
The Parliament of the Commonwealth of Australia

Review of administration and expenditure for ASIO, ASIS and DSD

Number 3

Parliamentary Joint Committee on ASIO, ASIS and DSD

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Terms of reference

This review is conducted under paragraph 29(1)(a) of the *Intelligence Services Act 2001*:

- to review the administration and expenditure of ASIO, ASIS and DSD, including the annual financial statements (of) ASIO, ASIS and DSD.



Foreword

We are now fighting a war against terrorism. And in this new war, our safety and security depend almost exclusively on the quality, timeliness and accuracy of our intelligence.

Intelligence is no longer a contributing factor - it is the defining and central factor that contributes to military success.¹

- 1.1 It is with pleasure that I present the third review of the administration and expenditure by the Parliamentary Joint Committee on ASIO, ASIS and DSD.
- 1.2 For my colleagues and myself, the increasing workload of the Committee in the last few years is a constant reminder of the new threats to Australians and Australian interests both abroad and at home.
- 1.3 When the Committee's first report on administration and expenditure was tabled in December 2002, the war on terrorism was newly underway.² The terrorist attacks in the United States on 11 September 2001 and the tragedy of the Bali bombings of 12 October 2002 had radically transformed Australia's security circumstances. The Australian Defence Force had already fought in Afghanistan and would soon be committed as part of the "Coalition of the Willing" in Iraq.
- 1.4 At home, the Australian Government has been engaged in a comprehensive and sustained effort to strengthen domestic security arrangements. New laws have been put in place to facilitate the efforts of

1 Attorney-General, The Hon Philip Ruddock Opening Address to the Annual Conference, Australian Institute of Professional Intelligence Officers, 2002.

2 A second review of administration and expenditure focussed on agency security arrangements and was tabled in August 2003.

ASIO and the AFP to investigate and destroy terrorist groups. Since then at least one terrorist suspect has been deported from Australia. Four Australians are awaiting trial on terrorism offences. Another has been convicted.

- 1.5 Prompted by concerns about intelligence assessments of Iraq's alleged weapons of mass destruction, including a major report by this Committee tabled in March 2004, a further major inquiry into Australia's intelligence assessment agencies was undertaken at the direction of the Prime Minister by a former Director-General of ONA, Mr Philip Flood. The Government also released a White Paper *Transnational Terrorism: The Threat to Australia*, with the aim of providing the Australian public with a strategic and long-term overview of the international dimensions of the evolving terrorist threat to Australia.
- 1.6 The global threat of Islamic extremist terrorism is unlikely to dissipate at all quickly. There is no timeframe for how long the war on terrorism may last, nor is there any clear indication of how much expansion will take place within Australia's intelligence community to deal with this new, evolving but persistent threat to our nation's security.
- 1.7 As a result of these developments, Australia's intelligence agencies - their budgets, operations, administration and organisational structures - have expanded substantially. Since 11 September 2001, more than \$3 billion has been committed to security and intelligence initiatives.
- 1.8 In this environment, there are major new challenges for the agencies; not just increased operational tempo, but also expanded liaison with national and overseas counterparts, the recruiting and training of new staff, ensuring the retention of highly skilled personnel, and the crucial need to maintain core activities while being adaptable enough to focus on new threats and targets.
- 1.9 This third review of the administration and expenditure of Australia's intelligence collection agencies reflects the concern of the Committee that rapid expansion can bring with it unavoidable stresses and strains in organisations at a time when they can least afford growing pains.
- 1.10 The Committee's review focused on the areas of growth in agency budgets and sought to ascertain how processes, procedures and staff are coping with both additional resources and greater work demands.
- 1.11 The Committee's role is different in some respects from that of other parliamentary committees. Much evidence before the Committee concerning Australia's intelligence and security agencies is of a highly classified nature and protected by specific legislative provisions. Yet it is the role of the Committee, as it is the role of all Parliamentary Committees,

to examine the activities of these Executive Government agencies and inform the Parliament and thereby the people of Australia of its findings.

- 1.12 The fundamental challenge faced by this Committee is to reconcile the demands of both security and secrecy on one hand, and parliamentary and public accountability on the other.
- 1.13 The Committee has conducted its inquiries with an appropriately high degree of security and enjoys effective working relations with ASIO, ASIS, DSD and IGIS.
- 1.14 It is unfortunate, however, that at a time effective scrutiny of our intelligence agencies is perhaps most needed, this Committee, which possesses an indisputable need-to-know, is still denied access to key documentation, notably the classified annual reports of the agencies. Without access to the classified annual reports, the Committee is severely limited in its ability to provide the effective parliamentary oversight envisaged by the *Australian Security Intelligence Organisation Act 1979* and the *Intelligence Services Act 2001*.
- 1.15 It is our hope that when the next review of the administration and expenditure of ASIO, ASIS and DSD is undertaken by the Committee, it will be done with access to the information contained in the classified annual reports of all three intelligence agencies.
- 1.16 In conclusion, I would like to take this opportunity to thank past and present members of the Committee who have undertaken their duties in a most bipartisan fashion and who recognise the need to put the national interest and effective parliamentary scrutiny of highly sensitive matters before any partisan political interests. It is my sincere hope and expectation that the members of the Parliamentary Joint Committee on ASIO, ASIS and DSD will continue to demonstrate the very best practice in bipartisan parliamentary scrutiny and oversight.
- 1.17 I would also like to thank ASIO, ASIS, DSD and the Australian National Audit Office for their cooperation and all those who have contributed to this review.

The Hon David Jull, MP
Chairman



Membership of the Committee

40th Parliament

Chair Hon David Jull MP

Members	Hon Kim Beazley MP	Senator Alan Ferguson
	Mr Stewart McArthur MP	Senator Sandy Macdonald
	Hon Leo McLeay MP	Senator Robert Ray

41st Parliament

Chair Hon David Jull MP

Members	Hon Kim Beazley MP (till 14/02/05)	Senator Alan Ferguson
	Mr Stewart McArthur MP	Senator Sandy Macdonald
	Hon Duncan Kerr MP	Senator Robert Ray

Committee Secretariat

Secretary	Ms Margaret Swieringa
	Mr Quinton Clements (19/07/04 to 11/11/04)

Senior Research Officer	Ms Sonya Fladun
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Administrative Officers	Mrs Tiana Di Iulio (to 23 June 2004)
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	Mrs Donna Quintus-Bosz (from 24 June 2004)
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List of abbreviations

AIC	Australian Intelligence Community
ANAO	Australian National Audit Office
ASIO	Australian Security Intelligence Organisation
ASIS	Australian Secret Intelligence Service
DIGO	Defence Imagery and Geospatial Organisation
DIO	Defence Intelligence Organisation
DSD	Defence Signals Directorate
IGIS	Inspector-General of Intelligence and Security
ONA	Office of National Assessments
PBS	Portfolio Budget Statements
PJCA	Parliamentary Joint Committee on ASIO



List of recommendations

Recommendation 1 3

That the Government give consideration to alternative mechanisms to address the Committee's concerns regarding separate financial statements by DSD which underpinned the Committee's recommendations in the first review of administration and expenditure.

Recommendation 2 7

That the Government give further consideration to providing the Committee with the classified annual reports of ASIO, ASIS and DSD.

Recommendation 3a 17

- **The Committee recommends 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.**

Recommendation 3b 19

- **The Committee recommends that, in consultation with ASIO, ASIS and DSD and with the Committee, the Auditor-General should develop a rolling program of performance audits. Such a program of performance audits should provide comprehensive coverage of agency administration.**

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- Recommendation 3c 19
- **In view of the special requirements relating to scrutiny of ASIO, ASIS and DSD by this Committee, the Committee further recommends that consideration be given to amendment of Section 10 of the Auditor-General’s Act to reflect the importance of the ANAO in assisting this Committee to discharge its responsibility to review the expenditure and administration of ASIO, ASIS and DSD through an ongoing program of performance audits.**
- Recommendation 3d 20
- **The Committee further recommends that appropriate legislative provision should be made to require the Auditor-General to provide the Committee with copies of classified ANAO performance audits relating to ASIO, ASIS and DSD.**
- Recommendation 4 25
- The Committee recommends that consideration be given, as appropriate, to greater liaison between the IGIS and the Commonwealth Ombudsman (and State Ombudsman), including the development of a memorandum of understanding or protocol governing possible joint reviews of combined ASIO/police operations.**
- Recommendation 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.**
- Recommendation 6 55
- 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.**
- Recommendation 7 60
- 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.**

Recommendation 8 62

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.

Recommendation 9 70

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

