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Administration

2.1 This review of administration and expenditure is the second full review of the administration and expenditure of the six intelligence agencies conducted under Section 29 of the *Intelligence Services Act 2001*(the Act) since the act was amended in December 2005. It is the first review of administration and expenditure carried out by the Committee of the 42nd Parliament. For the 2006-07 review, the Committee looked broadly at all aspects of the administration of the agencies, including re-visiting recruitment, training, security clearances and language capability of the agencies.

2.2 Working within the constraints of not including any classified information, this chapter reports broadly on some of the areas discussed during hearings and/or in submissions relating to the administration of the AIC agencies.

Reorganisation of agency structures

2.3 All agencies have had to absorb significant growth in staff levels during 2006-07. This has led to some significant restructuring amongst a number of agencies. One agency reported on it's completion of an organisational restructure to better balance resources across the organisation, so as to meet enhanced capability and operational requirements and product delivery expectations. Another agency restructured, in particular, by strengthening its management layer, in order to better manage the priorities and expectations of an ever expanding and diversifying customer base. One agency stated that significant restructure over the next two years

was planned. Other agencies have absorbed increased staff numbers into existing structures.

2.4   ASIO made further adjustments to its organisational structure 'to strengthen the strategic management oversight of critical work areas within the organisation'.[1] These adjustments took effect from 1 July 2007, with the organisation increasing from a nine division structure to twelve ongoing divisions and one non-ongoing Senior Executive Service (SES) Band 2 position, supported by 36 managers.[2] A key component of this restructure was the separation of the Executive and Legal Divisions. This acknowledged the continuing growth in the volume and complexity of litigation and legal matters being managed by ASIO.[3]

Impact on agencies of recent legislative changes

2.5   Nearly all agencies, with the exception of ASIO, reported that there were no legislative amendments which had an impact on their administration.

2.6   ASIO reported two legislative amendments which impacted on their functions. These were the *Telecommunications (Interception) Amendment Act 2006* and the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

2.7   The *Telecommunications (Interception) Amendment Act 2006* gives ASIO the power to request 'B-Party' telecommunications service warrants, to intercept third party communications with persons of interest, where the requisite legal threshold can be met.[4]

2.8   The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* represents a key step in reforming Australia's anti-money laundering and counter-terrorism financing regulatory regime. This amendment gives ASIO access to information held by the Australian Transaction Reports and Analysis Centre (AUSTRAC). This access is limited to only those ASIO officers who have received the appropriate training in handling the information.[5] All access by ASIO must also be approved in writing and

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1   *ASIO Unclassified Submission*, p 16.
2   *ASIO Unclassified Submission*, p 16.
3   *ASIO Unclassified Submission*, p 16.
4   *ASIO Unclassified Submission*, p 6.
5   *ASIO Unclassified Submission*, p 24.

comply with ASIO's memorandum of understanding with AUSTRAC. The IGIS audits this access and in 2006-2007 found no evidence of breaches.[6]

2.9 As noted in the Committee's previous report, several agencies submitted that they provide targeted training on the requirements of relevant legislation and ensure that legal advice and supervision is consistently available to staff, at every stage, in the use of their legislated powers.

2.10 The Committee is satisfied that legislative changes and legislative interpretation is being managed in a consistent and conscientious manner according to the resources available to the agencies.

Human resource management within agencies

Management of growth

2.11 In the past financial year four of the six agencies experienced significant growth, either exceeding or meeting their recruitment targets. The management of this growth is a key concern for these agencies, particularly since it represents a large influx of relatively inexperienced new staff and places a strain on corporate services.

2.12 One agency reported receiving additional Government funding to enhance its collection capabilities.[7] The flow on effects from this funding has been a heavy reliance on graduate recruitment programs and training. According to the agency concerned these programs reinforce their capacity to manage large intakes of inexperienced personnel and ensure their specialisation.[8]

2.13 ASIO reported that a total of 349 new staff had joined the organisation in 2006-07.[9] This represented the most staff ever recruited during a financial year.[10]

2.14 Another agency reported experiencing increasing pressure to deliver timely, relevant and quality assessment product in support of an expanded mandate, yet this has not been matched with a subsequent increase in personnel and funding:

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6   *ASIO Unclassified Submission*, p 24.
7   Pri*v*ate *Hearing Transcript.*
8   Pri*v*ate *Hearing Transcript.*
9   *ASIO Unclassified Submission*, p 33.
10 *ASIO Unclassified Submission*, p 33.

> The pressures…to deliver timely, relevant and quality assessments in support of [our] mandate have fundamentally expanded since 2001. However, [the] personnel and funding base has not similarly expanded in response to strategic developments in this period, as has occurred with the majority of other AIC agencies.[11]

2.15   The agency also added that this pressure is further compounded by a substantial increase in intelligence collected, from an expanding set of sources which must be processed and assessed efficiently and accurately. This situation is putting increasing strain on agency resources.

2.16   The Committee questioned Agency Heads on the processes and strategies being implemented to manage their growth and the associated risks. These included a strong emphasis on innovative recruitment campaigns to attract a diverse range of high calibre applicants; research into job market trends; focused workforce planning, including putting in place training and staff development programs, and restructuring management to provide more effective and focused oversight. ASIO gave some insight into this process:

> We have beefed up considerably the internal and external training arrangements. We have set up a dedicated training branch that is trying to integrate the different activities. We are asking ourselves: what skill sets do people need to do various jobs, what programs do we have in place to make sure that they have those jobs and what review processes do we have in place to check whether that worked or not?[12]

2.17   Several agencies have engaged recruitment consultants to help progress their recruitment processes and strengthen some critical strategic projects on workforce and succession planning, performance management and, reward and recognition processes.

2.18   A number of agencies expressed concern over maintaining recruitment momentum and organisational expansion in a tightening labour market. One agency reported that this had caused a decrease in job applicant numbers; another submitted that it had not met its recruitment requirements for the financial year 2006-07.[13]

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11   *Classified Submission.*
12   *Private hearing transcript.*
13   *Classified Submission.*

Recruitment

2.19   As noted in the Committee's previous report, agencies continue to work diligently to meet agency recruitment needs with the restriction of recruiting staff that have or are able/want to obtain a Top Secret (Positive Vet) TS(PV).

2.20   In common recognition of a tight labour market, all agencies demonstrated to the Committee that they are devoting a considerable amount of agency resources to attracting and retaining suitable staff for their agency. Agency strategies centred primarily on more extensive workforce planning, streamlined recruitment processes, graduate recruitment programs and engagement of recruitment consultants to both advise on best practice and assist with selection processes.

2.21   One of the Defence agencies reported that it had underachieved against its recruitment targets by 4.69%. This was partially due to delays in the security clearance process and a competitive public sector environment.[14]

2.22   ASIO reported that whilst it had achieved record recruitment in the financial year 2006-07, challenges remained in meeting its target for specific professions within the organisation.[15]

2.23   In 2006-07 ASIO further developed its recruitment strategies. This included the use of recruitment agencies to source applicants, coordinate assessment centres and conduct on-line testing and research into developing ASIO's organisational 'brand' to give it better appeal in the marketplace.[16] Vetting agencies were also employed to enhance the vetting process associated with recruitment.[17]

2.24   Another agency reported that it continues to review and revitalise its recruitment processes. New pro-active strategies were introduced including a policy which allowed transference of TS(PV) clearances from other Australian intelligence agencies, pay incentives to attract particular skills sets, increased reliance on sector-specific recruitment firms, greater attendance at University careers fairs and the consolidation of efforts in pursuing talent recommended by contacts within the AIC.

2.25   Defence agencies reported recruiting heavily through the Defence Graduate Development Program and traineeships for its civilian

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14   *Classified Submission.*
15   *ASIO Unclassified Submission*, p 33.
16   *ASIO Unclassified Submission*, p 34.
17   *ASIO Unclassified Submission*, p 34.

workforce.[18] Graduate programs provide the agencies with staff possessing relevant skills-sets, academic backgrounds and a certain amount of awareness of Defence priorities. Traineeships help to build the specialist skill sets needed by the agencies. Overall, graduate recruitment in 2006-07 resulted in 158 new recruits for Defence agencies.[19]

2.26   The Committee found no evidence to suggest the agencies are not devoting adequate resources to meeting recruitment targets in a tight labour market.

Recruiting Indigenous Employees

2.27   The Committee again noted that DIO participates in the National Indigenous Cadetship Project (NICP) yet the figures provided were not updated from those submitted in last year's review. This leads to the assumption there have been no new indigenous cadetships issued for 2006-07 financial year.

2.28   Defence stated that the program in Canberra has not had much success:

> In Canberra we have not had much success…previously we offered three jobs to people through the APS Cadetship Program. None of them took us [up] on those job offers. So we attempted to be part of the program but have not been too successful.[20]

2.29   ASIO stated that whilst there has been a 'steady increase in the proportion of ethnically diverse staff', there has been a 'decrease in the proportion of Aboriginal or Torres Strait Islander staff and those with a disability.'[21] This is attributable to the net growth of ASIO in 2006-07.[22]

2.30   A component of an agency's commitment to workplace diversity is achieving improved outcomes in employment for particular groups, including Aboriginal and Torres Strait Islander people. The agencies have not achieved this in 2006-07.

2.31   Across the APS Indigenous Representation remained steady at 2.1% or 3, 018 employees.[23] This trend was not reflected in the agencies submissions, with the majority submitting no information on the issue.

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18 *Private Hearing Transcript.*
19 *Private Hearing Transcript.*
20 *Private Hearing Transcript.*
21 *ASIO Unclassified Submission*, p 40.
22 *ASIO Unclassified Submission*, p 40.
23 State of the Service Report 2006-07, p. 81.

Training and Development

2.32   All agencies demonstrated to the committee that they continue to invest significant resources into the training and development of their staff. This increasing investment reflects the growth of staff levels throughout the AIC but also the ever evolving, complex and diverse operating environments faced. This environment dictates that agencies meet more stringent standards surrounding responsiveness, relevancy, accountability and transparency. Meeting these standards consistently necessitates targeted and strategic training, and development.

2.33   All agencies demonstrated to the Committee in their submissions and at the hearings, that their training and development programs are constantly evaluated, reviewed, and refined to provide their staff with modern, varied, and sophisticated training appropriate to the duties they perform. They indicated that the engagement of best practice techniques from across the wider AIC is crucial to this process.

2.34   In addition to specialist training, agencies offer training in leadership and management, security awareness, IT, finance and budgeting, strategic policy, languages, ethics and accountability and general administrative skills such as contract management and effective reading and writing.

2.35   Several agencies again noted that they are directing extra effort into leadership training. ASIO stated that it conducts a *Learning and Development Strategy for Leadership* program which is delivered through structured coursework, addressing a variety of leadership and management competencies.

2.36   The Committee questioned agencies on whether they utilise retired staff as mentors in the context of providing leadership training. Agencies indicated this is used 'extensively'.[24] However one agency indicated that despite this, and despite the provision of specific training programs, they have difficulty meeting demand for leadership training across the organisation.[25]

2.37   One agency commented that increasing sophistication of operational training is required to prepare officers for work in combat zones, previously denied areas and against highly competent and technically advanced security and counter-intelligence. Initially met through ad-hoc training arrangements, this increased sophistication is now being supported through demanding and resource intensive training, and also

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24   *Private Hearing Transcript.*
25   *Private Hearing Transcript.*

through engagement with key liaisons to allow benchmarking of capability.

> We have had to come to terms in these years…with keeping up with major advances on training and developing our robustness in delivering for government…..
>
> We have to look very carefully in training at the professionalism of our officers because the operating environment….is demanding simply that they be better at their job than they needed to be 10 or 15 years ago.[26]

2.38   The Committee heard that, in addition to agency and APS based training, some agencies have been sending staff overseas to attend training courses:

> What we have been doing on a reasonably regular basis is sending the person responsible for our training programs to the United States to have a look at a whole range of courses and then draw from those what would work best in the Australian environment.
>
> We have also invited the Americans to come out and teach some courses on analytical trade craft, for instance. It has been useful but quite a lot of it has not been directly applicable because of differences in scale and culture basically.[27]

2.39   The Committee was provided with considerable evidence that training constitutes an integral part of each agency's workforce planning and organisational strength. Whilst matching their increasing staff numbers with appropriate training programs remains a constant challenge for the agencies, the Committee is satisfied that the agencies are making a substantial effort in this regard.

Language skills

2.40   Language skills are fundamental to most of the agencies. The changing nature of intelligence requires many of the agencies to be proficient in many more languages and dialects than in the past. As one agency stated 'language training and language proficiency are recognised as a long-term investment in a vital professional skill'.[28]

2.41   Some agencies seek to employ staff who possess language skills when they join others provide the training once staff have commenced. For some

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26   *Private Hearing Transcript.*
27   *Private Hearing Transcript.*
28   *Classified Submission.*

agencies this training is conducted both in Australia and overseas.[29] Another agency makes use of the Department of Foreign Affairs and Trade (DFAT) courses and submitted that, in addition, its 'linguists are provided with training to enhance and refine their skills.'[30]

2.42   One agency stated that it encourages 'maintenance' of language capability through additional remuneration.[31] It also predicted that 'expenditure on maintaining language proficiency will be higher in the future' as the organisation grows and diversifies.[32]

2.43   Another agency told the Committee that its language capability was something that had to be continually evolving, particularly in terms of interacting with native speakers and minority dialects.[33] This presents a challenge for many of the collection agencies in particular. Contracting native speakers for specific purposes is one method used by agencies to address this problem.[34] However this also presents difficulties in having them cleared to the appropriate Top Secret Positive Vet TS(PV) level, which can require residency in Australia for ten years or citizenship.[35]

2.44   The Committee heard that contractors have been employed by one agency in an attempt to enhance their linguistic skill.

2.45   The Committee has not received evidence to indicate that these contractors have enhanced linguistic skills or value added to the process.[36]

2.46   Given the increasing need to engage with the complexity of the operating environment, attracting and recruiting suitable linguistic capability in adequate numbers will always be a challenge. Indeed agencies will need to ensure that meeting this challenge does not involve any compromise of existing agency capacity and expenditure. However the Committee is satisfied that the agencies recognise this challenge and have taken appropriate steps to mitigate it.

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29   *Classified Submission.*
30   *Classified Submission.*
31   *Classified Submission.*
32   *Classified Submission.*
33   *Private Hearing Transcript.*
34   *Private Hearing Transcript.*
35   *Private Hearing Transcript.*
36   *Private Hearing Transcript.*

Separation rates

2.47   The Australian Public Service (APS) average separation rate for 2006-07 was 7.5 per cent which remains the same as 2005-06 levels.[37] The separation rates for the agencies in the same period ranged from 5.5 per cent for ASIO[38] to 25 per cent for one of the Defence agencies.[39] Two agencies were below the average with most agencies at least two percentage points higher.

2.48   Exit surveys conducted by the agencies reveal some of the reasons contributing to such a high level of separation in some agencies. This ranges from broader issues such as the current highly competitive job market and more attractive salary and employment conditions to industry specific issues such as high operational demands which affect the work/life balance and the poaching of specialist staff to more profitable private organisations.

2.49   Another agency reported a separation rate of 16.7 per cent and predicted that this figure would rise due to an ageing workforce, expiration of contracts and the demographic shift as a result of bulk recruiting rounds.[40] It also stated that this figure was not of concern as 'it is a conscious staffing policy to have people coming and going in the organisation.'[41]

2.50   The Committee questioned an agency on whether consideration had been given to a career path that provides for longer term involvement with the agency, ensuring that if staff leave, incentives are provided for them to return. The agency replied that:

> We do not have the economies of scale in the organisation to be able to plan people's careers in that way.

2.51   One agency commented further:

> . . . it is important to have new people coming in so that you do not get stuck in an analytical rut. The biggest challenge for an assessment agency is complacency.

> The real irony is that, if there is a fundamental sea change around the corner….you have a bigger risk that a long-experienced analyst will miss it than you do with somebody who is coming in fresh.[42]

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37   State of the Service 2006-07, *Australian Public Service Commission*, p. 30.
38   *ASIO Unclassified Submission*, p 42.
39   *Classified Submission.*
40   *Classified Submission.*
41   *Classified Submission.*
42   *Classified Submission.*

2.52   The agencies with higher separation rates outlined, in their submissions, the strategies they are employing to reduce them. One agency stated that it 'seeks to create a positive working environment' where staff attributes and skills are valued, career pathways are established, strong leadership is fostered and staff are motivated in desired behaviours.[43]

2.53   Another initiative has been to establish an organisational capability framework which enables staff, which often have specialist skills sets, to be promoted, receiving a higher remuneration when consistently working at a higher level of expertise.[44] This initiative proved to be very successful with only nine of the 51 staff advanced through this framework leaving the agency.

2.54   Another agency attributed it's higher than average separation rate for 2006-07 to voluntary redundancies as the agency restructured.[45]

2.55   A number of agencies indicated in their submissions to the Committee that in an effort to address high separation rates, they conduct exit surveys or interviews to assess the reasons staff are leaving and how they can address these. These form the basis of any retention strategy.

2.56   The Committee questioned the Defence agencies as to why they were experiencing such comparatively high separation rates to the other intelligence agencies. Defence stated that it had sought to address this issue:

> . . . we have just initiated what we call a retention management plan with a number of strategies which include things like more leadership training and so on.

> We are putting in place a deliberate process of making sure that people feel they can come back, making sure that they would be welcome and staying in touch with people who leave.

> They not only have great experience already in the organisation but they might be even more effective for us if they have some external time….we have a number of strategies in place for this.[46]

2.57   The Committee is satisfied that those agencies experiencing higher than average separation rates are either committed to understanding the reasons why and addressing them or see them as necessary for organisational renewal and strengthening analytical capacity.

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43   *Classified Submission.*
44   *Classified Submission.*
45   *Classified Submission.*
46   *Private Hearing Transcript.*

2.58   In addition the Committee is pleased to note that one agency in particular
        had very positive results from their staff survey; showing that staff of this
        agency had strong levels of commitment to and satisfaction with their
        employment in the agency.

Security issues

Security Clearances

2.59   As in the previous review, most agencies indicated that completing the
        security clearance process for new recruits and conducting re-evaluations
        for current staff within a reasonable timeframe continues to be a challenge.

2.60   Across the agencies the security clearance process ranged from eight
        weeks to six and half months. One agency stated that:

> The length of time taken depends on the complexity of the case.

> Average turn around times will, however, be dependent upon
> numbers of client requests, complexity of case load, staffing and
> competing priority special events.

2.61   Defence agencies reported an overall increase of 28 per cent in the number
        of requests for security clearances. This was attributed to increased
        deployments overseas, where those deployed with US troops are required
        to be TS(PV) cleared, numerous bulk recruiting rounds throughout the
        year and 'wider access to Top Secret Information and Communications
        Technology systems on operations and in non-intelligence areas.'[47]

2.62   The Defence Agencies TS(PV) vetting process is managed by the Defence
        Security Authority (DSA). Due to a surge in demand for TS(PV) clearances
        since 2001 the DSA reviewed the TS(PV) process and in 2006 introduced an
        'improvement plan with a re-engineered process'.[48] This includes:

- Contracting out the majority of psychological assessments;
- Basing assessing officers around the country and allocating
  cases accordingly to minimise travel time;
- Refining the process business rules;
- Organisational change to support new processes;
- Using separate interviewing officers to conduct referee
  interviews;

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47   *Classified Submission.*
48   *Classified Submission.*

- Assessing officers focused on assessment and quality assurance;
- Better use of information technology.[49]

2.63   The Committee heard that as a result of this re-engineered process there has been a '40 per cent increase in throughput' in the last two years.[50] However the Committee also heard that this has been 'eroded at least partially by an increase in demand' of 24 per cent.[51]

2.64   The Committee also heard that the vetting process managed by DSA has been outsourced:

> . . . across the broader Defence organisation, we have augmented the DSA's capabilities with an industry vetting panel that consists of seven companies which we use. We have focused their work on the negative vetting area rather that the positive vetting area. They still do not make the decision on whether or not to grant a security clearance, even at that lower level of clearance, but they do a lot of processing and checks that are required.[52]

2.65   The Committee also heard that DSA processes TS(PV) clearances for other agencies other than Defence as not all Government agencies are sufficiently resourced to conduct their own.

2.66   Another agency stated that as of 30 June 2007 it had cleared its security clearance backlog for new recruits.[53] It is now focusing on reducing outstanding security clearance re-evaluations for current staff.[54] This has involved streamlining re-evaluation processes and increasing the number of vetting staff.[55]

2.67   ASIO provided the Committee with a detailed overview of its part in the security assessment process for the APS. Under Part IV of the ASIO Act, ASIO is responsible for providing Commonwealth agencies with security assessments relevant to their roles and functions:

> ASIO can issue security assessments for:
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> - Access to security classified material (*personnel security assessments*);
> - Access to places or activities controlled on security grounds (eg. Maritime and aviation security identity cards, Australian

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49   *Classified Submission.*
50   *Private Hearing Transcript.*
51   *Private Hearing Transcript.*
52   *Private Hearing Transcript.*
53   *Classified Submission.*
54   *Classified Submission.*
55   *Classified Submission.*

> Nuclear Science and Technology Organisation (ANSTO) and ammonium nitrate programs, counter-proliferation programs) (often referred to as *counter-terrorism security assessments*)
>
> ■ Entry into Australia or to remain in Australia (*visa security assessments*)
>
> ■ Citizenship of Australia
>
> ■ The cancellation of Australian passports or the seizure of foreign passports held by people of security concern (often called *passport cancellations*)[56]

2.68   ASIO further detailed the security assessment process by stating that it 'draws on classified and unclassified information', taking into account a persons 'activities, associates, attitudes, background and character'; this is then supplemented with an interview with the applicant.

2.69   However there are limitations placed on this process. The factors taken into consideration when conducting a security assessment must relate to the definition of security as contained in the ASIO Act.[57] Other factors such as health or criminal history, not related to security, are not within ASIO's remit.[58]

2.70   In the case of a qualified or adverse security assessment, it may be appealed to the Administrative Appeals Tribunal if the applicant is an Australian citizen or permanent resident, or holds a special category visa or special purpose visa.[59]

2.71   ASIO also conducts visa security assessments referred to it by the Department of Immigration and Citizenship (DIAC) for people applying for a visa to travel to or remain in Australia.[60] An assessment is made of whether the person's presence in Australia poses a risk to security. ASIO submitted that the timeframe for these assessments varies according to multiple factors however ASIO actively responds to security risks and DIAC priorities with 'particular emphasis on refugee, humanitarian and protection caseloads and genuine compassionate or compelling cases'.[61]

2.72   The Committee heard that improving service delivery in the area of security assessments continues to remain a focus for the organisation. The Committee was also provided with information relating to the volume of assessments handled by ASIO:

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56   *ASIO Unclassified Submission*, pp. 25-26.
57   *ASIO Unclassified Submission*, p. 26.
58   *ASIO Unclassified Submission*, p. 26.
59   *ASIO Unclassified Submission*, p. 26.
60   *ASIO Unclassified Submission*, p. 26.
61   *ASIO Unclassified Submission*, p. 27.

> In 2006-07 ASIO issued nearly 210,000 security assessments, including over 53,000 visa security assessments.[62]

2.73   Despite these assurances the Committee remains concerned that it does not have a 'clear map' of how the security clearance process is managed and outsourced, to whom, under what conditions, whether there is any standardisation of questioning and which agencies are vetted by whom and who decides this.

2.74   The Committee is continuing to investigate the process of security clearances.

Breaches of security

2.75   Only three of the agencies submitted information to the committee on security breaches. One stated that it had not had any to report; another stated that all its breaches were minor in nature, occurring within a Top Secret accredited establishment, solely occupied by TS(PV) cleared personnel. A subsequent assessment of the likelihood of compromise of National Security is low.

2.76   Another agency stated that there had been 12 internal security breaches in 2006-07 down from 16 the previous year.[63] To clarify the agency stated:

> The majority of breaches were technical in nature – for example not ensuring safes were properly secured or leaving classified material on printers – and staff members were personally counselled by the Director-General about the need for greater awareness.

> The decrease is attributed to the high level of security awareness and management support for security policies and procedures.[64]

Staff complaints

2.77   As in the previous financial year, agencies reported very low numbers of staff complaints. Some agencies had none whilst others had either two or three. All were reported and resolved.

2.78   Some agencies indicated that they conduct periodic staff surveys to detect satisfaction levels and staff morale within the organisation. This also helps them to identify any problem areas. One agency reported that its last bi-annual survey indicated overall staff satisfaction was very high and that

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62   *Private Hearing Transcript.*

63   *Classified Submission.*

64   *Classified Submission.*

staff morale and commitment to service were also very high.[65] This agency also indicated that in years past it has set-up an internal ombudsman role to provide advice and counselling to staff and impartially and independently investigate formal grievances and report to the Agency Head.[66]

2.79   Another agency indicated that since 2003 there has been a decline in the number of complaints, with none recorded in the last financial year. This is attributed to enhanced education in promoting organisational values and a successful Workplace Diversity Program.[67]

2.80   The Defence agencies have access to the Department of Defence's formal process for submission, recording and handling of complaints within the Fairness and Resolution Branch in the Defence Personnel Executive. All three agencies procedures for recording staff complaints and gauging staff satisfaction varied with some employing methods such as suggestion boxes, exit interviews, organisational surveys and workplace consultative committees. The complaints received in these organisations related to bullying and harassment. All complaints were resolved across all three agencies.

2.81   In addition the Defence Department's Whistleblower Scheme receives and investigates complaints relating to misconduct within Defence, including criminal activity or unethical behaviour. All defence intelligence staff have access to this scheme.

2.82   The Committee is satisfied that all the agencies have appropriate mechanisms for dealing with staff complaints, which provide an avenue for formal resolution. Staff surveys are a key part of managing organisational growth and it is encouraging to hear that during this time of accelerated growth in the AIC, most agencies are utilising surveys to assess staff satisfaction and address underlying problems.

Accommodation

2.83   The majority of agencies reported to the Committee that they are experiencing accommodation difficulties. Space is at a premium, particularly as most agencies staffing levels have grown substantially over the past financial year. One agency stated that:

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65   *Classified Submission.*
66   *Classified Submission.*
67   *Classified Submission.*

> Workspaces for staff are now at a premium, and power and cooling infrastructure for high-capacity computing is operating at its upper limits.[68]

2.84 Many agencies reported having to seek out alternative accommodation in the short term and others have undergone refurbishment. However some agencies noted the challenges of adapting existing, sometimes dated, structures to support secret and secure operations and specialist IT requirements.

2.85 Another agency stated that their accommodation is tight due to the addition of temporary lodger units in an already crowded space whilst another agency stated that their current lack of space is restricting recruitment capacity and that current operational requirements significantly exceed the working space available.

2.86 On 16 August 2006 the Attorney-General and the Minister for Finance and Administration announced that ASIO and ONA would move their central office to a new purpose built building, within the Defence and Security precinct, by 2010-11. The Committee has noted this development and relocation in its previous report.

2.87 ASIO stated:

> The site is known as Section 49, Parkes, located within the Parliamentary Triangle, and in close proximity to the Russell precinct and other partner agencies.

> The new building will be purpose designed to operate 24 hours a day with a level of security commensurate with the functions of the Organisation. A project architect and managing contractor will be engaged in 2007-08 to commence design and development of the new building.

> The Government provided additional funding to the Department of Finance and Administration (DOFA), ASIO and ONA for the new building in the 2007-08 Budget. The total project budget is $460 million.

2.88 Furthermore, the Committee heard evidence that there exists concern that this impending relocation will not occur until 2012, which is some way off when the agencies are already 'chock-a-block'.[69]

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68 *Classified Submission.*

69 *Private Hearing Transcript.*

2.89   Overall it is apparent to the Committee that as agency staff numbers have expanded there has not been a commensurate expansion in agency infrastructure and workspace. This is an issue which will need to be more thoroughly addressed into the future as these agencies continue to expand beyond current staffing levels.

Performance management and evaluation

2.90   The evaluation and management of performance at the organisational level is identified as a service delivery priority for all the agencies. Most of the agencies indicated they seek feedback on their performance from customers through a number of means. These include stakeholder engagement programs, annual customer surveys and formal performance reviews.

2.91   Performance management and evaluation of the AIC as a whole is conducted by ONA under the terms of the Office of National Assessments Act 1977. ONA's annual evaluation report assesses the AIC's performance against Australia's foreign intelligence priorities and the adequacy of its resources, and is considered by the Prime Minister and the National Security Committee (NSC) of Cabinet.

> In 2006-07, ONA found the AIC performed strongly overall on foreign intelligence and ensured the government was well informed on areas of high interest.[70]

2.92   Through the use of formal evaluation processes, one agency reported that it had identified a customer need for greater assistance with how to use intelligence product. The Committee questioned an agency in relation to this issue and received the response:

> We are always looking for ways to improve the way in which our material is made accessible to our customers. An area we still do is called tailored reporting, summary reporting, to make better use of the large volume of material we get from our international partners. On average in a year we would receive . . . probably 90,000 reports. Making sure that that material is available in a digestible and interesting way to meet our customers' particular interests is something we work on, to improve the value of that material to our readership.[71]

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70   *Classified Submission.*
71   *Private Hearing Transcript.*

2.93   All agencies manage individual performance. This is tied in with each
        agency's corporate plan objectives. This links individual performance with
        agency performance. One agency reported that it utilises an internal
        rewards and recognition program.

2.94   On 1 February 2007, the Defence Department instituted the Defence
        Performance Feedback Assessment Scheme (PFADS). This scheme allows
        personnel to be considered for performance progression. All defence
        employees are required to participate in this scheme including those of the
        Defence intelligence agencies. [72]

Other issues

E-security

2.95   The Committee is aware of a wide ranging review currently being
        undertaken by the Government into e-security. The following section is
        concerned with specific e-security issues arising within the AIC agencies.

2.96   The Committee questioned one agency in relation to its concerns on e-
        security. The agency had stated that there needed to be a 'holistic'
        approach taken towards e-security:

>   E-security is all about the risks and threats introduced by the
>   expanded use of things like the Internet to provide connectivity
>   between government departments and also between government
>   and the community, and business as well.

>   …the e-security challenge goes well beyond government.
>   Particularly critical infrastructure providers where most of those
>   are actually private sector now, or a large number of them. [73]

2.97   The Committee also inquired as to whether there are sufficient resources
        behind e-security which are commensurate with the risk:

>   We continue with a high level of concern about possible intrusions
>   or attempts to intrude from overseas and we will continue to
>   monitor the threat. The resources currently available to us . . . are
>   appropriate for the task . . . but I would not want to say that it is

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72   *Classified Submission.*
73   *Private Hearing Transcript.*

absolutely the right amount for future years because the risks in
this area . . . continue to increase.[74]

2.98   Given the dynamic and fast-paced threat environment, maintaining
optimum levels of e-security will be a constant challenge for the agencies,
particularly as it is an issue which extends across all Government
portfolios. Whilst they indicated that our e-security is helped by our strong
relationships with foreign partners such as the United States, it appears
that this will be a rapidly changing area of administration for all the
intelligence agencies. Indeed it will demand significant resources and
cross-portfolio collaboration. The Committee will maintain an interest in
this issue.

Litigation

2.99   The Committee heard evidence that in 2006-07 ASIO significantly
increased its litigation capacity by expanding the number of lawyers on its
staff and setting up the Terrorism Litigation Advice Branch.

2.100   ASIO explained that this expansion was a result of 'the continued upward
trend in the volume and complexity of litigation and legal matters being
handled by the Organisation'.[75] At their hearing ASIO also stated that this
expansion had occurred as a result of:

> ….the Taylor Review which said, essentially that it was
> unsustainable to have an intelligence approach to terrorism and
> counterterrorism that was not capable of being put into the court
> processes.[76]

2.101   ASIO explained that, in recognition of this, they have introduced a new
Legal Division and a Terrorism Litigation Advice Branch within the
Investigative Analysis and Advice Division.

Issues raised by the IGIS

2.102   The Committee received an unclassified submission from the IGIS in
which Mr Ian Carnell stated some specific concerns he had about the
administrative functions of the AIC agencies.

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74   *Private Hearing Transcript.*
75   *ASIO Unclassified Submission*, p. 16.
76   *Private Hearing Transcript.*

2.103   The IGIS told the Committee that during the period under review, there
         was a significant increase in the number of complaints received by the IGIS
         office about purported delays by ASIO in processing security assessments
         in relation to visa applications. In 2006/07 the number of complaints more
         than doubled from 34 in 2005/2006 to 76.[77]

2.104   Mr Carnell attributed this increase to:

> ….both the pressure which workload increases had placed on
> ASIO, and to what seemed to be increasing awareness on the part
> of migration agents and migrant networks about the right to
> complain to my office about such cases.[78]

2.105   ASIO have assured the Committee that they are 'acutely aware of the issue
         and are taking 'remedial steps' to address the issue.

2.106   The IGIS also reported that ASIS had made some important changes to its
         recruitment practices during 2006/07. This was in response to several
         complaints made to the IGIS office with regard to lack of feedback as to
         why an application had been unsuccessful. The Director-General modified
         this practice accordingly.

2.107   With regard to the Defence agencies, the IGIS received a small number of
         complaints about Organisational Suitability Assessment (OSA) processes
         within the Defence intelligence agencies. The IGIS stated that following
         some initial discussions with relevant parties, he commenced a formal
         inquiry on 5 June 2007.

Conclusion

2.108   The Committee is satisfied that overall the administration of the six
         intelligence and security agencies is currently sound. The Committee
         found that all agencies continue to effectively manage rapid expansion
         whilst maintaining high standards of integrity and professionalism.

2.109   The Committee also found that e-security will continue to be a challenge
         for the agencies into the future. Managing connectivity between
         government departments but also the private sector and ensuring the
         system against the increasing risk of infiltration will require commensurate
         vigilance, resources and funding.

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77   *IGIS Unclassified Submission.*
78   *IGIS Unclassified Submission.*

2.110   The Committee also notes the important need to improve ethnic diversity and language skills although the Committee recognises the difficulties faced by agencies in this area.

2.111   The Committee also found that lack of accommodation capacity remains an issue for all the agencies in the wake of extensive growth in staffing levels in 2006-07.