

PROCEDURAL TEXT

Date	Thursday, 21 August 2003	Source	Senate
Page	14298	Proof	No
Questioner		Responder	
Speaker		Question No.	

Report: Government Response

Senator TROETH (Victoria—Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry) (3.46 p.m.)—I present the government's response to a report of the Joint Committee on ASIO, ASIS and DSD entitled *Annual Report 2001-02*. In accordance with the usual practice, I seek leave to incorporate the document in *Hansard*.

Leave granted.

The document read as follows—

GOVERNMENT RESPONSE TO THE PARLIAMENTARY JOINT COMMITTEE ON ASIO, ASIS AND DSD — ANNUAL REPORT 2001-2002

Recommendation 1

That the Prime Minister create a position of efficiency adviser in the Office of the Inspector General of Intelligence and Security (IGIS). The efficiency adviser will:

- conduct performance audits of the Australian Intelligence Community; and
- report the findings of performance audits to the Prime Minister, the responsible Minister and the Committee.

Not Agreed. The Government considers that an efficiency adviser in the office of the IGIS would be inconsistent with the role of that office and second, that existing auditing and oversight mechanisms already ensure efficient and effective use of resources by Australia's intelligence agencies.

The role proposed for the IGIS by Recommendation 1 would be inconsistent with that stipulated by *The Inspector-General of Intelligence and Security Act 1986* in accordance with recommendations of the 1984 Royal Commission on Australia's Security and Intelligence Agencies (RCASIA). The Royal Commissioner took the view that the management and allocation of resources was the prerogative of the intelligence agencies and the government and did not recommend a role for the IGIS that would interfere with this. Instead, the IGIS is intended to conduct oversight and review to ensure that intelligence agencies act legally and with propriety, comply with Ministerial guidelines and directives and respect human rights.

Further, each of the agencies already conduct their own internal audit programmes. In the case of DSD, this is supplemented by the audit and review activities of the Inspector-General of the Department of Defence. Each of the agencies is also subject to regular scrutiny by the Auditor-General.

While the Committee is not in a position to direct performance audits of agencies of the Australian Intelligence Community, it can consult with relevant agency heads at any time and make suggestions as it sees fit on matters which come under its oversight, in line with the Act. In addition, the performance of Australian intelligence agencies is subject to the scrutiny of the Secretaries Committee on National Security which reports annually to the National Security Committee of Cabinet on the activities of the Intelligence and Security Agencies.

Recommendation 2

That the Department of Defence ensure that annual financial statements are available for DSD so that they can be audited by the Committee as required by paragraph 29(1)(a) of the Intelligence Services Act 2001.

Not Agreed. Section 29 (1) (a) of the *Intelligence Services Act 2001* requires the Committee to “review the administration and expenditure of ASIO, ASIS and DSD, including the annual financial statements of ASIO, ASIS and DSD.” DSD has prepared, and will continue to prepare, a report on its financial performance to the

Committee to enable it to fulfil its review function. However, unlike ASIO and ASIS, DSD is not an independent entity, so its financial reporting includes attributed values for some items, such as military salaries, that are managed by other areas of the Department of Defence.

The Committee's recommendation that DSD produce an annual financial statement that could be fully audited would entail, at a minimum, significant accounting systems-modification effort. It could necessitate the establishment of an independent treasury function in DSD. This would conflict with the existing governance arrangements within Defence and complicate the production of financial statements for the Department of Defence. At most, it could require the Government to establish DSD as an independent statutory agency, a move the Government does not favour.

The preferred approach of the Government is for the Australian National Audit Office to undertake an independent review of DSD performance, offering a 'completeness and presentational view' as opposed to a true and correct audit opinion.