

Aspects of administration

- 5.1 As stated previously, the Australian National Audit Office audits the financial statements of ASIO and ASIS. DSD is audited as part of the ANAO's examinations of the financial statement audit of the Department of Defence. The Committee is reliant on the assurance of the ANAO that the financial statements show that the expenditure of the agencies is right and proper and that the agencies comply with government accounting standards.
- 5.2 Annual financial statement audits do not review administration beyond the financial systems that are in place to monitor expenditure. As the ANAO observed in evidence to the Committee, "We are validating the accounts, but the administration is something that is not going to be validated directly through this audit."¹
- 5.3 The Committee has conducted as detailed a review as possible, given available time and circumstances, of the administration of ASIO, ASIS and DSD. In the future, it is anticipated that the Committee will continue to examine a wide range of administrative issues.
- 5.4 Evidence gathered in this review will serve as a benchmark from which the Committee will be able to monitor, over time, a number of issues such as staff retention rates, human resource management, workplace relations, language training, agency security and so on.
- 5.5 This review of administrative matters drew on publicly available material such as the IGIS annual report, ASIO's unclassified annual report and submission, and classified submissions provided to the Committee by all three agencies.

1 ANAO, *Transcript*, p.6.

- 5.6 The three agency submissions provided varying amounts of detail about administration. ASIO's classified and unclassified submissions were the most comprehensive, the classified submission of ASIS less so, while DSD's classified submission fell short of the level of detail the Committee requires. The Committee subsequently questioned senior officers of the agencies at length at private hearings. Answers to additional questions on notice were also received from the agencies.
- 5.7 The Committee suggested to ASIS and DSD that future submissions provide not only financial statements but also detailed accounts of administrative arrangements and procedures.
- 5.8 Clearly much of the evidence relating to the administration of ASIO, ASIS and DSD cannot be presented in this chapter. There are many aspects of agency administration which are properly classified. However, where possible, some detail of the issues examined by the Committee has been included here. In this way the Committee aims to provide the Parliament and the public with at least an indication of the extent of its review, consistent with the requirements of security.
- 5.9 In addition to this public report, the Committee has forwarded a classified letter to the Prime Minister and the relevant Minister in relation to an issue of concern noted by the Committee. The Committee will in due course consider any response from the Government and determine whether to pursue the matter further.
- 5.10 Areas of administration broadly covered in this review include agency security, human resource management, information management and risk management or business continuity planning. The Committee may pursue some of these and other issues in more detail in further reviews.

New challenges and organisational expansion

- 5.11 In a recent publication, the Director-General of ASIO highlighted the challenges of the current security environment:

The immediate effect of September 11 for ASIO represented, as it did for many other agencies, a lot of hard work. ASIO went on twenty-four hour work cycle, problematic for a small organisation and something that was unsustainable over the longer term. Accordingly, we had to reprioritise. That part was not too hard as we simply stopped doing a number of things – indeed, some of what we stopped doing has yet to be resumed. This has caused

some angst, but the challenges arising from the new security environment have made such changes unavoidable.²

5.12 The Committee has some concerns that with the current necessary focus on the area of counter-terrorism, intelligence agencies may not be fully addressing all of their functions as indicated by Mr Richardson's comments.

5.13 The current expansion of Australia's intelligence agencies in both a physical as well as operational sense is also presenting the agencies with significant administrative challenges. As stated in evidence to the Committee by the Director-General of ASIS:

Anyone will tell you that a corporation that increases in size by seven per cent a year is doing well and can do it. A corporation that increased in size by 14 per cent a year is running serious risks, and we are talking about 20 per cent for the last couple of years. The budget process will have us expanding over a four-year period, and we have carefully staged the expansion so that we bring on people at a rate at which we can absorb and train them.³

5.14 It is the concern of the Committee that complex administrative challenges can arise in a time of rapid change. Australia's intelligence agencies are under increased pressure to perform yet must also expand. To address the need for expansion to cope with increased work loads, the Government has significantly increased its funding to ASIO, ASIS and DSD. A senior ANAO officer noted:

I get the feeling there is some stress to respond quickly to the extra money but not in the sense of concern about the actual recording and expenditure of it. To be able to respond positively I think creates some pressure.⁴

5.15 The Committee is concerned that if these pressures and challenges are not met in a timely fashion, significant administrative problems with implications for accountability and operational performance may develop.

2 Dennis Richardson, Director-General of ASIO, "Australia After September 11: The Intelligence Challenge," in David Martin Jones (ed), *Globalisation and the New Terror, The Asia Pacific Dimension*, Edward Elgar Publishing, Northampton, Mass, 2004, p.285.

3 *Transcript*, p.11.

4 Australian National Audit Office, *Transcript*, p.4.

Security

- 5.16 The Committee has an ongoing interest in the area of agency security arrangements. The Committee explored this issue with the agencies both in its first review of administration and expenditure, and in its subsequent *Private Review of Agency Security Arrangements* in August 2003.⁵
- 5.17 In the wake of the IGIS's inquiry into security issues presented to the Prime Minister in March 2000, the Committee examined a range of agency security issues. The classified IGIS report contained over 50 recommendations. All the recommendations of the IGIS report were endorsed by the Prime Minister and Cabinet, and referred to agencies for implementation.
- 5.18 The Committee's *Private Review of Agency Security Arrangements* which followed the IGIS's inquiry included four recommendations relating to personnel and physical security.

Recommendation 1

That, as a first priority, the agencies address any existing or anticipated backlog in initial vetting and re-evaluation of Top Secret Positive Vetting (TSPV) security clearances to ensure that these processes meet Protective Security Manual standards by 2003-2004 at the latest. Further, that the agencies include statistics on the number of outstanding TSPV re-evaluation cases and the times taken to process clearances in the reports made to this Committee as part of the annual review of administration and expenditure.

Recommendation 2

That the Interagency Security Forum (IASF) review urgently areas where agencies are experiencing difficulties obtaining security-related information about personnel, such as the refusal by credit reference agencies to provide information direct to the Commonwealth, and develop proposals for appropriate legislative or policy action by the Commonwealth Attorney-General.

Recommendation 3

That, as a priority, DSD implement random bag inspection procedures at all its headquarters facilities and all other installations in Australia.

5 *Private Review of Agency Security Arrangements*, Parliamentary Joint Committee on ASIO, ASIS and DSD, August 2003, p.4.

Recommendation 4

The Committee recommends that, subject to the outcomes of the IASF working group findings, ASIO, ASIS and DSD allocate funding for the development and implementation of electronic article surveillance systems for all Australian offices and installations.⁶

Security Issues

5.19 Against this background, the Committee sought to establish what changes agencies have recently made to their security practices. DSD outlined its broad commitment of resources to agency security functions as follows:

We have about a dozen people working in the security area. Their responsibilities include physical security—managing the guarding contract, making sure the fence works and those fairly mundane aspects—but the area also has a staff education function. One of the things that came out of Mr Blick’s report into the Wispelaere case was the requirement for greater interagency cooperation. There is a group called the Interagency Security Forum which includes all of the intelligence agencies and some from the other policy agencies. One of the initiatives that came out of that is cross-agency communication and cross agency awareness raising.⁷

Security Clearances

5.20 In the Private Review of Agency Security Arrangements previously conducted by the Committee, it was noted that DSD and ASIS had a significant backlog in their re-evaluation of security clearances. In accordance with the requirements of the Commonwealth Protective Security Manual, a major re-evaluation of an employee’s security clearance is to be carried out every 5 years, to take into account changes in personal circumstances, career development, significant relationships or change in financial status, which may impact on an individual’s suitability to hold a clearance.

5.21 The Director-General of ASIO stated that:

In relation to us, we are reasonably up with it. What we have to do is ensure that we are still up with it in two or three years time, with the rapid expansion. But, in terms of our 30-month and five-

6 *Private Review of Agency Security Arrangements*, Parliamentary Joint Committee on ASIO, ASIS and DSD, August 2003, p.4.

7 *Transcript*, p. 35.

year part and full revalidations, we are reasonably up with them. We are not significantly behind.⁸

5.22 On being questioned about current re-evaluation caseloads, DSD responded:

We are starting to make a bit of a dent in the backlog of re-evaluations. Last time we spoke to this Committee you asked us if there was anyone who had been outside for more than 10 years. I think we found one, and we fixed that straightaway. I do not think we have any significant numbers—I can get back to you with the actual numbers over about seven years. We are taking a very targeted approach to re-evaluations, rather than just simply going through in alphabetical order or taking people off the list. We are looking at people whose circumstances have changed, who have become married or divorced—those sorts of things. So we are very much taking a risk management approach to this rather than simply starting at the beginning of the list and keeping going through it.⁹

5.23 The Committee asked DSD when they would achieve the Protective Security Manual requirements of five years. DSD stated that, '(w)e might be looking at a couple of years at least.'¹⁰

5.24 The Director, DSD outlined to the Committee the work being done by DSD in the area of psychological assessments of DSD staff. All existing DSD staff are being put through organisational suitability assessment processes (OSP). The aim of these assessments as stated by Mr Merchant is to gain 'better insight into where there may be a set of circumstances that could develop into a management issue for us. We have been able to put in place appropriate early intervention strategies.'¹¹

5.25 Currently, DSD has indicated 690 employees have been identified as requiring to undertake an OSP assessment. Of these, 205 have completed the assessment. It is expected that this process shall be completed around September 2005.¹² More information on the nature of these suitability assessments can be found in the section of this report on workplace relations.

5.26 The Committee questioned the agencies in relation to whether anyone had been denied their security re-evaluation.

8 *Transcript*, p.55.

9 *Transcript*, p.33.

10 *Transcript*, p.33.

11 *Transcript*, p.34.

12 *Questions on Notice*.

- 5.27 Mr Richardson stated that while ASIO had not had anyone fail the five year review, '(w)e have had people with whom we have been required to pursue issues, financial or otherwise.'¹³ Further to this Mr Richardson stated that as part of ASIO's workplace culture, staff are encouraged to come forward with personal issues which could give rise to security concerns, such as money or relationship problems.
- 5.28 In addition to this, Mr Richardson commented that the organisation would '...occasionally help people out financially on a loan basis or whatever. We do look at that.'¹⁴
- 5.29 When an issue of concern is identified by the re-evaluation process, Mr Richardson stated:
-we have had people who have had to go on psych care, where they have had to work with a psychologist for 12 to 18 months to resolve certain issues. We have also had financial issues which we have had to go through. But we have never had anyone who has failed in that sense that we have been required to withdraw their security clearance and have them leave the organisation¹⁵
- 5.30 DSD stated that they had a high number of initial withholds " ...more in fact in the last year than in the previous decade."¹⁶ There were a number of people that DSD felt might not make it through the security clearance process which they managed by placing them into positions that did not require higher level security clearances.¹⁷
- 5.31 The Committee notes, however, that this is only a short-term option. It will not always be possible for an intelligence organisation to redeploy people into lower level or non-security classified jobs. This may be an area that will need further attention by DSD and other agencies in the future.
- 5.32 The Committee also raised the question of the relationship between the security clearance process and other personnel management issues. DSD stated that:
- It is very important when we have a management issue—although we are aware that it might become a security issue—that we do not push it into becoming a security issue too early.¹⁸

13 *Transcript*, p.55.

14 *Transcript*, p.55.

15 *Transcript*, p.55.

16 *Transcript*, p.33.

17 *Transcript*, p.33.

18 *Transcript*, p.34.

5.33 The Committee was keen to determine whether as part of their management tools, DSD would ever threaten to revoke or withhold an officer's security clearance. Mr Merchant responded: "no", and further to this, "not unless it related to a security issue that we had running with them."

5.34 In addition, in light of the large staffing increases within intelligence agencies, the Committee sought to inquire into staff vetting practices generally. Mr Merchant responded:

We have been very stringent, and obviously we continue to have the staff of the positive vetting section undertake their work. When I say that the time frame for clearance of people through the positive vet process has been reduced, that is a direct consequence of the increased number of case officers, not because they are doing it in a less intensive way. In fact, the intensity of the PV checking process has increased in accordance with the recommendations out of the Bill Blick inquiry after Wispelaere and Lappas.¹⁹

5.35 ASIS stated that while they were working on reducing their security re-evaluation backlog, increased recruitment meant that the workload for security vetting was considerable. As a consequence it was difficult to reduce a backlog. Nevertheless ASIS stated:

...we are down from 14 per cent unre-evaluated last year to about 10 per cent this year and I am hoping that by the end of this Calender year we will have halved that percentage again.²⁰

5.36 The Committee understands the constraints currently on ASIS in regards to clearing its re-evaluation backlog.²¹ ASIS is undertaking significant recruitment and as such considerable pressure is on its security vetting area. However, the Committee will continue to monitor the progress of the agency in regards to this important internal security process.

5.37 In addition to this, the Committee inquired if any ASIS officer had not retained their security clearances through the re-evaluation process and, if so, why it had been denied. ASIS advised that one officer had been found to have provided information that was contrary to information provided when he had joined the service. This officer had since left ASIS.²²

19 *Transcript*, p.36.

20 *Transcript*. p.2.

21 *Transcript*.p.2.

22 *Transcript*, p.20.

Entry and exit searches

- 5.38 As pointed out in the Committee's previous report on agency security, the use of personal and baggage searches, administered by security attendants or guards, can guard against the transport of unauthorised electronic recording and transmitting equipment, copying equipment or explosive devices into secure areas. Similarly, exit searches can act as a deterrent to the unauthorised removal of resources, especially security classified information.
- 5.39 DSD informed the Committee at the time of the private review that, under the *Crimes Act 1914*, it was not legally permitted to enforce random bag searches although it had taken initial steps to have the Northgate compound declared a "prohibited place" under the Act, and that this would provide a legal basis on which to conduct and enforce searches.²³
- 5.40 The Committee questioned DSD in relation to how this security procedure was working. In regards to bag searches, DSD stated:
- That is now in place at DSD headquarters and at all DSD sites. We have implemented the Committee's recommendation. Thank you for the incentive to do that.²⁴
- 5.41 The Committee welcomes this development.

ASIO polygraph trial

- 5.42 As previously noted in the private review undertaken by this Committee on Agency Security Arrangements in 2003, the IGIS's Inquiry into security issues recommended that the agencies examine new tools that might enhance the reliability of their security clearance processes. In response to this recommendation, ASIO undertook a trial of the polygraph as a tool in the vetting process.
- 5.43 The Committee recognises that there is a need to develop new methods to improve the reliability and accuracy of the vetting process.
- 5.44 The Committee is aware that some controversy surrounds the use of the polygraph by security agencies in the United States. The Committee is also aware that the NSW *Lie Detectors Act 1983* bans the use of polygraphs in NSW for any purpose relating to employment. There is no Commonwealth legislation relating to the use of polygraphs. No other State or Territory has adopted legislation relating to polygraphs.

23 Parliamentary Joint Committee on ASIO, ASIS and DSD, *Private Review of Agency Security Arrangements*, August 2003, p.32.

24 *Transcript*, p.34.

5.45 The Committee wished to review the results of the ASIO polygraph trial. Although the ASIO Annual Report indicates that the polygraph trial was completed in January 2003, ASIO gave evidence that the report on the outcomes of the trial is not yet completed.²⁵

5.46 The Director-General of ASIO explained:

The thing is [the polygraph trial] has been hit sideways by September 11 and Bali. I know that was almost three years ago, but we have literally had part-time resources devoted to it. It is inching forward at a very slow pace. We will probably get something to government sometime later this year, but it is not something that has any real urgency in it at the moment.²⁶

5.47 The Committee wanted to know whether new legislation would be required to implement polygraph tests. Mr Richardson stated he did not believe any new legislation would be required.

5.48 The Committee also sought the views of the Director DSD in relation to the use of polygraphs in the security vetting process. Mr Merchant stated:

We would obviously follow a consensus decision, if there were one, to either use or continue not to use polygraphs. It is quite an emotive issue when it is raised. It is not something that Australians react well to; it is not part of our culture.²⁷

DSD stated that:

While we do not use polygraph, we do have an instrument that we use where the US uses polygraph. That is a battery of psychometric testing, which is applied by a psychologist and is aimed to achieve some of the same results. The Americans do not do that. They rely on the polygraph; we rely on the psychometric testing. Some would argue that our system is actually better, because it involves you sitting down, face to face, with a trained psychologist who is looking at all your answers to a battery of questions.²⁸

5.49 The Committee believes that the use of polygraph technology in either the security vetting process or intelligence operations raises important issues of policy and process. The Committee notes that there are a range of views about the desirability or otherwise of introducing polygraph tests as a personnel security tool. Without further consideration, the Committee is

25 *Transcript*, p.58.

26 *Transcript*. p.58.

27 *Transcript*, p.36.

28 *Transcript*, p.36.

not persuaded that polygraphs should be employed in the absence of a national legislative framework. The Committee will await the finalisation of the report on the ASIO polygraph trial with interest.

Recommendation 5

- 5.50 **The Committee recommends that the Government provide the Committee with a copy of the report on the outcomes of the ASIO polygraph trial as soon as it is completed.**

Human resource management

- 5.51 For the purposes of this review, human resource management broadly encompasses recruitment, training and workplace relations. The nature of this review has not allowed the Committee sufficient scope to pursue any one area of administration or expenditure in-depth. It does, however, serve to highlight areas that need further examination. It is the view of the Committee that the area of human resource management in intelligence agencies may indeed require a specific review in the future.

Recruitment

- 5.52 In the collection of human intelligence, an agency's most important asset is the reliability, integrity and talent of its officers. As a consequence, the methods agencies use, and the criteria they follow when recruiting staff is of considerable significance to Australia's overall national security.
- 5.53 The current importance of recruitment to all three intelligence agencies was made clear to the Committee through submissions and at hearings. Expansion is only made possible through recruitment. All three intelligence agencies have been recruiting new personnel over the last few years to cope with increased work demands, particularly in the area of counter-terrorism.
- 5.54 Recruitment is a complex undertaking for any intelligence agency. An intelligence officer has access to information that may range from sensitive in nature to top secret. Although the work of many intelligence officers involves the routine collection and/or analysis of information, the intelligence community has a need for a wide range of personnel with specialist skills.

- 5.55 Some areas of intelligence collection may require an officer to keep their occupation secret even from family and friends, to travel overseas for long periods of time, take up a false identity and even put their personal safety at risk.
- 5.56 In recent years, significant new legislation has expanded the powers of Australian intelligence agencies enabling them to question and detain individuals and in the case of ASIS to carry weapons overseas. The need for the right person for the job is obvious, as is the need for strictly enforced codes of conduct.
- 5.57 A most basic requirement for Australian intelligence officers is the ability to keep Australia's most sensitive secrets safe. Foreign intelligence agencies may make significant efforts to collect information about Australia's security operations. An underlying concern of any intelligence agency when recruiting is to guard against the possibility of recruiting someone who may compromise Australia's national security. The risk includes possibilities ranging from obvious areas of human frailty such as alcoholism or gambling to blackmail, to the possibility of infiltration by a foreign intelligence agency.
- 5.58 It is not surprising that recruitment for intelligence agencies is a very resource intensive, lengthy and expensive undertaking. Applicants for ASIO and ASIS require security clearances up to a minimum of Top Secret Positive Vetting. They must undergo intrusive background checking and a barrage of psychological testing before they are able to be employed. ASIO states in its submission to the Committee that this process takes around 6 months from the time an advertisement is placed to the date when an officer may commence duties.²⁹ In addition, a new recruit may have to undergo significant training and gain considerable on the job experience before they may be of any significant value to the organisation. In the case of ASIS, a new recruit may be with the agency for several years before they are of value to its operations.³⁰
- 5.59 In its submission ASIO states that '(r)ecruitment remains one of the agency's highest priorities.'³¹ At one of its lowest staffing levels in 1998, the average staffing level fell to 488. As of February 2004, ASIO's staff level was around 763. Information supplied by ASIO states that these levels are set to grow to around 900 by June 2005.³²

29 ASIO Submission, p.7.

30 Transcript, p.3.

31 ASIO Submission, p.7.

32 ASIO Submission, p.7.

- 5.60 To achieve such growth ASIO has continued to train and recruit its own Intelligence Officers (IOs) through its graduate trainees programme and has recruited specialist analysts who generally are on 2-4 year contracts. ASIO states in its submission that the, 'requirement for specialist analysts should be reduced over the next 4-5 years as more IOs are recruited and trained.'³³
- 5.61 Mr Richardson commented that when possible ASIO seeks to re-engage retired staff. While it is not always possible for agencies to re-employ retired staff because of the requirements of Commonwealth superannuation, Mr Richardson emphasised the value of retaining access to the skills of former officers:
- We have people who retire from ASIO but no-one leaves the place.³⁴
- 5.62 Retired ASIO staff not only bring with them their knowledge and training but are also known commodities in relation to their backgrounds (and therefore, in terms of the security vetting process, less resource and time intensive.)
- 5.63 ASIS also employs retired staff as well as contract staff. The Committee inquired as to the capacity by which contract staff were employed by the agency. ASIS stated that, although contract staff are employed in various areas, they do not undertake operational activities on behalf of the service.³⁵
- 5.64 The Committee wished to pursue the issue of new recruitment strategies with the agencies. ASIS stated:
- We have advertisements in the media, advertising publicly for intelligence officers; we have an ASIS web site upon which we put the general criteria for intelligence officers and seek applications from people; and we have also just commenced a talent-spotting program. This is something that ASIS used to do, going back some 20-odd years. ³⁶
- 5.65 While each agency has a distinctive recruitment profile it was not clear to the Committee whether the existing practice of running separate and competitive recruitment processing necessarily results in the optimum placement of personnel, especially linguists and other specialists, across all the agencies. In the area of civilian recruitment DSD noted:

33 *ASIO Submission*, p.8.

34 *Transcript*, p.41.

35 *Transcript*, p.6.

36 *Transcript* p.2.

The major mechanism we have used for our increases in civilian staff has been increased graduate recruitment over the past two years. We have run two graduate intake rounds each year for the past two years.³⁷

- 5.66 The Committee questioned DSD regarding the number of civilian personnel as opposed to military personnel who work for DSD. DSD gave evidence that they have had difficulty over the last few years filling some 100 ADF billets. This inability to fill ADF billets was explained by DSD as being the result of staffing shortages generally across the military services. Mr Merchant stated:

I think to be fair to them it reflects some more fundamental problems that they have in their difficulties with staffing throughout the services and also, frankly, the very high operational tempo.³⁸

- 5.67 DSD gave evidence that they currently employ 296 ADF personnel.³⁹ DSD has received funding from Defence to enable the civilianisation of a number of the vacant ADF billets.

- 5.68 The Committee questioned DSD about the difference in pay scales between civilian and military personnel. DSD stated that it costs in the order of 31 per cent more to employ ADF personnel as opposed to civilian personnel. This figure rises to around 51 per cent more for ADF employee if indirect costs are included such as defence housing for example.⁴⁰

- 5.69 The greater civilianisation of DSD is of interest to the Committee as it may have some longer term consequences for the overall culture of the workplace. The Committee asked DSD how the military and civilian workforces integrated. Mr Merchant commented that this is an area of ongoing management attention:

.... we have put a lot of time and effort into what we call the Building the DSD Team program, which emphasises that the complexity of our business requires one team comprised of military, civilians, contractors and leveraging industry.⁴¹

- 5.70 ASIO, ASIS and DSD are engaged in significantly increased recruitment. The Committee recognises the need for more intelligence officers. It also recognises that recruitment is a complex and costly undertaking for intelligence agencies. Careful strategic planning is required to ensure that
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37 *Transcript*, 36.

38 *Transcript*, p.27.

39 *DSD Questions on notice*.

40 *DSD Questions on notice*.

41 *Transcript*, p.28.

recruitment campaigns result in the acquisition of suitable personnel and their proper placement across the intelligence community as a whole.

- 5.71 It is also necessary to consider the impact of large scale recruitment on overall skill levels within agencies. Mr Richardson gave evidence that:

If you are growing quickly, your inexperience levels inevitably go up. About 50 per cent of people in ASIO today have been in the organisation for less than five years. That percentage is going to grow very significantly over the next couple of years.⁴²

Further to this, Mr Richardson stated:

There is not a lot you can do about it but it does mean you have heavy demands on people who have been in the organisation for some time in terms of mentoring and the like. It means that our middle managers, assistant directors and directors are leading people who overwhelmingly have quite limited experience, which means there is a much bigger demand on them in the assistance they provide to staff and everything that goes with it. They have to think more carefully and spend a lot more time doing things themselves in a proper way than they would have had a few years ago.⁴³

- 5.72 It is the intention of the Committee to examine intelligence agency recruitment at length through a further future review or inquiry. In the short term the Committee wishes to become more visible to new recruits so that they have an understanding of the Joint Committee's role and functions.

Recommendation 6

- 5.73 **It is the view of the Committee that the Chair of the Committee or members nominated by the Chair should be invited by ASIO, ASIS and DSD to attend orientation sessions with new recruits thereby gaining a greater understanding of the orientation process and to provide opportunities for new recruits to be advised of the Committees role and responsibilities.**

42 *Transcript*, p.41.

43 *Transcript*, p.41.

Workplace diversity

- 5.74 The recruitment of people from a range of cultural backgrounds would broaden the expertise and effectiveness of Australia's intelligence agencies by offering greater cultural understanding and more varied and extensive foreign language expertise. The Committee also recognises that the balance of male and female recruits is also of relevance to human intelligence collection organisations.
- 5.75 There can however be difficulties in recruiting intelligence officers whose backgrounds include large amounts of time spent outside Australia and/or with overseas family connections. It may be the case that their past is considerably more difficult to check therefore making the security vetting process much more challenging.
- 5.76 ASIO stated in their submission that the "percentage of employees from non-English speaking backgrounds remains low", but ASIO added, "we are seeking to address this deliberately in our current IO recruitment campaign."⁴⁴
- 5.77 Further to this, Mr Richardson stated:
- Our intelligence officer stream is overwhelmingly white Anglo-Saxon. We have looked at that and have had some success in recent years, but we have not been very successful at this point in time in attracting into the intelligence officer stream people from the range of background that we would like.⁴⁵
- 5.78 It is noted in ASIO's submission that the percentage of women within the organisation has risen over the 2002-2003 period to 42 per cent and that, 'the percentage of female staff at senior officer level' increased from 13 per cent to 24 per cent over the same period.⁴⁶ Mr Richardson stated, however, that this has not been the result of a deliberate strategy to increase the levels of female employment in ASIO.⁴⁷
- 5.79 The ASIO submission states that this rise in the percentage of women in ASIO, represents a recovery from the agency's Central Office move in 1986 from Melbourne which saw ASIO lose numbers of its female workforce.⁴⁸
- 5.80 It was, however, further noted at the hearing that ASIO's January 2004 intake for the first time in a number of years included more males than

44 *ASIO Submission*, p.10.

45 *Transcript*, p.41.

46 *ASIO Submission*, p.10.

47 *Transcript*, p, 41.

48 *ASIO Submission*, p.10.

females and that certain areas within ASIO were predominantly staffed by male officers.⁴⁹

- 5.81 ASIS and DSD provided no information in relation to the gender balance or cultural diversity within their agencies. It is the expectation of the Committee that this will be included in their submissions of the next review.

Workplace Relations

- 5.82 The Committee examined the question of how workplace disputes are resolved within ASIO, ASIS and DSD. As with other aspects of human resource management, such as recruitment, workplace relations also represent some special challenges within intelligence agencies. In ASIS, for example, staff cannot be members of outside unions but rather are offered membership of an internal staff association. ASIO staff may maintain union membership but the agency seeks to manage its workplace relations internally. ASIO and ASIS have an internal ombudsman who is able to negotiate with different parties in a dispute. This person is placed in this position by management.⁵⁰
- 5.83 ASIS provided information on a number of largely internal mechanisms the organisation has in place to manage workplace disputes. Such mechanisms include membership of the staff representatives group, access to the internal ombudsman and staff counsellors. In addition there is a formal grievance procedure and a grievance review process chaired by, 'an independent Chair, who is not a member of ASIS, and who is appointed by the Director-General as provided by section 37 of the *Intelligence Services Act 2001*.'⁵¹ A staff member may in addition seek independent legal advice; security requirements for the nominated legal representatives will be facilitated by ASIS. Both ASIS and ASIO have psychologists available to talk to staff who are having workplace problems.

49 *Transcript*, p.43.

50 *ASIS, Questions on Notice*, p.9.

51 *ASIS, Questions on Notice*, p.9.

- 5.84 ASIO informed the Committee that employees who feel aggrieved by a particular action or decision are encouraged to attempt to resolve matters informally in the first instance.⁵² They may do this by seeking the assistance of:
- the ASIO staff Ombudsman;
 - staff from the Human Resource Management unit; or
 - the Staff Workplace Relations Officer.
- 5.85 Where an employee chooses not to pursue the matter informally, or where an employee is unsatisfied with the outcome of the informal process, they can institute formal proceedings requesting the appointment of an inquiry officer to investigate the action or decision. The inquiry officer appointed may be either from within or outside ASIO.⁵³
- 5.86 In instances where an employee remains aggrieved after completion of the inquiry officer's investigation, they can request a further inquiry by a Grievance Review Committee which will be chaired by a person independent of ASIO and includes a management and a Staff Association nominee.
- 5.87 DSD indicated that it valued early intervention strategies to avoid the development of individual workplace issues.
- ...we are putting all of our existing staff through the organisational suitability assessment process....It is not designed to result in people leaving DSD, but it has certainly given us much better insights into where there may be a set of circumstances that could develop into a management issue for us. We have been able to put in place appropriate early intervention strategies. It is hard to say a negative-isn't it?-but we have not had subsequent problems emerge from that.⁵⁴
- 5.88 The early intervention strategies employed by DSD include, for example, regular consultation with supervisors and the encouragement of supervisors to observe any obvious signs of stress or deteriorating mental health of their staff; sudden changes in physical appearance, mental condition or changes in personal circumstances. Such practices would appear to be good staff management. The Committee intends to follow this process over the next few years to observe how effective the strategy is within DSD.
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52 Supplementary information from ASIO.

53 Supplementary information from ASIO.

54 *Transcript*, p.34.

ASIS ethics and codes of conduct.

- 5.89 In the current context of organisational expansion and increased operational tempo, the Committee intends to examine the various Codes of Conduct adopted by agencies in regards to how they are implemented and monitored.
- 5.90 ASIS provided the Committee with a copy of their Code of Conduct which is a classified document. This document sets out ASIS values, and ASIS gave evidence that all staff upon joining the service were required to acknowledge that they have read and will abide by this Code.⁵⁵
- 5.91 In addition, ASIS states that all staff attend an induction course, which includes a presentation on ethics and values. Officers are obliged to raise any potential breach of the Code with the Assistant Director-General, Human Resources and Development. The internal Ombudsman and the staff counsellor encourage staff to report breaches and in addition, ASIS has a number of internal audit processes. Day to day management and supervision as well as financial management activities may also aid in management becoming aware of potential breaches.⁵⁶
- 5.92 It was noted by the Committee that there were two breaches of the code by one officer during the 2002-2003 period. This officer was dismissed.⁵⁷
- 5.93 The Committee is concerned that the Code of Conduct for ASIS is a classified document. The nature of a document such as a Code of Conduct is to not only make the officers of the agency aware of their responsibilities under the code, but also to make the values and ethics of the agency known to their clients, other government departments and agencies and members of the public who may have dealings with the agency.
- 5.94 While aspects of ASIS Code of Conduct may be rightly security classified, it should be possible to produce an unclassified version which could supplement the classified guidance or instructions.

Recommendation 7

- 5.95 **The Committee recommends that ASIS produce an unclassified version of its Code of Conduct and that this be tabled in Parliament by the Minister for Foreign Affairs, be sent out to all ASIS applicants, and be made publicly available on request.**

55 ASIS, *Questions on Notice*, p.5.

56 ASIS, *Questions on Notice*, p.5.

57 ASIS, *Questions on Notice*, p.5.

Staff surveys

5.96 ASIO provided the Committee with information regarding the conduct of a staff survey in mid 2004. This information included the perceptions of staff concerning the organisational health of the agency, staff satisfaction in relation to careers and jobs and security practices.

5.97 The ASIO submission notes that this survey is in accordance with the requirements under the Blick Report. Further to this, a staff survey was conducted in 2001 in relation to retention rates within the agency. There had been a significant increase in the attrition rate in the agency within a short period (from 6.5 per cent in 1999 to 11.5 in 2001). This high attrition rate was of some concern to the Committee at the last review of administration and expenditure. The annual attrition rate had dropped to 5.6 per cent by 2003. In regards to the current level of attrition within ASIO, Mr Richardson stated:

....it is healthy for an organisation to have some churn. It is a matter of getting the right balance for that churn. We were not comfortable when it was up to 11 per cent, obviously. Around the six per cent mark is, I think, quite a healthy area for it to be in.⁵⁸

5.98 ASIO conducts an exit-interview with staff on separation from the organisation, 'to ensure identification of significant issues which may be contributing to a staff member's decision to leave.'

5.99 ASIS was asked whether the agency believed staff were satisfied in their working environment. ASIS gave evidence that a staff survey was undertaken in 2002 which was

extremely well supported by staff, with a participation rate above average for similar such surveys conducted in either the public or private sectors. Staff members also expressed an above average level of job satisfaction in comparison to statistics held on a national survey database accessed by the consultants conducting the survey.⁵⁹

In addition, ASIS stated:

ASIS staff similarly showed an above average level for satisfaction with the Service as an employer.⁶⁰

58 *Transcript*, p.41.

59 *ASIS, Questions on Notice*, p.9.

60 *ASIS, Questions on Notice*, p.9.

- 5.100 The organisation stated that this survey will provide a benchmark for future surveys to monitor agency attitudes and the health of the organisation.
- 5.101 DSD informed the Committee that it had conducted, 'three formal staff surveys since 1999.' DSD is intending to conduct a staff survey every year. The format of DSD surveys is directed towards several main themes. These themes are:
- demographics, such as rank, work location etc;
 - employee engagement (satisfaction);
 - organisational direction;
 - leadership, with sub themes of:
 - ⇒ immediate supervisor
 - ⇒ section head
 - ⇒ branch head
 - ⇒ corporate management committee
 - developing capability;
 - term transfers (DSD site issues);
 - equity issues;
 - health, safety and well being;
 - customer focus;
 - DSD values;
 - internal customer relationships;
 - communication; and,
 - security.
- 5.102 It is the intention of DSD to review the survey format annually so as to ensure that areas of concern are addressed.

Recommendation 8

- 5.103 **The Committee would like to encourage all intelligence agencies to undertake regular staff surveys and, if they are not already doing so, to make use of suggestions boxes that allow for anonymous feedback by staff. The Committee recommends that at each review of administration and expenditure the results of staff surveys are made available to the Committee for examination.**

Language skills and intelligence

- 5.104 The Report of the Inquiry into Australian Intelligence Agencies by Mr Philip Flood stated that the inquiry 'looked closely at the question of language skills of intelligence agencies.'⁶¹ The Flood Inquiry found some deficiencies in this area within ASIS, stating:

ASIS's skill base in this area is satisfactory, but not optimal. It has a strong cadre in some areas, but deficiencies in others. The inquiry recommended that ASIS should be provided with additional funding to bolster the key language capabilities of its staff.⁶²

- 5.105 This Committee also has concerns in relation to the language skills of intelligence agencies. Much has been said in the United States since September 11 about language weaknesses in the US intelligence system, particularly about the skills being undervalued and neglected. One US commentator has observed:

On the eve of September 11, millions of hours of Arabic-language intelligence tapes—some of which contained information that might have been used to anticipate the attacks - lay untranslated. ... During the fiscal year 2001, 68 percent of the [United States] army's positions for Farsi speakers and 50 per cent of its positions for Arabic speakers were unfulfilled.⁶³

- 5.106 Less has been said concerning language skills in the Australian intelligence community. One article written in the *Bulletin* magazine in April 2003 asserted that ASIO was 'hopelessly lacking in language skills,'

61 Philip Flood, *Report of the Inquiry into Australia's Intelligence Agencies*, July 2004, p151.

62 Philip Flood, *Report of the Inquiry into Australia's Intelligence Agencies*, July 2004, p151.

63 Anne O'Donnell, "The Translator Crisis: Speechless", *The New Republic*, 22 December 2003, p. 14.

and 'only two per cent (12 out of 600) of ASIO officers speak any Arabic. Some Arabic dialects are not spoken at all.'⁶⁴

- 5.107 Agency submissions to the Committee made scant reference to language skills. ASIO devoted only 7 lines to the matter of language skills and generally stated that the situation was satisfactory.

ASIO encourages and supports staff to update language skills.

ASIO continues to recruit linguists to ensure a close match between requirements and languages. No priority investigations are not being undertaken because of a lack of language skills.

ASIO officers assigned to overseas posts are provided with comprehensive language training utilising DFAT language training programs lasting up to 18 months. In most cases the ASIO liaison officers speak the language of the country to which they are posted.⁶⁵

- 5.108 However, only 10 percent of ASIO staff at December 2003 came from non English speaking backgrounds. The Committee recognises that English speaking officers may well be bilingual; however, no information was received about the number of officers who spoke foreign languages, what foreign languages were spoken or who could use them with sufficient fluency to translate and interpret effectively. In future reviews, the Committee would like to see a breakdown of staff language skills and training costs.
- 5.109 DSD made no reference to language skills in its submission but told the Committee that, to overcome identified deficiencies, they were in the process of expanding their language sets. No statistics were provided by DSD on the current languages available in the organisation.
- 5.110 Acquiring language skilled officers would appear to be one of the most difficult issues intelligence agencies face as they expand. Additional money does not produce an instant expansion in capacity. Facility with languages is a complex achievement and Australia's record in this area is poor. Prior to World War II Australia was a largely monolingual country and, while formal education in languages included French, German or Latin, it did not produce large numbers of fluent speakers. There was a push for the teaching of Asian languages in the 80s and early 90s, but many of the programs have fallen away.⁶⁶ Australia's advantages as a

64 John Lyons, "Welcome to his Nightmare", *The Bulletin*, 30 April 2003.

65 ASIO submission, p. 11.

66 George Quinn, lecturer in Asian Studies Faculty, ANU, argued in the *Canberra Times* in February 2004 that 'the Australian pool of university trained Asian language specialists had shrunk in the last 10 years.' No statistics were provided.

multicultural society, a situation particularly notable since the Second World War, have not translated into the building of a broad base of language skills from which many areas of the government or the economy might draw.

- 5.111 It is also worth noting that translating and interpreting are high level skills, so to be useful as translators or interpreters, even native speakers need considerable training and development. Fluency is needed in two languages. The issues underpinning this are broad national issues with significance to much wider areas than just effective intelligence and security. They are also important for trade and diplomacy.
- 5.112 The Committee's inquiry into the pre-war intelligence on Iraq made clear that language skills, cultural understanding and an understanding of the historical context in which intelligence assessments are made are all vital to good intelligence. There are, therefore, implications for the education system, for the preservation and promotion of the study of languages and cultural studies and the study of history in schools and universities. If Australia is to be well served in intelligence analysis, good linguists, whose skills are often transferable to a number of languages, and even good historians need to be valued and fostered and a financial commitment made to their development over the long term.
- 5.113 In the next Parliament, the Committee will consider whether this issue of language training and skills as it affects intelligence gathering and analysis might not warrant closer scrutiny through a separate inquiry.

Conclusions

Human resource management

- 5.114 All three intelligence agencies are under considerable pressure to expand. This pressure must be managed. To expand too fast could have negative long term consequences that could take decades to rectify and significantly undermine Australia's national security.
- 5.115 The Committee recognises the challenges involved in organisational expansion and the uniqueness of these challenges in regards to ASIO, ASIS and DSD. Human resource management is central to the proper management of organisational expansion as it is the area of administration that is responsible for recruitment, training and workplace relations. It is therefore an area of administration that is of considerable interest to this Committee.
- 5.116 In light of the significance of human resource management to current agency priorities, the Committee is concerned that little detail was

presented to the Committee by either ASIS or DSD through their submissions in regards to the human resource management of these agencies.

- 5.117 The Committee may conduct a more detailed review of human resource management so that issues such as recruitment strategies and language skills in Australian intelligence agencies can be more fully examined.

Information management

- 5.118 ASIO, ASIS and DSD were questioned in regards to their ability to manage increased information flow through their information systems.

- 5.119 Unlike ASIO and ASIS which are providers of human intelligence, DSD is a technologically focused intelligence collection agency. Of the three intelligence agencies overseen by this Committee, DSD has the largest budget and number of staff. Technological change, the higher operational tempo of the ADF which DSD supports and the increased volume of information flow which it processes would seem to be major challenges for DSD at the present time.

- 5.120 DSD is undertaking four major capital investment projects. Two of these relate to the improvement of DSD collection capabilities. The third project involves a major re-engineering of the organisation's internal information technology systems and super-computer processing capabilities. The fourth project concerns improving communications with an allied country. In addition to these four major projects, there a number of ongoing minor projects being undertaken.⁶⁷

- 5.121 The Committee questioned DSD about other significant initiatives that have been implemented to enhance defence intelligence capabilities for the next decade. The Committee was informed of three areas of activity.⁶⁸

- 5.122 ASIO reported that the flow of intelligence had grown at least five-fold since September 11 and that this growth is continuing. As a result ASIO's communications and information systems have been significantly upgraded: ASIO noted:

In summary, the growth in information flowing into the Organisation has put significant strain on systems and people. We believe we have the budget to invest in new capabilities which

67 *Transcript*, p.23.

68 *DSD, Questions on Notice*, p.4-5.

should allow us to get on top of the challenge over the next 2-3 years.⁶⁹

- 5.123 ASIS stated that the current focus on counter-terrorism has required the processing of much larger quantities of information than was previously the case. This has meant that some of ASIS's communication systems have proved inadequate with a consequent requirement to develop much greater capacity within the agency's communications platforms.

Risk management and contingency planning

- 5.124 Agency security arrangements must include contingency planning. In the event of a major disaster Australian intelligence agencies must have the ability to maintain their core functions. The Committee wished to ascertain from the agencies what consideration had been given to contingency planning in the instance where an agency might lose the ability to access their headquarters. The Committee questioned ASIS and DSD in regards to measures taken to ensure business continuity. Mr Merchant from DSD stated that :

This is still a reasonably new issue for us and, frankly, we have struggled with it a bit. The business continuity for DSD—in my opinion at least—is a bit more complicated than it is for a lot of other Australian intelligence agencies.⁷⁰

- 5.125 ASIS stated that the organisation had developed a business continuity plan.
- 5.126 While contingency planning for major disasters such as the loss of an agency headquarters is especially challenging, this should not inhibit immediate preparations to manage the lesser, but highly disruptive scenarios such as a protracted loss of electrical power in Canberra. Australia's agencies must have a robust capacity to continue operations in adverse circumstances.
- 5.127 The Committee shall continue to review business continuity planning and the agencies risk management strategies at future reviews.

69 ASIO, *Questions on Notice*, p. 8.

70 *Transcript*, p.31.

Other issues

- 5.128 The Committee questioned the agencies in regards to a number of other issues of importance to their proper administration. Although, these areas have not been pursued at length in this review, the Committee may pursue these matters in the future.

Performance management

- 5.129 The Committee sought information regarding the mechanisms employed to assess agency performance. There have been significant intelligence failures in the United States, United Kingdom and to a lesser extent Australia, in relation to the intelligence on Iraq stemming from failures in analysis, although it should be stated that this failure does not rest with ASIO, ASIS or DSD. The Committee does, however, note with concern comments of Mr Flood in the recent report into Australia's Intelligence Agencies:

Australian intelligence agencies should have known more before December 2001 about JI (Jemaah Islamiyah) as a group developing terrorist capabilities and intentions.⁷¹

- 5.130 The mechanisms and processes through which the performance of intelligence agencies is monitored are of considerable consequence both in terms of demonstrating the value for money that Australia gets out of our intelligence agencies and because of important implications for national security should our agencies be, 'getting it wrong'.
- 5.131 The Committee notes the various external and internal mechanisms that the agencies have in place for monitoring their performance and may well seek to follow up the issue of performance assessments at a later date.

Public reporting and accountability

- 5.132 In their submission to the review of administration and expenditure, ASIO provided information on the agency's public reporting and how this has complied with the recommendations of the Parliamentary Joint Committee on ASIO (the forerunner to the Parliamentary Joint Committee on ASIO, ASIS and DSD). Of the three agencies, ASIO has significantly greater public reporting. On the subject of public reporting Mr Richardson commented:

⁷¹ Philip Flood, *Report of the Inquiry into Australian Intelligence Agencies*, p.41.

With the nature of the job and the organisation, public reporting is a skill that we are all still learning. Essentially you are not paying people to be in ASIO to be good at writing possible parliamentary questions and the like—that is a developed skill. However, we are now bang in the middle of that because we are much more in the public domain. Ministers understandably require a lot more briefing on what they can say publically, and that has been quite a cultural change.⁷²

5.133 While much of the activities of DSD and ASIS are rightly classified, there may be significantly more information that can be made publicly available without any negative impact on Australia's national security. For example, the Committee is not convinced of the need for ASIS to produce only a classified Code of Conduct.

5.134 It is envisaged that a review may need to be undertaken by the Committee into the issue of public reporting and accountability. Intelligence agencies, like any other publicly funded organisation, must give consideration to providing publicly available information on matters of their administration.

5.135 The Committee recognises that organisations such as ASIS have long histories of secrecy. In relation to operational matters, the need for the highest level of secrecy is obvious. However, unnecessary secrecy hinders proper scrutiny. It is the expectation of this Committee that, as has been the case with ASIO over time, other intelligence agencies that this Committee oversees should provide more publicly available information with regards to appropriate matters. As Mr Flood notes:

... the need for secrecy should be no bar to a robust, effective and occasionally intrusive system of accountability. Where possible, intelligence agencies should be subject to the same scrutiny mechanisms as other parts of government.⁷³

Recommendation 9

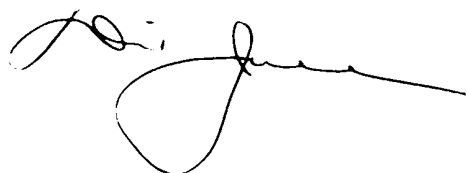
5.136 That a review be undertaken on the extent of public reporting across all the intelligence agencies overseen by the Committee.

72 *Transcript*, p.44.

73 Philip Flood, *Report of the Inquiry into Australian Intelligence Agencies*, July 2004, p.51.

Relationship between ASIO and law enforcement agencies

5.137 The Committee questioned ASIO in relation to its relationship with the AFP. It is apparent to the Committee that the AFP, State Police Forces and ASIO have complementary but different roles and that with the expansion of the AFP as well as State Police Forces into counter-terrorism and intelligence areas and the expansion of ASIO's powers, these roles may be undergoing some re-adjustment. The Committee recognises this area as requiring a more detailed examination of the issues than can be offered in this review of administration and expenditure.

A handwritten signature in black ink, appearing to read 'David Jull', with a long horizontal stroke extending to the right.

The Hon David Jull, MP

Chairman

