

## Audit Report No. 22, 2001–2002

# Personnel Security—Management of Security Clearances

## Introduction

### Background

- 5.1 Protective security concerns the protection of information, assets and human resources from potential threats. It includes physical security, personnel security, information security and computer and communications security.
- 5.2 The Commonwealth Attorney-General is responsible for protective security policy, which is disseminated through the Commonwealth Protective Security Manual (PSM). Responsibility for the day-to-day management of protective security processes in each Commonwealth organisation lies with the head of the organisation.<sup>1</sup>
- 5.3 Personnel security, including the security clearance process, is an essential element of managing the risk inherent in allowing Commonwealth and other personnel access to classified information. There is an increased exposure to security breaches and the associated costs and risks if the security clearance process

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<sup>1</sup> ANAO, Audit Report No. 22, *Personnel Security – Management of Security Clearances*, 2001–2002, Commonwealth of Australia, p. 21.

is not conducted objectively and with consideration of current threats and risks.<sup>2</sup>

## The ANAO audit

- 5.4 The objective of the audit was to determine whether organisations were managing security clearance and vetting processes effectively and efficiently and in accordance with Commonwealth policy, as outlined in PSM 2000. It was also intended that the audit would provide recommendations for improvement and identify and disseminate any identified better practice.<sup>3</sup>
- 5.5 The audit focussed on those security clearances which involve the process known as 'negative vetting'. The basis of negative vetting is that unless the clearance process reveals any information that brings into question the subject's suitability, a security clearance is granted.<sup>4</sup>

## Audit findings

- 5.6 Audit Report No. 22, 2001-2002, *Personnel Security – Management of Security Clearances*, found considerable scope for improvement in several areas:
- all but one of the organisations reviewed had a large number of security clearances overdue for review;
  - most organisations did not have an up-to-date protective security risk management assessment as required by Part B of the PSM, and at the time of the audit, none had effectively integrated risk assessments into personnel security arrangements;
  - effective information management systems were not in place to support personnel security in some organisations; and
  - in most organisations, insufficient resources were allocated to the personnel security function to maintain new clearance requirements as well as clearance reviews.<sup>5</sup>

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2 ANAO, Audit Report No. 22, 2001-2002, pp. 21-2.

3 ANAO, Audit Report No. 22, 2001-2002, p. 10.

4 ANAO, Audit Report No. 22, 2001-2002, p. 10.

5 ANAO, Audit Report No. 22, 2001-2002, pp. 12-13.

## The JCPAA's review

- 5.7 On 31 May 2002, the Joint Committee of Public Accounts and Audit held a public hearing to review the progress made by some of the agencies which were the subject of the ANAO audit. The agencies were:
- Australian Agency for International Development (AusAID);
  - Australian Customs Service (Customs);
  - Department of Defence (Defence); and
  - Department of Immigration and Multicultural and Indigenous Affairs (Immigration).
- 5.8 The Committee also invited the Attorney-General's Department to appear before it because of its role in personnel security policy.
- 5.9 The Committee took evidence on the following issues:
- security risk management assessments;
  - security clearance backlog; and
  - portability of security clearances.

## Security risk management assessments

- 5.10 Effective personnel security involves assessing both the subject and the environment in which the subject will be employed. Knowledge of potential risk factors, their consequences, and the development of strategies to mitigate these risks are essential to the effectiveness of personnel security procedures and policies.
- 5.11 The ANAO audit found that while each of the organisations reviewed had established risk management frameworks, these were often limited to operational or program delivery matters and did not extend to protective security or other corporate functions. Only two organisations had formally considered their protective security risk environment but had not fully assessed how the risk factors identified might be reflected in, or used to

inform personnel security practices, including the conduct of security clearances and the assessment of suitability.<sup>6</sup>

5.12 The Committee asked Defence whether it now had an up-to-date risk assessment.<sup>7</sup>

5.13 In reply, Defence stated that it was in the process of developing a Defence security plan based on risk assessment principles:

The first stage in [the Defence security plan] is a very high level document covering the whole of Defence. For that plan to be meaningful, it obviously needs to be cascaded down across the 13 groups because they each face slightly different risks and threats.<sup>8</sup>

5.14 Defence advised that it had allocated a staff member to work almost exclusively with other parts of Defence on the security plan.<sup>9</sup>

5.15 The Committee inquired whether Defence was developing the security plan in response to the ANAO audit or if it had been in development before the audit.<sup>10</sup>

5.16 In response, Defence stated that the development of the Defence security plan had been more a response to the requirements of the PSM than to the ANAO audit.<sup>11</sup>

5.17 Defence advised the Committee that it recognised the need for the security plan to address all aspects of security and would certainly take into account personnel security as an important area of risk.<sup>12</sup>

5.18 AusAID informed the Committee that due to AusAID's and the Department of Foreign Affairs and Trade's (DFAT's) common operational environment, the DFAT security risk management plan would be used as a blueprint for AusAID's security risk management plan. The Committee was advised that DFAT's

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6 ANAO, Audit Report No. 22, 2001–2002, p. 31.

7 *Transcript*, 31 May 2002, p. 26.

8 M McCarthy, Defence, *Transcript*, 31 May 2002, pp. 26-7.

9 McCarthy, *Transcript*, 31 May 2002, p. 27.

10 *Transcript*, 31 May 2002, p. 27.

11 McCarthy, *Transcript*, 31 May 2002, p. 27.

12 McCarthy, *Transcript*, 31 May 2002, p. 27.

security risk review was due to be completed by the end of June 2002.<sup>13</sup>

## Committee comments

- 5.19 Comprehensive information collection, collation and analysis should support both the assessment of clearance suitability and should reflect the organisation's threat/risk environment.
- 5.20 The audit found that while agencies involved in the audit had undertaken organisation-wide risk management clearance processes and reviews, not enough agencies had looked at the particular circumstances of their protective requirements in that process, and had not integrated it into suitability assessments.<sup>14</sup>
- 5.21 The Committee encourages agencies to use the results of their risk management processes to achieve a better informed clearance process.

## Security clearance backlog

- 5.22 Two of the more pressing personnel security issues facing organisations audited were the lengthy delays often encountered undertaking security clearances and the associated backlog in the number of clearances being processed or awaiting processing.
- 5.23 The reasons for the delays and the associated backlog included a lack of resources; increased clearance requirements; and delays obtaining external evidence.<sup>15</sup>
- 5.24 The Committee asked agencies what progress was being made to address the backlog of security clearances.<sup>16</sup>
- 5.25 Defence replied that vetting staff would increase by 50 per cent, from about 60 to 90 personnel, in the following few months and that Defence hoped to make inroads into the backlog in re-evaluations.<sup>17</sup>

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13 AusAID, Submission No. 3, p. 2.

14 ANAO, Audit Report No. 22, 2001–2002, pp. 44–5.

15 ANAO, Audit Report No. 22, 2001–2002, p. 34.

16 *Transcript*, 31 May 2002, p. 20.

17 McCarthy, *Transcript*, 31 May 2002, pp. 20, 24.

- 5.26 Customs advised the Committee that an additional \$415,000 had been allocated for personnel security vetting resources. At the start of the project, Customs had 342 subjects requiring clearance or review, and at the end of April 2002 the figure had reduced to 64. At the hearing on 31 May 2002, Customs were certain that the figure had been further reduced.<sup>18</sup>
- 5.27 Immigration said that it was on track with its re-evaluations, and both AusAID and Attorney-General's indicated that they did not consider there were backlogs within their agencies.<sup>19</sup>
- 5.28 The Committee noted that Defence had first mentioned the issue of additional vetting staff in February 2002 during the Senate estimates process. At that time, Defence had indicated that there was a backlog of 10,969 clearance re-evaluations. The Committee put further questions to Defence in relation to the progress made since that time and Defence's estimate of the backlog in terms of processing time.<sup>20</sup>
- 5.29 Defence responded that an advertising campaign for additional vetting staff and other staff to supplement security resources had been run immediately prior to the estimates hearings and that new staff were expected to commence around August-September 2002. Defence pointed out that although additional resources would become available, it was government policy that vettors could not undertake security clearances until they had been adequately trained, and Defence had yet to make a significant impact on the security clearance backlog:
- ...we hope that our backlog of initial clearances – that is, people who cannot yet start their job in Defence until they have received their clearance, which currently stands at around 1,100 – will be well under control in the first quarter of next year. But we estimate that it may take 18 months from now to get the re-evaluation backlog under control, which, as you rightly pointed out, is significant and is of concern to us.<sup>21</sup>
- 5.30 The Commonwealth PSM was issued in 2000 and for the first time mandated minimum standards for security clearances across the

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18 G Collins, Customs, *Transcript*, 31 May 2002, p. 20.

19 C Hannah, Immigration, M Fleeton, AusAID, E Tyrie, Attorney-General's, *Transcript*, 31 May 2002, pp. 20-1.

20 *Transcript*, 31 May 2002, p. 21.

21 McCarthy, *Transcript*, 31 May 2002, p. 21.

Commonwealth. The life of a secret clearance was reduced from 10 years to five. As Defence noted, a significant factor in the large backlog of re-evaluations was this new requirement in the PSM.

- 5.31 Defence advised the Committee that staff due for re-evaluation continue to perform their duties:

It is our hope that we are effectively risk managing that re-evaluation backlog through practices in the workplace to ensure that supervisors are taking account of their environment and the behaviour of the people working with them.<sup>22</sup>

- 5.32 Defence advised the Committee that since the figure of 10,969 re-evaluations due at the time of Senate estimates in February 2002, the number of re-evaluations due had grown to 13,900:

A high proportion of people in Defence need some level of access to national security classified information, even if at [a] very low level of restricted information.<sup>23</sup>

- 5.33 Defence acknowledged that a large part of the problem related to resourcing:

...an understanding of the level of resourcing required is a facet of management control. It would be true to say that we have not in the past afforded [the backlog of evaluations] as high a priority as we might, but are now doing so.<sup>24</sup>

- 5.34 In response to Committee inquiries as to what the trend would be going forward in clearances requiring re-evaluation, Defence stated that prior to additional staff being fully trained and productive, the numbers clearances requiring re-evaluation would increase. However, Defence was uncertain at what figure the backlog would peak:

...our priority, once we bring these new people on board, will be to get them trained as quickly as we possibly can, without sacrificing the quality of that training of course, so that they can start working on the backlog.<sup>25</sup>

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22 McCarthy, *Transcript*, 31 May 2002, pp. 21-2.

23 McCarthy, *Transcript*, 31 May 2002, p. 23.

24 McCarthy, *Transcript*, 31 May 2002, p. 26.

25 McCarthy, *Transcript*, 31 May 2002, p. 27.

- 5.35 The Committee asked what strategies were in place to maintain security review processes at acceptable levels.<sup>26</sup>
- 5.36 In response, Immigration advised that it had increased the strength of the monitoring and evaluation component of its departmental security committee which had created an opportunity to ensure that resourcing levels were in line with recently increased PSM requirements.<sup>27</sup>
- 5.37 Defence advised that it was undertaking a full review of the security clearance review process to identify opportunities for streamlining. It is also integrating its personnel clearance information system with the Defence human resource management system to allow electronic records checking and to substantially automate the routine data-checking aspects of the vetting process.<sup>28</sup>
- 5.38 Customs responded that additional funding of \$30 000 had been provided to improve IT management information systems to support security clearance processes, and that additional funding of \$415 000 had been made available for personnel security vetting resources to ensure that reviews of existing security clearances and initial security clearance processes were properly conducted.<sup>29</sup>

## Committee comments

- 5.39 It is clear to the Committee that there is a resource management issue. Generally, agencies have not made sufficient resources available to maintain new clearance requirements or to avoid, or deal with, the backlog of security clearance re-evaluations.
- 5.40 In addition, the Committee notes that one of the audit findings was that many agencies do not have adequate information management systems to support the security review clearance process, and that this impacts upon their ability to manage the re-evaluation process.
- 5.41 The Committee understands that some agencies were not able to accurately estimate the number of clearances overdue for re-

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26 *Transcript*, 31 May 2002, p. 26.

27 Hannah, *Transcript*, 31 May 2002, p. 26.

28 Defence, Submission no. 2, pp. 2-3.

29 Customs, Submission no. 8 p. 2.



evaluation, because of shortcomings in their management information systems.

### **Recommendation 7**

- 5.42 **The Committee recommends that all agencies allocate the resources necessary to bring their security clearance processes in line with the requirements of the Protective Security Manual.**

### **Recommendation 8**

- 5.43 **The Committee recommends that all agencies make the necessary changes to their Human Resource Management Information System to support management reporting in relation to security clearances and appropriate access to security clearance information.**

## **Portability of security clearances**

- 5.44 A contemporary issue is the transfer of an individual's security clearance between Commonwealth organisations, commonly known as 'portability'. The main benefits of portability are a reduction in unnecessary duplication in security clearance activity, reduction in costs and delays and increased efficiency.
- 5.45 The portability of security clearances depends largely on the respective organisations' compliance with the PSM's minimum checking standards.
- 5.46 The audit found that each of the organisations audited accepted the principle of security clearance portability and had instituted procedures requiring the review of clearances previously provided by other Commonwealth organisations. Better practice noted in one organisation was that clearances from other organisations were assessed against risk factors specific to that organisation before they were accepted.<sup>30</sup>

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30 ANAO, Audit Report No. 22, 2001–2002, pp. 40-1.

- 5.47 At the hearing, Customs indicated that it agreed in principle with the portability of security clearances, but that as a law enforcement agency, it would reserve the right to augment security clearances with supplementary questions.<sup>31</sup>
- 5.48 The Committee asked Attorney-General's whether it would be helpful for a central coordinating agency to be responsible for the transfer of security clearances when staff moved from one agency to another.<sup>32</sup>
- 5.49 Attorney-General's responded that it was an issue that had been before the security committee at a number of its meetings:
- The portability of security clearances is an issue which has not been resolved. In my view, it is just commonsense that if the minimum standard is reached in the PSM with regard to a security clearance, and that is the standard for the Commonwealth, then it should be accepted across the Commonwealth. The matter of coordinating that has not been resolved yet ...<sup>33</sup>
- 5.50 In response to the Committee's inquiry as to whether Attorney-General's would be the logical agency to perform the coordinating function, Attorney-General's acknowledged that it would be the logical agency.<sup>34</sup>

## Committee comments

- 5.51 The Committee considers that organisation suitability indicators should supplement, rather than replace, standard PSM security clearances.
- 5.52 The Committee agrees with the ANAO that if the receiving organisation conducts a quality assurance review or revalidation there would be no impact upon clearance portability.
- 5.53 The Committee notes that all of the organisations audited accepted the principle of security clearance portability. It appears to the Committee that it would be desirable to have a central coordinating agency responsible for the maintenance of security

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31 Collins, *Transcript*, 31 May 2002, p. 33.

32 *Transcript*, 31 May 2002, p. 32.

33 Tyrie, *Transcript*, 31 May 2002, pp. 32-3.

34 Tyrie, *Transcript*, 31 May 2002, p. 33.

clearances and that the agency which should take on that responsibility is Attorney-General's.

### **Recommendation 9**

- 5.54 The Committee recommends that the Attorney General's Department report to the Joint Committee of Public Accounts and Audit on the cost effectiveness of the Department maintaining a central database of security clearances.**

Bob Charles MP  
August 2002

