

The fourth review of administration and expenditure

- 1.1 Under Section 29 of the *Intelligence Services Act 2001*, the Parliamentary Joint Committee on Intelligence and Security has an obligation to review the administration and expenditure of ASIO, ASIS, DSD, DIGO, ONA and DIO, including the annual financial statements.
- 1.2 This is the first review conducted under Section 29 of the *Intelligence Services Act 2005* of the administration and expenditure of the six intelligence agencies. On 2 December 2005, the *Intelligence Services Act 2001* was amended to add DIGO, ONA and DIO to the Committee's oversight responsibilities.
- 1.3 The Committee previously resolved that, while at least once a Parliament they will review broadly the administration and expenditure of the agencies, in intervening years the Committee will narrow its focus to review specific matters of administration and expenditure.
- 1.4 In February 2005, the Committee tabled its report "*Review of administration and expenditure for ASIO, ASIS and DSD, Number 3*". That report broadly reviewed the administration and expenditure of those agencies. The report identified human resource management as an area for further, focussed review, recommending that issues such as recruitment strategies and language skills in Australian intelligence agencies should be more fully examined. Therefore, the review being reported upon herein focussed on recruitment strategies, language skills and training.
- 1.5 This review received submissions from each of the six AIC agencies and two private submissions (see Appendix A). Additionally, several private hearings took evidence from the agency heads and two non-agency individuals and, during the course of the enquiry, the Committee met

with some trainees during inspections which were conducted at various intelligence facilities.

- 1.6 This review was not publicly advertised; however letters were sent inviting submissions to a number of individuals and organisations which have had associations with the intelligence services or have had an academic interest in intelligence matters. Only two submissions were received as a result.
- 1.7 The Committee notes therefore that the evidence taken in this enquiry was largely confined to the agencies themselves. The Committee is aware that its perspective on recruitment and training in the AIC might be limited by the narrowness of its evidence base.
- 1.8 Much of the evidence taken by the Committee at hearings and from submissions was of a classified nature and cannot be tabled in Parliament. Wherever possible, however, as much information as can be publicly reported, including agency evidence, has been included in this report.

The 2004-2005 Review

- 1.9 The third review undertaken by the Committee in 2004-2005 made nine recommendations in its report (see Appendix C). In November 2005 the Government response to the report was received.
- 1.10 Many of the recommendations were not accepted by the Government and several others were partially accepted. The recommendations which the Government accepted in full were Recommendations 4 and 9.
- 1.11 Regarding Recommendation 4, the Government advised that it is "favourably disposed to settling an MOU between IGIS and the Ombudsman which would deal with the issue of abutting responsibilities".¹
- 1.12 Regarding Recommendation 9, the Government indicated that it is a matter for the Committee to determine if there is a need for a Committee-resourced review into public reporting and accountability. When the Committee made the recommendation it was suggesting that such a review might be done by Government, however, the Committee will consider doing such a review itself in the future.
- 1.13 Recommendation 5 was partially accepted. While not committing to provide the Committee with a copy of the report on the outcomes of the

1 Government Response to the Parliamentary Joint Committee on ASIO, ASIS and DSD, page 4.

ASIO polygraph trial, the Government advised that “favourable consideration will be given to the option of ASIO providing the Committee with a briefing on the outcome of the trial”.²

1.14 Recommendation 6 was also partially accepted. While the Committee suggested that Committee members be invited to attend orientation sessions with new recruits “to allow members to gain a greater understanding of the orientation process and to provide opportunities for new recruits to be advised of the Committee’s role and responsibilities”, the Government’s response was that “new recruits to the intelligence and security agencies be briefed on the Committee’s role and responsibilities through the participation of the Committee Chair or other members in AIC training sessions”.³ It is not fully clear from this response if Members are welcome to attend sessions even if they are not there to brief new recruits.

1.15 A brief summary of the Government’s response to those Recommendations which it did not accept follows:

- Recommendation 1: the Government believes it is not practical for DSD to provide a separate full set of audited financial statements as it is an administratively integrated component of the Defence portfolio.⁴
- Recommendation 2: the Government advises that access to the classified annual reports of ASIO, ASIS and DSD “would be inconsistent with the functions of the Committee as set out in s.29 of the Intelligence Services Act 2001”⁵.
- Recommendation 3a: the Committee recommended that appropriate legislation be enacted that would require the Auditor-General to provide the Committee with the annual audits of ASIO, ASIS and DSD and further, that there be a requirement for the Auditor-General to provide any additional information that may be relevant to the Committee’s review of administration and expenditure. The Government noted that the Auditor-General is available, when required, to respond to parliamentary committee questions in relation to audit work ANAO has undertaken. It further noted that the Act specifies the type of information that the Auditor-General can provide in a public report or at a parliamentary committee meeting. The Government “considers that legislative amendments along the lines proposed by the Committee are unnecessary because under the

2 Ibid., page 4.

3 Ibid., page 4.

4 Ibid., page 1.

5 Ibid., page 1.

arrangements currently in place, the Committee is at liberty to request annual audits and any additional relevant information".⁶

- Recommendations 3b & c: The Committee recommended that the Auditor-General should develop a rolling program of performance audits in consultation with ASIO, ASIS and DSD. It also recommended that consideration be given to amendment of Section 10 of the Auditor-General's Act to reflect the importance of the ANAO in assisting the Committee to discharge its responsibility to review the expenditure and administration of the agencies through an on-going program of performance audits. The Government advised that, regarding 3b it considers that "a rolling program, on a standing basis, of audits of ASIS, ASIO and DSD is likely to undesirably constrain the flexibility of ANAO's audit program". Regarding 3c, "an amendment to the Audit Act as proposed is ... unnecessary and could disrupt the established and well-functioning mechanism for ANAO engagement with the parliament, primarily through the JCPAA".⁷
- Recommendation 3d: The Committee recommended that appropriate legislative provision be made to require the Auditor-General to provide the Committee with copies of the agencies' classified performance audits. The Government responded that it "does not consider that any legislative amendments, along the lines proposed, are required".⁸
- Recommendation 7: The Committee recommended that ASIS produce an unclassified version of its Code of Conduct and that this be tabled in Parliament. The Government "does not agree that the ASIS code of conduct should be tabled in Parliament. The code of conduct is currently being reviewed with a view to an unclassified version being placed on the ASIS website for public access".⁹
- Recommendation 8: The Committee recommended that all intelligence agencies undertake regular staff surveys and make use of suggestion boxes that allow for anonymous feedback by staff. The Government responded that it "is already standing policy in the intelligence and security agencies to conduct regular staff surveys. ...", however, "because of the operational sensitivity of some information, it would not be appropriate to provide the survey results in full".¹⁰
The Government made no comment on the recommendation that the

6 Ibid., page 2.

7 Ibid., page 3.

8 Ibid., page 4.

9 Ibid., page 5.

10 Ibid., page 5.

use of suggestion boxes would “allow for anonymous feedback by staff”.¹¹

- 1.16 The Committee welcomed the Government’s agreement with Recommendations 4 and 9 and partial agreement with Recommendations 5 and 6. The Committee noted the Government’s negative responses to Recommendations 1, 2, 3a, b, c &d, 7 and 8.

Recommendation 1

That the Government provide the Committee with separate financial statements for DSD, DIGO and DIO to enable the Committee to fulfil its statutory obligations regarding oversight of the administration and expenditure of the intelligence and security agencies.

Scope of the fourth review

- 1.17 Australian intelligence and security agencies have been undergoing rapid expansion in terms of increasing staff numbers and managing increasing budgets over the last four to five years.
- 1.18 This review examined the recruitment and training strategies of the agencies in light of their attempts to expand rapidly while keeping the standard of agency employees high. The Committee heard that each agency is putting a lot of time, energy and resources into finding large numbers of suitable new recruits in a very tight market place where suitably skilled people are difficult to attract. The Committee also heard that, once recruited, agencies must devote a lot more time and resources to ensure that they are adequately trained.
- 1.19 The two areas within recruitment and training which were found to be particularly problematic for agencies are employing, training and retaining linguists; and having new staff security cleared in a reasonable timeframe. These two areas were examined in detail.
- 1.20 The Committee would like to acknowledge that the Head of each agency attended hearings and spent considerable time answering the Committee’s questions fully and frankly and, thus, enabled the Committee to begin to grasp the enormity of the task of recruiting and training during a time of rapid expansion. The Committee is satisfied that in spite of the

11 Ibid., page 5.

complexity of the issues, the agencies are finding ways to overcome the difficulties and successfully grow their agencies while maintaining their high standards. In most cases, the submissions from the agencies were also detailed and informative and the Committee appreciated the effort taken to produce these.

- 1.21 The following two chapters report on the general findings of the Committee in the areas of Recruitment and Training. Chapter 4 is a classified chapter, available only to Heads of Agencies and Ministers, because it reports in detail on evidence heard by the Committee regarding the challenges of recruitment and training for each agency and the strategies and initiatives the agencies are putting in place to deal with those challenges.