there were other reasons to support the action taken in each case.

12. The Department did not, however, have a system by which the staffing and activities of overseas posts were inspected regularly. An inspection of a number of posts had been made by the Chairman and an officer of the Public Service Board when on tour overseas in 1949 and an officer of the Department had recently visited some far-eastern posts. The Secretary thought that there should be an annual or even a six-monthly review of the posts; he, however, had no staff to make the inspections which might be a function of the Public Service Board.

13. Examining the departmental statements of staffing at particular posts, the Committee noted the following points:—

- (1) The staff of the Moscow Embassy included locally engaged staff: two clerks, two chauffeurs, two cleaners and two messengers. When the Secretary was asked whether he was satisfied about the "security" aspect of this staff, he stated that he was not happy about the position; however, the employment of Australian staff at this post was expensive. It was a question of balancing security against cost. The Public Service Board thought that there was work, not of an important character, that could be done by the locally engaged staff.
- (2) At several posts, the number of subsidiary staff was high in relation to the permanent diplomatic staff. For example, at the Washington post, the statement showed that there were twelve messengers/guards for eight permanent staff. At Tokyo there were five chauffeurs for nine permanent staff, at New Delhi seven messengers for eight permanent staff and so on. The Secretary explained that the officers at Washington were located in different offices scattered throughout the city. At Tokyo, health and other reasons meant that the permanent staff could not use the public transport systems, but had to use cars—nevertheless the number of chauffeurs necessary was being reviewed. At New Delhi, the messengers were required because of the widespread layout of the city and the need to supplement telegraph and transport facilities.

14. The Committee has examined these and other features of staffing revealed in the statements. It is not in a position to say whether the overseas posts are staffed on a reasonable and economic basis and with full regard to "security", but it is satisfied that the question should be carefully considered by the Government. It may require regular inspections of overseas posts by a qualified officer who should cover the staffing, activities, accommodation and cost of each post visited; such inspections would also be valuable in determining overseas allowances which are discussed later in this Report.

COST OF THE DEPARTMENT.

15. The expenditure recorded under votes of the Department of External Affairs has risen steeply from £4,478,000 in 1948-49 to £7,097,000 in 1952-53. Salaries and allowances costs rose over the same period from £658,000 to £1,008,000. Details of the expenditure are set out in Appendix No. 2 of this Report.

16. A substantial proportion of the increased expenditure has resulted from the schemes of International Development and Relief, to which Australia has contributed, and from membership of the United Nations and other international organizations.

17. The cost of the central administration and overseas representation of the Department also increased steeply from £928,000 in 1948-49 to £1,715,000 in 1952-53.

18. There has been criticism of the cost of external representation of Australia and the Committee enquired of the Department whether the scale of spending was too lavish when measured by the economic and financial standing of Australia. In answering this criticism the Secretary presented a statement made by the Minister of External Affairs on 5th May, 1952, which set out the reasons for separating Australian external representation from that of the United Kingdom. The following extract is taken from that statement:—

The need to maintain a foreign service sprung from various considerations, including that of security. This requires the maintenance of good relations with other countries, which necessitates diplomatic representation, particularly with those countries whose security is interwoven with ours.

It follows that Australia must be adequately represented in the countries of South and South-East Asia and the Pacific, in the stability of which areas we have a vital interest, and, owing to post-war developments, a new and special responsibility.

However, all this having been said, we have to count the cost of our overseas representation. Compared with the foreign services of other Commonwealth countries, the cost of maintaining our own is not high as the following table will show:—

	Percentage of Statistical Budget (1952-53).
Australia ..	.189
United Kingdom ..	.143
Canada ..	.277
New Zealand ..	.188
South Africa ..	.343
India ..	.824
Pakistan ..	.720

19. Examining these figures and the basis on which they had been prepared, the Committee took as a different comparison of the British Commonwealth countries' expenditure one based on national income, and, in the case of Australia, including the cost of the Australian High Commissioner's Office, London, which is provided for in the votes of the Prime Minister's Department. The following figures, details of which are set out in Appendix No. 3, were produced by the Committee:—

COMPARISON OF EXPENDITURE ON EXTERNAL REPRESENTATION AS A PERCENTAGE OF THE NATIONAL INCOME (1952-53).

Canada ..	..	..	..	.043
Australia ..	..	..	..	.038
South Africa ..	..	..	..	.030
New Zealand ..	..	..	..	.074
United Kingdom ..	..	..	..	.133

20. The Secretary of the Department agreed that these figures were perhaps a fairer guide although, even with these figures, special circumstances could account for some of the variations.

21. The Committee agrees that there are many difficulties when making comparisons of national expenditures but, as far as the percentages given above have validity, they appear to suggest that the expenditure by

the Commonwealth Government^(a) on external representation is not out of line with that of other British Commonwealth countries.

22. The Secretary of the Department drew the attention of the Committee to the fact that part of his Department's cost was attributed to common services provided for other departments. Examples of these services are—

- (a) in Washington, the post paid for nineteen typists of whom thirteen were engaged on work of other departments,
- (b) the cost of all outward cables and radiograms for Commonwealth departments is borne by the Department (Division 17.3.6).

23. The Committee also observed that staff at the New York post handles procurement of supplies for the Australian National Airlines Commission and the Department charges to the Commission the cost of the staff. The cost is calculated on a basis agreed on between the Department and the Commission.

24. The practice of one department providing common services for other departments is general throughout the Commonwealth departments and it raises the question of recoupment. The Committee is examining this problem in its discussions on the form of the Commonwealth Estimates.

REDUCTION OF ESTIMATES UNDER DIVISION 17.1.1—SALARIES AND ALLOWANCES.

25. In its submission to the Committee on staffing costs for 1952-53^(b) the Department stated—

that the salary provision for the several categories of staff (i.e. Commissioners, Clerks, First, Second and Third Secretaries, Clerks, Typists, &c.) is £10,245,000. The Department estimates were prepared on the former basis, but were reduced to £151,000 by the Treasury. No attempt has been made to apportion this reduction among the various staff groups. Treasury approval has already been granted to the restoration of the cut, and this will be reflected in supplementary estimates.

26. A subsequent statement^(c) from the Department gave further explanation—

When the draft estimates for 1952-53 were prepared, the total estimated expenditure as submitted to Treasury was £10,192,000. In addition to this, having regard to the expenditure of previous years and other influencing factors the figure was too high. Treasury reduced the amount by £10,000 to £151,000 with an assurance that if the amended amount was insufficient and further funds were required without entering into any additional commitments, the extra amount would be provided.

In making this assurance, it was not applied to any particular items but to the division of expenditure generally. Subsequent events did permit further savings, but not to the full extent that Treasury had hoped. However, an amount of £7,000 on the £151,000 was saved on the originally estimated expenditure.

The total estimated expenditure for the year has been now reduced to £150,000 and £154,000 from £155,000 in respect of expenditure originally visualized by the Department and the difference of £3,000 on the amount of £151,000 was agreed by Treasury to be necessary expenditure within the original programme and funds were provided.

The remaining amount of £9,000 was provided in respect of index adjustments based on the Arbitration Court index. It should be noted, however, that this was a new commitment not envisaged at the time the estimates were prepared and one which Departments are not permitted to anticipate, the necessary funds being provided by Treasury when a cost of living variation is announced. This amount is therefore an additional and unforeseen expenditure which would apply to all Departments.

27. The Department did not reduce its expenditure to the amount of £151,000 provided in the Estimates, under Division 17.1.1. And it did not because it had an assurance that the Treasury would not insist

(a) It should be noted that the Australian State missions in London are not included in the £151,000 a year.

(b) Exhibit EA/1.

(c) Exhibit EA/3.

upon the reduction, subject, perhaps, to the condition, that additional commitments were not entered into. It later obtained from Treasurer's Advance Account an additional £3,000 for expenditure "within the original programme".

28. The Committee finds this action disquieting. The Parliament knew nothing of the assurances of the Treasury. It thought it was being asked to vote £151,000 for "Salaries in Division 17.1.1", whereas in fact the Department and the Treasury had arranged to obtain any additional funds needed under Supplementary Estimates. It is obvious, therefore, that the amount of £151,000 presented to the Parliament in the departmental estimates was misleading. The arrangement entered into between the Department and Treasury had the effect of nullifying the intention of the Treasurer to reduce the departmental estimates.

29. The Committee thinks that actions of this nature should be closely examined since they may be in one way of defeating decisions by the Government to reduce the Estimates that are to be presented to the Parliament.

OVERSEAS ALLOWANCES.

30. The Committee was informed that allowances were paid to officers stationed at overseas posts and that in 1952-53, excluding assistance to officers towards the cost of accommodation, they amounted to approximately £4,239,000, or 21.6 per cent. of the salary and allowances cost of the Department. It was also informed that overseas allowances were paid by the Department of Commerce and Agriculture to officers of the Trade Commissioner's Service under the *Trade Commissioners Act 1933-1936*; it therefore obtained statements on the two schemes of allowances from the Public Service Board, the Department of Commerce and Agriculture and the Treasury.

31. A short comparison of the two schemes is attached as Appendix No. 4.

32. The Committee discussed the schemes with representatives of the Departments and it has selected the following points for comment—

(i) Basis of Schemes of Allowances.

33. The Public Service Board and the Department of Commerce and Agriculture stated that the intention to be served by the allowances was to provide a standard of living suited to the particular area, having regard to the official status of the officer both at home and abroad.

34. The Department of External Affairs went on to explain to the Committee that—

Whilst Australia is perhaps the cheapest country in which to live—we have not yet found one cheaper—some supplement has to be made towards the income of overseas officers in order to enable them to live at a standard comparable to that which an officer would enjoy in Australia.

35. The Committee has been informed, however, that officers of a number of countries stationed in Canberra receive allowances from their governments, presumably to meet higher costs of living in Canberra and the expenses incidental to living in another country. That is, the New Zealand officer stationed in Canberra receives an allowance from his Government presumably because costs in Australia are considered to be higher than in New Zealand, while the Australian officer stationed in New Zealand receives a local allowance and a child allowance (and a benefit of an exchange increment) presumably on the reverse assumption.

36. The Department of External Affairs thought that part of the answer to this curious situation might be found in the level of rents charged by diplomatic staff. The Committee is aware that rent allowances

are provided to officers (although that is not the case in the New Zealand post); but it does not appear that the answer of the Department is complete.

37. The Committee feels that, if the justification for the allowances put forward by the Departments is accepted, an anomalous position could develop. It also considers that there should be an examination of the costs of living in Australia and at overseas posts to arrive at a satisfactory basis for the payment of allowances.

(ii) Determination and Review of Allowances.

38. The allowances, excluding representation allowances, for the Department of External Affairs overseas staff are approved by the Public Service Board on the recommendations of the Overseas Allowances Committee which comprises representatives of the Board and the Department of External Affairs and the Treasury. This Committee is assisted by budgets of expenditure and statements of prices submitted by the officers overseas. The budget system does not apply to the allowances paid to Ambassadors, Ministers and High Commissioners, which are approved by the Executive Council on the recommendation of the Minister for External Affairs.

39. A budget lists the rate of annual expenditure claimed by an officer on food, clothing, savings, holidays and other personal expenses and offsets the salary and child allowances, the balance left being the local allowance claimed. The details of the budget are scrutinized by the inter-departmental committee. Checks are made on quantities and prices and against the relativity between posts which other countries have established; at new posts, however, the inter-departmental committee has little check on the figures supplied by the officer. Reductions in the amounts claimed are made where thought necessary. The Public Service Board stated that the officer's interest was in the net amount of income received from all sources. There was frequent disagreement between the Board and the Treasury, on the one hand, and the Department of External Affairs on the other, on matters of principle and of detail.

40. The Department of Commerce and Agriculture stated that in its view budgets were not indispensable and it did not use the budget method. Instead, it relied on price information, the payments made by other Governments and by the Department of External Affairs. In addition the advice of the Public Service Board was sought. The Committee was informed by a witness from the Department of Commerce and Agriculture that he distrusted budgets from officers for they tend to reflect the relative ability of officers to present a case for allowances. In any case, their methods produced results no more satisfactory than those of the Overseas Allowances Committee.

41. In view of this difference of approach to the determination of allowances the Committee sought information of the methods used by other countries. It appears that the United Kingdom Government grades the overseas posts on the basis of reports from inspectors. The Canadian Government uses a "market basket" system under which a given quantity of goods is priced quarterly in the overseas countries and the allowances are based on the costs of the "market basket". As might be expected the allowances paid by different Governments to officers at the same location differed.

42. There appeared to be a measure of agreement among the witnesses that the desirable solution was to have the posts inspected regularly for the assessment of information for determining allowances, as well as

for those other purposes that the Committee has suggested earlier in this Report. The views of the Committee are in accord with those of the witnesses on this point.

(iii) Comparison of Rates of Allowances Payable by the Department of External Affairs and by the Department of Commerce and Agriculture.

43. The information presented to the Committee by the witnesses showed that, although in many cases the rates of individual allowances under the two schemes were the same, in a significant number of other cases they differed widely. Examples of the differing allowances are—

	Department of External Affairs.	Department of Commerce and Agriculture.
Local Allowance—	£s. 1,050	£s. 750
Singapore ..	1,050	750
South Africa ..	250	450
Child Allowance—		
Karnal ..	162	112

44. The Department of Commerce and Agriculture stated that it was their opinion that the demands made on officers of the two Departments of the same grade at the same location would be of the same degree.

45. The Committee is unable to say which amount should be paid, but it is concerned that there should be differences in allowances payable by the Commonwealth Government to Commonwealth officers of comparatively equal standing in the one location. The Public Service Board stated that differences in rent and other allowances would tend to iron out the differences arising from any variation in local allowances. Net differences would, however, remain.

46. The Board also explained that consultation with the Department of Commerce and Agriculture had only taken place during the last two or three years and the trend was towards uniformity of rates between the two schemes.

47. It seems to the Committee, on the evidence presented to it, that there is a clear case for similar treatment in the payment of allowances and it recommends that action should be taken to investigate the reasons for the different rates.

(iv) Exchange Increment.

48. Officers who took up their station in North America prior to 1st February, 1953, on long-term postings had their salaries and allowances converted at the rate of \$4.866 to £1. (Those who took up their stations after 1st February, 1953, have their salaries converted at the official rate of exchange of \$2.23 to £1, and receive allowances expressed in dollars.)

49. In other regions, with some exceptions, the Australian salaries and allowances are regarded as sterling, i.e., 25 per cent. higher. In Moscow, the rate of exchange for the rouble used by the Board, 25.792 roubles to £1, means that the officer can treble the allowances and salaries as the official rate is 8.06 roubles to £1. In both cases the officer receives a substantial exchange increment. The system is used to stabilize the return to the officer in terms of the local currency.

50. It seems to the Committee that the exchange increment imports an unnecessary complication and that it would be simpler if

(a) all allowances were expressed in terms of the local currency (as has recently been done for officers newly appointed in North America) and

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(b) the current rate of exchange were used for the conversion of the salary.

The Public Service Board has indicated that this will be done as circumstances permit.

(v) Rent and Food Allowances.

51. For rent, a different system is applied: the Commonwealth either pays the full amount of the rent, or hotel account, to the landlord or, if it owns the house, it deducts from the officer's salary an amount for rent plus food as the case may be calculated from the scale circulated by the Public Service Board on 13th September, 1951 (P.S.B. Notice No. 1951/37). The Board explained that the present scale replaced an older scale on 4th October, 1951, and was in fact designed for the calculation of living-away-from-home allowances *within Australia* in cases where actual figures could not be ascertained.

52. The Committee examined the scale and found it quite unrealistic as these examples show—

	Scale.
Unmarried officer with a salary	£ s. d.
Officer and wife with salary £501-£600 per annum	1 5 0 0 1 15 0 3 0 0
£1,751-£2,000 per annum	2 0 0 0 2 15 0 4 15 0
	4 0 0 0 3 12 0 9 12 6

53. Children are included in the scale at a "cost" of, for example, 10s, and 12s. d. a week according to the number of children and salary levels; and the scale provides for the charge for rent and food to increase by small amounts with each salary increase of £100 per annum.

54. The Board defended the scale on the ground that under the budget system, it did not really matter what rent figure is used: the local allowance would have to be increased to offset an increase in the rent charged.

55. The Committee is satisfied that the present system needs overhauling. Whether by design or not, the present scale is not a realistic "rent and food cost" scale. The cost of allowances to officers should be disclosed by proper charges, and if necessary by higher allowances. It seems desirable that any new system should aim at a scale using real-life figures which should be kept on that basis. This would mean that, in whatever sphere the scale is used—overseas or within Australia—the charges would be realistic and not open to the obvious criticism which can be levelled at the present scale.

NEW AUSTRALIAN HIGH COMMISSION BUILDINGS AT NEW DELHI, INDIA.

56. The Department of External Affairs acquired from the Indian Government a perpetual lease of an area of 11.88 acres in the diplomatic area in New Delhi, India, for the erection of offices and residences for the Australian High Commission and staff. An amount of £95,117 has been paid by way of premium for the lease and an annual ground rent is charged of 1 rupee (1s. 10d. Australian).

57. The Department stated that the buildings to be erected would cost nearly £300,000, and that the first three of the bungalows were expected to be completed by January, 1954.

58. The total cost of the proposal would be approximately £400,000. The Committee was informed that at one stage a proposal for an exchange of land in Canberra for the Indian High Commission in Australia

for land in New Delhi for the Australian High Commission in India had been considered. The differences in the leasehold tenures, the conditions of the leases and the value of the two pieces of land to be exchanged were so dissimilar that the exchange was impracticable.

50. The Department agreed that the cost of the whole proposal was high and stated that it had entered upon it with great reluctance. Land outside the diplomatic area was said to cost at least £20,000 an acre. The existing accommodation position in New Delhi is a difficult one, and the costs of subsidizing staff accommodation are high. It seemed to the Department that the proposal itself was the only reasonable way to relieve the position.

56. The Committee was assured that suitable arrangements had been made for the design and supervision of the project, for which funds had been voted by the Parliament after scrutiny by the Treasury.

61. The Committee did not examine the plans of the buildings. It did, however, inquire whether the proposal had been examined by the Parliamentary Standing Committee on Public Works and it was informed that it had not. Your Joint Committee on Public Accounts recommended in its Fifth Report on the Department of Works that the powers of the Parliamentary Standing Committee on Public Works should be enlarged to cover the investigation of all major projects. The present project involves a large-scale building operation in another country, paid for from funds under the control of the Department of External Affairs. It seems to your Committee that it would have been wise to have had the proposal examined by the Parliamentary Standing Committee on Public Works. Even at this stage, a review by that Committee would be worthwhile.

DIPLOMATIC CADETS.

62. Before the 1939-45 War the Department relied on the recruitment of university graduates for its new staff and the cadet system was inaugurated in January, 1943, to assist in coping with the rapid development of the Department under war conditions. In the earlier years of the system candidates were selected for training after undergoing a competitive oral examination, and were then given a year's course at a University in common subjects. Cadets are now selected by the Public Service Board, Canberra University College and the Department of External Affairs.

63. A comprehensive system of inquiries is also carried out. Candidates for cadetships must now be University graduates who are British subjects under 31 years of age in the case of ex-service men and women, and under 25 years in other cases.

64. The cadetship is for two years. During the first year, the cadet attends the School of Diplomatic Studies at the Canberra University College where post-graduate study is undertaken. In the second year, the cadet receives departmental training and, subject to satisfactory service, is advanced to the rank of Third Secretary.

65. The Secretary stated that eight cadets are being trained at the School of Diplomatic Studies and that the Department is proceeding on the assumption that there will be an intake of sixteen cadets during the next four years. The Committee advised that the increase in the cost of training the smaller number of cadets will be considerable.

66. The estimate of cost is an aspect that seems to the Committee to justify examination. The methods of training as well as the payment for it were developed at a time when many candidates were seeking entry to the Diplomatic Service. And, in those days, since a

University degree was not essential, the candidates selected for training showed a very wide disparity in educational standards. To frame a course suited to cadets of such different standards was not only difficult but costly.

67. The present requirement of a University degree reduces the number of academic courses necessary, but there still remains the need to provide suitable technical training, e.g. in languages, law and economics.

68. If, however, the average annual intake of cadets is to be fixed at four, the whole position is altered. Training could be on tutorial lines, when the cost would be much less than the present estimate. The Committee recommends that the question should be reviewed by the Public Service Board, the Treasury and the Department of External Affairs before arrangements are made for the 1954 intake of cadets.

IMPREST ACCOUNTS.

69. An imprest account is located at each overseas post of the Department, except at London, New York and New Delhi, where Treasury funds are available. Generally the amount of the imprest account is sufficient to meet two months' expenditure of the post for salaries and general expenses. Some posts are required to undertake services for other departments, such as the post at Rome for the Departments of Immigration and Commerce and Agriculture, and, in those cases, the amount of the imprest account may be much larger.

70. The Department stated that the balances held in the imprest accounts at overseas posts at 30th April, 1953, amounted to approximately £A.120,000^(a) and that the amount required for each post was under constant review.

71. The Committee was told by the Treasury that other departments had similar imprest accounts. The Treasury also stated that the balances of these accounts are not called in at the end of each financial year because the view is taken that the money will be spent within a comparatively short period of time.

72. The Committee noted that there does not appear to be any record of these cash holdings in the Statement of Treasury Balances in the Budget Papers or elsewhere in statements submitted to Parliament. The Treasury has undertaken to let the Committee have a return of all imprest accounts and the Committee then proposes to continue its examination of this feature of financial administration.

CONCLUSIONS OF THE COMMITTEE.

73. Having completed its examination of the accounts of the Department of External Affairs the Committee makes the following comments:-

Functions—

(1) The statement of functions of the Department of External Affairs should be reviewed.

Cost of Department—

(2) The expenditure on representation is in line with that of other British Commonwealth countries if the cost of external representation is taken as a percentage of national income.

Review of overseas staff—

(3) A system of regular inspections of overseas posts by a qualified officer should be introduced.

(a) The balance held in imprest accounts at 30th June, 1953, amounted to approximately £A125,000.

(4) The views of the Committee expressed in paragraph 20 should be carefully noted by the Treasury.

Overseas allowances—

(5) There should be an examination of costs in Australia and at overseas posts to determine a satisfactory basis for allowances.

(6) The system of regular inspection of overseas posts should include the assessment of the information upon which allowances are determined at each post.

(7) The difference in rates of allowances paid to officers of the Department of External Affairs and to those of the Department of Commerce and Agriculture respectively should be examined.

(8) The exchange increment introduces an unnecessary complication; the practice already adopted for employees stationed in North America should be extended, i.e.—(a), the allowances should be expressed in the currency of the country where the officer is stationed, and (b) the

salary should be expressed in Australian currency and converted at the current rate of exchange.

(9) The scale of rent allowances is unrealistic and should be revised for use whether in Australia or overseas.

New Delhi project—

(10) The New Delhi project should be examined by the Parliamentary Standing Committee on Public Works.

Diplomatic cadets—

(11) The method of training diplomatic cadets should be reviewed having regard to (a) the proposal to reduce the rate of recruitment and (b) the possible heavy *per capita* increase in cost in 1954.

On behalf of the Committee,

W. A. PLAND
W. A. PLAND, Chairman,
Secretary,
Parliament House,
Canberra, A.C.T.

7th September, 1953.

APPENDIX No. 1.

EXTRACT FROM ADMINISTRATIVE ARRANGEMENTS ORDER BY HIS EXCELLENCE THE GOVERNOR-GENERAL,
DATED 21st JUNE, 1951.

Name of Department.	Matters dealt with by the Department.	Acts Administered by the Minister of Department.
External Affairs	<p>Antarctica—Australian Antarctic Territory</p> <p>Australia-New Zealand Agreement Implementation through Australia-New Zealand Affairs Secretariat</p> <p>Australian Embassies, Legations and other permanent missions abroad (with the exception of the Australian High Commission in London), Australian Consular representations abroad</p> <p>British Commonwealth political relations</p> <p>British Commonwealth representatives in Australia (with the exception of the High Commissioner for the United Kingdom)</p> <p>Channel of communication—</p> <ul style="list-style-type: none"> (i) for all matters between other Departments and diplomatic missions in Australia; (ii) for all matters between other Departments and Australian missions abroad (except the Australian High Commissioner in London) <p>Communication with United Kingdom diplomatic missions and consulates</p> <p>Consuls and consular matters</p> <p>Cultural relations with other countries</p> <p>Custody of property in Australia of enemy powers</p> <p>Diplomatic and consular missions in Australia</p> <p>Foreign affairs and broadcasting—any aspects</p> <p>Foreign affairs and relations with foreign governments</p> <p>International Conferences</p> <p>International questions affecting policy in respect of trusteeship and economic relations</p> <p>Protection of Australian nationals and interests abroad, including claims against other countries</p> <p>South Pacific Commission</p> <p>Special political missions</p> <p>Treaties and International Agreements</p> <p>United Nations; principal and subsidiary organs; field commissions and specialized agencies</p>	<p><i>Australian Antarctic Territory Acceptance Act 1933</i></p> <p><i>Charter of the United Nations Act 1945</i></p> <p><i>Defence (Transitional Provisions) Act 1940-1950</i>, insofar as it relates to National Security (Supplementary) Regulation 1948</p> <p><i>International Labour Organization Act 1949</i></p> <p><i>International Labour Organization Act 1947</i> (together with the Department of Labour and National Services)</p> <p><i>International Organization (Privileges and Immunities) Act 1948</i></p> <p><i>Treaty of Peace (Belgium) Act 1947</i></p> <p><i>Treaty of Peace (Ireland) Act 1947</i></p> <p><i>Treaty of Peace (Hungary) Act 1947</i></p> <p><i>Treaty of Peace (Italy) Act 1947</i></p> <p><i>United Nations Educational, Scientific and Cultural Organization Act 1947</i> (together with the Prime Minister's Department)</p> <p><i>United Nations Food and Agriculture Organization Act 1944</i> (together with the Department of Commerce and Agriculture)</p> <p><i>World Health Organization Act 1947</i> (together with the Health Department)</p>

APPENDIX No. 2.

COST OF DEPARTMENT OF EXTERNAL AFFAIRS 1948-49 to 1952-53.

		1948-49.	1949-50.	1950-51.	1951-52.	1952-53.	(Estimate) 1953-54.
Administrative Salaries and General Expenses	Overseas Representation Salaries and General Expenses	£'000. 090	£'000. 284	£'000. 096	£'000. 1,161	£'000. 1,301	£'000. 1,446
Total	.. .. .. ..	(a) 928	1,005	1,344	1,603	1,718	1,916
Miscellaneous Services	.. .. .. ..	733	877	951	971	840	949
Miscellaneous Services (War)	.. .. .. ..	2,770	77	67	88	4,271	4,280
International Development and Relief	.. .. .. ..	1	1,150	1,611	4,850	2	15
Other	.. .. .. ..			1		15	
Total	.. .. .. ..	4,432	3,109	3,844	7,603	8,853	7,129
Capital Works and Services	.. .. .. ..	46	161	222	204	244	255
Total	.. .. .. ..	4,478	3,300	4,069	7,707	7,087	7,384
Salaries (a)	.. .. .. ..	558	636	746	876	1,008	1,130

APPENDIX No. 3.

COMPARISON OF EXPENDITURE ON EXTERNAL REPRESENTATION BY THE COMMONWEALTH GOVERNMENT WITH NATIONAL INCOME.

Country.	National Income.				Estimated Cost of External Representation 1950-51. £A.m.
	Year.	Amount.(b) £A.m.	Exchange Rate.(c) £Stg.100 to £A.125	Amount in £A.m.	
Australia	1950-1951	£A.m. 521m.	£Stg.100 to £A.125	3,116	1.8 .058(d)
United Kingdom	1950	£Stg.m. 11,447	£2.4 to £A	14,300	19.0 .133
Canada	1950	£m. 14,609	£A.100 to £A.125	6,087	2.0 .043
South Africa	1950-1951	£SA.m. 1,114	£A.100 to £A.125	1,392	.8 .038
New Zealand	1950-1951	£NZ.m. 690	£NZ.100 to £A.124.5	749	.55 .074
	(a)				

(a) 1st April to 31st March.
(b) Figures supplied by Bureau of Census and Statistics.
(c) Rates supplied by Treasury.
(d) For 1950-51 the above figures were—
National Income—£A.3,570m.
Estimated cost of External Representation—£A.2.3m.
Per cent. of National Income—.058 per cent.

APPENDIX No. 4.

OVERSEAS ALLOWANCES.

Overseas allowances are paid on two scales—

- (a) by the Department of External Affairs (and other departments) to officers stationed at overseas posts, and
- (b) by the Department of Commerce and Agriculture to its officers of the Trade Commissioner Service overseas.

A short comparison of the two schemes of allowances is—

	Department of External Affairs.	Trade Commissioner Service.
Authority for Payment	Public Service Act Appropriation Act Public Service Board on recommendation of Overseas Allowance Committee (Treasury, Public Service Board and Department of External Affairs)	Trade Commissioner Act
Method of Determination	Representation Allowance and Medical Expenses determined by the Treasury	Department of Commerce and Agriculture
Allowances ..	Local Allowance—to provide a suitable standard of living Representation Allowance—for official entertainment Rental Allowance—for rent is substantially higher than Australian standards	Medical Expenses determined by the Treasury
Exchange Increment ..	Child Allowance—additional costs of each dependent child under sixteen years in the foreign country Education Allowance—for certain kinds of education in Australia Medical Expenses—to meet part of higher costs Special exchange conversion rates give an exchange increment in most cases	Local Allowance—to provide a suitable standard of living Representation Allowance—for official entertainment Rental Allowance—to offset higher rent overseas Child Allowance—for additional costs of a child overseas Education Allowance—for certain kinds of education in Australia Medical Expenses—to meet part of higher costs Special exchange conversion rates give an exchange increment in most cases