



Australian Government

Department of Defence

**Joint Committee of Public Accounts and Audit Inquiry into
Auditor-General's Report No. 38 – Mitigating Insider Threats
through Personnel Security**

**Department of Defence
Written Submission**

August 2018

Executive Summary

The Department of Defence appreciates the opportunity to provide a submission to the Joint Committee of Public Accounts and Audit in relation to its inquiry into the Australian National Audit Office Audit Report 38 – *Mitigating Insider Threats through Personnel Security* (the audit). The Department of Defence (Defence) further welcomes the opportunity to appear at the public hearing scheduled for 17 August 2018 in relation to the inquiry.

Defence agreed to all four recommendations made by the ANAO and is well advanced on the implementation of these recommendations.

Two of the recommendations have been closed and the remaining two recommendations are being progressed through a phased approach agreed between Defence and the Attorney-General's Department (AGD).

In its formal response to the ANAO report, Defence reinforced that the Australian Government Security Vetting Agency (AGSVA) is in the middle of an extensive multi-year renewal and reform program and that full implementation of these reforms would take time. Defence also noted that many of the issues raised by the ANAO had already been identified by Defence, and that plans were in place for internal mitigation efforts.

Background

In September 2014, the Attorney-General announced policy changes to the Protective Security Policy Framework (PSPF) personnel security requirements. These changes were primarily to promote greater information sharing between entities about personnel security risk and encourage entities to more actively monitor and manage the ongoing suitability of their personnel.

In 2017, the ANAO conducted an audit to assess the effectiveness of the Australian Government's personnel security arrangements for mitigating insider threats.

The audit found that these security arrangements by AGSVA were not implementing the Government's policy direction to share information with client entities on identified personnel security risks; and all audited entities were not complying with certain mandatory Protective Security Policy Framework controls.

The ANAO made three recommendations in its public report, all of which were agreed by Defence:

Recommendation 1: The Department of Defence, in consultation with the Attorney-General's Department, establish operational guidelines for, and make appropriate risk-based use of, clearance maintenance requirements.

Recommendation 2: The Department of Defence implement the PSPF requirement to obtain explicit informed consent from clearance subjects to share sensitive personal information with sponsoring entities.

Recommendation 3: The Attorney General's Department and the Department of Defence establish a framework to facilitate the Australian Government Security and Vetting Agency providing sponsoring entities with specific information on security concerns and mitigating factors identified through the vetting process.

A further recommendation was made by the ANAO in its classified report, which was also agreed by Defence.

Progress to date

Defence has completed the necessary updates to the informed consent form (**Recommendation 2**). Changes to the form will allow AGSVA to share sensitive personal information with sponsoring entities. Implementation of the informed consent form commenced on 2 July 2018 for all new clearance subjects.

Defence has completed the recommendation in the classified report.

Work still underway

Work is well underway by Defence and AGD to address the two outstanding recommendations.

AGSVA and AGD have agreed a phased approach to implementation of ANAO audit recommendations related to clearance maintenance requirements and sharing of risk information. This approach was endorsed by the AGSVA Governance Board in June 2018.

The components of the enhanced framework that will be implemented are:

Operational Guidelines (responding to Recommendation 1) – AGSVA is developing guidelines for the use of clearance maintenance requirements as part of the vetting process. AGD will support AGSVA to develop the guidelines consistently with the revised PSPF policies on Eligibility and Suitability of Personnel and Ongoing Assessment of Personnel and work through the existing Vetting Officers Community of Practice to promote the guidelines as best practice for all authorised vetting agencies.

Risk Advisory Notices (responding to Recommendation 3) – the AGSVA developed vetting risk model will inform the template for sharing risk information – to be called a Risk Advisory Notice. This will provide a structured and consistent methodology to share risk information identified in the vetting process. AGSVA and AGD will work together to consider how the clearance maintenance requirements can be incorporated into this process, including the implementation of mandatory risk management and reporting requirements for sponsoring entities and clearance subjects. This work will also inform the continuous assessment requirements in the PSPF.

Supporting materials (responding to Recommendation 3 and establishing a common framework) – AGSVA and AGD are developing guidelines, fact sheets and protocols that will outline information management and handling to ensure there is a common understanding about how information can be shared with sponsoring entities. This guidance will be developed in consultation with the existing Vetting Officers Community of Practice to ensure that information sharing is consistent across all vetting agencies before it is formally integrated into the PSPF.

AGSVA will implement a trial of sharing residual risk information between September and November 2018, with phase one of the trial involving a selected, non-Defence sponsored, Positive Vetting cohort for new (initial or upgrade) clearances. The Department of Home Affairs has indicated willingness to participate in this initial trial.

The mature enhanced risk assurance framework would be implemented from January 2019, subject to agreement by the Government Security Committee and outcomes of the initial trial approach.

The AGSVA Governance Board will monitor implementation of the audit recommendations directed at Defence. The Board was established in 2016 to oversee AGSVA reform and performance, with representation at the Senior Executive Service Band 3 level from multiple agencies.

The ANAO audit highlighted the significant improvements resulting from internal reforms undertaken by AGSVA with regard to benchmark processing timeframes over the past two years.

- 86.9 per cent of FY17/18 clearances have been completed under benchmark timeframes; this is a strong improvement on FY15/16 (54.7 per cent) and FY16/17 (79.2 per cent) under benchmark performance.

Defence acknowledges that further work in sustaining this performance is required, particularly as demand increases (around 34 per cent over the last three years). Defence also acknowledges that work is required to facilitate sharing of risk information by AGSVA with agencies outside the Department, as highlighted by the audit.

Conclusion

Defence is demonstrating a proactive approach to implementing the recommendations of the audit. Defence has completed two of the recommendations and is working in concert with AGD on the remaining recommendations to strengthen personnel security and mitigate insider threats.