

Australian Security Intelligence Organization

Report to Parliament 1996–97

Canberra

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Australian Security Intelligence Organization

GPO Box 2176 Canberra City ACT 2601 Telephone 06 249 6299 Facsimile 06 257 4501

Office of the Director-General

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12 November 1997

The Hon. Daryl Williams, AM, QC, MP
Attorney-General
Parliament House, Canberra

Dear Attorney-General

In accordance with section 94 of the *Australian Security Intelligence Organization Act 1979*, I submit to you the annual report on ASIO for the year ending 30 June 1997.

The report has been prepared in compliance with the current *Guidelines for the preparation of departmental annual reports*, issued by the Department of the Prime Minister and Cabinet in March 1997. It also follows guidelines issued by the (then) Secretaries Committee on Intelligence and Security in July 1994.

The distribution of this classified annual report is limited. I also present to you an unclassified version (some 20 per cent shorter) for tabling in the Parliament.

Yours sincerely

A handwritten signature in black ink that reads "Dennis Richardson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dennis Richardson
Director-General of Security

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Corporate overview

A small amount of security-sensitive material is excluded from this overview section in the unclassified *Report to Parliament*.

What is ASIO?

ASIO is the Australian Security Intelligence Organization. It was established in 1949 and now operates under the *Australian Security Intelligence Organization Act 1979 (the ASIO Act)*.

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ASIO's mission is to provide advice to protect Australia and its people from threats to national security.

To do this, it gathers information and produces intelligence to advise government of activities that could cause security harm — such as espionage by foreign powers and violence motivated by political causes.

ASIO's chief executive is the Director-General of Security, who is accountable to the Attorney-General. The current Director-General is Dennis Richardson, appointed in October 1996.

ASIO's central office is in Canberra, with offices in mainland capital cities.

In 1996–97 ASIO's net expenditure was \$52.6 million.

Further information about ASIO is available in its Corporate Plan and in the ASIO Act. Both documents are for sale in Australian government bookshops in capital cities.

Telephone inquiries can be made to ASIO's public liaison number in Canberra: (02) 6249 8381.

More contact details are listed on page 94 of this report.



*The Hon. Daryl Williams,
AM, QC, MP, Attorney-
General*



*Mr Dennis Richardson,
Director-General of
Security*

The year in summary

Threat assessments

High demand for threat assessments relating to 'gun' and 'race' debates.

Olympics

Development of ASIO's Olympic security planning framework and establishment of constructive strategic relationship with NSW Police.

Politically motivated violence

Expanded knowledge of activity relating to Middle East security matters.

Foreign intelligence activity

Considerably expanded understanding of the intelligence activities in Australia of certain foreign governments.

Overseas liaison

Continued cooperation with traditional overseas liaison partners.

Strategic relationships

First joint meeting of ASIO and AFP senior management teams.
Further advances in cooperative arrangements with other members of the Australian intelligence community designed to achieve improved efficiencies.

Collection capability

Developments in telecommunications interception including:

- review of policy
- deregulation of the telecommunications industry.

Further development in consideration of issues relating to commercial encryption and improved understanding of issues concerning information warfare and ASIO's role in response. [U]

Foreign intelligence collection

Continued foreign intelligence collection at request of Foreign and Defence Ministers.

Clients

Review of ASIO product designed to better meet ministerial and senior officials' requirements.

Public access

Sharp decline during first half of reporting period in our rate of response to requests for access to ASIO records held by Australian Archives, with recovery in second half of the period.

People and resources

Continued downsizing, with staff numbers reduced by almost 30 per cent since 1991, requiring:

- sharper prioritisation
- investment to maintain ASIO's capabilities
- new strategies and workplace arrangements, e.g. a more flexible investigative capability from a nationally coordinated team approach.

Fraud control plan and security management plan introduced.

Expiry of third workplace agreement with 85 per cent of agreed projects completed (implementation continuing).

Negotiations commenced for fourth workplace agreement.

Program for reform of people management practices initiated and new resource development strategy developed.

Some improvements in equal employment opportunity outcomes.

Organization

Review of management structure to take account of downsizing in recent years and to:

- put in place senior level management for the Olympics
- be finalised for implementation on 1 September 1997.

Corporate overview

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ASIO contributed to arrangements to ensure the security of Chancellor Helmut Kohl of Germany on his visit to Australia in May 1997.

Photograph, courtesy of the
Canberra Times



How ASIO delivers

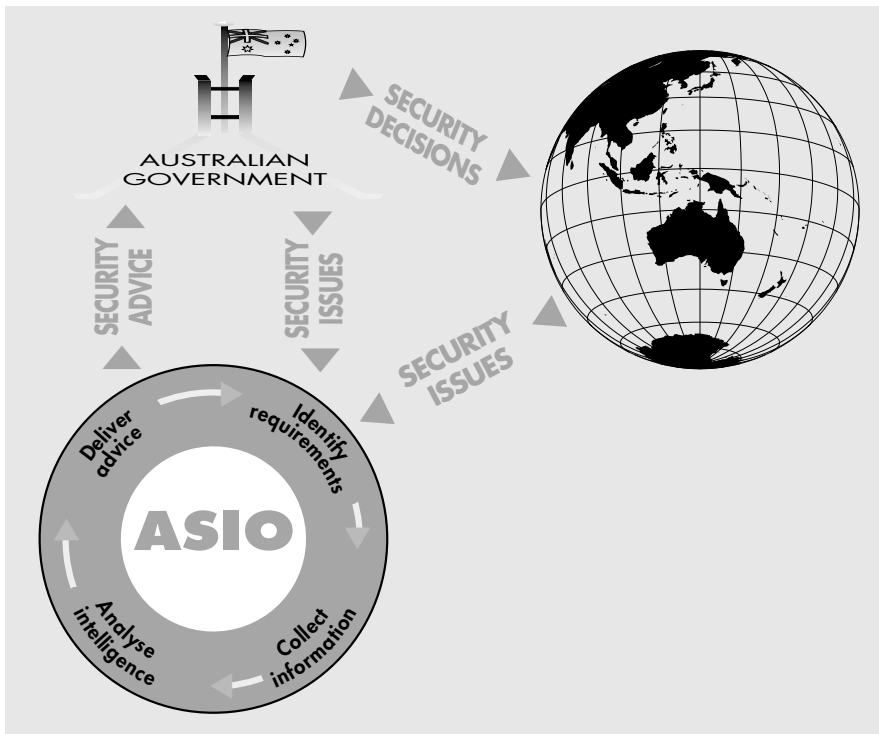
ASIO's job is twofold. First, we have to be attuned to trends and events in the domestic, regional and global environments, to determine if there are risk implications for Australia's security and advise government accordingly.

Second, we have to be responsive to security risk concerns of our clients—various government departments and authorities, including law enforcement agencies and other intelligence agencies.

Figure 1 shows how ASIO works to a security intelligence cycle driven by these two generators. If an overseas or local issue looks capable of posing a risk to Australia's security, ASIO first determines the information requirements needed to assess the risk. Then the information is collected and analysed. On the basis of the intelligence produced in this process, ASIO advises government about the nature and level of risk involved and how it might be managed.

Depending on the assessment, the cycle of collecting, analysing and assessing may continue, in order to monitor changes in risk level and redirect investigative effort accordingly.

Figure 1: ASIO's security intelligence cycle

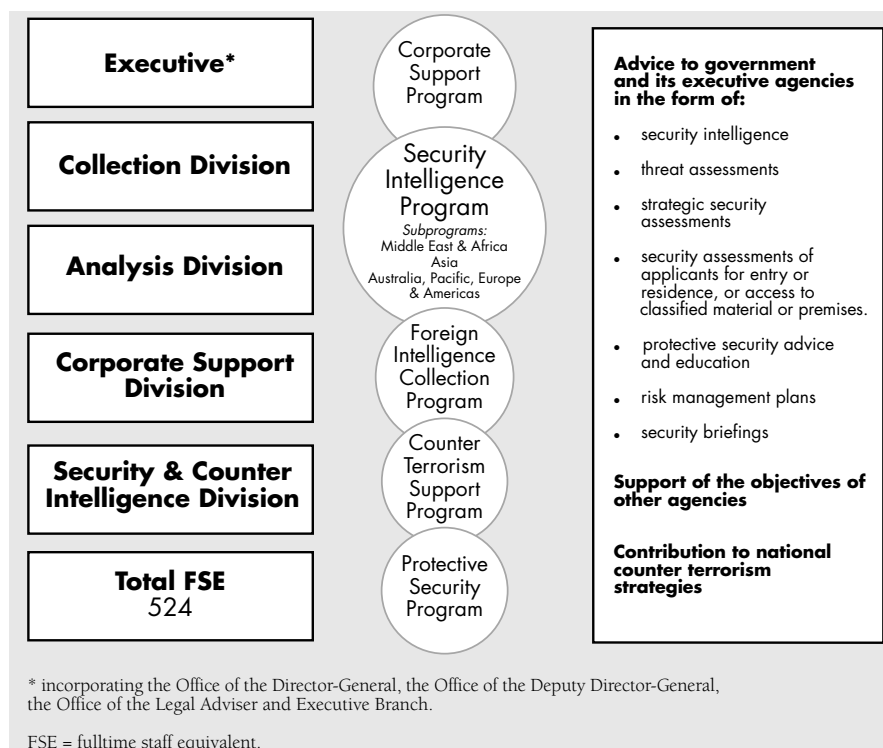


Program and management structures

ASIO is a subprogram (6.8) of the Attorney-General's portfolio program structure. However, program terminology is used for reporting purposes to reflect the outcome areas of our operations and activities.

Figure 2 shows how ASIO's five programs are resourced and what their outcomes are. Program expenditure is outlined in Appendix A (excluded from the unclassified *Report to Parliament*).

Figure 2: Program resourcing and outputs 1996–97



The five reporting programs are resourced cross-divisionally.

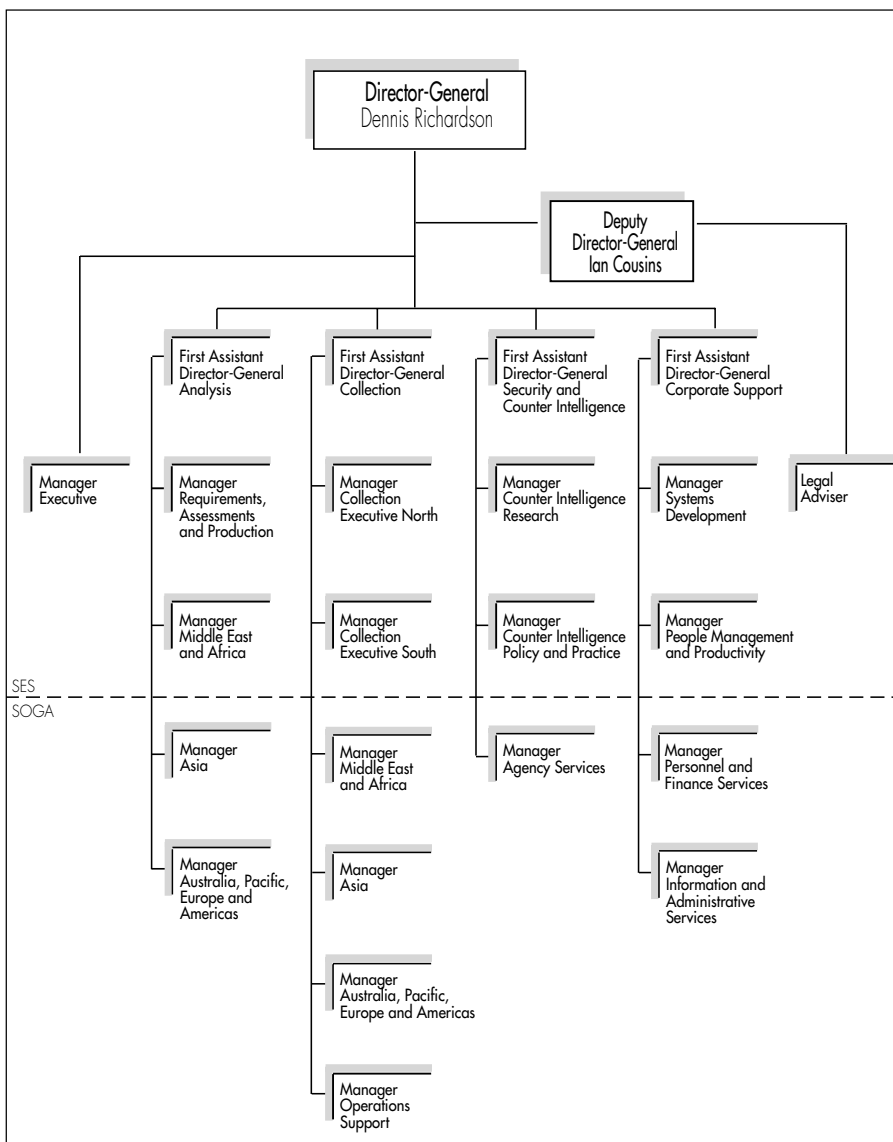
The Collection and Analysis Divisions together manage the Security Intelligence Program, the Counter Terrorism Support Program, and the Foreign Intelligence Collection Program; and contribute to the Protective Security Program, which is managed by the Security and Counter Intelligence (SCI) Division.

Corporate support in various forms is supplied to all programs by Corporate Support Division, SCI Division and Executive Branch (see page 41).

Management structure

ASIO's management structure (see Figure 3) changed slightly in the reporting period to reflect adjusted reporting arrangements involving the Director-General and Deputy Director-General.

Figure 3: ASIO management structure at 30 June 1997



New management committee structure

In accordance with continuous improvement principles the ASIO executive committee structure was reviewed and streamlined during the reporting year, a process involving extensive benchmarking with other intelligence and law enforcement agencies. The new structure allows senior management to focus more closely on strategic-level corporate issues, while providing a framework for medium and short-term management to function.

Review of management structure

In May 1997, a review of ASIO's management was initiated with the aim of developing a structure to take the Organization through to 2000-01. The primary aim was to develop a structure that would enable ASIO to operate within budget and align management numbers and levels with the overall downsizing of recent years.

The review looked at management levels from SES Band 2 down to Senior Officer Grade C equivalents. Several options were identified for discussion by senior management, with inputs from other levels considered, including the views of the ASIO Staff Association. By the end of the reporting period, the preferred structure had been agreed and announced to staff.

The new structure is to be introduced on 1 September 1997, with some further adjustment to take place at the end of the next reporting period. When fully operational on 1 July 1998, it will reduce the number of divisions from four to three, and the number of branches from eighteen to nine. A new SES Band 1 position has been created for the Olympics. The number of senior officer positions in the SOGA to SOGC equivalent range has been reduced by 23.

Positions in the new structure are to be filled through a placement-at-level process. Assessments for placement are to be undertaken by a committee of two senior managers and a representative from the Public Service and Merit Protection Commission. The placement process is to be substantially completed by August 1997.

At the same time, expressions of interest in voluntary retirement have been sought across the Organization, to reduce staffing numbers overall. The process for this is in accordance with the voluntary retirement provisions in the determined terms and conditions of ASIO officers (which are aligned with those of the APS).

Corporate risk management

In conducting its core business of identifying and advising on risks to national security, ASIO must also manage a set of corporate risks. The overriding risk the Organization must manage is loss of functionality, which would stem from diminished effectiveness or credibility if one or more of a set of specific risks were to be realised. Table 1 identifies major risks, together with corporate activities undertaken with the aim of managing them. Some text in the cross-referenced sections of the report is excluded from the unclassified *Report to Parliament*.

Table 1: Corporate risks and management measures

Corporate risk	Management measures	See pages
Absence of, or irrelevant, inaccurate or untimely advice to government	Investment in collection capability. Strategic linkages with partner agencies. Strengthening of client liaison. Continuing improvement of risk assessment methodology. Investment in analytical training and work practices. Initiatives to make better use of open source information. Improvement in production and delivery techniques.	22–30
Information management systems failure	Investment in technical infrastructure. Computer and Communications Disaster and Contingency Plans. Information Management Strategy. Management of paper holdings.	43–44
Inappropriate exposure of sensitive information	Security Management Plan. Yearly security certification of staff. Security of corporate computer network assured through technical measures and audit facilities. Additional adviser positions established to ensure operational security.	41–42
Illegal or improper actions by officers	Core values, legislative provisions and accountability requirements specified to all new officers and reinforced in work practices. Audit mechanisms and Fraud Control Plan. Scrutiny by IGIS and other accountability mechanisms.	14–19
Penetration by hostile agency	Security Management Plan. Positive vetting of all recruits. Best practice revalidation program. Fostering of strong corporate security culture among staff. Counter intelligence policies and procedures.	41–42

Olympic workload

ASIO expects an up-to 50 per cent increase in its visa application security checking workload in the Olympics lead-up year 1999–2000.

In addition, over 60 000 people may need security checking for accreditation for access to restricted areas.

We will also be required to provide security intelligence advice relating to the various nations represented at the Games and their teams and officials, as well as a high number of visiting dignitaries—as a basis for protective security arrangements.

ASIO's Olympics role

ASIO's Olympics responsibilities include:

- providing security intelligence advice to forewarn relevant agencies of risks to the security of athletes, officials, dignitaries, and Internationally Protected Persons, as well as Olympic events and related activities
- security checking particular categories of visa applicants for entry to Australia
- security checking people for accreditation to enter restricted access areas
- providing protective security advice on Olympic venues and facilities and security equipment, if requested
- providing counter terrorism support in the event of a terrorist incident (see page 38).

The challenge of the Olympics for ASIO is the scale of the security work involved rather than its nature. The various tasks (gathering information on threats, producing threat and risk assessments, security checking and giving protective security advice) are a part of our normal work. But the numbers of people, venues and other agencies involved will make much greater demands on coordination and resourcing.

In the reporting period ASIO cemented ties with key Olympics security stakeholders—in particular the NSW Police—and helped develop the draft intelligence management structure for Games security, as well as ensuring that national security policy and procedures were factored into Olympics security planning.

Briefings on ASIO's role were provided to the federal ministers with Olympics responsibilities.

NSW Police Commissioner Peter Ryan visited ASIO's central office in Canberra to discuss planning. Subsequently an officer exchange program was established between ASIO and the NSW Police for the next three-and-a-half years, with an ASIO officer seconded to NSWPol in May 1997.

Security checking of SOCOG and some police officials began during the review period.

ASIO is a permanent observer on the Olympic Security Working Committee, the main security planning body chaired by the NSW Police Commissioner, and is a member of several of its work groups, principally the Intelligence Work Group. It also participates in several Commonwealth Olympics coordinating committees at policy and at working levels.

Two publications dealing with Games-related security threats and risks were produced to contribute to the various agencies' understanding of security issues.

Also during 1996–97, ASIO's collection offices initiated a new Olympics-focused contact program with the leaders of many of Australia's ethnic communities, to improve community understanding of ASIO's Olympics role.



Mr Warwick Smith, MP (left), then Minister for the Environment, Sport and Territories, with ASIO's Deputy Director-General, Ian Cousins. As Olympics Minister, Mr Smith visited ASIO in April 1997 for a briefing on ASIO's role in security planning for the Sydney 2000 Games.

People management highlights

Further information on human resource management is included later in this report under 'Corporate support activities and outcomes' (page 41) and in Appendix B.

Management reform and workplace planning

In line with government expectations of more cost effective people management, ASIO examined its people management practices and provided the Attorney-General with a plan for reform to take place over the next two years.

The reform program 1997–98 will include a review of business processes as a basis for developing a new computerised human resource management system. The system will be in accordance with requirements set out by the Office of Government Information Technology. To assist the process ASIO became a member of the APS Human Resource Business Systems Interest Group.

Industrial democracy

The ASIO Consultative Council (ACC) is the primary forum for consultation and negotiation between ASIO's staff and management on employment matters. The ACC recommends agreed changes to terms and conditions of service to the Director-General, who may then give effect to them by issuing a determination in accordance with sections 85 and 86 of the ASIO Act.

During the reporting period the ACC reached agreement on issues including:

- the framework for ASIO's fourth workplace bargaining agreement
- introduction of a competency-based classification structure for all levels of staff
- introduction of a new category of special/carer's leave (providing more equal employment opportunities)
- publication of an OH&S agreement and procedural guidelines.

Workplace bargaining

During the reporting period ASIO reviewed its staffing and funding arrangements, in accordance with workplace bargaining guidelines for non-APS agencies issued by the Department of Industrial Relations in November 1995. This review was specifically to consider whether, for staffing purposes, ASIO should be governed by the Public Service Act or remain under the ASIO Act.

The Attorney-General accepted the review recommendation that employment under the ASIO Act, with an indexed funding base, was the best way of achieving the desired measure of political impartiality while still providing for proper ministerial oversight and control. The position will be reviewed again after Parliament's consideration of the new Public Service Bill.

ASIO's third workplace bargaining agreement expired on 31 March 1997. The agreement had commenced in January 1996 and incorporated a program of 54 project initiatives. At the end of the agreement, 46 (85 per cent) of the projects had been completed and implementation of the remainder was well in hand. As well as improvements in conditions of service for staff, the agreement delivered two salary increases totalling 5.6 per cent over the period of the agreement.

Under ACC guidance, negotiations for the fourth agreement started in May 1997 and were continuing at the end of the reporting period. The fourth agreement will focus on maintaining continuous improvement and on reforming people management practices.

The new Workplace Relations Act, which took effect in December 1996, raised several issues for ASIO, the most significant being the need to review arrangements for establishing terms and conditions of employment. Under its own legislation ASIO has defined and applied a range of specific provisions, but with recourse to APS provisions where appropriate. With the end of standard employment conditions for APS agencies, ASIO will need to develop a freestanding and comprehensive set of terms and conditions of service. This will be a priority for 1997-98.

External and internal scrutiny

Reporting to government

ASIO's primary line of accountability is to the Attorney-General. Reports are also prepared for meetings of the Secretaries Committee on National Security (SCNS), a group of senior officials charged with policy direction and oversight of the work of the Australian intelligence and security agencies. SCNS advises the National Security Committee of Cabinet and provides an analysis of the annual reports of agencies with intelligence and security responsibilities.

ASIO's classified annual report reviews security issues, programs and outcomes in detail. A copy is made available to the Leader of the Opposition, who from time to time also receives security briefings from the Director-General.

As components of a subprogram within the Attorney-General's portfolio, ASIO's programs are set out in the portfolio budget statement and are scrutinised by the Senate Legal and Constitutional Legislation Committee. In the reporting period the Director-General twice appeared before the committee at budget estimates hearings (Mr Sadleir on 19 September 1996, and Mr Richardson on 10 June 1997).

Tabled reports concerning ASIO

Three reports containing comments on ASIO were tabled during 1996–97:

- ASIO's own *Report to Parliament 1995–96*, tabled in the House of Representatives and the Senate on 10 December 1996.
- Audit Report No 19 of 1995–96 (*Financial Statements Audit—Results of the 1995–96 Financial Statements Audits of Commonwealth Entities*), tabled on 10 December 1996, contained a qualification arising from the exemption from external audit of some items of ASIO's expenditure associated with sensitive intelligence collection activities. These outgoings are recorded in accounts exempted from audit by the Auditor-General under subsection 70D(1) of the *Audit Act 1901*. As a result the Australian National Audit Office (ANAO) was 'unable to form an opinion on receipts and expenditures and assets and liabilities related to those exempt accounts'. (See 'Audit and fraud control', page 17, for an explanation of ASIO's audit provisions.)
- *Inspector-General of Intelligence and Security Annual Report 1995–96*, tabled on 10 October 1996 (see below).

Inspector-General of Intelligence and Security

The Inspector-General of Intelligence and Security (IGIS) may inquire into matters concerning ASIO at the request of the Attorney-General, on the IGIS's own motion, or in response to complaints. The role of the IGIS is to ensure ASIO acts legally and with propriety, complies with ministerial guidelines and directives, and acts with due regard for human rights. The IGIS reports separately to Parliament.

In his 1995–96 annual report, the IGIS (Mr Ron McLeod, AM) reported that in examining ASIO's warrant operations and procedures, he did not detect any discrepancies or omissions which gave him any cause for concern.

However, in another area of procedure, he noted some variations in interpretation of the circumstances in which an 'authority to investigate' should be raised. These related solely to the initial stage of certain investigations when only limited intrusive powers were being exercised. He noted that ASIO was undertaking a review of its procedures in this area, and he contributed some suggestions.

In the same report the IGIS said he had examined records covering exchanges of information between ASIO and the state and territory police services. He concluded that ASIO is sensitive to the need to limit its passage of information to police to that which is directly relevant to the commission or potential commission of serious crimes.

The IGIS also noted that ASIO is the subject of more complaints to his office than the other Australian intelligence agencies, because of ASIO's much closer working relationships with Australian citizens in the normal conduct of its work—and also because of its higher public profile. He said that the majority of complaints, upon investigation, were revealed to be unfounded. Nevertheless, some complaints exposed deficiencies in the manner in which the Organization had dealt with particular matters, and ASIO appeared keen to learn from its experience and take corrective action where this appeared warranted.

The IGIS reported receiving 20 complaints against ASIO in 1995–96, the same number as in each of the two previous reporting periods. Details of some of these complaints and the IGIS's investigations are contained in his 1995–96 annual report.

In 1997 the IGIS began a program of detailed examinations of ASIO's arrangements for requesting and dealing with warrants, making several visits to ASIO's central office. (See also 'Warrant approvals' page 17.)

Parliamentary Joint Committee on ASIO

The Parliamentary Joint Committee (PJC) on ASIO reviews matters referred by the Attorney-General or the Parliament, providing they are not operationally sensitive and do not relate to individual complaints or foreign intelligence. The PJC may not inquire into matters that do not affect Australian citizens or permanent residents. Membership of the PJC remained unchanged in 1996–97, comprising:

- Senator David MacGibbon (Qld, Lib)—Chair
- Senator John Alexander (Sandy) MacDonald (NSW, NP)
- Mr Noel Hicks, MHR (Riverina, NP)
- Senator the Hon. Robert Ray (Vic, ALP)
- Mr Robert (Bob) Sercombe, MHR (Maribyrnong, ALP)
- Mr Alexander Somlyay, MHR (Fairfax, Lib)
- Mr Paul Zammit, MHR (Lowe, Lib).

During the reporting period the PJC received briefings on various aspects of ASIO's activities. No matters were referred to it for inquiry.

Decisions by courts and tribunals

People with the right of permanent residence in Australia can appeal to the Administrative Appeals Tribunal (AAT) against:

- ASIO's issue of adverse or qualified security assessments on applicants for agency security clearances (see page 34)
- claims by ASIO that certain information contained in records more than 30 years old should be exempted from release by Australian Archives under the Archives Act (see Appendix D).

In the case of an appeal against a security assessment that has resulted in the refusal of a security clearance, the decision of the Security Division of the AAT may confirm or supersede the original assessment. The decision to issue a security clearance still rests with the government agency that requested the assessment as part of its security checking process. In 1996–97 no such appeals were made or heard.

In the case of ASIO records sought from Australian Archives under the Archives Act, applicants dissatisfied with the result of an internal reconsideration of their request may appeal to the AAT, which may uphold the original decision or grant access to a record. During 1996–97 two appeals were lodged. One was withdrawn before reaching the preliminary hearing stage; the other was scheduled for hearing in September 1997. An

appeal from the previous reporting period was finalised, with some additional material being released after discussion with the appellant. However, the exemptions sought by ASIO on the remaining material were upheld.

Warrant approvals

Legislation grants ASIO special powers to use intrusive methods of investigation such as telecommunications interception, listening devices, entry and search of premises and examination of postal articles. These special powers can only be used under the authority of a warrant signed by the Attorney-General. Only the Director-General can seek a warrant, and the request must be accompanied by a written statement specifying the facts and other grounds on which the Director-General considers it necessary that the warrant should be issued.

Before consideration, warrant requests are examined by a senior official of the Attorney-General's Department, who provides independent advice to the Minister on whether the relevant statutory requirements have been satisfied.

Warrants are issued for specified limited periods only. At the expiry of each warrant ASIO must report on the extent to which the intrusive activity helped the Organization to carry out its functions.

Table 2 (excluded from the unclassified *Report to Parliament*) shows the number of people and premises against which warrants were issued in the reporting period compared with previous years. There may be multiple warrants in operation against any particular subject of investigation. During the course of a year, warrants against some subjects may be renewed.

During the current reporting period, the IGIS changed the focus of his warrant monitoring program from spot check inspections to a thorough review of all current warrant operation files. Rather than concentrating on the legality of each warrant (which is the subject of separate independent advice from the Attorney-General's Department), the IGIS focused on the processes applied in the execution and management of the warrants; the appropriateness and relevance of the information recorded; and the appropriateness of any further communication of that information outside ASIO.

Audit and fraud control

ASIO's expenditure is recorded in two ledgers, termed non-exempt and exempt accounts. Revenue and expenditure of a general nature are recorded in the non-exempt accounts, while the exempt accounts record only transactions associated with sensitive intelligence collection activities.

To prevent disclosure of details that might prejudice intelligence-gathering operations, the *Audit Act 1901* has exempted these sensitive accounts from inspection by the Auditor-General. The exempt accounts constitute only a very small proportion of the Organization's financial transactions.

To ensure accountability, an ANAO officer is seconded to the Organization as internal auditor, with responsibility for oversight of all aspects of ASIO's financial administration, including the exempt accounts.

Internal audit reviews were undertaken in 1996–97 in accordance with the annual audit work program approved by the Organization's Audit and Evaluation Committee (AEC). Significant among these were:

- the evaluations of account processing policies and procedures against 'best practices' identified by the ANAO in its *Payment of Accounts* Audit Report No. 16 of 1996–97
- a review of payroll functions
- an examination of key financial and accounting indicators.

Results of the internal audit reviews were generally satisfactory, with appropriate remedial action taken or proposed.

During the financial year, the membership of the AEC was extended to include a senior ANAO officer as an observer.

ASIO's policy on instances involving loss to the Commonwealth is based on the Audit Act, the Finance Regulations, and Finance Directions. During the reporting period ASIO consulted with Commonwealth Law Enforcement Board (CLEB) Support (subsequently retitled the Office of Law Enforcement Coordination) and produced a fraud control plan that operates in conjunction with internal security and counter intelligence arrangements. This plan will be subject to review every two years, although ASIO's audit and evaluation programs (see Appendix E) ensure control arrangements are reviewed more regularly.

The plan sets out arrangements for referral of fraud cases to the AFP. It provides advice to help line managers determine whether a potentially fraudulent matter should be dealt with internally or externally, and defines levels of responsibility to facilitate any official investigation.

ASIO continued to work with CLEB Support, the AFP and the Department of Defence to develop a revised fraud risk assessment strategy. Staff continued to undertake training courses with fraud awareness components, and two officers completed the AFP Certificate in Investigations (Government Agency) Course.

No cases of loss to the Commonwealth were referred to the AFP for investigation during the reporting period.

Staff appeal mechanisms

Mr Stuart Magee, a former member of the APS Merit Protection and Review Commission chairs ASIO's Promotion and Transfer Appeal Committee. During the year, 31 appealable promotions or transfers were made (compared with 64 last year) and three appeals were lodged (nil last year) of which two were successful.

Mr Norman Attwood, AO, formerly Deputy Secretary to the Department of Defence and a current member of the AAT, chairs ASIO's Grievance Review Committee. This committee is designed as a secondary process in cases when a grievance cannot be resolved through established internal procedures. During 1996–97 no grievances were submitted to the committee for review. Three were resolved through internal procedures.

Mr John Dainer, AM, RFD, Special Magistrate of the ACT Magistrates Court, chairs ASIO's Disciplinary Appeal Board. During the year no appeals were lodged with the board.

Program activities and outcomes

ASIO'S business programs

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ASIO's legislation makes it clear that our business is producing advice to help protect Australian people and interests from harm caused by

- politically motivated violence
- the promotion of communal violence
- sabotage
- attacks on Australia's defence system
- espionage
- acts of foreign interference.

For reporting purposes, ASIO conducts its business through five programs:

- Security Intelligence
- Protective Security
- Foreign Intelligence Collection
- Counter Terrorism Support
- Corporate Support

This program structure, along with resourcing and outputs, is explained on page 6.

Appendix A (excluded from the unclassified *Report to Parliament*) contains details of program expenditure.

Intelligence collection

Intelligence 'collection' involves gathering material from both overt and covert sources.

Overt sources include news services, public databases and interviews with members of the public.

Covert sources include 'agents' who provide information, and techniques such as surveillance and telecommunications interception. Techniques that breach people's privacy are employed only under warrants authorised by the *Attorney-General*.

Security Intelligence Program

The Security Intelligence Program underpins all of ASIO's security advice to government through the collection and production of security intelligence.

The program is managed jointly by the Collection and Analysis Divisions, with inputs and support provided by the Corporate Support Division, the Security and Counter Intelligence Division and the Executive Branch.

Information is collected and analysed through three geographic subprograms (Asia; Middle East and Africa; and Australia, Pacific, Europe and Americas).

The program delivers outcomes in two ways:

- First, it delivers advice in a variety of forms to inform or forewarn ministers and government agencies of activities or events that might endanger the security of Australia's interests (including people, information and property).
- Second, it contributes to ASIO's body of knowledge and understanding of potential security risks, so the Organization can respond appropriately to emerging issues and appropriately allocate resources to investigations.

Figure 5 (excluded from the unclassified *Report to Parliament*) shows a broad breakdown of program expenditure by nature of threat, under the headings of:

- *local PMV* (politically motivated violence that might stem from domestic issues, such as reaction to the policies or statements of politicians, activist groups or some foreign visitors to Australia)
- *foreign-influenced PMV* (politically motivated violence undertaken by or at the behest of overseas terrorist groups)
- *foreign intelligence activity* (hostile activity conducted on behalf of foreign governments, such as espionage or attempts to interfere with Australia's political processes or the lives of Australian people).

Because of security sensitivity, more than half of this program report is excluded from the unclassified *Report to Parliament*.

Forms of reporting

Advice produced by the Security Intelligence Program is passed on to ASIO's various clients and stakeholders for a range of purposes and in different forms. Table 3 summarises the main avenues of advice.

Table 3: Forms of security advice from the Security Intelligence Program

Form of advice	Purpose	Provided to
Security intelligence reporting	To assess immediate and longer term implications for Australia's security arising from ASIO's on-going investigations of potential sources of security harm. Also to enhance ASIO's body of knowledge and understanding of potential sources of security harm.	Australian government ministers and senior officials. Officers of Australian intelligence agencies and other departments and authorities. ASIO's threat assessment and protective security advice service areas. ASIO's own managers and planners.
Incidental foreign intelligence reporting	To pass on information collected during security investigations but relating to foreign rather than security intelligence.	Relevant Australian government ministers and departments, and other Australian intelligence agencies.
Threat and risk assessments	To predict the likelihood of security harm affecting specific people or premises, or arising out of specific events or circumstances.	Agencies engaged in planning or providing protective security arrangements.
Special security briefings	To raise and discuss security issues relating to specific events or circumstances.	A range of recipients, including Australian government ministers and officials.

Security intelligence reporting

ASIO's security intelligence reporting derives from information acquired from both overt and covert sources which is then analysed to produce intelligence.

Security intelligence reporting encompasses fortnightly summary newsletters to keep ministers, senior officials and committees abreast of security issues; and longer, subject-specific reports to inform decision makers and desk officers in other agencies and departments. One hundred such specific reports were issued in the review period (compared with 60 in 1995–96), reflecting a more tailored reporting mechanism. Appendix F (excluded from the unclassified *Report to Parliament*) lists security intelligence reports prepared during the reporting period.

The program is also responsive to emergency issues needing security intelligence inputs.

Table 4 (excluded from the unclassified *Report to Parliament*) shows the principal security intelligence reporting outcomes for the review period.

Incidental foreign intelligence reporting

Many of the threats to Australia's security emanate or are directed from overseas. As a result, ASIO's security intelligence investigations or overseas liaison can often be the source of incidental information concerning the capabilities, intentions or activities of foreign governments or organisations. ASIO may communicate this information to a minister, department or other intelligence agency as 'incidental' foreign intelligence.

To help maximise the benefit to Australia, ASIO is represented on both the National Intelligence Committee and the National Intelligence Collection Requirements Committee. This ensures ASIO is well-placed to augment the effort of Australia's principal agencies of foreign intelligence collection. Depending on the source, nature and sensitivity of the material ASIO has collected, it may be disseminated by one of these principal agencies, or published in the form of an ASIO *Incidental Foreign Intelligence Report*. Major clients for incidental foreign intelligence include DPM&C, ONA, DFAT and Defence. During the reporting period ASIO investigations and liaison gave rise to a total of 70 reports issued either under the Organization's own name or by partner agencies.

Threat assessments

Through threat assessments, ASIO advises government agencies on the likelihood of politically motivated or communal violence arising from situations or events.

Most threat assessments are prepared in response to requests from the Protective Security Coordination Centre (PSCC), a division of the Attorney-General's Department. Along with ensuring that Australia has in place an effective set of counter terrorism arrangements, the PSCC manages and coordinates protective security arrangements for holders of high office, visiting dignitaries and foreign diplomats.

PSCC-initiated threat assessments are produced in response to specific events of immediate concern, such as public appearances by prominent Australians (generally holders of high public office) both here and overseas. The safety of foreign VIPs making official visits to Australia is also a matter of national security. ASIO's assessments of the nature, likelihood and level of threat to office holders and foreign dignitaries during such visits are the basis for planning security arrangements, which are put in place by police and other agencies whose business is protective security.

Longer term assessments are also provided, for instance on:

- threats to diplomatic and consular interests in Australia
- the overall threat from politically motivated violence (comprehensive biannual assessments for the Standing Advisory Committee on Commonwealth-State Cooperation for Protection Against Violence (SAC-PAV))
- threats to aviation interests (principally to help the Department of Transport and Regional Development to carry out its responsibilities in the aviation industry).

ASIO also prepares national security threat assessments (NSTAs), which are long-term assessments of threats to premises such as ministerial residences and electorate offices, sensitive government buildings and defence establishments. NSTAs are provided to clients through ASIO's Protective Security Program, along with protective security advice on the management of risks to the security of premises and assets.

Throughout 1996–97 requests for threat assessments for Commonwealth holders of high office continued at a high level, as volatile protests against some government policies continued.

Antagonism towards gun legislation resulted in threats to the Prime Minister, ministers and several backbenchers.

The electorate offices of the Prime Minister and the Minister for Employment, Education, Training and Youth Affairs were occupied at various times by protesters. Volatile protest activity also occurred at rallies concerned with noise from Sydney's airport, the location of Sydney's proposed new airport, industrial relations policies and the launch of the 'One Nation' political party.

Violence at One Nation public functions occurred around Australia. Assessments are now required for most functions attended by the Member for Oxley, mainly to assist police in planning arrangements for crowd control.

The visits of several overseas dignitaries also had potential for volatile protest, but were conducted without serious incident. A death threat to United States President Clinton (delivered via the Internet) was investigated by ASIO and found to lack substance. The speedy resolution of the issue by Australian authorities was appreciated by US security agencies.

Other high level visits, in particular by dignitaries from Indonesia, the Socialist Republic of Vietnam and the People's Republic of China, could have occasioned violence but passed peacefully, thanks to appropriate measures by police and other agencies engaged in protective security.

The diplomatic missions in Australia of Cambodia, China, Germany, Israel, Indonesia, Lebanon, Malaysia, Myanmar, Switzerland, Thailand, Turkey, the USA and Vietnam were given additional protection at various times during the year in response to our assessments of threats to their security.

Table 5 compares the number of threat assessments issued in the last four years. Appendix G lists significant visits both to and from Australia for which we provided assessments during 1996-97.

Table 5: Threat assessments issued 1993-94 to 1996-97

Subject of assessment	1993-94	1994-95	1995-96	1996-97
Visiting dignitaries	236	216	153	137
Australian dignitaries	223	170	315	254
National security (NSTAs)	28	21	21	43
Demonstration notifications	229	105	45	62
Diplomatic premises	90	114	109	90
Other threat assessments	143	86	93	58
TOTAL	949	712	736	644

ASIO has continued to implement a more stringent use of risk management to limit threat assessments to situations where there is a reasonable prospect of violence. The number of threat assessments for visiting dignitaries was lower than previous years, principally because there were fewer visits in the first half of the year until the newly elected government's visitor program took effect. Threat assessments for Commonwealth high office holders and back-benchers increased in the wake of the election campaign, and demand continued at a high rate through to the end of 1996 because of the gun debate.

The number of NSTAs produced in 1996–97 doubled as a result of recommendations of the 1996 Review of Security of Commonwealth Holders of High Office; and also because of requests for physical security advice stemming from the installation of a new federal government following the March 1996 general election.

In late 1996 the PSCC agreed to provide funding for the implementation of an incident database recommended in the Review of Security for Commonwealth Holders of High Office. Subsequently ASIO worked, principally with the PSCC and the AFP, to establish a joint incident database connected to the three agencies. ASIO will manage the system and server. At



ASIO contributed to the security of President Clinton's visit to Australia in November 1996.

Photograph, courtesy of the Canberra Times

the end of the reporting period contracts for the system were about to be let. The database will hold information on events and trends of security interest, such as attacks on embassies and Internationally Protected Persons. Access to it will improve the quality of ASIO threat assessments, especially our predictive capability.

In addition to providing threat assessments as described above, ASIO is also developing strategically-oriented risk assessments for the Sydney 2000 Olympic and Paralympic Games. These are necessarily broadly focused and will develop greater definition as 2000 approaches (see page 11).

Strategic and cooperative engagement

. . . with the Australian intelligence community and client agencies

Under the Security Intelligence Program, ASIO liaises extensively with other members of the Australian intelligence and security community and with other government departments and agencies. We do so to understand the requirements of these agencies and departments as clients for security intelligence advice.

During the reporting period ASIO continued the on-going effort to shape intelligence product to meet the needs of clients more specifically, and to expand dialogue between analysts and their external counterparts. A classified brochure was produced containing information on ASIO's products and key contact officers, along with explanations of central office's location and security procedures for visitors.

Liaison with other Australian intelligence agencies is also conducted with the aim of avoiding duplication of effort, increasing capability through joint training opportunities, and maximising the intelligence return on resources expended.

During the reporting period we continued to work with other intelligence agencies to arrange shared electronic access to overseas services such as the US Foreign Broadcasting Information Service. Through monitoring the wide range of useful public information now available electronically, ASIO's analysts may be alerted to signs of change in the security environment or to emerging situations that could result in risks to Australia's security.

The Coordinating Committee on Security Intelligence (CCSI) is a major mechanism for consultation, involving a wide range of client agencies. The CCSI continued to function through the reporting period. In the coming year ASIO will work with other CCSI members to enhance the committee's focus on client requirements and on providing more strategic direction.

. . . with Australian law enforcement agencies

Building stronger relationships with law enforcement agencies helps ASIO to maximise collection efforts, particularly in investigations relating to domestic politically motivated violence.

ASIO–Police agreements with most states and the Northern Territory regulate the exchange of information on matters relevant to the functions of each agency. Major areas of cooperation in 1996–97 were:

- security and intelligence planning for the Sydney 2000 Olympic Games
- national crisis management arrangements—training and exercises in connection with SAC-PAV.

The contact points for each state and territory vary. Until its disbandment during the reporting period, the NSW Police Special Branch was a primary contact. In the latter part of the reporting period, high level discussions between ASIO and the NSW Police resulted in a new strategic framework for day-to-day contact between the two agencies.

. . . with the PSCC

ASIO also has a close working relationship with the Protective Security Coordination Centre (PSCC), because of the PSCC’s coordination role in initiating requests for threat assessments and because of the inter-relating functions of both agencies in national crisis management arrangements.

An officer exchange program was initiated with the PSCC in January 1997, in response to a recommendation in the 1996 Review of Security for Commonwealth Holders of High Public Office. The benefits include an increased appreciation by each agency of the role and functions of the other.

. . . with overseas intelligence services

Joint operations and training with cooperating foreign services provide ASIO with access to additional operational resources and enable our officers to broaden their experience and benchmark our own standards. However, we can only undertake joint operations where there is a sufficiently high level of mutual interest with substantial benefits flowing to Australia. (See also ‘Liaison with foreign services’, page 42.)

ASIO hosted an international counter terrorism conference in October 1996. Topics of discussion included agreements reached at the ‘P8’ counter terrorism summit in Paris, and emerging terrorist trends and issues. A major outcome was a consensus reached on a range of strategies to counter terrorism.

In March 1997 ASIO hosted the first ever meeting of the legal advisers of a number of overseas security and intelligence agencies. The purpose of the conference was to compare and contrast legal developments in areas affecting the agencies, as well as to facilitate communication between the legal advisers. The Inspector-General of Intelligence and Security was a speaker, addressing issues of oversight and review. A senior official of the Attorney-General's Department spoke on encryption and telecommunications interception. Overseas participants commented on the benefits of the conference.

Counter proliferation effort

The Security Intelligence Program encompasses ASIO's contribution to Australia's effort to help curb the worldwide proliferation of weapons of mass destruction (WMD). The primary focus is on investigating attempts by foreign governments to subvert Australia's export control system and postgraduate student program in pursuit of dual-use science and technology. (Dual-use technologies have an innocent primary purpose but can also be used in weapons development.) [U]

Enhanced liaison with Australian and foreign intelligence services helped to improve the efficiency of investigational activities. ASIO took part in the second annual international counter proliferation conference in Ottawa in November 1996.

Protective Security Program

ASIO's Protective Security Program provides government and its agencies with advice on protecting national assets against security risks. Assets include people, information and property.

The program has two major advice streams: security assessments and protective security advice. Both aim to protect Australian assets by preventing access to them by people who might cause security harm.

Security assessments relating to entry visas and residence in Australia are produced in Analysis Division. Security assessments relating to access to classified information and premises are produced in Security and Counter Intelligence Division, as is protective security advice.

A small amount of information about this program is excluded from the unclassified *Report to Parliament*.

Security assessments

ASIO provides security assessment advice to government agencies which are considering whether to grant applications from:

- non-Australians seeking to enter or become permanent residents or citizens of Australia
- government employees or contractors doing work that requires them to have access to classified material or secure premises.

In response to a request from an agency, ASIO checks for any matters of security concern in the applicant's background. If nothing of significance emerges, ASIO issues a statement that it does not wish to recommend against the application. But if a security-related matter raises concern, ASIO will issue either:

- an adverse assessment — which is a recommendation, supported by a statement of grounds, that the person should not be granted the entry or access sought.
- a qualified assessment — which does not recommend against entry or access but passes on some information that ASIO considers may need to be taken into account in decision-making.

In each case, the decision to grant or deny the application rests with the requesting agency.

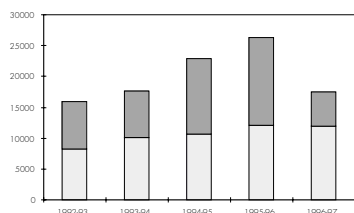
Screening for entry or permanent residence

The client agencies for visa- and residence-related security assessments are DIMA and DFAT.

During the year ASIO finished an education program of presentations to DIMA officials on security checking procedures, and also briefed officials of other government departments whose staff will have a visa-issuing function abroad.

In 1996–97 ASIO processed nearly 17 500 applications for temporary and permanent entry or residence (see Table 6) — 97.4 per cent of which were processed within the agreed time frame.

Table 6: Visa security assessments requested 1992–93 to 1996–97

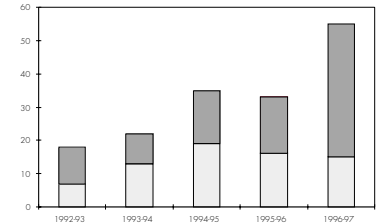


Type of entry	1992–93	1993–94	1994–95	1995–96	1996–97
Temporary	8 203	10 044	10 695	12 037	11 929
Permanent	7 705	7 588	12 228	14 322	5 552
TOTAL	15 908	17 632	22 923	26 359	17 481

Table 7 shows there was little change in the number of adverse security assessments issued during the period (15 compared with 16 last year). But qualified security assessments increased significantly, from 17 to 40. The reason for the increase is not clear, but ASIO’s education program of briefings to DIMA officials may have raised security awareness and resulted in a higher number of referrals.

Table 7: Adverse and qualified assessments for visa applicants 1992–93 to 1996–97

Type of assessment	1992–93	1993–94	1994–95	1995–96	1996–97
Adverse	7	13	19	16	15
Qualified	11	9	16	17	40
TOTAL	18	22	35	33	55



The 15 adverse assessments involved 13 identified intelligence officers and two international terrorists. All but one of the adverse assessments were accepted by the requesting departments, resulting in refusal of the applications. In the other case, the applicant was granted temporary entry on national interest grounds. More detail on these adverse assessments is contained in Appendix H (with some exclusions from the unclassified *Report to Parliament*).

In the reporting period, ASIO revised its Security Checking Handbook and issued copies to DIMA for distribution to overseas posts. The amalgamation of all security checking procedures in one handbook should streamline procedures.

Checking for agency security clearances

ASIO provides ‘access’ security assessments to agencies considering whether to grant security clearances to employees or contractors whose work requires them to have access to national security classified material or access to secure premises.

One adverse and two qualified assessments were issued in 1996–97 in response to requests from agencies for security clearances. Table 8 shows that requests for assessments reduced by about 10 per cent in the reporting period.

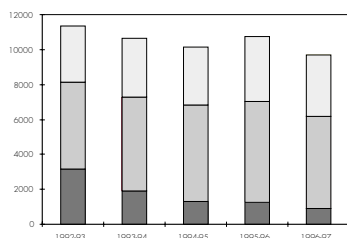


Table 8: Requests for security clearance assessments 1992-93 to 1996-97

<i>Level of access sought</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>1996-97</i>
Confidential	3 180	1 905	1 325	1 259	887
Secret	4 955	5 363	5 485	5 757	5 304
Top Secret	3 237	3 361	3 346	3 725	3 520
TOTAL	11 372	10 629	10 156	10 741	9 711

Response times in processing requests lengthened somewhat, with only 51 per cent completed within 10 working days (against a benchmark of 80 per cent) and 1.8 per cent taking more than 12 weeks to resolve. This was the result of staffing reductions and a marked increase in the number of people being put forward for assessment who were born overseas or had a spouse or partner born overseas.

In the last four years there has been an increase of more than 400 per cent in the number of cases needing further investigation by ASIO to resolve questions about the person's background.

Since July 1995 ASIO has developed security questionnaires as an adjunct to the assessment process. The security questionnaires provide more detailed information and have resulted in a reduction in the number of interviews required. More than 50 per cent of questionnaires are administered by the security adviser of the requesting agency, with resulting efficiencies for ASIO.

Work practices in handling sensitive personal information about Australian government employees were improved through training. In addition, all officers involved in the assessment process received formal training from the Australian Government Solicitor's Office and the AFP in procedures for handling documentation and conducting interviews for security assessments that may be subject to review by the AAT (see page 16). During the review period ASIO began a move to seek Australian Quality Council accreditation of the 'access' security assessments process as being of 'best practice' standard.

Protective security advice

ASIO advises government agencies on measures they can take to protect national security classified material and other government assets.

During the year ASIO's Protective Security Program embraced the Australia/New Zealand standard on risk management, which is now applied to all security surveys conducted. All protective security staff were trained to university certificate level in security management, with several officers continuing study towards a graduate diploma.

Consultant security advice

In response to requests, ASIO provided government agencies with 62 risk assessment and protective security advice reports in 1996–97 (61 last year). With the authority of the Attorney-General, we also provided advice to two non-Commonwealth agencies. All these reports were provided on a cost recovery basis, generating more than \$200 000.

Equipment testing

ASIO's Security Equipment Testing Site (ASETS) in Canberra houses facilities for extensively testing electronic security devices, such as motion detection systems, alarm panels and communication links, and general security hardware such as fences, barriers and locks. The testing is rigorously threat-based — equipment must stand up to a range of attacks meant to expose potential weaknesses in various situations.

The results of testing carried out at ASETS are reported in the *Security Equipment Catalogue*, which is sold to government agencies to help them choose equipment that best suits their needs. ASIO will publish a new edition of the catalogue early in the next reporting period, on behalf of the Commonwealth's Security Construction Equipment Committee.

Criteria and standards for testing of equipment are being revised as Australian and other international standards become available. The revised test criteria will also consider current threats and risks to the Commonwealth.

Through its membership of work groups raised under the Olympic Security Working Committee, ASIO provided broad technical advice on equipment to assist security planning for the Sydney 2000 Games. This included advising on items that might be required above and beyond the security-related equipment normally installed in major sporting venues; and the training implications for enabling operators to use such equipment.

Manufacturers of security products can apply to have their equipment installed and tested at ASETS. Cost recovery for this service amounted to nearly \$40 000 in 1996–97.

Training and security briefings

ASIO helps to train agency security advisers, who work in government departments and agencies. We also give presentations to representatives of Commonwealth, state, territory and local government. Most of this training activity is organised by the PSCC. ASIO's input includes instruction on personnel security (vetting), risk management, physical security and the conduct of site surveys, as well as the capability and use of physical security equipment.

The program also provides briefings to Australian government officials who are about to take up postings overseas, and de-briefings of officers when they return. The briefings explain security issues and risks that may arise overseas and provide advice on how to handle them.

A panel of reinforced glass is defeat-tested at the ASIO testing site.



Foreign Intelligence Collection Program

Although its main business is security intelligence, ASIO may also use its special powers (enabling intrusive investigations under warrant) to collect foreign intelligence in Australia. All such work is in response to requests from the Minister for Defence or the Minister for Foreign Affairs. ASIO neither initiates foreign intelligence collection tasking, nor assesses the information collected.

The intelligence collected is on behalf of other Australian intelligence agencies. The program's main objective is to contribute to overall government intelligence requirements by delivering the requested intelligence product within the required timeframe.

In the reporting period, the IGIS continued regularly to inspect warrant documentation and procedures for recording and processing incidental security intelligence collected under the authority of foreign intelligence collection warrants.

The remainder of this program report is excluded from the unclassified *Report to Parliament*.

Counter Terrorism Support Program

ASIO's counter terrorism work centres on prevention of terrorist incidents in Australia. Preventive functions include collecting information and providing reports and advice to government and clients under ASIO's security intelligence and protective security programs.

In addition, ASIO is charged with a crisis management and response function, which is delivered by the Counter Terrorism Support Program. The main objective is to contribute to Australia's counter terrorism response capability by meeting the needs of partner agencies for coordination of intelligence gathering and delivery in an incident situation.

Because of security sensitivity, about half of this section is excluded from the unclassified *Report to Parliament*.

Infrastructure arrangements

First level coordination of Australia's counter terrorism effort is conducted through:

- SIDC-PAV, the Special Interdepartmental Committee for Protection against Violence, which coordinates federal agencies with responsibilities for countering politically motivated violence
- SAC-PAV, the Standing Advisory Committee on Commonwealth-State Cooperation for Protection Against Violence, which coordinates the work of federal agencies with their state counterparts.

Arrangements for liaison between federal and state departments and agencies, national crisis management response, and post-incident cooperation are set out in the National Anti Terrorist Plan (NATP). Under the plan, ASIO contributes to policy development, preventive arrangements and crisis contingency planning through liaison with other federal and state agencies. We also maintain the National Intelligence Group (NIG), which provides an infrastructure for strategic intelligence collection and assessment. The NIG operates during counter terrorism exercises and in times of national crisis when the government orders activation of the NATP.

The NIG, when convened, is staffed by a mix of ASIO officers and officers from other agencies. The JIG (Joint Intelligence Group), which is an operational intelligence unit established by the local police jurisdiction at or near the scene of a terrorist incident, also includes officers from ASIO.

ASIO maintains a technical support capability which can be called on to assist the police incident commander and police technical units in the event of a terrorist incident. This specialist capability is maintained at a high state of readiness (through participation in counter terrorism exercises) for deployment in times of national crisis. It is staffed and equipped to collect information at the scene of an incident by technical means.

Participation in national exercises

ASIO contributes to the NATP exercise program by taking part in the planning, writing and control of exercises conducted under the auspices of SAC-PAV. We also participate in SAC-PAV working groups and project groups and contribute staff resources to national counter terrorism training programs.

During the reporting period, ASIO had a significant role in four national counter terrorism exercises conducted under the auspices of SAC-PAV:

- Operational Response Exercise (OPREX) MUDDY WATERS in Queensland in August 1996.
- Operational Response Exercise (OPREX) CENTRE POINT in Victoria in November 1996.
- National Exercise (NATEX) CLEAR SKY in Canberra in April 1997.
- Police Exercise (POLEX) OCHRE RISE in Northern Territory in May 1997.

ASIO helped to plan, write and control the exercises and took part as a player. The NIG was activated for CLEAR SKY and ASIO staff participated in the JIG for all exercises. Technical support was provided for MUDDY WATERS and CLEAR SKY.

The exercise series gave ASIO the opportunity to test how well its procedures and methods meshed with those of other Commonwealth agencies and with state and territory police services, and generally confirmed that the crisis response capability is sound.

Training contribution

ASIO contributed to a SAC-PAV review of the national counter terrorism exercise program during the review period. The review was undertaken by a consultant and the final report is due for completion by September 1997.

In the review period, the emphasis was changed to 'train the trainer', with members of each police technical unit being brought to Canberra for training to be passed on to other unit members. TSU staff also continued the program of joint training with each state and territory police tactical group to ensure interoperability in techniques and procedures, and to consolidate working arrangements.

Performance reviews

ASIO's performance in the counter terrorism support program is measured through comment and review by client and partner agencies involved in the NATP. Formal comment is received from post-exercise reports and through participation in SAC-PAV project and working groups.

Corporate support activities and outcomes

For ASIO reporting purposes, the costs of most corporate support functions—including security management, budget and financial services, human resource management, and the technical development infrastructure—are devolved to the business programs making use of them.

A small Corporate Support Program exists to handle a range of executive and corporate management support functions, foreign and government liaison and corporate communication.

This section of the report describes significant activities and outcomes relating to both the program and the wider range of corporate support functions. About 20 per cent of the text, mostly dealing with technology infrastructure, is excluded from the unclassified *Report to Parliament*.

Security management

Effective coordination of counter intelligence and security measures across all of ASIO's programs is achieved by an ASIO security committee, chaired by the head of the Security and Counter Intelligence Division. The committee directs several working groups with the task of identifying significant issues across the five key areas of:

- security culture and awareness, and personnel security
- physical security
- operational security
- administrative security
- information technology security.

During the reporting period a Security Management Plan was published, which for the first time provides the function with a corporate focus. The thrust is to reshape the security culture of the Organization to the point where staff have a heightened awareness and appreciation of counter intelligence and security matters, plus a greater commitment to appropriate workplace security practices.

Other significant outcomes for 1996–97 were:

- Staff revalidation practices improved—ASIO has adopted best practice in the security revalidation of staff, including psychological revalidation.

- A counter intelligence audit capacity established—to ensure the integrity of investigative operations.
- Various computer and information security measures and controls introduced—aimed at regulating physical access to electronic data.
- A security awareness program commenced—to lift the security consciousness of staff and improve security outcomes in day-to-day work practices.

Liaison with foreign services

ASIO has ministerial approval to conduct liaison with 169 foreign authorities in 76 countries. Towards the end of the review period, the Attorney-General's approval was sought to add 35 additional services in 26 new countries.

A significant amount of ASIO's intelligence comes from liaison with other security and intelligence services worldwide. ASIO staff in overseas posts service the information requirements of the programs and subprograms and develop the liaison framework of relationships and information exchange in their respective regions.

Many foreign intelligence services have authorised representatives who are either based in or travel regularly to Canberra.

During the reporting period 40 delegations, including eight heads of service, from 20 separate foreign authorities had discussions with the Director-General or senior ASIO managers.

These visits allowed useful exchanges of points of view and provided ASIO with a more diversified appreciation of the security environment.

Appendix I (excluded from the unclassified *Report to Parliament*) contains further information on these visits, as well as details of bilateral talks and overseas conferences attended during the year.

In June 1997 the Director-General travelled overseas to visit the heads or senior officials of eleven intelligence services which are liaison partners. Other ASIO officers travelled abroad to international conferences.

In the lead-up to the Sydney Olympics it is important for ASIO to enhance its international liaison network, which will play an essential part in our capacity to provide accurate threat assessments and security advice. Enhancement involves strengthening established links and developing new ones. A growing emphasis on dialogue with services in Asia will continue.

Technology infrastructure

As well as the normal administrative requirements of any organisation, ASIO depends on technology to gather, process and handle the information that is the basis of its intelligence advice.

The technology infrastructure has an engineering-based side and a computer-based side. Broadly speaking, the engineering side provides the means to collect information by intrusive means (for instance, by telecommunications interception, electronic surveillance and listening devices). The computer side facilitates the transfer and processing of the information.

Telecommunications technology

During the reporting period ASIO continued to chair a subcommittee of Austel's Law Enforcement Advisory Committee (LEAC), dealing with the management of interception projects.

Information technology

During the year ASIO continued with its approach to greater standardisation of desktop and programming languages. The migration to a full PC workstation environment was completed in late 1995. However, the complexity of the applications environment, plus the combination of resource constraints and teething problems in moving to a new desktop operating system, meant that progress to replace old IT platforms was slower than desired. In spite of this, all existing applications were available for over 99 per cent of work hours.

Achievements included:

- providing staff training in a new e-mail system, for staff moving from Apple to PC workstations, and for transition to the new desktop operating system, Windows NT
- upgrading secure voice and data lines between several ASIO offices
- installing secure back-up communications in liaison offices
- integrating new generation cipher equipment
- establishing a high-speed local area network to enhance the work of the public research section (see Appendix D) without causing disruption to the corporate network.

Financial management

ASIO's current financial management information system is ten years old and unable to upgrade to the year 2000 and beyond. During 1996–97 ASIO evaluated six systems with a view to upgrading or purchasing one that will meet on-going requirements, which include a need for more useful reporting and user-friendly operation. All systems were from vendors contracted by the Office of Government Information Technology. Scoping studies were conducted by two vendors, and at the end of the reporting period a recommendation on the preferred system was nearing completion with a view to introducing it to ASIO in the second half of the next reporting period.

Information management

The information revolution has highlighted the need for all agencies to put in place an information management strategy. The imperative is even greater for ASIO as our business is information — its collection, collation, storage, analysis and dissemination as intelligence to a variety of clients.

During the year ASIO produced 'Information Management — The Way Forward', a strategic positioning statement which described the information management system ASIO needs, and identified the major strategic issues that must now be addressed. This provides a framework for future decisions on information management, and will help us move ASIO's information systems into the future in a consistent and logical way. The strategy includes an information security platform, strategic information management principles and an integrated information model.

The strategy also highlighted the need for information to be managed for the whole of its lifetime—from when it is created, throughout its active life, until it is destroyed or permanently retained. At the end of the reporting period a draft Records Disposal Authority, which will form the basis of ASIO's archival strategy, was nearing completion with Australian Archives.

Among other priorities are the development of an intelligence management system, called 'the ASIO relational database system', or 'TARDIS'. The system aims at providing 'one-stop-shopping' for users, as well as the ability to link specific data across current database systems. This new capability will significantly enhance ASIO's management of intelligence, a particular need in the lead-up to the Sydney Olympics. A prototype version of TARDIS was loaded on the corporate network in May 1997 for testing, with the aim of delivering the system in early 1998.

A second application (ERLYBIRD2), which distributes information, was due for completion early in the new financial year. Progress on all applications was slower than expected because of reduced resources.

People management

See also 'People management highlights', page 12.

Recruitment and staffing

A total of 28 permanent staff started work in ASIO during the reporting period (compared with 60 last year), including the first appointed permanent part-time staff member (as distinct from a currently-serving officer transferred from full-time status to part-time status, a practice undertaken as required). Permanent part-time staffing is likely to increase in future years as we adopt more flexible practices to meet corporate needs as well as those of staff.

A total of 66 permanent staff left the Organization, the majority under voluntary retirement provisions.

Figures on total average staff level (ASL) and the composition of the workforce are contained in Appendix B.

The use of contract staffing decreased, with 43 temporary contracts being issued to 22 people for periods of between one and 12 months. (In 1995–96, 57 contracts were issued to 47 people.) Several temporary staff contracted during the year were selected from the Australian intelligence community register of temporary employees.

Expenditure on employing consultants in 1996–97 amounted to \$396 000, compared with \$645 000 last year. A partial list of consultants employed, excluding names classified for security reasons, is available on request (see page 49).

Overall expenditure on recruitment fell by 42 per cent compared with the previous year. Partly this was because of reduced need, but also reflected efficiencies found in advertising, administration, and improved methods for sorting and culling traineeship applicants at an early stage.

Applicants for generalist intelligence officer (GIO) traineeship positions were first tested and screened by the government agency Recruitment Services Australia. For the first time applicants had to satisfy requirements for graduate entry into the public service (as in the Graduate Administrative Assistant scheme). They were also required to address selection criteria directly linked to GIO competencies.

As a result, the number of applications fell to 1150 (from 5200 in 1995–96), but the quality rose significantly. The lower number enabled ASIO to complete the processing of all applicants within the financial year, and allowed scarce resources to be focused more directly on the candidates judged more likely to succeed. Eight were selected and began a 12-month traineeship program in 1996–97.

The amount spent on advertising vacancies in the public media during 1996–97 was \$23 343, compared with \$44 324 in 1995–96. Savings were achieved by centralising the placement of advertisements (in the *Weekend Australian* and on the Internet) and making greater use of external recruitment agencies.

Competency-based classifications

In the reporting period the results of a long-term competencies development project were integrated with ASIO's staffing system through the use of:

- ASIO-specific competencies for 97 per cent of staff (100 per cent to be achieved shortly)
- selection criteria and tools (profiles, tests)
- job evaluation tools and work-level standards for all major job categories.

These elements began to be used in competency-based learning for new recruits, in recruitment and promotion/transfer processes and in work redesign. It is planned to extend the system to the areas of performance management and appraisal and in work-based learning.

Human resource development

During the review period a human resource development (HRD) strategy for the period 1996–97 to 1998–99 was introduced, with the theme 'Investing in Our Future'. The strategy reflects HRD practice in Australia and overseas and provides a clear strategic framework emphasising the many and diverse ways of learning and developing competency.

Implementing the strategy began in March with a comprehensive Organization-wide development needs analysis which revealed ASIO's current learning requirements. When analysed within the framework of ASIO's capability requirements, the data will form the basis of development programs in 1997–98, and assist on-going workforce planning.

Participation by ASIO staff in internal training and development, along with expenditure, is shown in Table 15 and Table 16 in Appendix B.

During the year various officers engaged in work-related undergraduate and postgraduate studies through an ASIO studies assistance program. Others attended courses conducted by bodies such as the Department of Defence, PSMPC, the National Crime Authority and state police agencies.

External networking and learning opportunities taken up in 1996–97 included:

- Australian Government Executive Program (1 participant)

- Senior Executive Leadership Program (1 participant)
- Senior Women in Management program (1 participant)
- Public Sector Management Course (9 participants).

The development of new generalist intelligence officers remained a high priority. Two groups of eight new recruits engaged in traineeships during 1996–97. The first group graduated as GIOs in May 1997, and the second group started training in June 1997. The traineeship program lasts for 12 months and includes training modules on analytical and intelligence collection techniques, complemented by workplace rotations to each of ASIO's divisions.

One Ethics and Accountability course was conducted in the reporting period, with 14 participants. The FrontLine Network Program, developed last financial year, was delivered in August 1996 for 14 participants involved in the front line of client service. The outcome of the development needs analysis will determine whether the program will continue.

A consultancy approach has been established to meet team development needs and to assist in the learning design of some specialised development programs.

Performance management

ASIO's SES equivalent officers are subject to performance appraisal with only those officers rated as 'superior' or 'outstanding' being eligible for performance-based pay. A revised process was put in place in January 1996. Performance pay covering the period January to June 1996 was paid during the reporting period, the total amount being \$5 696.

A new performance management process called the 'Feedback Scheme' was introduced for all non-SES staff during 1996–97. The process integrates a performance agreement with a competency-linked individual development plan.

The scheme is aimed at encouraging staff to:

- participate in setting their own work objectives
- align their work objectives with section/branch and corporate goals
- improve communication and feedback between themselves and their managers and colleagues
- identify and pursue personal and professional development needs.

The individual development plan component of the Feedback Scheme was used as the basis for the developmental needs analysis described on page 46.

Occupational health and safety

A revision of ASIO's occupational health and safety (OH&S) agreement was completed in the review period. The agreement now incorporates specific goals relating to the training of line managers and to the inclusion of OH&S initiatives within business plans. Having consolidated case manager and OH&S representative networks in the previous year, the task is now to develop workplace awareness that OH&S involves staff motivation and Organization productivity, not just the duty-of-care perspective.

The revised agreement also introduced a health and safety inspection program encompassing hazard checks, quarterly workplace inspections and annual inspections; and a quarterly divisional management report on any injuries incurred and other current issues.

Table 17 in Appendix B shows reportable accidents during 1996–97.

During the reporting period the Director-General, after consultation with the Minister for Industrial Relations, issued a notice under section 6 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*. The notice modified the operation of the Act in respect of ASIO officers, with the intention of 'promoting the objects of the legislation to the greatest extent consistent with the maintenance of Australia's national security'.

Equal employment opportunity

The head of ASIO's Corporate Support Division is responsible for ensuring that the strategies set out in ASIO's EEO plan are effectively incorporated within broader human resource management policies.

Under ASIO's third workplace bargaining agreement a commitment was made to consider the implications for the Organization of the 1994 decision of the Australian Industrial Relations Commission providing for the extended use of paid leave for family purposes. The resulting introduction of Special/Carer's Leave helps staff to reconcile their employment and family responsibilities. It enables officers to take up to five days off in each sick leave year, to look after family members or attend to a range of personal situations including emergencies.

Statistics showing the composition of ASIO's workforce from an EEO perspective are contained in Appendix C. During 1996–97 ASIO appointed a permanent staff member with a severe visual impairment. The initiative was supported with some minor workplace modifications and enhancements and a program to help staff understand the difficulties facing people with disabilities.

One of ASIO's EEO Contact Officers explored the establishment of a women's network in ASIO and across the intelligence community. A working

group drawn from women at all levels in ASIO will consider the findings of the project paper and seek to implement agreed recommendations.

Benchmarking for continuous improvement

A second staff attitudes survey was conducted in March 1997, as part of ASIO's continuing participation in the Australian Quality Council's Survey and Benchmarking Program. As in 1996, the survey was designed to quantify staff views on ASIO's corporate performance in areas such as leadership, client focus, products and services, communication and people management.

The results of the 1997 survey again indicated that ASIO staff are highly team-oriented and value the professionalism of their work groups and colleagues. Issues associated with Organizational structure, management, communication and career development were identified as requiring further attention.

The results are being followed up through 1997 at branch, division and corporate level. The goal is continuous improvement, involving action at both the local and corporate levels.

Information available on request

In line with government guidelines this year's report is again, as an efficiency, omitting a proportion of administrative detail. Instead, unclassified information will be made available to members of Parliament and members of the public within five days on request. Requests can be made in writing to the Director-General of Security, GPO Box 2176, Canberra City, ACT 2601; or by telephoning the public liaison number: (02) 6249 8381.

Material is available on request on the following topics:

- ASIO's employment and appointment of people from equal employment opportunity (EEO) target groups (see also Appendix C).
- Training, including expenditure and the number of people and person days involved (see also Appendix B).
- Insurable or manageable claims and losses which individually resulted in net costs to the Commonwealth of \$50 000 or more, as well as aggregate claims of more than \$10 000.
- Compliance with government information technology purchasing arrangements.
- Payment of accounts.
- Consultancy services used (with the exception of some details excluded for security reasons).

**Program
activities and
outcomes**

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- Environmental matters (including details of energy usage, energy savings targets, use of energy efficient features in buildings; consumption of energy by ASIO's administrative vehicle fleet and reviews of vehicle usage; purchase of appliances with not less than a four-star energy rating; and the use of opportunities to improve energy efficiency in regard to equipment which consumes a significant amount of energy).
- Property usage (showing overall usage in terms of both rental charges and square metres of office space, non-office space and dead rent attributed to each program, and valuations for properties which are exempt from a rent or capital use charge).

Financial statements

Audit Report on the Financial Statements of the Australian Security Intelligence Organization



AUSTRALIAN SECURITY INTELLIGENCE ORGANIZATION INDEPENDENT AUDIT REPORT

To the Attorney-General and Minister for Justice

Scope

I have audited the financial statements of the Australian Security Intelligence Organization for the year ended 30 June 1997.

The financial statements comprise:

- . Statement by the Director-General of Security
- . Departmental statements of:
 - . Revenues and Expenses
 - . Assets and Liabilities
 - . Cash Flows
- . Schedule of Commitments
- . Schedule of Contingencies
- . Statement of Transactions by Fund, and
- . Notes to and forming part of the Financial Statements.

The Director-General of Security is responsible for the preparation and presentation of the financial statements and the information contained therein. I have conducted an independent audit of the financial statements in order to express an opinion on them to the Attorney-General and Minister for Justice.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free from material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements (Urgent

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Centenary House 19 National Circuit BARTON ACT 2600 Phone (06) 203 7300 Fax (06) 203 7777

Issues Group Consensus Views) and statutory requirements so as to present a view of the Organization which is consistent with my understanding of its financial position, its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Qualification

The Attorney-General has issued a declaration under subsection 70D(1) of the *Audit Act 1901* that particular parts of the accounts are to be treated as exempt accounts. These accounts are not subject to audit by the Auditor-General. I am therefore unable to form an opinion on the receipts to and expenditure from the exempt accounts, and on the assets and liabilities related to those exempt accounts. The audit opinion on the financial statements for the year ended 30 June 1996 was qualified on the same basis. A certificate will be sought from the Attorney-General under subsection 70D(5) of the *Audit Act 1901* that moneys allocated to those exempt accounts were properly expended.

Qualified Audit Opinion

In accordance with subsection 51(1) of the *Audit Act 1901*, I now report that, except for the limitation of scope on my work as described in the qualification section, and the effect of such adjustments, if any, as might have been determined as necessary had the limitation not existed, the financial statements, in my opinion:

- are in agreement with the accounts and records kept in accordance with section 40 of the Act;
- are in accordance with the *Guidelines for Financial Statements of Commonwealth Departments*, and
- present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements, the information required by the *Guidelines*, including the results of departmental financial operations and cash flows for the year ended 30 June 1997 and departmental assets and liabilities as at that date.

Australian National Audit Office



David C. McKean
Executive Director

For the Auditor-General

Canberra
12 September 1997

COMMONWEALTH OF AUSTRALIA

AUDIT ACT 1901

CERTIFICATE UNDER SUB-SECTION 70D(5)

I, Daryl Williams, the Attorney-General of the Commonwealth, being, for the purpose of sub-section 70D(5) of the *Audit Act 1901*, the responsible Minister in respect of the Australian Security Intelligence Organization and having received from the Auditor-General a notification, under that sub-section, of the total of the amounts that, according to the accounts of, or relating to, that Organization audited by him, were, during the financial year that commenced on 1 July 1996, allocated for crediting to exempt accounts of that Organization, hereby certify:

- (a) that the moneys shown in those exempt accounts as having been expended for a purpose or service specified in those exempt accounts during that financial year were properly expended in respect of that service or purpose and in the public interest;
- (b) that the amount standing to the credit of those exempt accounts at the end of the financial year:
 - (i) was held partly in cash and partly on deposit with a bank;
 - (ii) did not equal the amount ascertained by aggregating the amount standing to the credit of those exempt accounts at the commencement of that financial year and the total specified in the above-mentioned notification and subtracting from that aggregate the total of the moneys referred to in paragraph (a); and
 - (iii) differed from the amount ascertained by the aggregation referred to in paragraph (b)(ii) above by reason of the transfer of funds from the exempt accounts to the Organization's non-exempt accounts and also by reason of miscellaneous receipts credited to the exempt accounts, in addition to the amounts allocated for crediting to the exempt accounts referred to above;
- (c) that the exempt accounts were inspected and audited; and
- (d) that a number of immaterial irregularities or deficiencies in the exempt accounts was disclosed during the financial year and these have been resolved or rectified.

Dated this 25th day of September 1997

Daryl Williams
ATTORNEY-GENERAL

Statement by the Director-General of Security

CERTIFICATION

I certify that the attached financial statements for the year ended 30 June 1997 are in agreement with the Organization's accounts and records and, in my opinion, the statements have been prepared in accordance with the Guidelines for *Financial Statements of Departments* issued by the Minister for Finance in June 1997.



Dennis Richardson
Director-General of Security

12 September 1997

Departmental Revenues and Expenses for the year ended 30 June 1997

	Notes	1996-97 \$ '000	1995-96 \$ '000
<i>NET COST OF SERVICES</i>			
Expenses			
Employees	3A	38 373	32 924
Suppliers	3B	14 777	19 841
Depreciation and amortisation	3C	5 882	6 617
Write down of assets	3D	5	1 280
Net losses from sale of assets	3E	10	-
Total expenses		59 047	60 662
Revenues from independent sources			
Net gains from sales of assets		-	155
Sales of goods and services	4A	240	264
Other	4A	107	2 106
Total revenues from independent sources		347	2 525
Net cost of services		58 700	58 137
<i>REVENUES FROM GOVERNMENT</i>			
Appropriations used for:			
Ordinary annual services (net appropriations)		64 757	51 502
Liabilities assumed by other departments		-	1 438
Resources received free of charge	4B	1 857	2 067
Total revenues from government		66 614	55 007
Operating surplus/(deficit)			
Accumulated results at 1 July		13 738	16 868
Change in accounting policy	2j	1 990	-
Accumulated results at 30 June		23 642	13 738

The above statement should be read in conjunction with the accompanying notes.

Departmental Assets and Liabilities as at 30 June 1997

	Notes	1996-97 \$ '000	1995-96 \$ '000
<i>DEBT</i>			
Loans (from future running costs)		-	-
Total debt		-	-
<i>PROVISIONS AND PAYABLES</i>			
Employees	5A	11 161	10 807
Suppliers	5B	501	659
Total provisions and payables		11 662	11 466
<i>EQUITY</i>			
Accumulated results	6	23 642	13 738
Total equity		23 642	13 738
Total liabilities and equity		35 304	25 204
<i>FINANCIAL ASSETS</i>			
Cash	7A	2 953	2 949
Receivables	7B	12 347	312
Total financial assets		15 300	3 261
<i>NON-FINANCIAL ASSETS</i>			
Land and buildings	8A,8D	3 226	3 470
Infrastructure, plant and equipment	8B,8D	14 151	14 672
Intangibles	8C,8D	1 703	3 274
Other	8E	924	527
Total non-financial assets		20 004	21 943
Total assets		35 304	25 204
Current liabilities		3 895	3 763
Non-current liabilities		7 767	7 703
Current assets		16 224	3 788
Non-current assets		19 080	21 416

The above statement should be read in conjunction with the accompanying notes.

**Departmental Cash Flows for the year ended
30 June 1997**

	Notes	1996-97 \$ '000	1995-96 \$ '000
<i>OPERATING ACTIVITIES</i>			
Cash received			
Appropriations		52 566	51 502
Other		470	416
Total cash received		<u>53 036</u>	<u>51 918</u>
Cash used			
Employees		(37 998)	(30 663)
Suppliers		(13 463)	(18 680)
Total cash used		<u>(51 461)</u>	<u>(49 343)</u>
Net cash from operating activities	9	1 575	2 575
<i>INVESTING ACTIVITIES</i>			
Cash received			
Proceeds from sales of property, plant and equipment		935	947
Total cash received		<u>935</u>	<u>947</u>
Cash used			
Purchase of property, plant and equipment		(2 506)	(3 512)
Total cash used		<u>(2 506)</u>	<u>(3 512)</u>
Net cash from investing activities		(1 571)	(2 565)
<i>FINANCING ACTIVITIES</i>			
Net cash from financing activities		-	-
Net increase/(decrease) in cash held		4	10
Add cash at 1 July		2 949	2 939
Cash at 30 June		<u>2 953</u>	<u>2 949</u>

The above statement should be read in conjunction with the accompanying notes.

**Schedule of Commitments for the year ended
30 June 1997**

	Notes	1996-97 \$ '000	1995-96 \$ '000
OTHER COMMITMENTS			
Operating leases		9 757	11 568
Other commitments		480	430
Total other commitments		10 237	11 998
BY MATURITY			
One year or less		2 326	2 313
From one to two years		1 721	1 774
From two to five years		3 864	4 930
Over five years		2 326	2 981
Net commitments		10 237	11 998

There is no formal lease in place in respect of ASIO's Central Office. Annual rental payments amount to \$1 800 000 (1995-96: \$1 800 000)

The above schedule should be read in conjunction with the accompanying notes.

**Schedule of Contingencies for the year ended
30 June 1997**

	Notes	1996-97 \$ '000	1995-96 \$ '000
<i>CONTINGENT LOSSES</i>			
Claims for damages/costs		-	-
Total contingent losses		-	-

There are no material contingencies to be reported.

The above schedule should be read in conjunction with the accompanying notes.

**Statement of Transactions by Fund for the year ended
30 June 1997**

	Notes	1996-97 Budget \$	1996-97 Actual \$	1995-96 Actual \$
Consolidated Revenue Fund				
RECEIPTS				
Section 35 of the <i>Audit Act</i> 1901—to be credited to Running Costs — Division 124.1		1 000 000	1 434 862	1 370 693
Total receipts		1 000 000	1 434 862	1 370 693
EXPENDITURE				
Appropriation Act No. 1		64 757 000	54 000 862	52 872 363
Audit Act 1901 (Section 35)		1 000 000		
Total expenditure	10	65 757 000	54 000 862	52 872 363
Loan Fund		Nil	Nil	Nil
Trust Fund		Nil	Nil	Nil

The above statement of Transactions by Fund should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 30 June 1997

NOTE 1: Objective

To provide Ministers and appropriate agencies and authorities with advice in accordance with the ASIO Act on acts likely to place the security of Australian people, property or interests at risk and on how risks might be managed and harm avoided, countered or reduced; to contribute to foreign intelligence collection in Australia and to Australia's counter terrorist response capability.

NOTE 2: Summary of significant accounting policies

A. Basis of accounting

The financial statements are required by section 50 of the *Audit Act 1901* and are a general purpose financial report. The financial statements have been prepared in accordance with Guidelines on *Financial Statements of Departments* issued by the Minister for Finance in June 1997 (the Guidelines), which require that the financial statements are prepared:

- in compliance with Australian Accounting Standards and Accounting Guidance Releases issued by the Australian Accounting Research Foundation; and
- having regard to Statements of Accounting Concepts; and
- the Consensus Views of the Urgent Issues Group.

The financial statements have been prepared on an accrual basis, are in accordance with the historical cost convention except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The continued existence of ASIO in its present form, and with its current programs, depends on government policy and on continuing appropriations by Parliament for ASIO's administration.

B. Rounding

Amounts have been rounded to the nearest \$1 000 except in relation to the following items:

- Statement of Transactions by Fund
- amounts written off
- remuneration of executives.

C. Taxation

ASIO's activities for 1996–97 and prior years are exempt from all forms of taxation except Fringe Benefits Tax, and sales tax on executive motor vehicles.

D. Appropriations

Appropriations for ASIO's operations other than running costs are recognised as revenue to the extent that the appropriations are spent.

From 1 July 1996, the Guidelines require that amounts received as appropriations for running costs operations are to be recognised according to their nature under the Running Costs Arrangements. Under these arrangements, ASIO receives a base amount of funding by way of appropriation for running costs each year. The base amount may be supplemented in any year by a carryover from the previous year of unspent appropriations up to allowable limits, as well as by borrowings at a discount against future appropriations of the base amount. The repayment of a borrowing is effected by an appropriate reduction in the appropriation actually received in the year of repayment.

ASIO now recognises:

- as revenue an amount equal to the base funding spent in the year or carried over to the next year; and
- as a receivable, an amount equal to the amount of unspent appropriation carried over to the next financial year.

Previously, an amount equal to the running costs appropriations actually received was credited as revenue. Following the change in policy the carryover to 1997–98, \$12 191 000, is recognised as revenue in 1996–97. This includes \$7 094 023 carried over from 1995–96.

E. Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date.

Currency gains and losses are not recognised in the financial statements as the Department of Finance assumes responsibility for ASIO's foreign currency exposure. The net amount of such gains and losses is not considered material to the Organization's operations.

F. Insurance

In accordance with government policy, assets are not insured and losses are expensed as they are incurred.

G. Bad and doubtful debts

Bad debts are written off during the year in which they are identified.

A provision is raised for any doubtful debts based on a review of all outstanding accounts as at year end.

H. Asset capitalisation threshold

All depreciable non-current assets with a historical cost equal to or in excess of \$500 are capitalised in the year of acquisition and included on ASIO's asset register. The value of all such assets is included in the financial statements. Assets with a historical cost under \$500 are expensed in the year of acquisition.

I. Valuation of non-financial assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by ASIO. Cost is determined as the cash amount paid or the fair value of assets transferred or acquired.

Land and buildings are revalued every three years. Land and buildings were independently valued during 1995–96 on the basis of market price.

J. Depreciation of non-financial assets

All depreciable non-current assets are written off over their estimated useful lives. Depreciation is calculated using the straight-line method which correctly reflects the pattern of usage and rate of loss of value of ASIO's depreciable non-current assets.

The useful lives of a number of plant and equipment assets have changed due to the change in the definition of useful life in AAS 4 *Depreciation of Non-Current Assets* from the asset's economic life to its useful life to the entity. The financial effect of the change (\$1 990 000) has been taken up against the 1 July 1996 Accumulated Deficit.

Leasehold improvements are amortised on a straight-line basis over the estimated useful life of the improvements or the unexpired period of the lease.

K. Employee entitlements

All vesting employee entitlements, including annual leave and long service leave, have been recognised as liabilities in the financial statements. No provision for sick leave is included as sick leave is non-vesting.

The long service leave provision has been calculated having regard to the probability that long service leave will in the future either be taken or have to be paid even though an employee may not yet have met the qualifying period of ten years.

Provision has been made for annual leave and this item has been split between current and non-current on the basis of past history.

L. Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements.

M. Superannuation

Staff of ASIO contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. Employer contributions amounting to \$4 188 000 (1995–96: \$3 927 000) in relation to these schemes have been expensed in these financial statements.

No liability is shown for superannuation in the Statement of Assets and Liabilities as the employer contributions fully extinguish the accruing liability which is assumed by the Commonwealth.

Employer Superannuation Productivity Benefit contributions totalled \$646 000. (1995–96: \$630 300)

N. Resources received free of charge

Resources received free of charge are recognised as revenue in the Departmental Revenues and Expenses statement where the amounts can be reliably measured. Use of those resources is recognised as an expense.

O. Administered items

ASIO does not have any administered items.

P. Program statement

ASIO is funded by Parliament as Sub-program 6.8 of the Attorney-General's portfolio and no program statement is required with these financial statements.

NOTE 3: Goods and services expenses	1996-97 \$ '000	1995-96 \$ '000
NOTE 3A: Employee expenses		
Basic remuneration	35 639	32 924
Separation and redundancy	2 734	–
Total	38 373	32 924
NOTE 3B: Suppliers' expenses		
Supply of goods and services	10 686	15 635
Operating lease rentals	4 091	4 206
Total	14 777	19 841

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1996-97
\$ '000

1995-96
\$ '000

NOTE 3C: Depreciation and amortisation

Provision for depreciation, property, plant and equipment	3 634	4 575
Amortisation of intangibles	1 758	1 584
Amortisation of leasehold improvements	490	458
Total	<u>5 882</u>	<u>6 617</u>

NOTE 3D: Write down of assets

Non-financial assets, infrastructure, plant and equipment	5	1 280
Total	<u>5</u>	<u>1 280</u>

NOTE 3E: Net losses from sale of assets

Non-financial assets, land and buildings	(27)	-
Infrastructure, plant and equipment	37	-
Total	<u>10</u>	<u>-</u>

NOTE 4: Items credited as revenue

NOTE 4A: Revenues from independent sources:

	1996-97 \$ '000	1995-96 \$ '000
Sales of goods and services	240	264
Gains from the sale of non-financial assets	-	155
Change in asset capitalisation threshold	-	1 777
Other	107	329
Total	<u>347</u>	<u>2 525</u>

NOTE 4B: Resources received free of charge:

Australian Archives

Provision of ongoing archival services	28	28
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Australian National Audit Office

The estimated cost of services provided by the Auditor-General in auditing the Organization's financial statements	59	57
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Department of Defence

Provision of air transport services and training	-	212
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Department of Foreign Affairs and Trade

Provision of a diplomatic communications network facility and the payment of salary and support costs for ASIO staff stationed at overseas liaison posts	1 770	1 770
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Total	<u>1 857</u>	<u>2 067</u>
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NOTE 5: Provisions and payables

NOTE 5A: Employee liabilities

	1996-97 \$ '000	1995-96 \$ '000
Salaries and wages	445	229
Leave	10 638	10 563
Superannuation	54	-
Other	24	15
Total	<u>11 161</u>	<u>10 807</u>

NOTE 5B: Suppliers

Trade creditors	<u>501</u>	<u>659</u>
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**Financial
statements**

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NOTE 6: Equity

	Accumulated Results \$ '000
Balance 1 July 1996	13 738
Operating result	7 914
Change in accounting policy	1 990
Balance 30 June 1997	<u>23 642</u>

NOTE 7: Financial assets

NOTE 7A: Cash

	1996-97 \$ '000	1995-96 \$ '000
Cash at bank	2 850	2 824
Cash on hand	103	125
Total	<u>2 953</u>	<u>2 949</u>

NOTE 7B: Receivables

Appropriations	12 191	-
Goods and services	158	320
Less provision for doubtful debts	(2)	(8)
Total	<u>12 347</u>	<u>312</u>

Goods and services receivables (gross)
are aged as follows:

Not overdue	141	251
Overdue:		
- less than 30 days	-	1
- 30 to 60 days	7	1
- 60 to 90 days	-	26
- more than 90 days	10	41
	<u>158</u>	<u>320</u>

NOTE 8: Non-financial assets

NOTE 8A: Land and buildings

	1996-97 \$ '000	1995-96 \$ '000
Freehold land—at cost	549	424
Freehold land—at November 1995 valuation	—	73
	<hr/> 549	<hr/> 497
Buildings on freehold land—at cost	336	158
Accumulated depreciation	(19)	(8)
	<hr/> 317	<hr/> 150
Buildings on freehold land—at June 1996 valuation	245	338
Accumulated depreciation	(33)	(58)
	<hr/> 212	<hr/> 280
Leasehold improvements—at cost	3 850	3 759
Accumulated amortisation	(2 015)	(1 697)
	<hr/> 1 835	<hr/> 2 062
Leasehold improvements—at April 1995 valuation	797	797
Accumulated amortisation	(484)	(316)
	<hr/> 313	<hr/> 481
Total	<hr/> 3 226	<hr/> 3 470

NOTE 8B: Infrastructure, plant and equipment

Infrastructure, plant and equipment—at cost	33 844	34 768
Accumulated depreciation	(19 693)	(20 096)
	<hr/> 14 151	<hr/> 14 672
Total	<hr/> 14 151	<hr/> 14 672

NOTE 8C: Intangibles

Purchased computer software—at cost	7 203	7 016
Accumulated amortisation	(5 500)	(3 742)
	<hr/> 1 703	<hr/> 3 274
Total	<hr/> 1 703	<hr/> 3 274

NOTE 8D: Analysis of property, plant and equipment and intangibles
Table A — Movement summary of property, plant and equipment for 1996-97

<i>Item</i>	<i>Land</i>	<i>Buildings</i>	<i>Total land and buildings</i>	<i>Infrastructure plant and equipment</i>	<i>Intangibles</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value as at 1 July 1996	497	5 052	5 549	34 768	7 016	47 333
Additions	125	269	394	2 593	187	3 174
Disposals	(73)	(93)	(166)	(3 517)	–	(3 683)
Gross value as at 30 June 1997	549	5 228	5 777	33 844	7 203	46 824
Accumulated depreciation/ amortisation as at 1 July 1996	–	2 079	2 079	20 096	3 742	25 917
Depreciation/ amortisation charge for assets held 1 July 1996	–	496	496	3 529	1 755	5 780
Depreciation/ amortisation charge for additions	–	9	9	90	3	102
Adjustment for disposals	–	(33)	(33)	(2 032)	–	(2 065)
Adjustment for change in accounting policy	–	–	–	(1 990)	–	(1 990)
Accumulated depreciation/ amortisation as at 30 June 1997	–	2 551	2 551	19 693	5 500	27 744
Net book value as at 30 June 1997	549	2 677	3 226	14 151	1 703	19 080
Net book value as at 1 July 1996	497	2 973	3 470	14 672	3 274	21 416

NOTE 8D: Analysis of property, plant and equipment

Table B — Summary of balances of assets at valuation as at 30 June 1997

<i>Item</i>	<i>Land</i>	<i>Buildings</i>	<i>Total land and buildings</i>	<i>Other infrastructure plant and equipment</i>	<i>Intangibles</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>As at 30 June 1997</i>						
Gross value	–	1 042	1 042	–	–	1 042
Accumulated depreciation/ amortisation	–	(517)	(517)	–	–	(517)
Other movements	–	–	–	–	–	–
Net book value	–	525	525	–	–	525
<i>As at 30 June 1996</i>						
Gross value	73	1 135	1 208	–	–	1 208
Accumulated depreciation/ amortisation	–	(374)	(374)	–	–	(374)
Other movements	–	–	–	–	–	–
Net book value	73	761	834	–	–	834

NOTE 8E: Other - prepayments

	1996-97 \$ '000	1995-96 \$ '000
Capital items	202	59
Computer hardware, software maintenance fees	217	83
Rent on properties	177	262
Travel	207	–
Training fees	75	95
Other	46	28
Total	<u>924</u>	<u>527</u>

	1996-97 \$ '000	1995-96 \$ '000
NOTE 9: Cash flow reconciliation		
Reconciliation of net cost of services to net cash provided by operating activities		
Net cost of services—gain/(loss)	(58 700)	(58 137)
Depreciation/amortisation	5 882	6 617
(Profit)/Loss on disposal of non-current assets	10	(155)
Asset write-off	5	1 280
Revenue from government	66 614	55 007
Changes in assets and liabilities:		
decrease (increase) in receivables	(12 035)	(101)
decrease (increase) in other assets	(397)	(210)
increase (decrease) in creditors	(158)	(1 028)
increase (decrease) in provisions	354	960
increase (decrease) in other liabilities		
Items previously capitalised written-off	—	119
Asset capitalisation adjustment	—	(1 777)
	<hr/>	<hr/>
Net cash provided by operating activities	1 575	2 575

	1996-97 Appropriation \$	1996-97 Actual \$	1995-96 Actual \$
NOTE 10: Total appropriations			
Appropriation Act No 1	64 757 000	} 54 000 862	52 872 363
Amounts deemed to be appropriated	1 434 862		
Total	<hr/> 66 191 862	<hr/> 54 000 862	<hr/> 52 872 363

	1996-97 \$ '000	1995-96 \$ '000
NOTE 11: Services provided by the Auditor-General		
Financial statement audit services are provided free of charge to ASIO.		
No other services were provided by the Auditor-General.		
The fair value of audit services provided was:	59	57
	<hr/>	<hr/>

NOTE 12: Executive remuneration

The number of executive officers who received or were due to receive fixed remuneration of \$100 000 or more:

	1996-97 \$ '000	1995-96 \$ '000
	Number	Number
\$100 000 to \$110 000	-	9
\$110 000 to \$120 000	8	-
\$120 000 to \$130 000	-	3
\$130 000 to \$140 000	4	-
\$150 000 to \$160 000	-	1
\$160 000 to \$170 000	1	-
\$180 000 to \$190 000	-	1
\$190 000 to \$200 000	1	-

The aggregate amount of fixed remuneration of executive officers shown above.

<u>\$1 753 944</u>	<u>\$1 703 680</u>
--------------------	--------------------

The aggregate amount of performance pay paid during the year to executive officers shown above

<u>\$5 696</u>	<u>29 716</u>
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NOTE 13: Amounts written off

	1996-97 \$	1995-96 \$
Losses or deficiencies of public moneys	-	-
Irrecoverable amounts of revenue	-	-
Irrecoverable debts and overpayments	-	-
Amounts of revenue, or debts or overpayments, the recovery of which would, in the opinion of the Minister, be uneconomical	-	-
Lost, deficient, condemned, unserviceable or obsolete stores	5 000	1 279 824

These details are furnished in relation to amounts written off during the financial year 1996-97 under subsection 70C(1) of the *Audit Act 1901*.

NOTE 14: Act of Grace payments

No payments were made during the financial year 1996-97 (1995-96: Nil) pursuant to authorisations given under section 34A of the *Audit Act 1901*.

NOTE 15: Waiver of rights to payment of moneys

No payments were waived during the financial year 1996-97 (1995-96: Nil) under subsection 70C(2) of the *Audit Act 1901*.

NOTE 16: Losses and deficiencies etc in public moneys and other property

No action was taken during the financial year 1996–97 (1995–96: Nil) under Part XIA of the *Audit Act 1901*.

NOTE 17: Post balance date event

In May 1997, an announcement was made of an intention to reorganise ASIO's management structure. At balance date, neither individual positions nor officers who may be affected by this decision had been identified.

Appendixes

List of appendixes

- A: Program expenditure
- B: Staffing statistics
- C: Equal employment opportunity statistics
- D: Public access to ASIO records
- E: Evaluations
- F: Security intelligence reports published
- G: Significant threat assessments
- H: Recommendations against entry or residence delegations
- I: Foreign liaison

A: Program expenditure

The contents of this appendix are excluded from the unclassified *Report to Parliament*.

B: Staffing statistics

ASIO's workforce comprises two main streams:

- Generalist Intelligence Officers (GIOs) with training and experience in collecting and analysing intelligence and preparing assessments and security advice.
- Specialist Intelligence Officers (SIOs) with qualifications or experience in a wide range of professional, technical, managerial and administrative fields.

Staff are employed under the ASIO Act, through contract arrangements between the Director-General and each officer. The terms and conditions of employment in ASIO are similar to those applying in the Australian Public Service.

Staffing numbers

Table 11: Staffing levels and number at 30 June, 1993–94 to 1996–97

	1993–94	1994–95	1995–96	1996–97
Average staff level (ASL) for each financial year (FY)	562	530	551	537
Full time staff equivalent (FSE) at end of each FY	544	529	577	524
Number of staff at the end of each FY	596	585	625	571

Table 12: Composition of the workforce (number at 30 June each year)

	1993-94	1994-95	1995-96	1996-97
Permanent full-time	545	525	550	519
Temporary full-time	8	15	26	16
Permanent part-time	9	14	18	18
Temporary part-time	4	3	—	—
Casual	6	17	15	8
Non-operational (including unattached and on compensation)	24	11	16	10
TOTAL	596	585	625	571

Table 13: Location and structure of the workforce (FSE at 30 June each year)

Location	1993-94	1994-95	1995-96	1996-97
Central Office				
Director-General	1	1	1	1
SES	10	10	13	11
Senior Officers	66	68	87	88
Other	260	231	288	276
<i>Subtotal</i>	<i>337</i>	<i>310</i>	<i>389</i>	<i>376</i>
States and Territories				
SES	2	3	1	1
Senior Officers	24	32	23	12
Other	181	184	164	103
<i>Subtotal</i>	<i>207</i>	<i>219</i>	<i>188</i>	<i>148</i>
ASIO-wide				
Director-General	1	1	1	1
SES	12	13	14	15
Senior Officers	90	100	110	100
Other	441	415	452	408
TOTAL	544	529	577	524

Table 14: SES equivalent staff location, classification and gender (positions at level) at 30 June each year

		1993-94	1994-95	1995-96	1996-97
Central office					
Band 1	Female	3	3	3	2
	Male	4	4	6	7
Band 2	Female	—	1	1	2
	Male	2	1	2	2
Band 3	Male	1	1	—	1
Seconded					
Band 3	Male	—	—	1	—
States and territories					
Band 1	Female	—	—	—	—
	Male	2	2	1	1
Band 2	Male	—	1	—	—
TOTAL		12	13	14	15

The Organization has 31 staff members classified as ‘unattached’. These officers have been or will be absent from work for 12 months or more, without pay. Examples include officers accompanying a spouse/partner on an overseas posting, as well as officers working (temporarily) for another government agency (such as the Department of Foreign Affairs and Trade).

Training

Table 15: Participation in internal training sessions, 1996-97

Training area	No. of training sessions	No. of participants
Intelligence and operations	21	167
Management development	23	289
Systems education training	524	524
TOTAL	568	980

Table 16: Net eligible expenditure on training, 1996–97

	\$
External training expenditure	435 855
Internal training expenditure	197 234
Salaries of the three corporate training areas	519 360
TOTAL	1 152 449

Occupational health and safety

Table 17 shows the incidence of accidents during the year reportable under section 68 of the *Occupational Health and Safety (Commonwealth Employees) Act 1991*.

Table 17: Reportable accidents, 1995–96 and 1996–97

Nature of accident	Notifications	
	1995–96	1996–97
Accidents resulting in death	Nil	Nil
Accidents causing serious personal injury	Nil	Nil
Accidents causing incapacity of 5 or more days	6	4
Dangerous occurrences not resulting in death, serious personal injury or incapacity	1	1

Work-related stress was a factor in only one of the incidents which resulted in staff being incapacitated for five days or more, a significant decrease from the four stress-related cases reported last year. Of the other three accidents causing incapacity, two were back injuries and one a bruised sternum.

The dangerous occurrence related to a battery that exploded during testing. (Liability was admitted by the supplier.)

C: Equal employment opportunity statistics

Table 18: Representation of designated groups within ASIO occupational groups at 30 June 1997

Group	Total staff ¹	Women	NESB	ATSI	PWD	Staff with EEO data ¹
SES	12	4 (33%)	-	-	1 (9%)	11 (92%)
MgrA ³	9	1 (11%)	-	-	-	8 (89%)
AM ⁴	103	10 (10%)	5 (5%)	-	3 (3%)	101 (98%)
GIO1 ⁵	125	35 (28%)	9 (8%)	-	3 (3%)	113 (90%)
SIO5 ⁵	133	43 (32%)	24 (19%)	-	5 (4%)	124 (93%)
SIO1-4	169	109 (64%)	5 (3%)	1 (0.6%)	8 (5%)	159 (94%)
ITO1-2	15	3 (20%)	2 (13%)	-	-	15 (100%)
ENG1-2	2	-	-	-	-	1 (50%)
Other	3	-	-	-	-	-
TOTAL	571	205 (36%)	45 (8%)	1 (0.2%)	20 (4%)	532 (93%)

Source: CHRIS (Complete Human Resource Information System—ASIO's computerised personnel system).

¹ Based on staff in substantive positions.

² Percentages for headings 'women' and 'staff with EEO data' based on 'total staff'; percentages for all other groups based on staff for whom EEO data was available. Provision of EEO data by staff is voluntary.

³ Mgr A = Branch Manager equivalent to APS Senior Officer Grade A (SOGA).

⁴ AM (Assistant Manager) classification is the equivalent of the APS SOGC to SOGB classifications and includes Senior Officers in the Engineer and Information Technology Classifications.

⁵ Salaries for GIO (Generalist Intelligence Officer Grade 1) and SIO (Specialist Intelligence Officer) Grades 1-5 span the APS ASO 1-6 salary range.

Table 19: Percentage representation of designated groups in ASIO 1993–1997

Group	June 1993	June 1994	June 1995	June 1996	June 1997
Women ¹	33.5	34.5	34.7	34.6	36.0
NESB	7.0	6.0	7.0	7.0	8.0
ATSI	0.1	0.2	0.2	0.2	0.2
PWD	4.7	4.7	4.8	4.0	4.0

Source: CHRIS (Complete Human Resource Information System—ASIO’s computerised personnel system).

¹Percentages for women based on total staff; percentages for other groups based on staff for whom EEO data was available.

Key to abbreviations:

NESB = Non-English speaking background. ATSI = Aboriginal and Torres Strait Islander.

PWD = People with a disability.

D: Public access to ASIO records

Researchers and other members of the public can apply to the Australian Archives for copies of ASIO records that are at least 30 years old. Copies will be supplied with the exclusion of certain sensitive information.

During 1996–97 Australian Archives continued to receive more requests for ASIO records than for the records of any other agency except the Department of Foreign Affairs and Trade, and the Department of Defence (both very much larger organisations). ASIO requests totalled 214, covering 814 different subjects, reflecting the high level of public interest in ASIO's activities during the 1940s, '50s and '60s.

ASIO met with several major researchers during the year to discuss their particular interests, with the aim of focusing limited resources on specific research requirements. Highest priority continued to be given to requests from people seeking records relating to themselves or their immediate family. Next in priority came occasional or less complex requests from researchers and requests from other Commonwealth agencies preparing to release material that included ASIO information. Large and backlogged requests were addressed as the workload permitted.

The nature of security intelligence records means that every page sought by the public must be individually examined to identify those that contain sensitive information. The first half of the reporting period reflected the short term impact of 1996–97 resource pressures, with only 42 per cent of requests completed within 90 days.

However, in the next six months 97 per cent were finalised in under 90 days. This resulted from investment in new scanning technology to aid the time-consuming process, as well as an intensive training program to enhance the examining competencies of a larger number of staff. A more rigorous examination process was also introduced to minimise wrongly based exclusions.

Overall, 65 per cent of requests received during 1996–97 were completed and a backlog of 143 requests was reduced to 93. Out of more than 20 000 individual pages examined, more than 14 000 were released in whole or in part.

Applicants who are dissatisfied with the exemptions claimed by ASIO under the Archives Act can request an 'internal reconsideration' of the initial decision. During the year 24 internal reconsiderations were conducted. Of these, nine resulted in no change to the original assessment. Of the

Sensitive information

Under the provisions of the Archives Act 1983, an ASIO record is exempt from disclosure if it would, or could reasonably be expected to:

- reveal modus operandi
- prejudice current operations
- reveal the existence or identity of past or current sources, agents and ASIO officers
- or endanger foreign liaison.

remainder, some resulted in substantial additional releases, while others resulted in minor changes.

The high level of demand, coupled with a reducing budgetary climate and staff losses early in the year, highlighted the need for ASIO to examine the way it manages its obligations under the Archives Act. A joint ASIO–Australian Archives review of all aspects of ASIO’s performance under the Act will be completed in the coming review period. We also worked closely with members of the AIC to develop a coordinated response to the Australian Law Reform Commission’s Review of the Archives Act.

E: Evaluations

ASIO’s evaluation program operates under the direction of the Audit & Evaluation Committee, which includes an SES officer from the Australian National Audit Office as an external member. The evaluation program aims to improve the appropriateness, efficiency and effectiveness of ASIO program functions.

During 1996–97 two principal evaluations were completed, and a range of minor evaluations were also undertaken within operating divisions.

The outcomes of the two principal evaluations and the minor evaluation program are summarised below (excluded from the unclassified *Report to Parliament*).

F: Security intelligence reports

The following reports were issued to clients during the reporting period. (This list is excluded from the unclassified *Report to Parliament*.)

G: Significant threat assessments

Tables 20 and 21 show significant visits to and from Australia on which ASIO provided security advice to government in the form of threat assessments in 1996–97. Table 22 (excluded from the unclassified *Report to Parliament*) shows significant establishments for which national security threat assessments (NSTAs) were issued during the reporting period.

Table 20: Significant visits to Australia for which threat assessments were issued in 1996–97

Dates	Visitor
Jul 96	Minister for Trade, Mexico, Dr Blanco
Sep 96	Secretary of State for Defence, UK, Mr Michael Portillo, MO
Oct 96	Vice-President of Philippines, Mr Joseph Estrada
Oct–Nov 96	Diana, Princess of Wales
Nov 96	President of the United States of America, Mr Bill Clinton
Nov–Dec 96	Deputy Prime Minister of Cambodia, Sar Kheng
Dec 96	President of the Republic of Kazakstan, Mr Nursultan Nazarbayev
Jan 97	Crown Prince Willem Alexander of the Netherlands
Feb 97	Economics Minister of Germany, Dr Gunter Rexdrodt
Feb 97	Minister for Foreign Affairs, Socialist Republic of Vietnam, Mr Nguyen Manh Cam
Mar 97	Vice-President of Argentina, Dr Ruckauf
Mar 97	President Ochirbat of Mongolia
Mar 97	Minister for Foreign Affairs, Indonesia, Mr Ali Alatas

Apr 97	Member of Politburo and Head of the Party's Propaganda Department of the People's Republic of China, Mr Ding Guangen
Apr 97	Prime Minister of Japan, Mr Hashimoto
Apr–May 97	Minister for Research and Technology, Indonesia, Dr Habibie
May 97	Chancellor of Germany, Dr Helmut Kohl
May 97	Prime Minister of New Zealand, Mr Jim Bolger
May 97	Principal Assistant to the Minister for Defence Force Strategic Affairs, Israel, Major-General D. Ivry (Retired)
May 97	Vice-Premier of People's Republic of China, Mr Zhu Rongji

Table 21: Significant Australian overseas visits for which threat assessments were issued in 1996–97

Dates	Visitor
Aug–Sep 96	Attorney-General, Mr Williams, visit to Vietnam and United Kingdom
Sep 96	Prime Minister Howard, visit to Japan and Indonesia
Nov 96	Prime Minister Howard, Deputy Prime Minister Fischer and Foreign Affairs Minister Downer, visit to the Philippines for APEC
Mar–Apr 97	Prime Minister Howard, visit to China
Apr 97	Deputy Prime Minister Fischer, visit to Pakistan, Bangladesh, Bhutan and Nepal
Apr 97	Treasurer, Mr Costello, visit to Philippines for the APEC Finance Ministers meeting
Jun–Jul 97	Prime Minister Howard, visit to the United Kingdom and USA
Jun–Jul 97	Foreign Affairs Minister Downer, visit to Luxembourg, Hong Kong, Vietnam and Laos

H: Recommendations against entry or residence

Table 23 shows the grounds on which 15 people applying for entry to or permanent residence in Australia were given adverse security assessments during 1996–97 (compared with 16 in 1995–96). An adverse security assessment constitutes a recommendation by ASIO that the agency which requested the security assessment (DIMA or DFAT) should refuse the application. In each case a final decision rests with the requesting agency. In all but one of the cases listed, the requesting agency refused the application. In the remaining case, an identified intelligence officer was granted entry on national interest grounds following DFAT representations. Denial of permanent entry or permanent residence applies to all members of the applicant's family unit.

In the unclassified *Report to Parliament*, the national or terrorist affiliations of the applicants are excluded from the table.

Table 23: Adverse security assessments on applicants for entry to or residence in Australia 1996–97

Type of application	No.	Affiliation [S]	Reason for adverse assessment
Temporary entry	11		Espionage potential
	2		Terrorist links
Permanent entry	1		Espionage potential
Permanent residence	1		"

I: Foreign liaison delegations

During the reporting period ASIO was host to more than 40 delegations of senior officials from overseas security and intelligence authorities of the countries listed in Table 24 (excluded from the unclassified *Report to Parliament*).

Compliance index

This index is a guide to the report's compliance with the *Guidelines for the preparation of departmental annual reports*, issued by the Secretary to the Department of the Prime Minister and Cabinet. Items are marked 'na' when the requirement does not apply to ASIO because of the nature of the Organization's statutory functions, certain legislative provisions, or its status within the portfolio.

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ASIO contact information

Written inquiries

The Director-General
Central Office
GPO Box 2176
CANBERRA ACT 2601

General inquiries

Central Office switchboard (02) 6249 6299
1800 020 648 (toll-free)

Media inquiries

Media Liaison Officer (02) 6249 8381

Collection office inquiries

Australian Capital Territory (02) 6249 7415
Victoria (03) 9654 8985
New South Wales (02) 9281 0016
Queensland (07) 3831 5980
South Australia (08) 8223 2727
Western Australia (08) 9221 5066
Northern Territory (08) 8981 2374
Tasmanian residents may call
Central Office toll-free 1800 020 648